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The State Coastal Conservancy

Assembly Committee on Natural Resources

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CALIFORNIA LEGISLATURE

ASSEMBLY COMMITTEE

ON

NATURAL RESOURCES

ASSEMBLY MEMBER BYRON D. SHER, CHAIRPERSON

Hearing on

THE STATE COASTAL CONSERVANCY



STATE CAPITOL BUILDING

2:00 p.m. — Room 444

Sacramento, California

February 23, 1987

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BRIEFING PAPER
FOR
HEARING ON
THE STATE COASTAL CONSERVANCY

ASSEMBLY NATURAL RESOURCES COMMITTEE
BYRON D. SHER, CHAIRMAN
FEBRUARY 23, 1987

Room 444, 2:00 p.m.
State Capitol
SACRAMENTO, CALIFORNIA

I. INTRODUCTION

The State Coastal Conservancy was established in 1976 (Chapter 1441, Statutes of 1976). The conservancy is responsible for developing and implementing programs for agricultural land protection, resource enhancement and restoration, waterfront restoration and public access in the coastal zone. Generally these projects must be consistent with the policies of the California Coastal Act of 1976. However, the conservancy does not have a regulatory function under the Coastal Act - this role is reserved for by the California Coastal Commission.

The conservancy furthers the goals of the Coastal Act through property acquisition, property trades, grants to governmental and nonprofit entities.

Conservancy Board. The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members. Two of the public members are appointed by the Governor and one each by the Speaker of the Assembly and the Senate Rules Committee. Three Assembly and three Senate members are appointed by the Speaker and the Senate Rules Committee to participate in the board meetings but may not vote.

The conservancy office is located in Oakland. There are 39.8 staff positions authorized for the 1986/87 fiscal year.

Conservancy Jurisdiction. The conservancy's jurisdiction includes the jurisdictions of the San Francisco Bay Conservation and Development Commission, the Coastal Commission, and in limited circumstances, adjacent upland areas. For the purposes of CUWARFA (see below), the conservancy also may approve projects in lakes, rivers and waterfronts in any statistical metropolitan area.

II. CONSERVANCY PROGRAMS

The statutes which govern the conservancy are divided into several chapters, each of which creates a separate program. The conservancy has also organized a separate nonprofit organization program because these groups are involved in almost all of the conservancy programs. For reporting purposes, the conservancy has combined some of the chapter programs into larger functional elements. One of these is the Acquisition Program which includes the Coastal Restoration, Reservation of Coastal Resource Sites and Preservation of Agricultural Land programs discussed below. Statutorily, the conservancy programs are divided into the following chapters:

(1) Preservation of Agricultural Land. The conservancy is authorized to acquire coastal agricultural lands to prevent their loss to other purposes and to assemble lands into agriculturally viable units. The conservancy cannot acquire property for this purpose unless it is planned for agricultural use in local coastal plans or other appropriate plan, and there are no other reasonable means of ensuring agricultural use. The conservancy may take direct action to preserve agricultural land or may make grants to other public agencies or to nonprofit organizations. The conservancy is required to take all feasible action to return to private use or ownership, all lands acquired pursuant to this chapter.

The recent proposed acquisition of Cascade Ranch is an example of agricultural land preservation. In this project the conservancy will acquire agricultural land which is adjacent to a state park, provide for a more reliable water supply and lease or sell the land back to an agricultural operator. Previously, the land had been proposed for conversion to residential use.

(2) Coastal Restoration Projects. Coastal Restoration Projects are intended to address problems associated with substandard size lot subdivisions, incompatible land uses or other conditions which are adversely affecting the coastal environment or impeding orderly development. Areas proposed for restoration must be identified as requiring public action in an appropriate local coastal plan or other plan. The conservancy makes grants to local governmental agencies and nonprofit organizations to carry out this chapter. The conservancy may act directly if no public agency chooses to carry out a needed restoration project.

An example of a coastal restoration project is the Lot Consolidation Program at Ormond Beach in Ventura County. Substandard lots subject to erosion are inappropriate for residential development because they were on the beach, were consolidated and used for visitor serving facilities.

(3) Coastal Resource Enhancement Projects. The Coastal Resource Enhancement Projects are similar in operation and procedure to the coastal restoration program. But while the latter focuses on problems affecting orderly development, this program is directed at coastal natural resources.

In one enhancement project, the conservancy acquired property to form the Tijuana River Estuary Sanctuary. The conservancy was also involved in various related improvements and planning.

(4) Reservation of Significant Coastal Resource Areas. The Reservation of Significant Coastal Resource Area Program authorizes the conservancy to purchase lands suitable for public use for eventual transfer to other public agencies or nonprofit organizations. The conservancy may hold purchased lands for no longer than ten years. In limited circumstances the conservancy may lend funds to nonprofit organizations to make such a purchase.

The acquisition of the Arroyo Sequit property in the Santa Monica Mountains is an example of this program. The property has been resold to the Santa Monica Mountains National Recreational Area.

(5) Public Accessways. The Public Access Program involves the conservancy in the acquisition, the development and planning of coastal accessways. While the conservancy is specifically tasked with developing standards to guide development of accessways, the statutes encourage grants to nonprofit organizations and public entities for the purchase and management of accessways.

Examples of conservancy access projects include the pedestrian promenade and handicap facilities at the Malibu Esplanade, stairways and vista points in the City of San Diego and the Third Avenue stairs in Santa Cruz.

(6) Conservancy Urban Waterfront Programs

In-House Conservancy Program. SB 735 (Keene) of 1981 added to the conservancy the responsibility of operating an urban waterfront restoration program. The purpose of the program is to promote tourism, public access and private sector development through the creation of parks, open space, visitor serving facilities, housing and other coastal dependent uses. The program provides planning and development grants and loans for urban waterfront development projects. This program was annually funded in the first three fiscal years at an average of \$4.5 million. The Governor's Budget for the 1987-88 fiscal year proposes capital outlay funding of \$2.9 million. General obligation bond proceeds available to the conservancy from the 1980 and 1984 Park Bond Acts have been used to fund this program.

California Urban Waterfront Area Restoration Financing Authority (CUWARFA). SB 997 (Mello) of 1983 created and authorized CUWARFA to issue tax exempt bonds for financing restoration of coastal and inland urban waterfront areas. CUWARFA is a separate agency but relies on the conservancy for staffing and project review. The authority consists of the Treasurer (chair), Director of Finance, Controller, Resources Secretary and Executive Director of the Coastal Conservancy. The authority may issue up to \$650,000,000 in revenue bonds - \$50 million of which is reserved for inland projects. To date, no revenue bonds have been issued, however the conservancy has given preliminary approval for projects needing \$149 million in financing. Recent changes in federal law have disqualified many of the projects envisioned for tax exempt revenue bond financing. Some observers believe that as a result, no project will ever receive CUWARFA funding.

The conservancy provides staff support for (CUWARFA) project development and evaluation. Reimbursement for conservancy expenses is to come from bonds sold for approved projects. Thus far the conservancy has expended \$510,000 from general obligation bond proceeds appropriated to the conservancy and \$398,000 from the General Fund for the authority's operating costs. Conservancy staff

have stated that the work on CUWARFA plans and projects has frequently formed the basis for the conservancy's own waterfront restoration program. Reflecting the lowered expectations for CUWARFA, the Budget Bill for the 1987-88 fiscal year proposes to transfer to the conservancy's waterfront program, two personnel years previously assigned to the CUWARFA program.

The two separate programs established by SB 735 and SB 997 differ in two principal respects:

- (1) CUWARFA authorizes loans of revenue bond proceeds for projects that generally have the potential for generating revenue or producing income through leases by the conservancy. The conservancy restoration program tends to provide funding for projects that have low potential for producing revenue.
- (2) The conservancy program provides for expenditures only in the coastal zone and the jurisdiction of the San Francisco Bay Conservation and Development Commission. CUWARFA has a broader geographic scope and provides for expenditures also in the Sacramento-Yolo Port District, the Stockton Port District and any river, lake or reservoir in a metropolitan statistical area.

III. COMMITTEE OVERSIGHT HEARING ISSUES

(1) Bond Funding. The conservancy conducts most of its capital outlay and local assistance programs using general obligation bonds. These funds are used for grants reimbursable grants, and associated staff expenses. The conservancy has received bond revenues since 1976 in the following amounts:

<u>Year</u>	<u>Amount</u>	<u>Source</u>	
1976	\$10 million	Nejedly-Hart State, Urban, and Coastal Park Bond Act of 1976	
1980	40 million	California Parklands Act of 1980	(30 million in local assistance grants)
1984	50 million	California Park and Recreational Facilities Act of 1984	(35 million in local assistance grants)
1984	30 million	Fish and Wildlife Habitat Enhancement Act of 1984	(20 million in local assistance grants)
TOTAL	\$130 MILLION		

As of 1985, the 1976 and 1980 bond money had been mostly exhausted. Expenditures of the 1984 bond money has occurred, and is proposed, as follows (in millions of dollars):

<u>Fiscal Year</u>	<u>Park Bond</u>	<u>Fish and Wildlife Bond</u>
1985/86 (actual)	10.1	.5
1986/87 (estimated)	27.9	9.1
1987/88 (proposed)	12.0	11.0
1988/89 (anticipated)	0	10.0

The net effect of this rate of expenditure will be to exhaust the present park bond money after the next fiscal year; while approximately \$10 million will remain of the fish and wildlife bond money. Without bond money, the conservancy will be unable to carry out its grant programs described earlier in this report. Approximately 20 percent of the conservancy grants are reimbursable. Thus, as long term loans, significant portions of previously appropriated bond money will be available for appropriation for additional projects. This fiscal year, the conservancy expects to receive \$.5 million in repayments; next year the conservancy anticipates receiving \$1.6 million. Since these reimbursements are sometimes dependent on resale of property - the amount and timing of which are unreliable for planning purposes.

AB 4413 (Killea) was introduced last year to place a \$100 million bond measure on the November 1986 ballot for continued conservancy project funding. The measure died in the Senate.

This year's AB 639 (Killea) would place a \$200 million bond measure on the 1988 ballot, \$195 million of which would be to continue conservancy project funding. If this measure is enacted and approved by the voters, proceeds of the bond sale will not be available to the conservancy until the fiscal year 1989/90, because of the need to appropriate the funds prior to their use.

(2) CUWARFA Controversy. Preliminary approval by the conservancy of a pipeline project in Los Angeles and an associated bill heard by this committee in 1986, SB 1927 (Mello) raised questions as to the adequacy of the statutes which establish CUWARFA funding procedures.

SB 1927 was introduced to:

- (1) Raise the CUWARFA bond limit because the pipeline project would absorb most of the authorized bond money.
- (2) Amend CUWARFA statutes to ensure that the pipeline project was an appropriate use of CUWARFA funds.
- (3) Revise CUWARFA financing technical procedures.

The author of SB 1927 adopted amendments to address committee concerns over existing weaknesses in CUWARFA statutes. However, the measure died in the Ways and Means Committee and these weaknesses remain.

According to statute, projects qualified for CUWARFA funding include acquisition, improvement or development of lands, buildings and roads designed to provide visitor commercial facilities, transient visitor accommodations, coastal or inland waterfront dependent industry, public utility systems, mass transit, facilities and public recreation and shoreline access facilities.

Several procedural steps are required prior to CUWARFA funding.

Planning. The Coastal Conservancy is responsible for developing, reviewing and approving urban waterfront restoration plans. To be approved, the plans must:

- o Provide for shoreline access or public recreation.
- o Provide for environmental enhancement.
- o Have the potential for employment development and economic stimulation.

Conservancy Project Approval. After a plan is approved, the conservancy must approve individual projects before they are funded by CUWARFA. Plans may be implemented through one or more individual projects.

CUWARFA Funding. CUWARFA is required to base its project funding selection, from among those projects approved by the conservancy, only upon the economic soundness of the project and a reasonable expectation that all financial obligations of the project can be met by participating parties.

The clear implication of this process and the legislative intent sections in the CUWARFA statutes is that urban waterfronts serve a mix of public and private purposes and that this should be recognized and encouraged in urban waterfront restoration.

(A) Should public elements be required in all projects funded by CUWARFA? The public elements, such as access and recreation, required of overall restoration plans are not presently required to be in individual projects. Since CUWARFA decisions on funding are based solely on economics, developers are encouraged to choose for projects only those portions of the plan which are economically attractive. It is possible that a waterfront restoration plan's public elements would not be made part of any individual project. The result would be to subvert the legislative intent that an urban waterfront restoration include these public elements.

This existing weakness in CUWARFA procedures could be remedied by requiring that individual projects include several of the public elements required of overall plans. The author amended SB 1927 to accomplish this during the Assembly Natural Resources committee's hearing during the last session.

(B) Should there be a limit to the amount of CUWARFA financing available for one project? Last year, the conservancy preliminarily approved a project for \$504 million in CUWARFA funding. The project, the Pacific Texas Pipeline Project (PACTEX) involves the construction of tanker and terminal facilities at the Port of Los Angeles. Less than \$100 million would remain in authorized CUWARFA funding. Even with the increase in bonding authority provided by SB 1927, PACTEX would absorb two-thirds of the bond money available for coastal projects.

Given that no project has yet received final approval for CUWARFA funding and the possibility that this funding will not work because of changes to federal

tax exempt financing law, it may be somewhat academic to be concerned with the effect of PACTEX on CUWARFA.

However, in order to insure that adequate bond money is available if needed, for other qualifying coastal projects, it may be appropriate to require that funding of any one project be limited to a certain percentage of the bonding authorized to CUWARFA. In response to this concern, SB 1927 was also amended in committee to insure that no one project could absorb more than 40 percent of authorized CUWARFA financing.

(C) Should "environmental enhancement" be defined? All CUWARFA restoration plans are required to include environmental enhancement, however this term has not been defined in the statutes or the conservancy guidelines. The findings adopted by the conservancy in preliminarily approving PACTEX for funding indicate a biological connotation to the term. Conservancy staff states that abatement of visual blight and hazards are also environmental enhancements and that this was in fact what qualified PACTEX for funding.

Further illustrating the need for a more precise definition of the term is the difficulty encountered in properly characterizing the PACTEX project's restoration of Batiquitos Lagoon in San Diego County. The conservancy findings state that this restoration was in excess of that required for project mitigation and therefore the restoration is environmental enhancement. Los Angeles Port staff have indicated that the port intends to use this excess as mitigation for other port projects. If this occurs then, the Batiquitos restoration could no longer be characterized as enhancement (improving the environment) but as mitigation (balancing project impacts so there is no environmental loss).

The conservancy staff are willing to discuss adopting a more exact definition of environmental enhancement but are concerned that doing so may unduly inhibit future worthwhile projects.

(3) Should there be statutory guidance for conservancy funded urban waterfront projects? Presently the conservancy's own urban waterfront restoration program (funded from general obligation bonds and not through CUWARFA's revenue bonds) enables grants to be made to local public agencies and nonprofit organizations. There are three means for guiding the conservancy in it's review of proposed projects:

- o General legislative intent language which speaks of the need to restore urban waterfronts and discusses both public elements and private sector development.
- o requirement that the conservancy adopt guidelines and criteria for the urban waterfront restoration program. The conservancy has not done this but uses the guidelines developed for its coastal restoration program.
- o A requirement that project design be sensitive to the natural coastal environment.

The conservancy urban waterfront restoration program does not have the same requirement as CUWARFA that public elements be part of a restoration plan. Conservancy staff indicate that all of the urban waterfront projects approved so far have public benefits other than just economic development. However, they

believe that imposing a requirement for all projects to have noneconomic public elements would be inappropriate. They contend that certain projects such as fish processing plants, may not be feasible if public benefits must be included.

If a public element requirement were enacted, in a purely economic project, the conservancy would be forced to package the economic development with an otherwise unrelated public project. This might make such projects less feasible. It would also insure that both private and public elements were part of urban waterfront restoration. While there is no evidence to suggest that the conservancy is moving to abandon funding of noneconomic public projects, the criteria used to evaluate such projects for conservancy funding includes consideration of whether the project has the potential to reimburse the conservancy.

With respect to fish and wildlife related projects, the Wildlife Conservation Board (WCB) has a role similar to that of the conservancy's. A comparison of statutory project direction for the two agencies may not be appropriate because the WCB is inherently focussed on fish and wildlife. Nonetheless, the WCB is more specifically directed as to what types of projects it may undertake.

(4) Line item budgeting and project specific bills vs. opportunity purchases. From its inception, the conservancy has been given "unusual flexibility with respect to the use of its local assistance and capital outlay funds" (Legislative Analyst's 1983/84 Budget Analysis). The Legislative Analyst has continuously expressed concerns over this flexibility, making no recommendation on the 1986/87 capital outlay and local assistance appropriation because "the conservancy has not provided adequate information on the scope and cost of these projects."

In response to specific suggestions from the analyst, the conservancy now makes quarterly reports to the Legislature on its grants and the grant appropriation is now divided in the budget between the various conservancy programs.

Like the conservancy, the Wildlife Conservation Board also receives budget appropriations which do not specify the project where the money will be used. The analyst also describes this as giving the WCB "unusual flexibility."

Both agencies respond that their responsibilities require them to take advantage of limited-term opportunities. Property is occasionally made available to the state at advantageous terms with little advance warning. In the conservancy's case, this frequently occurs in the context of conflict resolution. Several of the witnesses at today's hearing will indicate that acquisitions of several important natural resource areas could not have occurred if it was necessary to specifically include the acquisition in the budget or enact a separate measure to make an appropriation.

A related issue concerns the effect of the enactment of measures which require the conservancy to undertake specific projects using the conservancy's general grant appropriation. It is the obvious responsibility of the Legislature to determine the needs of the state and how to respond to them. However, when available funds are adequate for only a limited number of projects, the funding of one project means that another does not go forward. Because it is difficult for the Legislature to evaluate the need for a specific project relative to all eligible projects statewide, prioritizing projects is generally left to administrative agencies such as the conservancy or the WCB. The conservancy's ability to prioritize and plan for project implementation is made less effective if legislation is enacted which cuts into anticipate available funds.

OVERSIGHT HEARING OF THE
STATE COASTAL CONSERVANCY
February 23, 1987

NATURAL RESOURCES COMMITTEE
Byron Sher, Chairman

CHAIRMAN BYRON SHER: All the members of the committee will be coming in. I'm particularly anxious if you're listening out there, Mr. Roos, for you to be here since this is one of your favorite subjects. I want to start with a brief statement and then welcome our guests and witnesses.

I'd like to welcome all of you to this oversight hearing on the State Coastal Conservancy, and I want to thank the witnesses who have agreed to testify. Some of them have come a long way, and we appreciate the contribution that they are willing to make to this hearing. I want to thank, also, the Conservancy and their able staff for their cooperation and their preparation for this hearing.

We're holding this hearing for several reasons. First of all, last year, this committee heard 19 bills which involve the Coastal Conservancy. Not all of these bills were sponsored by the Conservancy; but during the course of hearing the bills, members of the committee began to question the need for, and purposes of, all of these measures. And, with the information we expect to gather today, we hope to have a better understanding of the Conservancy when we hear similar bills, if they're going to be similar bills, of this kind in this session. I think the aspect of this hearing should be particularly interesting to the new members of the committee who have not sat on any of these bills previously.

The second reason for the hearing is the fact that the Conservancy has enjoyed the freedom of receiving budget appropriations for its capital outlay and local assistance programs which do not specify the project for which the funds are intended. Few agencies enjoy that flexibility, and today we'll hear from the Conservancy and also several project sponsors on why this process is thought to be necessary for the Conservancy to carry out its responsibilities, and then you can make up your own minds about whether you agree.

Another reason that we wanted to hold this hearing is that the bond money in which the Conservancy uses to finance its grant programs will soon be exhausted. The committee needs to know the value of these programs to determine if a new bond measure should be placed before the voters and whether it should include control language to govern the use of the funds. This is not simply an academic exercise because the committee expects to hear AB 639, which has been introduced by Assemblywoman Killea, which will enact just such a bond measure to go before the voters.

A final reason for this hearing is that last year in the course of hearing two bills, Senate Bill 1927 by Senator Mello and Senate Bill 2059 by Senator Dills, a number of questions were raised in committee concerning the Conservancy's urban waterfront restoration programs. In particular, the statutes governing the California Urban Waterfront Area Restoration Financing Authority or, if you will, CUWARFA, which is the acronym. I'll say that again, California Urban Waterfront Area Restoration and Financing

Authority, CUWARFA. At the time we heard these bills affecting this authority, some suggested that the statutes governing it seemed inadequate to deal with the issues that were raised by the Pac-Tex Pipeline project in Los Angeles, which these bills affected. We thought that many of the concerns that were raised in this committee were addressed when Senator Mello took some amendments to his bill. However, Senate Bill 1927 did not get out of the Ways and Means Committee so those questions still remain, and we are interested in hearing from the Conservancy on the value of independently, independent of Senator Mello's bill, of pursuing these amendments which govern the authority in the form of a new and separate bill.

Well, a briefing paper has been prepared for this hearing; if you don't have it, members of the audience, I think there are extra copies at the back of the room. The last half of the paper discusses these issues that I've mentioned more fully. The first half of the paper discusses in a general way the Conservancy's programs and organizations.

Most of the witnesses today represent groups that work with the Conservancy; however, we'll begin by hearing directly from the Conservancy, starting with Penny Allen, Chairperson of the Conservancy Board. Welcome, the floor is yours.

MS. PENNY ALLEN: Thank you very much, Chairman Sher and honored members of the Assembly committee. I am Penny Allen. I am Chairwoman of the State Coastal Conservancy. I was appointed to this post by the Governor in 1985. I've served as Chairwoman since September of that year. And, on behalf of the entire

board, we'd like to thank you for this opportunity to come before you and explain to you and share with you a little bit about our agency. An agency which we feel is one of most dynamic, creative agencies in the State of California. During our presentation this afternoon, we hope that you too will come to appreciate our agency, how unique and special the Coastal Conservancy is.

Working with both public agencies and the private sector, we have the ability and have demonstrated over the last 10 years, the ability to cut through the red tape and to find solutions to the complex and often divisive situations that arise when we deal with the California coast line.

Our story is best told by the people with whom we work and have worked over the last 11 years. This afternoon, you'll hear testimony from other state agencies, environmental groups, coastal industries, local governments, and nonprofit agencies, all of whom share the enthusiasm that we do about the Coastal Conservancy.

I see three components which make our agency successful. One is the legislative mandate and the flexibility that we have and the budget that allows us to set the priorities for the agency. The second is a dedicated board. And the third is a very talented and dedicated staff.

Here today to begin our testimony is the leader of our staff, our Executive Officer, Peter Grenell, and I will leave it to him to conduct the rest of the testimony and introduce our guests and answer any questions, and thank you, again, for having us here today.

CHAIRMAN SHER: Thank you.

MS. ALLEN: Peter?

MR. PETER GRESELL: Thanks. Mr. Chairman, members of the committee, I'm Peter Grenell, Executive Officer of the State Coastal Conservancy. You have before you a statement that I prepared that covers in greater detail what I will now summarize for you in the interest of time and leaving maximum opportunity for your questions and the testimony of the other people here this afternoon.

The Coastal Conservancy was established in 1976 specifically to respond to certain kinds of situations which it was felt at the time could not be satisfactorily handled through the regulatory methods and procedures then in use by the Coastal Commission. It was felt that problems that related to coastal land use and resource based conflicts could not be resolved under a structure of permit reviews as satisfactorily as they perhaps might in a nonregulatory way of operating.

Secondly, it was foreseen that the local governments on the coast, cities and counties, and also special districts in some cases, would be needing some kind of state assistance in the implementation of their local coastal programs, which were to be prepared under the 1976 Coastal Act, implementation beyond the regulatory requirements of zoning regulations and so on. But the more programmatic, if you will, kinds of policy that were and are in these LCPs relating, for example, to the provision of public access, the restoration of degraded wet lands, the rebuilding of deteriorated waterfronts, preservation of open space lands for

public recreational and other uses, and so on. And so, the Legislature established the Coastal Conservancy with a specific mandate to establish and operate several different programs to deal with the variety of coastal resources that were at issue. The broad range of authority given the Coastal Conservancy is, indeed, unique. We have looked nationwide and around the world for an agency with a comparable range of authority, methods, techniques, and flexibility. The Legislature, in its wisdom, established us in this way to deal with things that could not be handled as expeditiously or as economically, if at all, by other existing state or local agencies. And that is one of the principal reasons why, throughout the years, we have been able to operate in as flexible a fashion as we have.

What I refer to, specifically, I'll give in a few examples. For example, we have the ability to move more rapidly through a variety of project situations to acquire coastal lands which have threatened resources of one sort or another. We can move more rapidly to respond to local requests for assistance. The purposes here were to, and are, to enable us to take advantage of opportunities that arise either in the form of lands being available that are deemed important for resource conservation purposes and public use, to take advantage of joint funding mechanisms whereby Coastal Conservancy funding can be paired with local or other kinds of funding which otherwise might not be available beyond a certain point in time. And, therefore, our processes are rather more abbreviated and more rapidly developed and carried through than are the kinds of more

conventional planning processes that are operated by other state agencies. For example, our funding has come almost entirely from general obligation bond funds. We were voted by the voters in 1976 \$10 million, \$36 million in 1980, and a total of \$80 million through two bond acts in 1984. We are currently operating on what's left of the 1984 bond funds.

So, in fact, we have established a pattern of approximately four-year funding, which has been able to serve us fairly adequately until now. As Chairman Sher mentioned, there is now a new bond act that has just been introduced by Assemblywoman Killea. AB 639, which, again, will be in the four-year cycle, a refunding of the agency. Essentially, that bond act, which we can discuss at your pleasure, is focused on refunding the agency and its several different programs.

I'll summarize very quickly some of the points that Chairman Sher referred to and then we can have questions on them. With respect to legislation, essentially there have been two types of legislation which has concerned the Conservancy directly. One has been funding legislation, through which various pieces of legislation have been introduced to provide funding to the Conservancy to carry out certain coastal resource projects. Last year, indeed, there were quite a few bills of this nature introduced. We were sponsoring only a couple of those bills. Most of them referred to potentially available Federal tide lands money known occasionally as Section 8G of the Outer Continental Shelf Act. These would be funds coming under the Federal allocation system to the State of California and then

subject to allocation by the Legislature and the Governor could be distributed for various purposes. We sponsored one bill which would potentially make use of such funding. There were quite a few other bills that also had that objective in mind for different purposes. Ultimately, as you will recall, those bills were either amalgamated into a single piece of legislation; and in the final event, none of them were actually signed into law.

The point of interest here is the fact that the Conservancy was recognized by several different legislators and various groups outside the Legislature and the state government as a responsible and capable state agency that rightfully would be a repository for these kinds of funds to expedite and carry out coastal projects. And we'll be happy to expand on that later on at your pleasure.

The other, there was also a bond act introduced, a regular general obligation bond act last year, again, by Assemblywoman Killea which did not get signed into law. We introduced that bond act, in effect, a year in advance of what would normally be a four-year schedule because we did see, down the horizon, the need for more funding. And, again, we can go into exactly what that means in greater detail later.

The second kind of legislation that has concerned the Conservancy directly is nonfinancial. Essentially, we have been identified in one or another of these pieces of legislation as an appropriate state agency to carry out different kinds of projects...feasibility analyses for a specific project situation, there have been a few of those bills last year. Again, these are

things which, in most cases, could in fact be carried out under our existing legislative mandate. The sense of these bills, I believe, in retrospect, was to try to emphasize a certain priority for particular resource situation or crisis situation involving resources that warranted special attention.

CHAIRMAN SHER: If I can break in...

MR. GRESELL: Certainly.

CHAIRMAN SHER: Those bills also suggest when the Conservancy, when bills passed and got enacted, would spend funds on these projects?

MR. GRESELL: In most of those cases, there was no specific amount of money identified. In other words, it was anticipated that the Conservancy would carry out a feasibility analysis for a possible acquisition or project basically using its staff or under its existing budget some consulting fees. There were a couple of bills that did have specific amounts of money identified. In those cases, they were using the Conservancy's own bond funds, identifying a particular...

CHAIRMAN SHER: Did you oppose those?

MR. GRESELL: No, we did not.

CHAIRMAN SHER: That's one of the points I wanted to bring out, you've described the range of bills that we heard of these 19 bills I referred to, and my recollection is that the Conservancy didn't oppose any of the bills. You did testify on a number about what impact they would have and about your willingness, I guess, to carry out...and so I guess the point I want to raise with you is that if you do spend Conservancy bond

funds on projects suggested by members of the Legislature, the monies aren't going to be available for other projects; and the question is, are you prepared always to just go along with those bills that are introduced or do you think it's part of your mission to say this is a lousy project or this is a good project or at least to say what would be the impact of this bill's being enacted have on your ability to carry out the other projects that you're involved with or planning? In other words, more active role in terms of these bills rather than the passive role that I observed, I think, in the last session.

MR. GRESELL: Well, in fact, we have worked fairly closely, depending on what the bills were, with the authors to try to identify what would be a legitimate role for the agency and, in fact, did suggest in many cases changes in the wording of those bills to bring them more closely aligned with our guidelines and approaches.

CHAIRMAN SHER: So, what you're saying is by the time the bills got here, you were comfortable with them and you thought they were all good?

MR. GRESELL: In effect. I should point out that in one case, where there was some existing Conservancy funding identified for a new program, this was Assembly Bill 2915 that established a low-interest demonstration loan program for alternative fishing gear, (this bill was signed into law) this was something which, again, we did not initiate or sponsor, if you will. We worked fairly closely with Assemblyman Farr and his staff and the proponents, industry proponents.

CHAIRMAN SHER: Well, if it was Farr's bill, it goes without saying that it was an outstanding piece of legislation and that everybody (laughing). But, you see, the point I want to raise is in this era of the Gann limit era, people are going to look at your pot of money, the bond money, as a source that can be used, utilized for purposes. I mean, there are 120 of us here, and we can anticipate there will be more and more of these bills and I think, then, it becomes important for the Conservancy to try to define its own role in helping the Legislature pick and choose among these and you can do that best by letting us know what the impact of any given bill will be on your total program, maybe showing us some priorities and perhaps even on occasion being a little critical. Not of Mr. Farr's bills, we understand, that goes without saying...but, or mine or Leonard's or any other member of the committee.

MR. GRESELL: Certainly not.

CHAIRMAN SHER: But you know, those outlanders, we have to be very suspicious when they want to get involved.

MR. GRESELL: No. Point taken. We can certainly work more closely with the various legislators. What, of course, happens, as you know, is that proposals do come up and as soon as we hear about them, and I should say that in many cases we have been informed in advance of their introduction and have been asked for comments on them. And, we can work more closely with the authors to give them more guidance.

CHAIRMAN SHER: What I'm suggesting is you work more closely with the committee in...

MR. GRESELL: That we can also do.

CHAIRMAN SHER: ...helping us decide. And, Mr. Leonard, I hope you didn't misunderstand me. You're one of the inlanders. We're talking of people who aren't on the committee as outlanders in case you misunderstood. Ms. La Follette?

ASSEMBLYWOMAN MARIAN LA FOLLETTE: Well, just following up on your comments, Mr. Sher, do you not have priorities right now established in your policies to help you make decisions or...

MR. GRESELL: Yes, yes we do.

ASSEMBLYWOMAN LA FOLLETTE: ...criteria that has to be met?

MR. GRESELL: Yes, we do. We have a variety of priorities and criteria that are both legislatively mandated as well as programmatically developed by the agency. I should point out that our board takes action on all of our projects and so, again, it is up to the Conservancy board to finally decide whether we actually move ahead on...

ASSEMBLYWOMAN LA FOLLETTE: But, each project has to meet a certain specified list of criteria?

MR. GRESELL: That's correct. That is correct. Our board, for purposes of information, our board meets monthly. We present what is called a "Board Book," that is a set of staff recommendations, each of which has documentation, including the proposed project's ability to meet the various criteria that we have established.

CHAIRMAN SHER: That is a very perceptive place we're going to get to...the criteria for the core for the projects

which was one of the points at issue in the Mello bill last year. We'll come to that later. Ms. Hansen, do you have...?

ASSEMBLYWOMAN BEV HANSEN: Yes. Mr. Chairman, I just was going to ask a question about a priority list. Do you have such a list you could provide for us, especially for us new members, so that we can see what exactly your criteria is so we have a better understanding of what...

MR. GRENELL: Surely.

ASSEMBLYWOMAN HANSEN: ...what you're doing. I'd like to be provided with that. And, then, are we on the question of the \$200 million in this new bond measure or is it appropriate to ask it at this time?

CHAIRMAN SHER: It's appropriate ... anything's appropriate at any time.

ASSEMBLYWOMAN HANSEN: Okay. In 1984, the total amount of the bond money was about \$80 million and we are now looking at \$200 million.

MR. GRENELL: Yes.

ASSEMBLYWOMAN HANSEN: What is...can you explain to me why the increase other than the fact that you have a lot of projects out there. But what kinds of explanations do you give us that we make that of big jump in the amount of money we provide?

MR. GRENELL: Sure. Essentially, there are several reasons for what appears to be such a sizeable increase in the amount requested.

Number one, we have a much larger workload. This relates to the fact that in the last couple of years more and more local coastal programs which have been prepared by each of the local jurisdictions have been completed, and so we are receiving a sizeable increase in requests for assistance. So, there is a sheer quantity of assistance being asked for that is on the increase.

Second, the kinds of projects that we are being asked to engage in, in one form or another, and that takes a wide variety of forms and amounts and scales, if you will, has taken a change in a particular direction. We've been asked now more often to get involved in larger projects that are basically more expensive. So, for any given project, the average cost, if you will, has increased. And, what this refers to, to give you a little flesh on the bones, is larger areas of land to deal with, more extensive waterfronts that have a variety of multiple use situations, again, with more expensive possible activities to be undertaken, be they restoration or rebuilding types of activities or construction of new facilities, if you will. To give you one simple example, the rebuilding of a municipal public recreational pier can cost several million dollars. For example, we have been trying in certain cases to figure out ways of collaborating with the concerned local governments on several of these piers for some years, trying to deal with the major costs that are involved in some of these cases.

A third...

CHAIRMAN SHER: Speak of the \$200 million, you just arrived. Why don't you...

ASSEMBLYWOMAN KILLEA: Continue.

CHAIRMAN SHER: ...why don't you go ahead and finish your statement, then we'll hear from Assemblywoman Killea because I invited her and told her at any time that she could make it we would give her a few minutes to tell us about her bond issue.

MR. GRESELL: Okay. There's just one third reason and that refers to the complexity of the kinds of projects we get involved in. Again, one of the initial reasons for our establishment was to deal with conflict situations in terms of land uses and resources that no other agency had the ability to deal with. We deal with a range of different resource issues. These things typically involve much more staff time, which covers a question of increases in our support budget, but also they typically end up costing more money because--to the extent that we are involved--because they are also larger in scope and well, I have some example if you wish...that we could go into at a later time. But, those would be the three basic reasons why the amount has gone up.

CHAIRMAN SHER: Ms. La Follette?

ASSEMBLYWOMAN LA FOLLETTE: I'd just like to comment too. I have a feeling that some of the members ourselves have contributed to the extra request for money because we've discovered that in some instances we can move things faster in our districts. So, we have come to the Conservancy; and so maybe if we're concerned about the amount of money that it spends,

we're going to have to do some pulling back ourselves. So, I just sort of wanted to add that little touch there.

ASSEMBLYMAN FARR: Well, except for my district, of course.

CHAIRMAN SHER: Mr. Farr, would you hold your question, we'll hear from Assemblywoman Killea if we can. As I indicated, I did invite our colleague to come tell us about her measure which is Assembly Bill...

ASSEMBLYWOMAN LUCY KILLEA: 639.

CHAIRMAN SHER: 639. We wanted to give you a little free publicity here. It was pointed out, however, before you came in that this is an ambitious measure. That in 1976, the Conservancy received \$10 million; in 1980, on to \$80 million. This is a nice shot in the arm. And, we've been kicking around why it's needed. And, we wanted to give you an opportunity to make that case too. Welcome.

ASSEMBLYWOMAN KILLEA: Well, I think one of the first things in that connection is that actually I carried a bill last year for a bond measure which was not quite as large as this because it was a year earlier...but, it didn't...but, the problem on the bond measures being weighed, you know, as a package, and we never got that package really. So, that this was lost along with all the others that were lost in that particular effort. So, this is unfortunate. With the delay we've had to make it a little larger.

The purpose of the \$200 million is really the work of the Coastal Conservancy rehabilitation of coastal wet lands,

coastal agricultural preservation, restoration of waterfronts, and new public beach access. So, the specific benefits are for the fish and wildlife through this acquisition and restoration of habitats, public recreation through acquisition and development of parks and open space, tourism and fishing through construction of facilities, enhancement of coastal areas. So, it certainly has a very important economic role. And scarce coastal agriculture through the acquisition of easements, ag land, this ag land, hopefully, will be preserved. So, those are the main purposes in terms of the mechanics. Obviously, we have the experts here and I won't attempt to go into any of that.

CHAIRMAN SHER: Well, we did want to hear from you. I remember last year's arrangements, if that's the right word, around the bond issues. Of course, you're running this one on its own merits and you hope you don't get mixed up with deals on other bond measures.

ASSEMBLYWOMAN KILLEA: I hope not.

CHAIRMAN SHER: And, the members of the committee have questions for Assemblywoman Killea. Mr. Farr?

ASSEMBLYMAN FARR: Well, just a comment to respond to Assemblywoman Hansen's question. In 1984, there were two measures on...one was for the wildlife restoration and the other was a \$370 million bond act, of which a portion went to Coastal Conservancy, a very small portion. The emphasis on that bond act was for infrastructure development in state parks so that we would fully utilize them, not much for acquisition, although some acquisition money has been made available. What we're finding

now is that because of all the general plans that have had to be updated by state law and the local coastal plans that have had to come into conformity with state law, that now we have a lot of loose ends that have to be acquired, properties that we were going to acquire for one reason or another, or public access that needs to be maintained. And the only agency...and what I wanted to do is just sort of suggest to this committee, is that in our oversight function, I think the one thing we want to be careful of is not to restrict the flexibility of the Coastal Conservancy.

In my experience in local and state government, we need an agency out there that has the ability to be flexible. And, this is the one agency that can move in where others can't solve the problem. Because they have unique abilities to buy and to trade, to lease back, and so on. And, the bill you mentioned...I mean, what happened is that there were probably two or three other state agencies that would probably have been more appropriate to logically deal with fishing loans but none of them wanted to do it. Fish and Game didn't want to do it. Department of Commerce didn't want to do. They just didn't have the, they felt, the administrative capability of doing it. So, the Coastal Conservancy, because it was both a wildlife protection and a commercial fisherman enhancement, came in as the administrator. It was just a unique ability for a state agency to have that kind of flexibility.

So, my caution is that as we try to tighten up and keep reigns on everything, we don't want to take away the very golden egg that allows this goose to be so successful. And, I commend

the visionaries that set up the Coastal Conservancy because I think they had that in mind that there was something that needed to fill in the cracks where no other state agency could fill that in.

CHAIRMAN SHER: All right. That was a nice testimonial.

ASSEMBLYMAN FARR: Thank you.

ASSEMBLYWOMAN LA FOLLETTE: I do have another question...another question. But, Ms. Killea, as you developed the \$200 million figure, is there some kind of plan in mind as to percentages and...

ASSEMBLYWOMAN KILLEA: Yes, there is a breakdown.

ASSEMBLYWOMAN LA FOLLETTE: ...priorities on that money?

ASSEMBLYWOMAN KILLEA: ...probably the fact that...

ASSEMBLYWOMAN LA FOLLETTE: Oh, here it is...I'm being handed the bill. Okay, I do agree with Mr. Farr that probably one of the reasons the Coastal Conservancy is becoming so popular is because not every dollar is itemized as far as expenditures are concerned. But, I do think that there is going to have to be a lot of justification for such a leap...this \$200 million.

ASSEMBLYWOMAN KILLEA: Yes. And, that we're fully prepared for because we realize that is...but there, I think the bill does give at least some indication of how that would be distributed. And, the not less than is in order to ensure that once it was received it is a real need for some of that money will, will be used there...that language.

CHAIRMAN SHER: We'll be seeing this bill again?

ASSEMBLYWOMAN KILLEA: Yes.

CHAIRMAN SHER: Thank you for coming today to give us a preview. And, we'll be looking at those features of it when it's back here.

ASSEMBLYWOMAN KILLEA: Thank you.

CHAIRMAN SHER: Now, we interrupted you, had you finished your formal comments? I want to get to CUWARFA at some point.

MR. GRENELL: Yes, basically, I think I have. I think it would be most useful to answer questions at this point.

CHAIRMAN SHER: All right. The...did you have a question, Mr. Harvey?

ASSEMBLYMAN TRICE HARVEY: Well, no, I turned on the light when he said to ask questions. Whenever you're ready.

CHAIRMAN SHER: I'll defer to you. I'm already taken. Go ahead.

ASSEMBLYMAN HARVEY: Being a freshman and not being up to speed on all of this, except we did have a meeting on the other day. I did look at some of this literature; then I've been reading through the agenda and listening also, and just looked at the bill. It does appear that the Conservancy has a great opportunity for a lot of people. Probably myself, personally, my district that opportunity won't be there in the desert lands that I come from so I'll just be looking at it in terms of...unless you can reach out some way.

CHAIRMAN SHER: Your constituents go to the coast for these projects.

ASSEMBLYMAN HARVEY: Yes, and we drive right down to the cars. We don't need walkways. But, at any rate...

CHAIRMAN SHER: It's to private property.

ASSEMBLYMAN HARVEY: Yes, we're fast. I would like to just say that the first thing that I'll be looking at would be from that fiscal responsibility of the Conservancy. And, when I see the types of money we're speaking about today and the piece of legislation last time for the San Francisco area and areas that this money would be spent, well, obviously, I'm assuming we all look at it that way...just, we all say it anyway...and I believe us all. I would like to know from reading through brochures and seeing what's happening the other evening, what percent of the money you have in your budget to spend on the administration of it and staff and things of that nature.

MR. GRESELL: Surely. Our total support budget--that means staff, overhead, electricity, travel, consultants, and so on--has, over the last couple of years, been running in the vicinity of \$2.5 to \$3 million, total.

ASSEMBLYMAN HARVEY: Then, what happens? As I read, and correct me if I'm wrong, anyone, be free to correct me...I'm just going on what I've read. You're taking bond act money, a lot of it, and your bond act money and you're giving it out for projects and putting out RFPs for contractors to go do studies for certain areas. And, then you're handing out grant money and making loans. Have you got any of this money that's making the interest? Are you making money off of money? Are they paying, do they pay back any loans or is it just giving money? Or do you

have time-frames? I didn't find that. I see what it says, but I didn't find what's happened with projects. I mean, I'm not familiar with all of them.

ASSEMBLYWOMAN ALLEN: I'd like to answer that from a board perspective, if I might, please. One of the things we look at as a board every time we have a project before us are, what are the opportunities for repayment of that? We like to think that a lot of our monies are a revolving fund. Certainly, when we have an enhancement project, there's no realistic expectation for any return on those monies. However, when we go in and work with a local government for a pier, for example, or some sort of fishing facility where they may be collecting fees, we always have a repayment provision. And, that is that the state rate is eight point something percent return on the monies. So, that's a consideration that the board does hold out every time we look at any project, is repayment of the funds. And anytime it's feasible, we do request that the funds are repaid.

MR. GRENELL: Again, if I might elaborate a little more on that. Again, we maintain flexibility here. Different programs will generate more repayment capabilities than other kinds of programs. Our urban waterfront program, our lot consolidation program, our site reservation program, all involve full or partial repayment. This is because there is, in fact, a revenue source that can generate money for repayment in certain cases; or as in the case of a site reservation project where we are acquiring lands for another state agency, usually the State Parks Department, they will repay us through their budget later

on. So, in fact, to give some figures, currently, from all previous projects over the last decade where we have full or partial repayment, there is a total now of approximately \$15 to \$16 million that we expect to have returned to the agency over time. This is coming to us on the average now of about a million to a million and a half dollars per year. So, it's not a major amount to refund but it represents, over time as a total amount, a fairly substantial figure. And, I should point out that in 1983, when we were audited by the Finance Department, they paid particular attention to this, this very question. Noted what our procedures were. Made some recommendations for tightening them up a bit but basically felt that we were working in the right direction in this regard.

ASSEMBLYMAN HARVEY: Okay. I have another question following that statement and I'll be through, Mr. Chairman.

CHAIRMAN SHER: Sure.

ASSEMBLYMAN HARVEY: What I've heard, if I may, Ms. Allen, to point out that you planned to get some money back or something like that, it wasn't like Mayor Shell's sort of plan and you're telling me about \$15 million it looks like you're going to have coming back. Is that coming in project-by-project? How is that working? What have you gotten back or what, in fact, do...you've given a lot of money out, it seems, from what I read. What have you gotten back specifically?

MR. GRENELL: Right, okay. The way the money comes back is project-by-project. In other words, a project will go before the board, there will be a financial program that we have

established with the local government concern--usually is what it is--and, the local county board of supervisors or city council will approve it and there will be a grant contract--a loan contract. And, there will be a repayment schedule established, and so the funds come in depending upon that repayment schedule. Either monthly or quarterly or annually depending on the nature of the project.

Up until this moment, we have actually received back something under a million dollars in total repayments. What this refers to is, of course, the fact that in the first few years, there were many projects on the one hand that didn't have repayment provisions. Secondly, a lot of those projects that did have such provisions, in fact, only got constructed, if you will, in the case of pier projects, and are only now reaching the point where they are beginning to generate revenues for repayment and so, in fact, in previous years, the total level of repayments has been in the realm of a few hundred thousand dollars. Now, it's up somewhat over a million. So, as I say, the \$15 million is total based on what we now have. Over the next year, we will be getting more projects so the total amount will increase. Our annual repayment total will also increase.

ASSEMBLYMAN HARVEY: What you're telling me, then, is you're making improvement on getting the money coming back to you at this stage...

MR. GRESELL: That's correct.

ASSEMBLYMAN HARVEY: ...and the statement I want to make is because as I look at the agenda, I don't think we're going to

have a lot of criticism of you folks today...it looks like it's going to be those who will praise you. And, at the same time, I think the question has to be asked, as a freshman anyway, in the learning process, the word is what we're getting back, and how you prioritize, I think, was a good one and how we'll have an opportunity to see how you prioritize things, I'm assuming from the questions that were asked. And, I appreciate that. Excuse my voice, I've had a convention this weekend.

CHAIRMAN SHER: Yelling at people, huh?

ASSEMBLYMAN HARVEY: I was, I was.

CHAIRMAN SHER: You yelling...

ASSEMBLYMAN HARVEY: Thank you.

CHAIRMAN SHER: Oh, maybe this would be a good time to raise the questions that I have about CUWARFA. I'm not going to praise or criticize.

ASSEMBLYWOMAN HANSEN: Can I ask just one more question, Mr. Chairman?

CHAIRMAN SHER: Yes.

ASSEMBLYWOMAN HANSEN: How many projects have you funded that you have thus far received full payment for?

MR. GRENELL: Full payment...I don't know. I can find that out for you fairly quickly.

ASSEMBLYWOMAN HANSEN: And how many projects say in your prioritized list do you, do you look to some projects having a higher priority because you know there is a repayment plan that can be put into action?

MR. GRENELL: That is, in fact, one of our criteria, yes.

CHAIRMAN SHER: I wanted to ask you two questions about your waterfront restoration. Members of the committee will remember, and it's outlined in the background paper, that the Conservancy has two kinds of programs for waterfront restoration. One is their own in-house program, and the other is under a special piece of legislation that was authored by Senator Mello called the California Urban Waterfront Area Restoration Financing Authority.

Last year, we had kind of, I won't call it a notorious case, but we had an important project that was planned under the second of those two. Is that right, under the CUWARFA? It was the Pacific Texas Pipeline. It was a large project, I guess in the Los Angeles harbor area where there were proposals to do some mitigation down in the San Diego area. And, Mr. Roos, who's not with us, raised questions about that aspect of it.

But the two general questions that I want to raise with you now, and these are prompted by comments that both Ms. La Follette and Mr. Harvey raised, the first has to do with guidelines and why the Conservancy has not adopted guidelines for its urban waterfront restoration programs. That's something that concerns me. I know, Mr. Grenell, you've been talking to my staff about it. This was an issue that we addressed in the context of the Mello bill that we thought had at least partially dealt with that problem but that bill, as I said, died in the Ways and Means Committee; and frankly, we're considering a

separate piece of legislation now to try to give a little nudge to the Conservancy to go forward with those guidelines for these urban waterfront restoration projects.

The second part of the question deals with the funding and the return of the money. CUWARFA doesn't have any money of its own. Until its own bonds are sold, which were authorized under the Mello legislation, it doesn't have the resources to investigate, I guess, projects. And, therefore, the Conservancy itself has lent, as I understand it, around a million dollars to CUWARFA in staff time to look at these projects. I assume that includes the Pac-Tex Project. And, if these bonds are never sold, and there are some observers who think, perhaps, these CUWARFA bonds never will be sold, of course, the Conservancy will not recover that money. That money is gone.

The other aspect of the money question is having advanced the money, if a project were to be developed, in concept, and the Conservancy were asked to pass on it, whether it's a good project or not, is there some risk or danger that the Conservancy, because it has this investment of a million dollars, would be tempted in its decisionmaking process on the project, to approve it in order to recover its money back even though it might not be the best of projects. Once you invest in it that way, perhaps, a conflict of interest as a decisionmaker later on passing on the merits of the project. So, could you respond to those concerns about CUWARFA and the Conservancy's role in it?

MR. GRENELL: Certainly. It's an extended question and you'll get an extended answer.

CHAIRMAN SHER: Okay. Talk about the guidelines, first. Generally, that applies to both programs.

MR. GRESELL: Surely, I'll try to be as brief as possible. First, about guidelines. There are guidelines, application procedures and criteria. We've had them since the inception of the program. And, they are applied to all such projects. They are based on both the legislative criteria that are in Division 22 of the Public Resources Code that established the program, as well as those guidelines legislatively established in our Chapter 7 Urban Waterfront Chapter of Division 21 of the Public Resources Code, which governs the Conservancy's operations.

I should point out in preface, I think it will be useful to understand what this CUWARFA revenue bond program really means, why it exists. I'll be very brief about it.

Essentially, the notion back about five years ago was that the Coastal Conservancy, having been designated by the Legislature, as the state's coordinating agency for urban waterfront restoration in the state--which it is by law now--had certain financial limitations in its ability to actually carry out projects. Essentially, as you now know, we are funded from general obligation bond funds; and each time, we get funds in each annual budget year, there's only "x" amount that's available for certain kinds of projects. Again, if we're asked by some city to rebuild a municipal pier or restore a mile of waterfront, that's a lot of money. And what we found was, generally speaking, we began to run into very clear limitations on our ability to fund a project over somewhere about \$1 to \$2 million.

Then, it really cuts into our ability to serve the needs of the entire 1100-mile coastline and the Bay Area. So, the thought was, is there another possible financing mechanism that could be used for these types of projects over and above our own funds and also that could potentially leverage private sector funds to get the most out of your public dollar?

Eventually, the mechanism of revenue bonds was decided upon; and as history had it, the revenue bond program was established. It was established with some additional criteria in the legislation. In Division 22, there were four basic ones. And, I think that's part of the concern in the question. Those four main criteria for eligibility, aside from financial feasibility, are whether or not the project and its plan that governs the entire area within which the project may exist will provide public access or recreation, environmental enhancement, economic development, and employment creation. Now, Division 22 does not specify in any greater detail, what those mean. And, so, there is--and that was done deliberately at the time, again, to provide maximum flexibility in developing a feasible project.

What appears to have happened in the case, at least from our standpoint, of the Pac-Tex Pipeline Project, which I should point out for those of you who are unfamiliar with it, came in with an initial request for \$550 million of the total \$650 of revenue bond allocation that the state had. That raised a lot of questions, needless to say.

Secondly, there was a question as to the appropriateness of whether this program should fund a pipeline. You know, this

was coastal-dependent industry, no question about it. But, nonetheless, were there adequate environmental benefits as decided upon by the criteria in Division 22 and 21, that would justify recommending to the CUWARFA Agency that this project should be considered for funding.

And, I should point out that the process whereby CUWARFA projects as distinguished from Conservancy projects get evaluated and approved is different. The Coastal Conservancy, by law, must rule as to whether the project meets these criteria once the project has a final plan, all environmental review, all permit requirements, and so on, are met. Then, the CUWARFA Agency decides on whether the project is financially feasible, whether in fact the bonds can be repaid.

Now, in fact, what has happened in the case of these CUWARFA projects is Conservancy staff have acted, indeed, as the staff extension of the CUWARFA Agency. The CUWARFA Agency has one staff person--its Executive Secretary, okay. And so, indeed, the Conservancy staff have acted in this capacity and in the process spent some of our funds to actually evaluate the projects, sit with the project proponents, find out...

CHAIRMAN SHER: Okay. And, if the revenue bonds are ever sold, which is doubtful because of the new tax laws among other things, but if they were to be sold, then you'd get that, you'd be reimbursed.

MR. GRESELL: We would be reimbursed on a schedule that's...

CHAIRMAN SHER: I want to get right to the question. Does that present some kind of conflict of interest in evaluating the projects because you want to give it a favorable evaluation so you can get your money back.

MR. GRENELL: Right. I would say no. And, here's why.

CHAIRMAN SHER: I knew you would.

MR. GRENELL: I know, and now here's the explanation.

CHAIRMAN SHER: All right.

MR. GRENELL: I should point out that every Conservancy project, in fact, is evaluated and analyzed in precisely the same way, including the CUWARFA ones. And in a great many of those, we still do not get any of those funds back.

CHAIRMAN SHER: You turn down...you evaluate a lot of projects that you don't go forward with...is that what you're saying?

MR. GRENELL: We do that, and we do that, but the repayment criterion is only one of many that we use. And I should point out again, that we do not act like a bank. Our primary purpose is to get a project funded and implemented that in fact, meets all of our guidelines and criteria and priorities. And so, for example, in other urban waterfront projects that are not CUWARFA projects, we try to, indeed, see if we can't get our costs recovered; however, we feel that it is a legitimate use of the funds that the public has voted to us to try to evaluate.

CHAIRMAN SHER: Absolutely. I wouldn't disagree with that. As long as you don't feel any conflict...

MR. GRENELL: Not at all.

CHAIRMAN SHER: ...on a regular line of programs and you don't hear...I think maybe the thing, the question is moot for the CUWARFA because given the implications...

MR. GRENELL: Again, I should point out, that Senate Bill 531, which was signed into law last year, actually now makes it very clear that this is a legitimate use of Conservancy staff and Conservancy funds.

CHAIRMAN SHER: I wasn't suggesting that it wasn't...

MR. GRENELL: No, I understand that.

CHAIRMAN SHER: ...I was just concerned. But, now, how about the more general question. You say there are some guidelines. Those apply to your waterfront projects?

MR. GRENELL: That's correct.

CHAIRMAN SHER: I thought there were some, and maybe I should ask, and I should have introduced him before, Paul Thayer, the consultant for the committee, who wrote the background report and who has at least suggested to me, and I'll put him on the spot, that maybe there are...he's had some discussions with you about some other guidelines...

MR. GRENELL: Right.

CHAIRMAN SHER: ...that have not been forthcoming. Can you tell me where are those? And, what's that all about?

MR. GRENELL: Yes, okay. Essentially, the situation is this, and clearly we can carry on from here. What we have are what amounts to a hierarchy of priorities and guidelines and criteria. We start with our enabling legislation, Division 21; let's forget about Division 22 and CUWARFA for the moment. And,

in Division 21, there's a series of chapters, each of which deals with one or another of our programs, our legislatively mandated programs. There are guidelines in those chapters to a greater or lesser degree. It varies depending upon the nature of each of those programs.

CHAIRMAN SHER: You think it's greater, and Paul thinks it's lesser. Is that right?

MR. GRESELL: Perhaps.

CHAIRMAN SHER: Aren't there some more specific guidelines...

MR. GRESELL: Yes, there are.

CHAIRMAN SHER: ...of some other agency that you're using?

MR. GRESELL: Well, again, that's the first level. Secondly, our board, last year, with the staff, went through a detailed exercise in reviewing the agency's goals, and established some overall goals by program, both in general over the long term and also within the next year and two-year periods, that will focus our attention. These represent, if you will, program priorities. These take the form of types of activities or projects we might get involved with to some degree locations as well, where there's a specific...

CHAIRMAN SHER: So, this was for internal discussion purposes?

MR. GRESELL: This was for internal purposes within...although these were discussed at our public hearings.

CHAIRMAN SHER: All right.

MR. GRENELL: ...on more than one occasion. So that's the second level. The third level is each program has its own guidelines and criteria; and I think that's the kind of thing that you are concerned with, and we will make those available to you. And so, when any individual staff member is working on a request for assistance...a potential project...the automatic, standard operating procedure is to take that project and apply all of these criteria that apply both generally and specifically for that program to that project. These include things concerning, for example, the ability for possible repayment, full or partial, of our funds. It includes the relative urgency of a project. For example, a project may come in that involves a site reservation of land. What that means very briefly is the Coastal Conservancy, by virtue of its procedures and its monthly meeting calendar is able to move more quickly than any other state agency to acquire lands that are considered to be necessary for various resource preservation methods.

Okay, in evaluating those, urgency becomes a primary consideration. If we don't move as quickly as we can, that opportunity is lost. Another kind of criterion would be--that is standard--in all of these...

CHAIRMAN SHER: Let me interrupt you and ask Paul what's missing.

MR. PAUL THAYER: My name is Paul Thayer. The particular point that we were trying to raise had to do with the chapter that deals specifically with the Conservancy urban waterfront restoration program where there's a statutory

requirement that specific guidelines be developed by the Conservancy in conjunction with the user groups of that program to establish how that program would be administered. And the reason we were particularly interested in those guidelines is because that particular chapter is one of the ones, as you said earlier, where there's very little statutory guidance as to how that money is to be spent, therefore, making those administrative guidelines more important. And, my understanding is that those guidelines were not specifically developed for that chapter.

CHAIRMAN SHER: Did the statute actually provide that the administrative guidelines shall be developed?

MR. GRENELL: Yes, it did.

CHAIRMAN SHER: So, it's something that's missing under the statutory mandate. You follow what he's saying?

MR. GRENELL: Yes. Well, actually we do have guidelines. They happen to be, in the case of waterfronts, guidelines that we use in another program, but they're there.

CHAIRMAN SHER: So you borrow them from...

MR. GRENELL: Yes, they're joint. They happen to be useful and consistent in two programmatic cases.

CHAIRMAN SHER: But, there was never any formal action by the Conservancy to adopt this other, these guidelines for the other program as the guidelines for the waterfront restoration.

MR. GRENELL: That's correct, as such, but they've been operating for 10 years, yes.

CHAIRMAN SHER: Right. But, of course, you like to carry out the mandates of the Legislature as communicated through statutes, don't you?

MR. GRENELL: Right.

CHAIRMAN SHER: Well, I mean, it seems to me that that's an important clean-up and you think that those guidelines are adequate. Well, then, is there any reason not to adopt them expressly as the ones for the waterfront restoration programs?

MR. GRENELL: I wouldn't think so.

CHAIRMAN SHER: Okay. Ms. La Follette?

ASSEMBLYWOMAN LA FOLLETTE: Mr. Sher, I'd like to ask about some of the certified local coastal programs. Now, part of the original intention of the conservation or the Conservancy Act was to assist in the development right of the local coastal programs?

MR. GRENELL: It was more to help implement them.

ASSEMBLYWOMAN LA FOLLETTE: All right. To help implement them. Now, how many have you been involved in?

MR. GRENELL: Many. We have been involved in over three-quarters of the coastal jurisdictions. We have been involved actually in two ways. One, the obvious way where an actual LCP--local coastal program--has been certified and adopted to implement specific programmatic concerns. We have also been involved in jurisdictions whose LCPs were not, or even now, have not yet been actually certified. However, there has been a resource issue or problem that's been identified in one of the two earlier phases of the LCP process. They are, briefly, an issue identification where the local government literally identifies all the coastal problems in its coastal zone area and then a work program. Now, the way we work on those is we develop

a project with the local governments but then we also work with the Coastal Commission to determine that the project that we have jointly developed is consistent with the operative coastal act policies, which are the governing policies until the local coastal program is actually approved.

ASSEMBLYWOMAN LA FOLLETTE: All right. Do you have any idea of the amounts of money that have been involved in helping the local, or implementing the local coastal plans?

MR. GRESELL: Yes. I would say that historically we can provide you with exact figures. Historically, at least 80 percent of all the funds we have received from the various bond acts has gone to local assistance; and by far, well over 90 percent of that is specific LCP implementation.

ASSEMBLYWOMAN LA FOLLETTE: And, are these mostly in the form, this money, mostly in the form of grants or loans, or...

MR. GRESELL: It's mostly in the form of grants. Although as I say in the last four or five years, there has been an increase in loans. Again, it's going to depend...

ASSEMBLYWOMAN LA FOLLETTE: Well, it's only based upon their ability to raise revenues, right?

MR. GRESELL: Right.

ASSEMBLYWOMAN LA FOLLETTE: ...from those projects?

MR. GRESELL: Or, other sources, yes.

ASSEMBLYWOMAN LA FOLLETTE: Shouldn't local government be required in some way to at least accept this money as a loan and eventually be able to pay back into the fund? It looks like we have more going out than we have coming back in.

MR. GRESELL: That is, in fact, the case, and that is why, periodically, we need to get more funding. Yes. And, the reason why we feel that it would not be wise to require full repayment in all cases is that most of those projects would never occur if that were the case. Here's why. First of all, there are many coastal jurisdictions, counties and cities, which simply are not that well off financially and would not have the capability to refund, repay the money.

Secondly, there are certain kinds of projects. For example, the construction of access ways, stairways or paths, that simply will never generate any money.

ASSEMBLYWOMAN LA FOLLETTE: But speaking about those then, who maintains them after you?

MR. GRESELL: Okay. The grant recipient, the local government...

ASSEMBLYWOMAN LA FOLLETTE: They do accept the maintenance?

MR. GRESELL: Yes. That's right. It's a standard contract provision. They must operate and maintain the project for the life of the project, that's a minimum of a 20-year period.

ASSEMBLYWOMAN LA FOLLETTE: Thank you.

CHAIRMAN SHER: I think you've covered my question. I just want to give you a chance to comment on something I think the witness from the Wildlife Conservation Board is going talk to us about. And that is this question of repair of fishing piers which qualifies for funding by both the Conservancy and the

Wildlife Conservation Board. And, they have suggested, in speaking of guidelines, more definitive guidelines dividing the responsibilities of the two agencies which may perhaps develop a joint grant application program. I think that their suggestion was to give them the authority from the water's edge outward. Do you have any reaction to that?

MR. GRESELL: Yes.

CHAIRMAN SHER: You don't like it.

MR. GRESELL: I have to think about it. Actually, just for information point of view, we have worked very well and very closely with the Wildlife Conservation Board in the past. The relationship, I feel, has been exemplary. In the case of these projects, what we're talking about are recreational fishing piers. And, essentially, operationally, the way we have gone about these is where we have had a request from a local government to either build a new or help fund the renovation of an existing such pier, our standard procedure is to have them contact the Wildlife Conservation Board first, which indeed, has the specific program for this purpose and then if our funds are needed, then we can consider getting involved.

If that is the case, then again, we have always maintained, and do so now, that the Wildlife Conservation Board makes the determination as to where they will fund. And, essentially, what they do is, they and the Fish and Game Department, evaluate the project's desirability and feasibility for recreational fishing. And typically, they will fund that portion of the pier project where the fishing is best. And, then, we will...

CHAIRMAN SHER: You make the applicants start over with a new application to the Conservancy or can...

MR. GRENELL: Oh, no. No, no. This is going on concurrently.

CHAIRMAN SHER: So, if it goes to the Conservation Board first and they go as far as they can, they just kind of turn it over to you?

MR. GRENELL: Well, in effect. What we can do if you're talking about timing, we can give conditioned recommendations. Namely, we can fund our piece conditioned on the Wildlife Board.

CHAIRMAN SHER: You think it's worked pretty well as it is?

MR. GRENELL: I think it's working pretty well. Obviously, if the Wildlife Board has a concern, we're always ready to sit with them and figure out what can be done to improve things.

ASSEMBLYMAN TOM BATES: Maybe they can comment, too, when they come up. But, what funds are available now for waterfronts, per se, excuse me, for building piers and renovating piers? Is it coming from the Federal government, is there money still available from the Feds?

MR. GRENELL: We don't have any. Haven't have had any for years.

CHAIRMAN SHER: It would have to come out of your general...

MR. GRENELL: It would be our general pot.

ASSEMBLYMAN BATES: The general pot.

MR. GRESELL: Yes.

ASSEMBLYMAN BATES: Is there money available from the Federal government?

MR. GRESELL: The only, we get, for the last two years, we have gotten \$400,000 via the Coastal Commission from the Federal Office of Coastal Resources Management. That money is purely for project planning. And, it has gone primarily into wet land enhancement projects. A couple of cases, access projects. But, \$400,000 out of an annual budget well this year of \$35 million, I mean, there's no federal money to speak of. And, certainly none for project implementation.

CHAIRMAN SHER: Okay. If there are no other questions from committee members? I thank both of the Conservancy witnesses. It's been informative and we'll move on to the other witnesses.

MS. ALLEN: Thank you.

MR. GRESELL: Okay.

CHAIRMAN SHER: Thank you. Mr. Sowell, from the Legislative Analyst's office. Did I mispronounce your name?

MR. ARNIE SOWELL: Sowell.

CHAIRMAN SHER: Sowell, Mr. Sowell. You're going to tell us about this line item budgeting, are you?

MR. SOWELL: Yes, I am.

CHAIRMAN SHER: Do you like it?

MR. SOWELL: No, I don't.

CHAIRMAN SHER: Okay, that's direct.

ASSEMBLYMAN HARVEY: Mr. Chairman, from where I'm sitting, I'd like to thank Mr. Grenell and the folks who came to meet with me the other day at my office with all the pamphlets and brochures you gave me. I do appreciate those, Mr. Grenell, I did take the time to read them. I do appreciate it very much.

CHAIRMAN SHER: It's all yours, Mr. Sowell.

MR. SOWELL: My name is Arnie Sowell and I'm a program analyst with the Legislative Analyst's Office. Sowell or Sowell is fine.

CHAIRMAN SHER: I'll get it right on the third time.

MR. SOWELL: Okay. You've asked, Chairman Sher and members, you've asked our participation in this hearing today to provide information on four questions pertaining to the State Coastal Conservancy. In particular, you requested information on the following matters. One, when will previously authorized bond money for the Conservancy be fully spent and is there a need for additional bond money? What are the pros and cons of requiring the Conservancy to schedule its projects on a line item basis versus a lump sum basis. And, is there a need for more statutory control on the Conservancy's urban waterfront projects?

I think we can best serve the committee by maybe detailing a little more the present status of Conservancy's bond funds as well as also getting into the pros and cons of lump sum appropriations.

If I could turn your attention to my prepared testimony. There's a table in there that indicates the current status of the Conservancy's bond funds. As mentioned earlier, four general

obligation bond acts, beginning in 1976 and most recently in 1984, authorized a total of \$126 million for expenditure by the State Coastal Conservancy.

Table 1 summarizes the status of those Conservancy bond funds. Table 1 shows that over a 10-year period from its inception in 1976 through 1986-87, the Conservancy spent approximately \$103 million from the bond funds. The table indicates that the balance in all the bond funds at the end of 1986-87, including repayments, will be roughly \$30 million. The table also shows that in 1987-88, the Conservancy expenditures are going to be \$24 million, leaving the Conservancy with a total bond fund balance, including repayments, of roughly \$7 million at the end of 1987-88.

CHAIRMAN SHER: A very good graphic answer to the question. It's very helpful table too, thank you.

MR. SOWELL: Thank you. In response to the second half of that question, which was whether or not there's a need for additional bond money, during 1988-89, the Conservancy could use the remaining \$7 million plus any repayments for its program costs. The Conservancy estimates that it will receive roughly about a million and a half dollars in repayments in 1988-89, making a total of \$8.5 million available for expenditure. However, considering the current Conservancy administrative costs run about \$3.4 million annually, the Conservancy would only have about \$5.1 million for capital outlay projects and local assistance grants. And this would also include, this would not include carry over as capital outlay projects and local assistance grants are also good for three years.

After 1988-89, over a multiyear period, in response to Assemblyman Harvey's question, repayments will increase and it will be; however, those repayments will not be enough to, I think, offset the lack of additional bond fund money.

In response to the lump sum appropriations versus line item budgeting question, I guess, our office in our analysis of the budget bill for the past several years has had, I guess what you could call a feud, so to speak, with the Conservancy about the fact that it has not line itemed its budget. The Legislature generally, however, has granted the Conservancy unusual budget flexibility with respect to use of its local assistance and capital outlay funds. This flexibility has taken the form of lump sum appropriations, meaning in the absence of project identification where the scheduling, or scheduling in the budget act, and two authorizations to spend money for either local assistance grants or capital outlay projects from the same appropriation.

Currently, the Conservancy's budget display shows requested amounts of money by program area, such as site reservation, agricultural land preservation, coastal restoration, public access, and so forth. Nevertheless, these are broad categories and language in the budget bill allows the Conservancy to shift between these funds, fund categories.

Lump sum appropriations present two major problems. First, the lump sum approach virtually eliminates legislative review of the Conservancy's annual budget proposals because there are no specific projects to review. Moreover, the Conservancy

does not have established workload standards or performance measures against which the Legislature can evaluate the budget request.

Secondly, the lump sum approach makes it very difficult to compare the Conservancy's budget request from year to year with those of other agencies such as the Wildlife Conservation Board, the Department of Parks and Recreation, which may fund similar projects. Without a measurable standard by which to compare Conservancy funding requests, the Legislature, instead, must base its appropriations decisions largely on arbitrary criteria, such as the amount in the previous year, or on subjective judgements, such as the amounts left to be spent from the various bond funds.

Alternatively, as the Conservancy has...

CHAIRMAN SHER: I'll to break in, Ms. La Follette wanted to ask you a question.

ASSEMBLYWOMAN LA FOLLETTE: I just want to ask a question. You said that there were no ways for a specific project review. But what about audits of completed projects? Do you do that?

MR. SOWELL: We are provided with the Conservancy's board book, and yes, we can look at projects that have been completed and projects that are in the process of development as well.

ASSEMBLYWOMAN LA FOLLETTE: So, by reviewing those completed projects and auditing them, you do have some kind of a record as to the success and the best, using that money prudently

or effectively. At least we have a record of what has gone past...

MR. SOWELL: Right.

ASSEMBLYWOMAN LA FOLLETTE: ...so that we can somehow have some kind of a judgement or be able to make a judgement as to how they will spend their money in the future depending upon their past record. Right?

MR. SOWELL: That's correct.

ASSEMBLYWOMAN LA FOLLETTE: So, you do audit as a practice? The finished product?

MR. SOWELL: Yes, we do. We do look at the finished projects of the Conservancy's projects. Yes, we do. I think our qualms, so to speak, is the fact that beforehand, we did not know what projects the Conservancy might undertake.

CHAIRMAN SHER: For the upcoming year, right.

MR. SOWELL: Right.

MR. BUZZ BREEDLOVE: Excuse me, my name is Buzz Breedlove. I'm also from the Analyst's office. In support of Mr. Sowell's comments and in answer to your question, we don't do a audit, per se, that you might be familiar with, the Auditor General-type audits. We don't go into each individual project and look at the expenditures that have been made and the resulting benefits that have been provided from each individual project. Certainly, Arnie in his review of those, that information from the board, Conservancy, will take into consideration what had been spent, what the Conservancy indicated it produced from those expenditures. But we're not able at that

time to do a thorough, in-depth audit of the various projects. That would entail quite a substantial amount of time and we wouldn't have the resources available to us to do a real detailed audit.

CHAIRMAN SHER: At a minimum, though, you can, in these broad categories from the previous year, you can see how closely they start to, and whether they shifted funds between them.

MR. BREEDLOVE: That's correct.

CHAIRMAN SHER: That should be helpful in predicting what they will do for the current year budget amount.

ASSEMBLYWOMAN LA FOLLETTE: But, you cannot tell how much money was spent on administrative costs, staff costs, that kind of thing, consultants?

MR. SOWELL: Oh, yes.

ASSEMBLYWOMAN LA FOLLETTE: You can tell that.

MR. SOWELL: Yes, we can tell that. That is displayed in the budget. Yes, it is.

CHAIRMAN SHER: Now, you were going to tell us the advantages of the flexibility and all that we heard before.

MR. SOWELL: Right. Primarily, we see just basically one advantage to lump sum appropriations. And that is it enables the Conservancy to take quick action on unanticipated, or unforeseen opportunities, such as land acquisitions. And, that's primarily the advantage to lump sum appropriations.

In that regard, it does appear the Conservancy should be able to line item, then, in other areas; site reservation, coastal restoration projects and the like. Maybe in land

acquisition, in those particular areas, the Conservancy probably beforehand could give us some indication of areas that it might try to acquire without knowing exactly other areas it might come up that were unanticipated.

I guess your last question dealt with whether or not there was a need for better statutory controls on the Conservancy's urban waterfront projects. And, our office, I guess, at this time is, it's actually unclear whether or not there needs to be additional statutory controls on urban waterfront projects. I think we need to take the time to address the question further and to study it in more detail.

CHAIRMAN SHER: Okay, thank you very much for your testimony. Any questions from committee members or comments?

If there are not, thank you. Your testimony was very helpful.

MR. SOWELL: Thank you.

CHAIRMAN SHER: Our next witness is Jim Sarro, from the Wildlife Conservation Board.

MR. JIM SARRO: Thank you, Mr. Chairman, members. It's a pleasure to be here. We've got a lot of folks out here. I'll restrict my testimony to the questions you specifically directed to us, and then if you have questions beyond that, I'll be happy to try and answer them.

CHAIRMAN SHER: Fine. Fine.

MR. SARRO: First of all, you asked about the overlap between the two agencies, the Wildlife Conservation Board and the Coastal Conservancy. There are some overlaps, but I think

they're really minimal. Both have the authority to acquire land and to either assist or carry out the development, enhancement of wet land habitats on the coast. That's really a small part, as I gather, of the Coastal Conservancy's program. It's a very small part of our program, as well. There's going to be overlap. We overlap with probably five other agencies in this state that buy land or affect land in one way or another.

Coastal Conservancy has other problems. They must dispose of their lands. By dispose I mean either to another agency or to a local to handle and they cannot retain those lands. WCB acquires lands, typically, for either a public access project that is jointly operated by the Department of Fish and Game and local agencies, and owned by the Department of Fish and Game, where we actually retain an interest in the property, or, it is held by and operated by the department on its own. That, I think, is a big distinction between the two agencies.

WCB's purposes are much more limited, I think, as well. We're limited to fishing access on the coast and wildlife. I'm restricting my testimony to the coast right now, fishing access essentially on the coast, and wildlife oriented purposes. The Conservancy's is well beyond that and includes other public use type things that really extend far beyond those two restricted purposes.

I want to respond to something else you asked, before I let it slip away, and that was having to do with our funding for coastal projects and piers. Right now, we have wildlife restoration funds for that purpose. We have no federal money

available to us. I had that note here and I wanted to mention that before it got away from me.

Also, WCB's programs are matching with locals in a typical, in fact, in every project, requires a matching fund. I'm not certain what Coastal Conservancy's is but I don't think that's the case. So there is a difference there.

When Mr. Grenell mentioned that they do work with us on their coastal project, that's absolutely true. We meet, we try to meet monthly and we're always on the phone I would say every couple of days with somebody at Coastal Conservancy having to do with coastal projects that we're involved with because they really are the experts. We have statewide authority. We do get to the desert and when we're looking for experts on the coast, we really do go to the Conservancy for that help.

CHAIRMAN SHER: You don't see any problem then with duplication on this pier restoration program?

MR. SARRO: Well, we'd kind of like to stick to the outward portion of the projects.

CHAIRMAN SHER: But, you don't think, you believe that...

MR. SARRO: We don't have any problem with...

CHAIRMAN SHER: But you don't believe that actually has to be defined in any way.

MR. SARRO: Oh, I don't think so. We work very well with the Conservancy, I think. And I don't think a definition is necessary. When we do, when we say we'd be more interested in restricting our respective uses, not uses, involvement with ours

being outboard of the water, the water's edge, I think if the Conservancy was involved with a concessionaire on the, out on a pier with something that really doesn't have to do with fishing, we just wouldn't have a concern with that. So, I think if you defined, if you used the water's edge, I hope there wasn't, no one was misled with that statement that might have been made...

CHAIRMAN SHER: Mrs. Waters?

ASSEMBLYWOMAN MAXINE WATERS: What does either of these Conservancies have to do with the concessionaires?

CHAIRMAN SHER: Well, they deal with this waterfront restoration. Frequently, there are projects that involve economic activity and, in fact, one of the urban restoration programs of the Conservancy contemplates large sums of revenue bonds that would build big projects and that would repay themselves. Sir? Did you want to say something about that, Mr. Grenell.

MR. GRENELL: Peter Grenell from the Coastal Conservancy. If I could clarify. A typical example of the cooperation between two agencies on a pier project would be where the Wildlife Conservation Board would fund the outer portion of the pier. And as I said, we always defer to them on that. That's where the best fishing is typically. Then, we would fund, with the local government, typically, if it's a big project or without them if they're basically strapped for money and it's a smaller project, the inboard portions closer to the land.

CHAIRMAN SHER: Mrs. Waters wants to know why the Conservancy wants to run restaurant on a pier, is that right?

MR. GRESELL: Okay. All right. We do not operate facilities. The local governments involved would. Now, we talked about repayment of Conservancy funds. In a pier project of this sort, we could, and have, funded pier restorations on the inboard portions where the local government can put revenue generating facilities, like a restaurant. That helps to repay us. Still, we would require public access in and around the restaurant. The restaurant itself is a visitor serving commercial facility acceptable under the Coastal Act. The Wildlife Conservation Board would be funding the outer clear deck portion for recreational fishing. So, there is a different ...

CHAIRMAN SHER: Your real goals are to restore this pier that's been falling down and to provide public access and incidental to that there might be these activities that generate money to help pay for it.

MR. GRESELL: That's correct.

ASSEMBLYWOMAN WATERS: If in fact you fund a project where the local government has decided it wants to have concessions or development of restaurant and other kinds of things, you have nothing to do with that at all?

MR. GRESELL: Not with the operation of them, no.

ASSEMBLYWOMAN WATERS: I don't mean with the operation. I mean...

MR. GRESELL: We could...

ASSEMBLYWOMAN WATERS: ...what they will be, who will get them, how much money they generate, and all that kind...

MR. GRENELL: We have something to do with it insofar as, for example, we could fund the structures within which the local government will lease the facilities for the restaurant. But it's up to the local government as to who they choose to operate the restaurant.

ASSEMBLYWOMAN WATERS: So, in the funding of the structures, that's just a gift to the local government?

MR. GRENELL: Well, those kinds of projects would be loans. We would get repaid on those.

ASSEMBLYWOMAN WATERS: So, you would be loaning to the local government or to an individual concessionaire.

MR. GRENELL: No, only to the public entity. We do not provide funds.

ASSEMBLYWOMAN WATERS: Okay, you would loan to the local government and they would have a process by which they can select who the concessionaire would be.

MR. GRENELL: That's correct.

ASSEMBLYWOMAN WATERS: In the development of those, you have some ability to talk about what the design should be, what it should look like, that kind of thing?

MR. GRENELL: Yes, we have some kind of ability that way.

ASSEMBLYWOMAN WATERS: Could you give me an example of some of those you've been involved in?

MR. GRENELL: Surely. Stern's Wharf in Santa Barbara was the first such project that we were involved with. Santa Monica Pier is another one that we are currently still involved with.

ASSEMBLYWOMAN WATERS: How are you involved in Santa Monica Pier?

MR. GRESELL: Okay. Santa Monica Pier, several ways. Number one, we provided a small amount of money to organize a series of community workshops whereby the public, all the citizens, got together and actually prepared the plans and guidelines for the restoration of the pier. It was not our plan.

ASSEMBLYWOMAN WATERS: I see.

MR. GRESELL: That's point one. Point two, we have provided funds for the first phase of the restoration. That's the park, if you're familiar with the park right at the inward end, that is now completed and was opened last year. We anticipate assisting the city with funding of further portions of the pier outward as their planning process continues.

ASSEMBLYWOMAN WATERS: Do you have affirmative action guidelines in your work?

MR. GRESELL: Yes, we do. We conform to all the affirmative action guidelines of the state civil service.

ASSEMBLYWOMAN WATERS: I've never seen, in all of the piers in the State of California that I've been on, I've never seen a minority concession operator.

MR. GRESELL: As far as I know, we have not passed on whether that is the case.

ASSEMBLYWOMAN WATERS: I've never seen one. I just wondered. How big is your staff?

MR. GRESELL: 40.

ASSEMBLYWOMAN WATERS: Do you have any minorities on your staff?

MR. GRESELL: Yes, we do.

A couple of points on background on this. First of all, our breakdown currently, is, of a total staff actually, it's 39 individuals at this point. We have a total of 13½ personnel years. In other words, about 13 individuals who are minorities. The breakdown, if you like, is one Asian, three Blacks, three Filipino, two Hispanic, and one disabled. Our hiring over the past two years, we have had very little turnover, but, in fact, we have hired five minority people and that's been the entire hiring that we've had in the past couple of years.

ASSEMBLYWOMAN WATERS: Okay. I'd like to talk with you at some point in time about your concessionaire development activities. I want to take a look at them.

MR. GRESELL: Okay. Fine, we'll talk with you about that.

CHAIRMAN SHER: Thank you. Had you finished, Mr. Sarro?

MR. SARRO: On the question of overlap, yes. You had asked another question. That is the program versus project budgeting.

CHAIRMAN SHER: You have the program budgeting?

MR. SARRO: Yes, we do.

CHAIRMAN SHER: And you like it?

MR. SARRO: Very much.

CHAIRMAN SHER: And it gives you the flexibility you need?

MR. SARRO: Yes, I think that's part of it, yes.

CHAIRMAN SHER: Okay.

MR. SARRO: I think it's also a real money saver for more than one reason. We find that it avoids an awful lot of local speculation. People seem to know when we're going to be in the area. We do, I might mention, we do have some...

CHAIRMAN SHER: You mean in terms of acquisition...

MR. SARRO: Yes.

CHAIRMAN SHER: ...and you put it in the budget ahead of time, it drives the price up.

MR. SARRO: Yes.

CHAIRMAN SHER: Okay. Got you.

MR. SARRO: And, we've had case, we have some projects that we handle for Fish and Game that are on that basis or have been over the years on that basis, on the project basis. And they know before we call them that we're going to be in the area. On the program basis, we've had, as we do now, 200 different projects. And we could follow any one at any time depending on priority. We found that to be a money saver for us.

ASSEMBLYWOMAN WATERS: Mr. Chairman, I'd like to ask the same question.

CHAIRMAN SHER: Okay.

ASSEMBLYWOMAN WATERS: Now, how big is your staff?

MR. SARRO: We have nine on our staff.

ASSEMBLYWOMAN WATERS: And, your projects are usually the outer projects?

MR. SARRO: Well, our projects are statewide. So, if we're talking about coastal, yes. We deal only with the fishing access portions, the fishing related portions of the pier projects.

ASSEMBLYWOMAN WATERS: What do you do? I mean, I don't know anything about you guys.

MR. SARRO: Well, essentially, we buy land for the Department of Fish and Game for wildlife habitat purposes, wildlife preservation, or sportsmen, as well as for...

CHAIRMAN SHER: Access to fishing, too?

MR. SARRO: Yes, fishing.

ASSEMBLYWOMAN WATERS: For access.

MR. SARRO: It's all over the state. It includes the coast, of course, as fishing access there.

ASSEMBLYWOMAN WATERS: And that's the essence of what you do?

MR. SARRO: We, of course, develop these areas as well. In this, in the case of the coast, fishing piers and access trails in for clamming, crabbing, and that sort of thing.

ASSEMBLYWOMAN WATERS: When you develop a project, does that mean that you fund and actually do all of the physical work that is involved? Who does that?

MR. SARRO: Usually the local entity that's involved, typically a county or city. For instance, Capitola, the City of Capitola, the pier at Capitola, is one that we participated in and paid for half of it while the city actually went forward and did all of the design work. And we reviewed and approved the plan.

ASSEMBLYWOMAN WATERS: Do you have affirmative action guidelines also?

MR. SARRO: Yes, we do.

ASSEMBLYWOMAN WATERS: In what way?

MR. SARRO: We follow the same, all of the contracts that we enter into where funding is provided have the affirmative action requirements and guidelines attached.

ASSEMBLYWOMAN WATERS: And the cities meet them?

MR. SARRO: Yes. I'm sure that they do.

ASSEMBLYWOMAN WATERS: No, do they meet them?

MR. SARRO: I would say yes. I personally have not audited those. We do have an audit staff.

ASSEMBLYWOMAN WATERS: I'd like to talk with you about that at some point.

MR. SARRO: All right, I'd be happy to.

ASSEMBLYWOMAN WATERS: All right, thank you.

CHAIRMAN SHER: Okay, thank you for your testimony. The next witness is Paula Carrell from the Sierra Club. Why don't we get all the other witnesses to come forward? We're going to move rather quickly at this point. These are people who are either observers of the work of the Coastal Conservancy or who have actually worked with them on specific projects. Mr. Yates with the Pacific Coast Federation of Fishermen; Susan Williams, East Bay Regional Park District; and Martin Rosen, Trust for Public Funds. If you're here, why don't you all come forward? We'll start with Paula.

MS. PAULA CARRELL: Okay, you also asked me to answer three questions. The first one was how was the Conservancy's mission and activities important to the environmental community? The short answer is very. The long answer, the slightly longer answer is that when I started checking around with our chapters, coastal chapters around the state, I discovered that, to my surprise actually, that everyone had worked with the Conservancy on one project or another in the last year or two. And that meant, spoke to me that they had incredibly, carefully up and down the state, covered every county with a project.

CHAIRMAN SHER: The coastal county.

MS. CARRELL: Every coastal county, yes. The Conservancy's doing a good job spreading out what they have available, I think.

CHAIRMAN SHER: The Conservancy is everywhere.

MS. CARRELL: Right. I think the things our members feel are most important two, two things the Conservancy is particularly good at which no other agency seems to be able to offer. And one particularly is conflict resolution. When you have a difficult project that involves a lot of different facets where you're trying to provide for housing, and protect a wetland, and provide for wildlife habitat and public access, and boating, all of those things in one geographic area. The Conservancy has the unique ability to step in and through their ability to use special expert consultants because of the kind of planning staff they have in-house to step into a confused, and often difficult, situation like that and straighten it out and

come up with a plan which addresses all of the facets which the program needs to address. And I've never worked with another state agency that has that capacity.

CHAIRMAN SHER: Mr. Roos is impressed and wants to pursue that point.

ASSEMBLYMAN MIKE ROOS: Indeed I am, Mr. Chairman, particularly with Ms. Carrell, who is...

CHAIRMAN SHER: Articulate...?

ASSEMBLYMAN ROOS: No, I was going to say something about the resilient and remarkable strength of her character.

CHAIRMAN SHER: You were?

ASSEMBLYMAN ROOS: Yes.

MS. CARRELL: My goodness.

ASSEMBLYMAN ROOS: No, I just was quickly looking through that briefing paper and it said that last year, there were 19 bills that came through that affected the Conservancy. And the Conservancy said that it didn't sponsor all of them. But I can't remember it opposing any of them. And, I guess, the lynch pin question to your comments are is that they've, and I think this is what I'm grappling with and I think this is what Ms. Waters and I both tried to grapple with in Ways and Means on the Dills bill last year, is that they just seem to have--and this is not pejorative--but they seem to be a convenient conduit for getting things done on the coast.

MS. CARRELL: I think that the flip side of what I was saying and it was...

ASSEMBLYMAN ROOS: Well, I want to explore that flip side...

MS. CARRELL: Okay.

ASSEMBLYMAN ROOS: ...because if they're the convenient conduit, I think that ought...you know you can't just posture yourself as, "well we didn't sponsor all these bills, but we aren't..." you know, as though you're a passive actor when in fact you're a catalyst for making something dramatic and significant happen. And that's number one.

Number two, the other thing that I'd like to get into, maybe not with you, but again with the head of the Conservancy is that in '76 they got \$10 million in bond money. In '80, it climbed to \$80 million. In '84, it got another \$80 million. And now I understand it's proposing that, you know, Ms. Killea has something on the order of \$200 million in 1988 at a time when our resources are stretched to the limit. And I don't know about Chairman Sher, or any other member...I have no idea what they're going to do with the money. You know what they're going to do with the money?

And it a staggering amount of money.

CHAIRMAN SHER: We had some testimony on that. In fact, Assemblywoman Killea was here to talk about her bill and we'll see the bill itself. It actually has the categories of expenditures, percentages of that money to be spent for different amounts. But, the witness should feel free to respond. We'll see that bill specifically because it will be assigned to this committee.

MS. CARRELL: I can't...

ASSEMBLYMAN ROOS: All these bond issues we have approved, right?

MS. CARRELL: Yes. Yes. I can't respond to the question about that...about the dollar amount. (Inaudible). Pardon me?

ASSEMBLYMAN ROOS: Who underwrites the bonds...who lets the contracts to the bonds? The Conservancy?

MS. CARRELL: They have a couple of different kinds of bonds available to them.

CHAIRMAN SHER: Well, I think Ms. Killea's bond issue will be a bond that the voters will approve if it gets through the Legislature and gets on the ballot and then they will be...

ASSEMBLYWOMAN WATERS: Issued by whom?

CHAIRMAN SHER: The general obligation bond...

MS. CARRELL: By the state--general obligation...

CHAIRMAN SHER: ...for this purpose.

ASSEMBLYMAN ROOS: Go ahead.

CHAIRMAN SHER: This is Mr. Grenell, Mr. Roos, and if you would.

MS. CARRELL: They also have waterfront bonds, which are...

CHAIRMAN SHER: Well, there's a separate kind of bond, revenue bonds, for waterfront restoration we talked about that were involved with the Mello bill last year. That's a separate funding source for these waterfront restoration projects. Got involved with that.

ASSEMBLYWOMAN WATERS: Is there a Conservancy bonding authority or what?

MR. GRENELL: Let me clarify that. Peter Grenell, Executive Officer, Coastal Conservancy. The Coastal Conservancy itself is funded by general obligation bonds.

ASSEMBLYWOMAN WATERS: Okay.

MR. GRENELL: The bonds in '76, '80, '84. These bonds are sold by the State of California through the treasury and so on.

ASSEMBLYWOMAN WATERS: Okay. All right.

MR. GRENELL: They are paid off through general revenues.

ASSEMBLYWOMAN WATERS: Okay.

MR. GRENELL: To the extent that we can revolve those bond funds that we get by requiring full or partial repayments on various projects, we try to do so. That basically stretches out our money farther. Okay, but the repayments that we get do not go to repay the bonds. Those are our general obligation bond funds.

There is a separate set of bonds with which we are associated. Those are revenue bonds that are sold through this new agency, the California Urban Waterfront Area Restoration Financing Authority, known as CUWARFA, that's a totally separate, independent authority that was established by Senate Bill 997 in 1983.

ASSEMBLYMAN ROOS: What bill was that?

MR. GRENELL: SB 997.

ASSEMBLYMAN ROOS: Who was that? Mello?

MR. GRESELL: Senator Mello. And that established this new revenue bond authority. They are the ones who have the ability to sell revenue bonds for specific kinds of urban waterfront projects. The Coastal Conservancy's connection with those is much more limited than our normal projects and programs. Essentially...

ASSEMBLYWOMAN WATERS: This authority has an executive director and all of that?

MR. GRESELL: It has an executive secretary.

ASSEMBLYWOMAN WATERS: Who is that?

MR. GRESELL: Ralph Thompson.

CHAIRMAN SHER: You should know that none of those bonds have been sold and the federal tax law has been changed in such a way that it may that they're never sold because, for tax reasons.

ASSEMBLYWOMAN WATERS: I'm sorry, what did you say?

CHAIRMAN SHER: I said that those, none of those bonds have ever been sold and it's likely under the new federal tax laws, they won't be sold so it may be a moot issue under this program.

ASSEMBLYWOMAN WATERS: I see. Well, now, who is on the board of that?

MR. GRESELL: There's a five person board.

ASSEMBLYWOMAN WATERS: Who are they?

MR. GRESELL: They are the Secretary of Resources, the Treasurer, the Controller, the Director of Finance, and myself.

ASSEMBLYWOMAN WATERS: You're on.

MR. GRESELL: Yes.

ASSEMBLYWOMAN WATERS: It's so interesting to find out about all these little authorities.

CHAIRMAN SHER: It's a \$600 million authorization, I believe, for these revenue bonds.

MR. GRESELL: 650.

CHAIRMAN SHER: 650. None of which...but Mr. Roos will remember that how much was proposed for the one project? This was the Pen-Tax, the pipeline...

ASSEMBLYMAN ROOS: The Pen-Tax, that was...

(Several voices together): Pac-Tex...

CHAIRMAN SHER: It isn't pending.

MR. GRESELL: 550.

CHAIRMAN SHER: 550. It didn't happen, though, so as I say because of the change in the tax law, these revenue bonds for these, this purpose...

ASSEMBLYWOMAN WATERS: So, we're going to disband this authority or does...it's not needed?

ASSEMBLYMAN ROOS: No, that's hasty.

ASSEMBLYWOMAN WATERS: Is that what...

CHAIRMAN SHER: You have to talk to Senator Mello about that.

ASSEMBLYWOMAN WATERS: You don't need this authority, anymore, right?

MR. GRESELL: I should point for clarification...the new federal tax law basically eliminates a great many of the privately sponsored projects from eligibility. Some publicly

sponsored projects, such as the building of commercial fishing terminals or piers of that kind, could still potentially be fundable.

ASSEMBLYWOMAN WATERS: I see.

MR. GRESELL: But it remains to be seen as to whether, in fact, bonds will be sold for these kinds of things.

MS. CARRELL: If I could come back to Assemblyman Roos' first question. We were talking about the flip side of all the good things they can do in terms in solving these problem solving situations and I guess the flip side of that has been with a project that's come up in oblique references several times this afternoon, which is the Pac-Tex project in the Los Angeles Port.

It's a project with which we too have had problems. And I think the major problem has been that what they're proposing to do there is mitigate in San Diego for damage they're doing in Los Angeles.

ASSEMBLYWOMAN WATERS: Absolutely.

MS. CARRELL: And, they're proposing to essentially, I think, developers in San Diego County are responsible for the degradation of Batiquitos Lagoon largely, which is what the mitigation funds are going to be spent on. So, in a sense, Los Angeles is being robbed and the developers in San Diego are getting off scot free. We have a problem with that.

CHAIRMAN SHER: Mr. Roos? We don't want to debate that issue and we've debated it at great length. But Mr. Ross was very successful in getting some things included in the Mello bill for the Port of Los Angeles. The bill, ultimately, died...

ASSEMBLYMAN ROOS: Yes, it did. It did die.

MS. CARRELL: But...but...addressing

CHAIRMAN SHER: You didn't have anything to do with that, did you Mr. Roos?

ASSEMBLYMAN ROOS: No. Not at all. I was going to ask Mr. Grenell what they've done knowing the spirit of this Legislature in terms of the mitigation, you know, have you brought the mitigation closer to where the harm's being done?
(Laughter)

MS. CARRELL: No, they haven't.

MR. GRENELL: On that point, specifically, our role at the request of several of the parties involved, the Port of Los Angeles, the Pac-Tex company, the Department of Fish and Game, U.S. Fish and Wildlife Service, Coastal Commission, Corps of Engineers, City of Carlsbad, we were asked to play what is often our role, mainly to try and coordinate and work out some kind of a mutually acceptable solution to this question. It was not our decision, or our choice, as to where the mitigation was to go. That was something that had to be worked out by the project proponents. The Pac-Tex Company with the Port of Los Angeles is there.

ASSEMBLYMAN ROOS: Well, see, I would disagree with you. See, I just see this...I just see your deal very definitely and that's why I was asking Ms. Carrell that. I think that you are, I think that you are the imprimatur on all these deals.

The first thing that I would do if I were a developer that had a problem on the coast, I would try to get you for my

ombudsman. Because I think that once you sign off then it's basically sweetness and light and, I think you have a whole lot of leverage that you either determine to exercise or not determine to exercise. But I think that if you would have pulled out of any Pac-Tex deal, there would have been no Pac-Tex deal.

MS. CARRELL: And I think there is something about the way the Conservancy is directed and operated, which could be changed, which would ensure that we don't find ourselves in that situation again. And I think that the change could be that right now...the plan when it's prepared for a project like this, the total plan for what's going to go on in the Port of Los Angeles, certain projects are going to take place, certain mitigation and enhancement is supposed to take place in response to those projects. Well, the plan for the total area is supposed to spell out all those things. The good projects or the projects that are going to generate money as well as mitigation, which is going to cost money.

But, then what happens is, the projects go forward. The revenue generating projects go forward and everybody sits around and waits to see when is the mitigation going to take place. When is the public access going to be provided...the things that are going to cost money. And it's not clearly spelled out that the two have to move forward concurrently so that you could get the island built and the tanks moved offshore and all kinds of commercial generation. But then, you wait and wait and wait for the public access and for the habitat enhancement and there's no clear guarantee in the law that the two things must move forward

simultaneously. The public recreational needs are addressed at the same time that the revenue generating projects are going forward. And that's a problem. And I think that's going to be a problem for people in Los Angeles to the extent that that project moves forward which is unclear at this point. And I think that's just a vagary in the law.

ASSEMBLYWOMAN WATERS: You are with the State Coastal Conservancy, is that right?

CHAIRMAN SHER: He is.

MS. CARRELL: I'm not.

ASSEMBLYWOMAN WATERS: Are you with the Conservancy?

MR. GRECELL: Yes.

MS. CARRELL: I'm with the Sierra Club.

CHAIRMAN SHER: Mr. Harvey?

ASSEMBLYMAN HARVEY: Yes, Mr. Chairman, I'm enjoying this conversation immensely, but I don't know what we're talking about. So, what I'd like to find out--if I've got it straight in my mind--there's a project in Los Angeles and you're trying to mitigate, you aren't, the Sierra Club and developers in San Diego, you've mitigated San Diego because the coast line goes down there as I understand it being from Bakersfield. Now, with that, this developer, whoever Pac-Tex is, or Tex...

CHAIRMAN SHER: It's a big one.

ASSEMBLYMAN HARVEY: It's a big one?

MS. CARRELL: The Pacific Texas Pipeline Company.

ASSEMBLYMAN HARVEY. Oh, it's a pipeline. Well, I see a lot of those in my county. I understand a pipeline. So, I

thought we were talking about a developer that developed in L.A. and there too you're having someone paid the developer fees in San Diego to mitigate for L.A. What's really going on? Does anybody want to bother to tell me? (Laughter)

MS. CARRELL: It's a long story.

MR. HARVEY: It's a long pipeline, obviously, if it's...

CHAIRMAN SHER: It starts at out there in the water and comes through the Port of Los Angeles.

MR. GRESELL: I realize you asked Ms. Carrell, if I might clarify...

CHAIRMAN SHER: Just tell Mr. Harvey, if you would, in a few words what the...

MR. GRESELL: First of all, let me point out that historically, the Coastal Conservancy began work in Batiquitos Lagoon before there was a Pac-Tex pipeline...

CHAIRMAN SHER: You better tell him where that is.

MR. GRESELL: Batiquitos Lagoon is in, now in the City of Carlsbad, which is approximately 45 miles minutes away from San Diego.

CHAIRMAN SHER: It's not in Los Angeles. That's the important thing.

MR. GRESELL: No, it isn't. It's quite a ways away. The reason we began work to try to develop a restoration enhancement plan for the lagoon is, one of the Conservancy's highest priorities in our wetlands program is the restoration/enhancement of the San Diego coast lagoons. Whether they're developers in Los Angeles or not. It's irrelevant. These are major threatened coastal resources.

The full background is that 70 percent of the coastal wetlands have vanished and these are top priority concerns. Subsequent to our involvement in planning, in the start of planning for the restoration of that lagoon, came the Pac-Tex project. We were asked...

CHAIRMAN SHER: Tell him where that is.

MR. GRENNELL: The Pac-Tex project is a pipeline project in Los Angeles Harbor. The idea is to build an artificial island, run a pipe onshore, and then another 900 miles to Texas. That's the whole subject of what we're dealing with.

CHAIRMAN SHER: Okay.

MR. GRENNELL: Now, then, our role was a twofold one as requested by all these different agencies and parties. Number one to try to prepare a restoration or enhancement plan, which is our normal activity that we can do. But secondly, to try to assist in working out an arrangement that would successfully lead to mitigating the Pac-Tex requirement.

Now, I should point out that the determining authorities as to "a" whether there will be a mitigation required and what that is, is up to the permitting authorities. That means the U.S. Army Corps of Engineers and the Coastal Commission. We had no involvement in that whatsoever. What our role was and...

CHAIRMAN SHER: Was to make...

MR. GRENNELL: Very recently, was given those things to try and develop a plan that would then meet those mitigation requirements also be acceptable as wetland enhancement and restoration...

CHAIRMAN SHER: Didn't you forget to say that they wanted to get \$500 million in these urban restoration funds to help build this private project?

MR. GRENELL: Now.

CHAIRMAN SHER: And you sit on the board, is that right? You forgot to tell us that.

MR. GRENELL: That is correct, yes. Now...in fact, two things there. Pac-Tex did apply for revenue bond funds. Up to this point, there have not been final approval either from the Coastal Conservancy or the CUWARFA board on those. That can only come once, and if, that project applicant provides all the permits, all its environmental review, financial security for the project, and meets all the environmental criteria of the program. This has yet to be done. It has not happened. Any decisions that have been made, thus far, have been preliminary only and do not represent a commitment in any way toward funding this project.

Another point on this is, I should point out that the Coastal Commission very recently modified its initial permit approval on the Pac-Tex permit application. They have now changed it so that the Pac-Tex Company need only provide a lump sum of \$20 million into a pot for mitigation as yet to be determined. That is something that we have serious problems with. I have written a letter indicating that we don't see a useful role any further in the Coastal Conservancy's attempt to work out a mitigation arrangement. That is the status of things at this moment. Because we feel there's a problem...

CHAIRMAN SHER: You got it, Mr. Harvey?

ASSEMBLYMAN HARVEY: Except the financial piece for me. In L.A. County, you've got, I guess, a noaligned. You're transferring a conduit to get it to San Diego. Pay so much to get it there. When you get it there, San Diego...

CHAIRMAN SHER: No. The pipeline's not going to San Diego. The mitigation for the effect of the pipeline on Los Angeles was proposed...

ASSEMBLYMAN ROOS: They couldn't find anything in LA. L.A.'s perfect.

CHAIRMAN SHER: They proposed to...

ASSEMBLYMAN ROOS: They had to go all the way down to San Diego to find something to mitigate.

MR. GRESELL: If I might...

ASSEMBLYMAN HARVEY: Well, being political like I am, I'm not going to say anything with you two sitting there.

MR. GRESELL: If I might clarify, what happened was the standard procedure that's called for by the Department of Fish and Game, U.S. Fish and Wildlife Service, and other resource and permitting agencies is as follows...they require, typically, a search to find mitigation within the project. If that is not possible, as determined by them, not by the Coastal Conservancy, then they look for it adjacent as close to the desired project as possible. If that's not possible, then they accept, depending upon conditions, an off-site.

All right. In this particular case, since Los Angeles Harbor basically didn't, in the view of those agencies, provide

adequate mitigation, they agreed that if a site could be found away, off-site somewhere, then that would be acceptable. And so what happened was the Fish and Game Department, Fish and Wildlife and so on, and Pac-Tex, looked at every possible wetland site from Santa Barbara to Tijuana Estuary and they finally ended up with the Batiquitos Lagoon.

ASSEMBLYWOMAN WATERS: Batiquitos is publicly held?

MR. GRESELL: Batiquitos is partially publicly held by the State Department of Fish and Game and partially privately held.

ASSEMBLYWOMAN WATERS: Who is it privately held by?

MR. GRESELL: The two major, there are five. The two major landowners are the Hunt brothers from Texas and the Samus Corporation.

ASSEMBLYWOMAN WATERS: Now the Hunt brothers from Texas owns part of this lagoon. Pardon?

ASSEMBLYMAN ROOS: They had some reversals (inaudible.)

CHAIRMAN SHER: Were they involved in the pipeline?

ASSEMBLYMAN HARVEY: You know, my question was a good one, I think. Keep going.

ASSEMBLYWOMAN WATERS: As I, as I remember this...it's kind of fuzzy now because...I only got pieces of it in Ways and Means and you know we don't hear all the policy side of it. But I remember that I thought that it was the Hunt brothers. I kind of get the Hunt and Bass brothers mixed up. I can't remember who has the most money...Hunt or Bass. They own part of this lagoon and they were going to sell it back to you? Is that what they were going to do?

MR. GRESELL: No, what happens is, it's a requirement of the other agencies, such as the Department of Fish and Game, that all the land in such a project area has to be publicly controlled so that you can assure that the famous mitigation will actually occur. One of the problems with this whole project has been that the Hunt brothers, first, refused to either donate or dedicate or otherwise turn the land over to the State or the City of Carlsbad for that matter in order for this to occur. Then, they have since gone into bankruptcy and the whole thing is in receivership. So, there's a major question as to whether any mitigation in Batiquitos for Pac-Tex is going to occur regardless of what financing they use to build the pipeline. Simply because it cannot occur unless the land is publicly controlled.

ASSEMBLYWOMAN WATERS: Well, that's what I thought and I could never understand how you were going to do that because it was my understanding that they were only interested in selling it. They weren't interested in dedicating or giving...

MR. GRESELL: That is correct. But at this particular point in time the whole thing is totally up in the air.

ASSEMBLYWOMAN WATERS: So, it's prematurely kind of identified...the mitigation.

MR. GRESELL: Well, again it was identified on physical criteria, not on other criteria. I should point out for information purposes that the City of Carlsbad has indicated an interest in possibly condemning that property.

CHAIRMAN SHER: Ms. Carrell, have you finished your observations? You certainly started something off here. I think you just happened to be sitting here...

MS. CARRELL: It was too peaceful of a hearing.

CHAIRMAN SHER: Now, Mr. Roos, was interested in this aspect of it.

MS. CARRELL: Well, I was asked to comment on a couple of other questions: Should the Conservancy be allowed to continue making opportunity purchases and have the flexibility to resolve the kinds of things we say they're so good at? And are greater controls or limitations on its authority in these areas necessary? We have found it to be especially useful that the Conservancy has the flexibility to move in to difficult projects when they're occurring and think that's an important part of who they are. That's what makes the agency uniquely available.

I think the kinds of greater controls that might be needed to make sure that we don't have another Pac-Tex situation are the ones I mentioned earlier. To ensure that when they're involved in putting together a development/mitigation package, that we're guaranteed that the two things are going to move forward concurrently and to the extent that we might need to do that legislatively. That would be a positive improvement I think. Other than that, controls and limitations, I don't really have anything to suggest. I think the only other thing I wanted to mention is that we have sometimes found it confusing as we try to be the friends and supporters of the Conservancy, the plethora of bills that turns up here, a little bit of money here, a little bit of money there, a little project authorization here although it's not really needed but we're doing it anyway. I find that very difficult to deal with and this business of introducing a

bill that authorizes a certain expenditure when the authorization isn't really necessary is something I've never quite understood. It's confusing and I think sometimes counterproductive.

I guess we would generally oppose line iteming their whole budget just because we do have an interest in maintaining some level of flexibility within the agency to move on key projects when they're most needed but we also have had problems with looking at the Conservancy's budget and not knowing who's juggling, where the money's going to go and what the projects are going to be that are going to get funded. I don't know how you can leave them some flexibility and yet still maybe get further information on the details and maybe the suggestion that the Legislative Analyst made is a good one. I do have to say that they're down to very little money in the pot. They are going to have almost no capacity after the end of this fiscal year to fund capital projects; the kind of coastal access acquisition habitat protection recreational development that we would like to continue to see happen on the coast. There are a lot more projects out there that need funding and so we do strongly support additional bond money being made available to the Coastal Conservancy. I have no idea which hat they pulled the 200 million dollar number out of. I don't know precisely what the needs are if you tried to itemize them on a known project-by-project basis. I know they need additional bond money. I haven't got a clue as to precisely how much they need or how they would justify that amount.

CHAIRMAN SHER: Mr. Grenell, I'm not going to call on you because I can't have you commenting on each of the witnesses' testimony. Otherwise, we'll never get done with the other witnesses but thank you for coming forward to clarify that point. I'd like to call on Mr. Yates who is the witness for the Pacific Coast Federation of Fishermen Association and your group had a project with the Coastal Conservancy, is that right?

MR. BILL YATES: Yes, Mr. Chairman. My name is Bill Yates and I'm representing PCFFA instead of Zeke Grader who couldn't make it today. Yes, we've worked closely with the Conservancy on many issues.

CHAIRMAN SHER: Mr. Zeke Grader is sitting in the back so he probably hired a plane to get here. Why don't you come forward, Zeke?

MR. YATES: Zeke should come up.

CHAIRMAN SHER: You go ahead anyway.

MR. YATES: Well, I just think that one of the things -- I recognize the members' concerns especially as we talk about Pac-Tex which PCFFA didn't have anything to do with but...

CHAIRMAN SHER: Okay, we gave you the opportunity to say that.

MR. YATES: There is a need for having an agency in the coastal zone specifically dealing with all the complexities, especially the commercial fishing industry phases, when you consider the competition for shoreline development that can seek to resolve problems without having to come to the Legislature and try to estimate what might be the issue for that year and try to

run it through the budget. Unfortunately, the coastal issues don't really lay themselves out like that so there needs to be some flexibility as Ms. Carrell said but obviously there must be some way of the Legislature having some oversight over what this agency does. The attempt was to set up I believe it's a 6-member legislative oversight committee that's supposed to be looking over what this agency does and maybe there should be some strength added to that. But an example of how terrible it would be to turn this agency into the Department of Parks and Recreation, it may take three or four years for the department to get a trail to the coast or to develop some access to the coast for money that the department has spent and the public has voted for and what not which frustrated a former boss of mine and a former chairman of this committee, Terry Goggin, who just got frustrated by the fact that it takes the department so long to do this whereas the Conservancy could come in in a matter of months working with the Conservations Corps or whoever it might be to do that. We don't need the marble bathrooms just to get some folks to the coast and so that's something that the Conservancy bridges and I think it's extremely valuable.

For us in the fishing industry there is all sorts of competition for shoreline development and one of the policies of the Coastal Act is essentially to provide that coastal dependent industrial users, specifically commercial fishing, their facilities are protected and enhanced and improved. And even though the Conservancy may look like they're kind of the imprimaturs of legislation in regards to Sam Farr's bill,

AB 2915, which set up a low-interest loan program which the Conservancy is now administering, that wasn't the Conservancy's bill. We went to the Administration and we said, look, we have some closures along the coast, commercial fishermen can't use a specific type of gear because of the impacts on marine mammals and birds. Like any other industry that faces that kind of an environmental consequence, what do you suggest that we do so that we can provide some way for our members to get into another method of fishing? It's just like dealing with someone who might be farming. That technique doesn't work so you try to encourage them to go to some other way. There is all sorts of SBA loan programs set up for land based agriculture but nothing for fishing. They said, "well, work with the Small Business Administration and they'll be glad to take care of it." So, we sat down with Small Business and the Department of Commerce and we wrote a bill and had them administer it. It got 3/4 of the way through the legislative process and they said, "well, gee, you know we don't know anything about fishing. We just don't want to carry the bill." And yet, we had gone all the way through the process and like, wait a minute, the Administration told us to work with you, you said you'd do it, we got all the way through this thing and they said, sorry, we're just not going to do it. So fortunately for us there was a State Coastal Conservancy which Fish and Game, Resources and everybody turned to say well, they're the agency, they have the flexibility, they have coastal responsibility, they have fishing responsibility, let's give it to them and we worked on it and the Conservancy

really didn't want it but the fact of the matter is we were 3/4 of the way down the line. We said, look, this is one way to work this thing out and so they picked up the ball because essentially they're creative, they like to solve problems and want to get the job done and plus they have the ability to sit down with fishermen at meetings and listen to what the fishermen's concerned are about how the bureaucracy wants to implement this thing and try to speak their language which is really valuable to us not to have some additional like Small Business Administration dictate to us what has to be done. So, there's real value to us.

ASSEMBLYWOMAN WATERS: Is that a revolving loan fund?
Is that what it is?

MR. YATES: Yes, it's a low-interest loan fund so that fishermen who cannot use gill nets in near shore waters...

ASSEMBLYWOMAN WATERS: How much is in that fund?

MR. YATES: \$450,000 and it's set up so that they can retrofit their boats, may purchase some additional equipment and experiment with a gear that may not be used in their particular area which is high risk for them. It may not work at all but the inducement is that it's a low-interest loan program and what are really, unfortunately, your choices as a gill netter. You're either out of the business or you can try this other method and so it's a method to say, "look, try this. It's a loan program. You can't get a better loan anywhere else and test this out and if this equipment works, then that may be the future fishery off California for this particular halibut fishery for example." So, to that end, the Conservancy is extremely valuable.

CHAIRMAN SHER: Well, that's an example not of a land acquisition project where it was beneficial to have the flexibility for the Conservancy to move quickly into it even though it wasn't specifically mentioned in the budget. So it's not just land acquisition, we're talking about where it is flexible.

MR. YATES: No. But it was also discussed thoroughly through the legislative process and it was not a, I mean it ended up a conservancy bill, maybe one of the nineteen that you count but in actuality, it was supposed to be a small business administration Department of Commerce bill.

ASSEMBLYMAN WATERS: Where did the money come from? Did the money come from the General Fund?

MR. YATES: No. The money came from the Conservancy Fund, bond funds.

CHAIRMAN SHER: Well, that's helpful to have that kind of a case history. Shall we move to another case history? Susan Williams from the East Bay Regional Park District.

MS. SUSAN WILLIAMS: I'm Susan Williams. I am the grants coordinator with the East Bay Regional Park District and the general manager David Pesinin is not able to be here today.

CHAIRMAN SHER: Send him my regards, will you? We used to see here in another capacity.

MS. WILLIAMS: He'll be here tomorrow. He has given me this letter basically and rather than read all three pages of it, I'll just outline generally what our basic concerns are.

We were asked to respond to four questions. The role the Conservancy has played in district projects and since 1981 we have received \$3.4 million in grant and loan funds, \$2.3 million of which is a reimbursable loan for land acquisition and the other million for access projects that we have developed along the San Francisco Bay shoreline.

CHAIRMAN SHER: You got all that from the Conservancy?

MS. WILLIAMS: From the Coastal Conservancy, yes.

Conservancy funding of the shoreline acquisition development is important not only because of the actual dollar amounts provided but also because it permits the district to leverage its own limited funds for land acquisitions through grants from other state agencies and contributions from individuals and other private foundations. A good example of this is a piece of property that we were recently able to acquire called the Sockie property near Martinez, and the funds were actually from 1974 trail funding through the State Parks and Recreation as well as funds from our own budget and from the City of Martinez and the way this Coastal Conservancy leveraging is we had established the Carquinez Shoreline Park in that area and this particular piece of property allowed us to connect the trails to the shoreline park and it's a very beautiful area there and well worth it. Just on Friday, we received another \$1 million grant for continued acquisition for the Carquinez Shoreline Park and Mr. Presinin wants me to say "Thank you very much."

CHAIRMAN SHER: That's nice.

MS. WILLIAMS: The crux of all this though is the flexibility in our being able to have this land acquisition money. Land acquisition by the district is basically achieved through the opportunity purchases which arise as land becomes available. Land availability in turn depends upon the changing objectives of land owners, and thus when a particular parcel of shoreline becomes available, it's imperative the district be able to act quickly and decisively to obtain from the Conservancy on what may be short notice. Such flexibility on the part of the Conservancy to assist the district would be severely inhibited by any requirement that the Conservancy identify for the district specific future land acquisition project, particularly in view of the tremendous time lag involved in the budgetary process.

CHAIRMAN SHER: Okay, thank you. I think that reinforces what was said earlier about the flexibility, particularly on land acquisition. We have one final witness, thank you and say hello to Mr. Pesinin. The final witness is Mr. Martin Rosen from the Trust For Public Land.

MR. MARTIN ROSEN: Thank you Mr. Chairman. I know it's the end of the afternoon and I'll try and be brief. What we have done is hand out some materials that describe very briefly what it is that the Trust for Public Land is and what we do and to act as a preface for how we interact with the Coastal Conservancy. We're here obviously also to underscore the importance of their flexibility, reminding you of course when we say flexibility, any of the projects that they authorize must go through their commission proceedings as well as through public works and we're

really not talking about instant gratification, even working with the Coastal Conservancy, which has evidenced considerable flexibility. There is considerable opportunity for the legislative analyst, the public works board, as well as the commission, itself, to review all of the projects.

We're a foundation or trust that was organized more than a dozen years ago with money from the Ford Foundation, the San Francisco Foundation and Andrew W. Norman Foundation to conserve land as a living resource. So one of our missions is involving the coastal resources of this state and obviously is not only the coast, we're as likely to be seen working in downtown Los Angeles or Riverside or Harlem or Trinidad, California as you are to see us working on the coastal resource. I'm here partly to say because we work in some 32 states, that of all the agencies we work with, we consider the California Coastal Conservancy one of the finest, if not the finest of all we work with.

CHAIRMAN SHER: I bet you say that to all the agencies.

MR. ROSEN: So, when we talk about flexibility and line item responsibility there is the question, who are you going to give it to? If you give it to a bunch of duds that's your problem. If you give it to some competent, dedicated people, I think that's a real service to the people of the State of California and that's what we do have in both the commission and in the dedicated staff of the Coastal Conservancy. And that as I say goes back more than five or six years. Our first project with the Coastal Conservancy was in 1978, two years after they were started when they assisted directly in the organization of

the Humboldt North Coast Land Trust. Since then, they have gone on to organize many other land trusts throughout the State of California particularly in the coastal area. We've assisted them with that effort, and most recently as described in the material that I have handed out with the pretty pictures, is the Cascade Ranch Project, some four thousand acres in San Mateo County.

CHAIRMAN SHER: I want to say that that is a project near and dear to my own heart and I'm glad to see you are featuring it here in your brochure. It's a fantastic accomplishment for both the Conservancy and the Trust. It was in doubt and at risk and in jeopardy over a long period of time.

MR. ROSEN: It's still not over.

CHAIRMAN SHER: I know but important steps have been taken. It's a fantastic project next to the state park preserving really an irreplaceable resource though, so I want to tell you I am a fan of both of you. As far as the Cascade Ranch goes, you did a terrific job.

MR. ROSEN: Well, it couldn't have been done without the Coastal Conservancy and it probably could not have been done with a line item. When you are dealing with land owners and particularly in this case with land speculators from Hawaii, offshore as well as southern California, time was of the essence, cash was king and the project had to be scoped and delivered in relatively prompt order. That means you had less than 12 months in which to do it. To go through multiyear prioritization would have literally defeated if not killed this type of project. That's also true of the recent one in the Sinkyon, the wilderness

up there in northern California, Georgia Pacific, which was at the center of the controversy. A controversy which was addressed directly by the Coastal Conservancy, Neil Fishman, Peter Grenell and his excellent staff, directly and frontally went into a situation where they were yelled at, screamed at, threatened, cajoled - all of those things. The only way it could have come out is with an agency that understands process and is result oriented. When you put together woodworkers, Georgia Pacific, Indians, Mendocino Board of Supervisors, Sierra Clubbers and a host of others.

CHAIRMAN SHER: And Assemblyman Dan Hauser.

MR. ROSEN: Assemblyman Dan Hauser and Senator Berry Keene, with the result that had to close on December 31st, you couldn't have done it without the Coastal Conservancy. It's a tough one and we are here obviously to say the obvious, they deserve your continued support in the manner in which they are doing business and on an expanded financial scale.

CHAIRMAN SHER: You have nothing bad to say about them?

MR. ROSEN: No.

CHAIRMAN SHER: I'm only kidding - everything good, that's quite a testimonial. We appreciate your coming here and giving us the benefit of your personal experience with them.

MR. ROSEN: Thank you.

CHAIRMAN SHER: Well, members of the committee unless there ...anyone else wish to address the committee on the subject of the Coastal Conservancy? If not, I will bring this to a close by thanking all of the witnesses who came today. I hope the

Conservancy representatives here thought this was a good opportunity, that's what we intended it to be. Obviously there were some points we wanted to review but you've got a lot of friends obviously and we recognize the important work that you do and we're going to try to be supportive and make it even better. Thank you all and the hearing is adjourned.

END OF HEARING

A P P E N D I X

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MONTEREY COUNTY

THE BOARD OF SUPERVISORS

MONTEREY COURTHOUSE - 1200 AGUAJITO ROAD, MONTEREY, CALIFORNIA 93940

KARIN STRASSER KAUFFMAN
SUPERVISOR - DISTRICT 5

SANDRA M. SMITH
AIDE TO THE SUPERVISOR

(408) 649-6515

February 20, 1987

The Honorable Byron Sher, Chair
Assembly Natural Resources Committee
State Capitol - Room 2136
Sacramento, California 95814

Dear Assemblyman Sher:

I am writing to bear witness to the effectiveness of the California State Coastal Conservancy and their efforts to coordinate local control with state support in order to assure protection for our coastline.

The Coastal Conservancy has been of particular assistance to our local coastal program for the Big Sur region here in Monterey County. Their early enthusiastic support and subsequent activities under our Transfer of Development Credit program has gone a long way toward assuring the public of that program's viability. In those instances it was helpful to work with an agency able to act quickly under time constraints.

I also want to point out that staff communication between the Conservancy and our County Planning Department, as well as our Intergovernmental Affairs Sector, has been excellent. We all appreciate the attention to detail on administrative review matters.

In short, I commend to you continued legislative support for the good works of the Conservancy, so that past cooperative efforts can continue to benefit all who enjoy our magnificent coastline, including generations to come.

Respectfully,

Karin Strasser Kauffman

cc: Paul Thayer, Assembly Natural Resources Committee
Peter Grenell, California State Coastal Conservancy
Executive Officer

KSK/hr

DEPARTMENT OF FISH AND GAME

WILDLIFE CONSERVATION BOARD

1416 NINTH STREET
SACRAMENTO, CA 95814
(916) 445-8448LINE ITEM VS. PROGRAM BUDGET

The Wildlife Conservation Board has operated with a flexible program via a program budget since its creation in 1947. We believe this is the principal reason that it has remained the successful and cost efficient program it is today.

Over the years the Legislature has seen fit to continue funding the Board in this manner, realizing that continuing review of the specifics for each project is accomplished by the Legislative Advisory Committee of the Board, consisting of three members from each house. By the customary procedure of the Legislature approving major programs and the Board, with review of its legislative committee, considering the individual projects under each program, the Board has had the flexibility to keep on schedule with its acquisition and development programs with greater efficiency and cost savings.

To provide an itemized list of potential acquisition projects for budget purposes (requiring a minimum lead time of 18 months) would not only increase acquisition costs through increased staff necessary for planning and inflation, but will no doubt cause some increases through speculation by those aware of the state's proposed purchase. This method of budgeting could also force the Board into requiring the use of condemnation in order to carry out a required acquisition program, a move which is not only costly but need not, and should not, be used in acquiring wildlife habitat.

In addition, the Board has historically been able to take advantage of opportunity purchases and partial and full donations of land, many of which could not be predicted at budget preparation time. This opportunity would be lost in line item budgeting, which would most definitely result in the loss of prime habitat.

The Board's development program, like its acquisition program, has remained flexible throughout the years. Most of the development projects carried out by the Board are done in conjunction with local agencies which assume the operation and maintenance of the project for a 25 year period. Again the Board is able to take advantage of cost saving measures, such as potential local or federal funding, as well as local engineering, design and contract administration. The flexible funding also allows the Board the opportunity to evaluate and authorize a project when received, hence avoiding inflation or possible loss of other funding sources, such as local funding which may be lost to other local projects if not obligated to the state project.

The Board has had an extremely good track record over the years for using its money wisely, and does so with legislative oversight as provided for by law.

As indicated above, the loss of the program approach to budgeting would result in the Board's program becoming less cost efficient, while precluding its ability to react to local recreational needs as well as to potential habitat losses.