

California's Natural Resource Programs: Where Does the Money Come from and Where Does It Go?

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Summary

Because natural resource programs seldom constitute more than 4 percent of total state spending, they are usually a low priority for fiscal policy research. As California's population continues to grow, however, there will be increased pressure on the state's natural resources, including coastal areas, wildlife habitats, and watersheds. For this reason, natural resource programs are likely to generate significant policy debates in the future.

This report analyzes natural resource priorities by reviewing program expenditures and revenues between fiscal years 1978–79 and 2000–01. It seeks to answer three questions:

- How much money has the state spent on natural resource programs over this period?
- What are the spending priorities for natural resource activities, and how have they changed over time?
- Which funding sources are used to finance these activities?

On the first question, we found that with the exception of the final year of this study (2001), the percentage of total state spending directed to natural resources has been declining. In 1979, approximately 4 percent of total expenditures was allocated to natural resource programs; by 2000, that figure was 3.4 percent. Expenditures in 2001 rose significantly, however, as a result of resource programs' receiving a share of the general fund surplus.

On the second question, we found that until 1999 resource conservation activities were growing in relation to resource development and resource-related public safety. In 1979, about 18 percent of natural resource spending went to conservation activities, 45 percent went to development, and the remainder went to public safety activities. Between 1979 and 1999, resource conservation programs grew in proportion to development activities. During fiscal years 2000–01 and 2001–02, resource development activities received a significant allocation from general fund surpluses.

On the third question, we found that allocations from the state general fund declined over the study period. However, that funding was largely replaced by special funds earmarked for specific purposes. In 1979, earmarked revenues from fees and program-related assessments made up only 15 percent of total funding. By 1995, that amount had risen to about 50 percent. Resource spending financed by the general fund showed a significant increase beginning in 1999 and peaking in 2001. This increase, however, was not representative of general trends.

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1. Introduction

This study analyzes the revenues and expenditures for natural resource programs administered by the Resources Agency as funded in the state budget from fiscal year 1978–79 to fiscal year 2000–01. During this period, the Resources Agency managed two major program areas: natural resources and environmental regulation. Although the regulatory programs were part of the Resources Agency for about half the study period, they are now administered by the Environmental Protection Agency. These programs are not included in this analysis. However, our database includes all departments that existed in the Resources Agency in 1979 and those that are now in the California Environmental Protection Agency, including the Air Resources Board and the State Water Resources Control Board. This database will be useful to those who wish to conduct analyses similar to this one. The departments, boards, and commissions administering natural resource programs reviewed in this study are listed in Appendix A.

Revenue and expenditure data used in this analysis are “prior year actuals,” which represent actual expenditures and revenues for the programs selected. The data include both program expenditures and the composition of funding sources for natural resource programs (e.g., state general funds, special and other funds, bond funds, and federal funds). The analysis of expenditures examines allocations by program for state operations (money the state spends administering activities), local assistance (money subvented to local government), and capital outlay (expenditures to buy land or build buildings).

To better understand changes in expenditures and revenues, we divided natural resource programs into three categories: those devoted to conservation, those devoted to development, and those related to public safety. We assigned programs to these categories on the basis of program descriptions, which reflect the administration’s program objective as stated in the governor’s annual budget submittal.¹ We assume that the funds appropriated for particular programs are used to meet the stated objectives in the budget. Although we recognize the possible biases that go along with this sort of “self-identification,” we believe that this method remains the most effective way to analyze budget allocations for our purposes.

The three categories are defined as follows:

- *Resource conservation programs* protect and preserve resources from human disruption. They may be designed to conserve or improve habitat or to acquire, protect, restore, enhance, or preserve natural areas or resources. Departments and commissions whose primary purpose is to conserve resources include State Conservancies, the California Coastal Commission (Coastal Management Program), the Department of Fish and Game, the San Francisco Bay Conservation and Development Commission, the Department of Forestry Department (Resource Management program), and the Wildlife Conservation Board.

¹ To review these data by governmental department, see the database at http://www.ppic.org/publications/PPIC518/budget_data.xls.

- *Resource development programs* develop lands, waterways, or other resources for either economic or recreational use. Departments that manage these programs include the Department of Boating and Waterways, the State Lands Commission, and the Department of Parks and Recreation.
- *Public safety programs* include activities that maintain a safe environment for both users of environmental resources and the resource itself. They include both hazard response and public education programs for emergencies or to prevent accidents. For our purposes, the program descriptions must explicitly state that the program's purpose is public safety. Examples of agencies managing these programs include the Department of Forestry and Fire Protection (Fire Protection), the Department of Water Resources (Public Safety and Damage Prevention), and the Seismic Safety Commission.

On the revenue side of the analysis, we include data on five main funding categories:

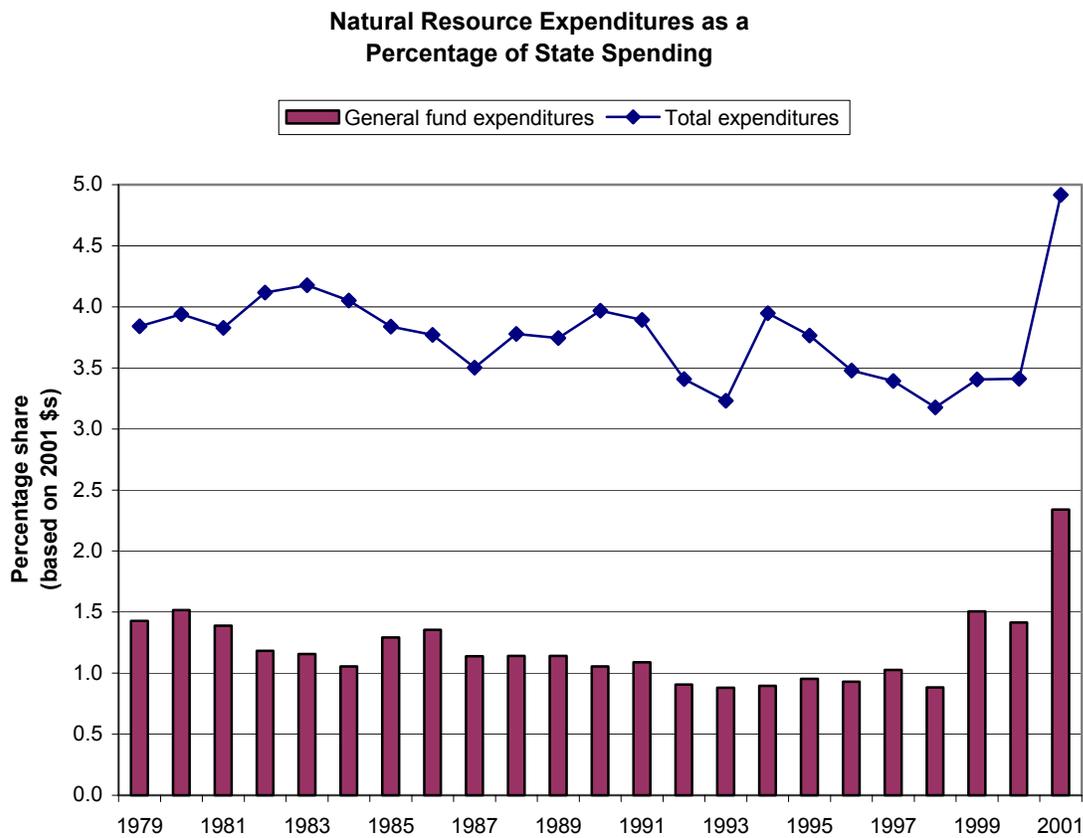
- *The general fund*, which is the main funding source for state government programs. It receives revenues from the major state taxes such as the income tax, the sales tax, the bank and corporation tax, and a few other miscellaneous taxes. It represents revenues that are not specifically designated for a particular purpose. In general, the legislature and governor have the most discretion over appropriation from the general fund, although this discretion is subject to constitutional restrictions.
- *Special funds*, or revenues from taxes, licenses, and fees whose uses are restricted by law. For example, revenue from fishing licenses is deposited in the Fish and Game Preservation Fund and can be used only for purposes identified in statute. The ability of the legislature and the governor to make appropriations from this fund is defined by statute.²
- *Bond funds*, or the proceeds from the sale of bonds to finance specific projects.
- *Federal funds*, which are received from a federal agency and must be spent for a purpose described in federal law.
- *Reimbursements*, which are received by a department as a repayment of the cost of work performed on behalf of another agency or department.

² For a partial list of the special funds used to finance natural resource activities, see appendix B.

2. Overall Spending Trends

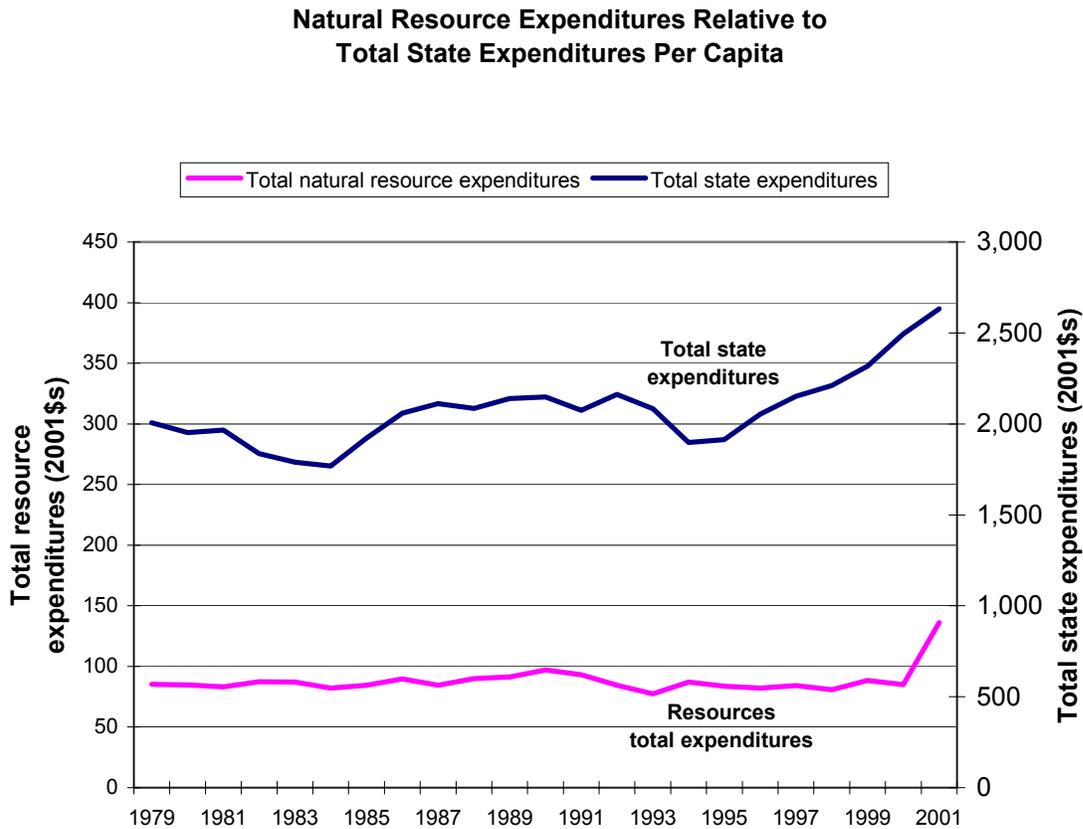
As a percentage of both total state spending and the general fund, overall expenditures for natural resource activities have generally declined over the period of study until 2000. In the case of total state spending, expenditures on natural resource programs declined from over 4 percent in the early 1980s to a low of 3.2 percent in the late 1990s. During the same period, the portion of general fund revenues committed to natural resource programs fell steadily from about 1.5 percent in 1979 to less than 1 percent in 1998—a 35 percent reduction (Figure 1). Reflecting the state general fund budget surpluses of 2000 and 2001, the percentage of total spending for natural resources rose to about 5 percent and the percentage of general fund spending rose to just over 2 percent.

Figure 1



Another way to review expenditure trends is to consider them in per capita terms (Figure 2). Adjusting for inflation, natural resource spending from all revenue sources decreased from around \$85 per capita in 1979 to \$80 per capita in 1998. Budgetary surpluses in the late 1990s increased this amount to \$136 in 2001. (Real per capita state spending for all programs during the 23 year period grew from about \$2,000 to \$2,600.)

Figure 2



3. Natural Resource Activities—Expenditures and Revenues

This section provides an overview of natural resources expenditures and sources of funding by the departments and commissions that currently make up the Resources Agency.

Expenditures

For most of the study period, resource conservation activities grew relative to resource development and public safety activities. In 1979, about 17 percent of natural resource program spending was allocated to conservation. By 1992, that figure had risen to 41 percent, with the largest year-to-year growth appearing in the late 1980s. Resource development programs tended to rise and fall with the adoption of park general obligation bond issues and the increase in park fees. With the general fund surpluses of the last three years of this study, however, resource development activities received major allocations of general fund resources. By 2001, conservation activities had dropped to 26 percent, and resource development expenditures had risen to 58 percent of natural resource spending (Figure 3).

Figure 3

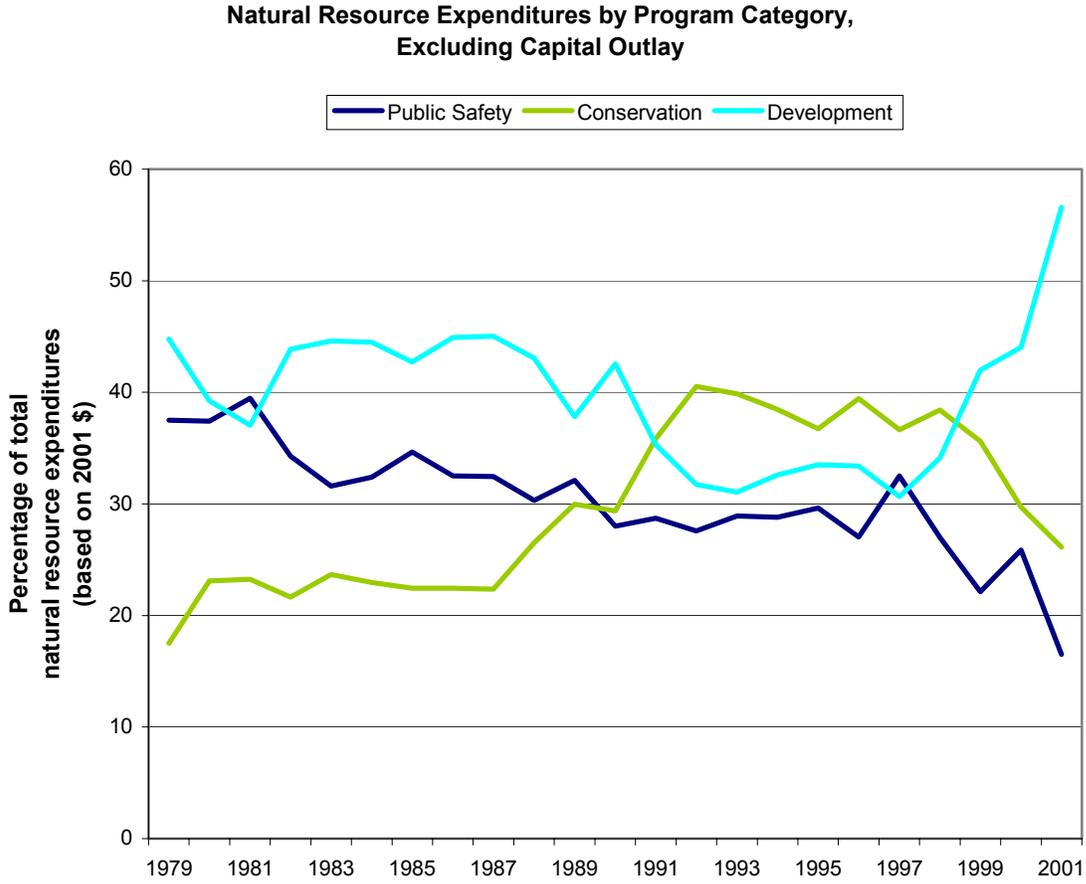
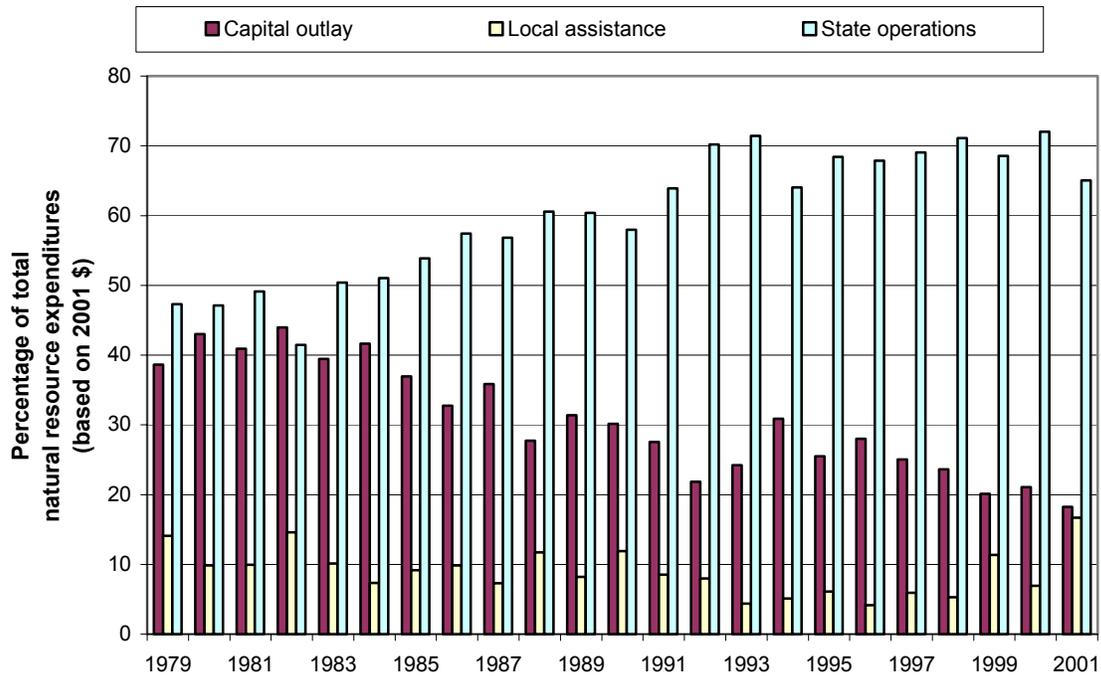


Figure 4 identifies the amounts spent for state operations, state capital outlay, and local assistance for natural resource programs. Note that most state expenditures are committed to state operations. In general, the local assistance category involves capital outlay funds provided as grants-in-aid to local governments. Capital outlay and local assistance have declined over time from about 53 percent of total expenditures to about 35 percent. This drop is primarily due to the decline in general and special fund contributions to capital outlay activities and the erratic nature of bond issues used to finance capital investments.

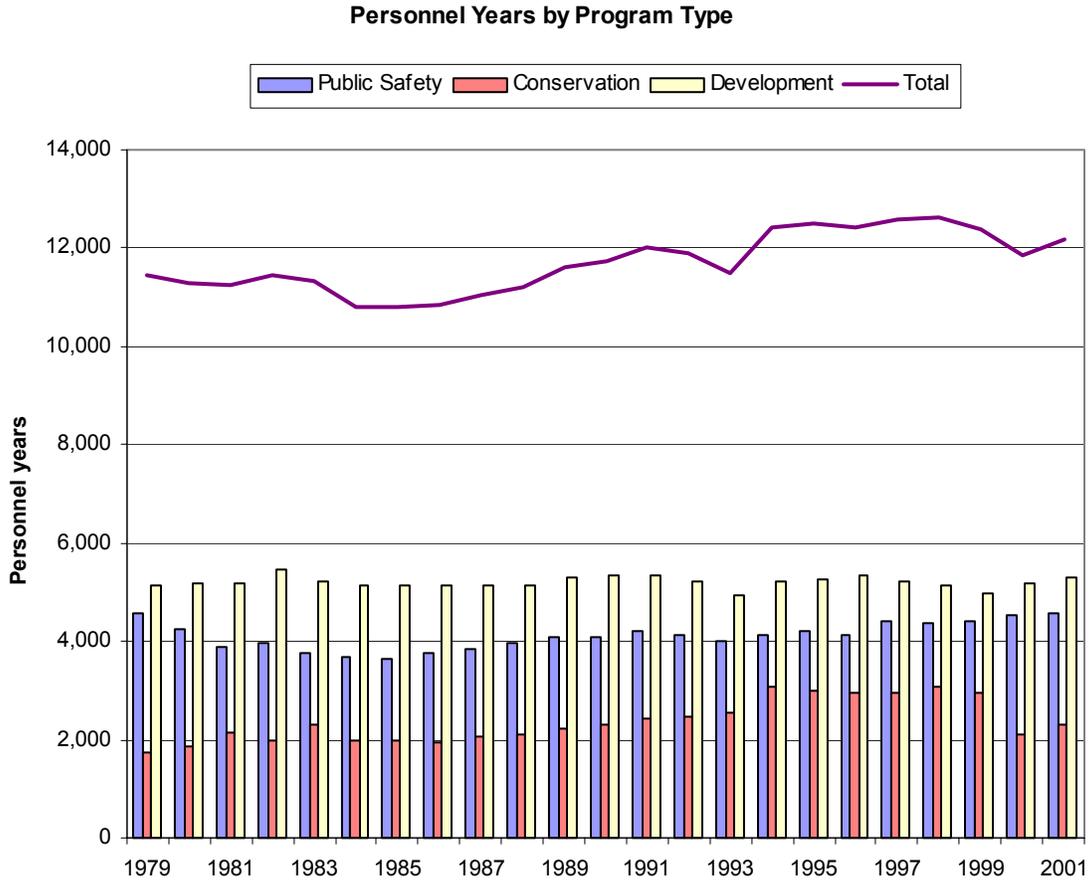
Figure 4

Natural Resource Expenditures for State Operations, Capital Outlay, and Local Assistance



The total number of personnel years—the number of people budgeted for natural resources programs—has grown from almost 11,500 in 1979 to just over 12,000 in 2001 (Figure 5). Most of the growth occurred between 1999 and 2001. Resource development is assigned the greatest share of personnel years, followed by public safety and conservation programs.

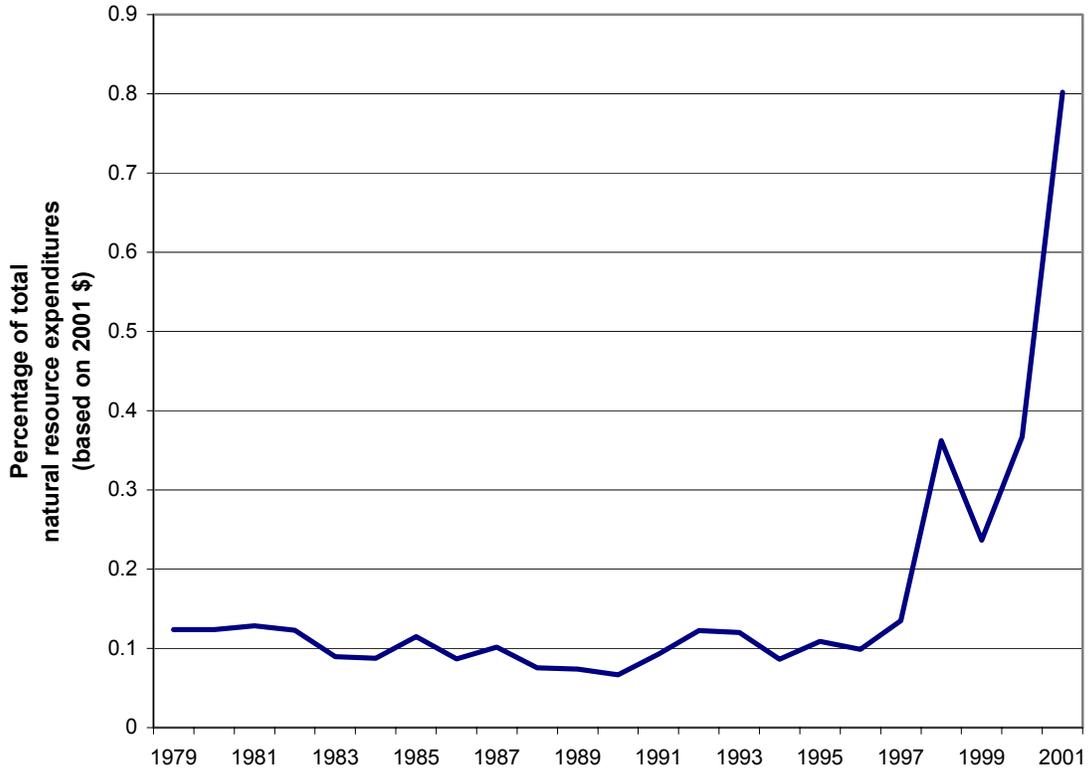
Figure 5



The Resources Agency management and oversight function has consistently been a small proportion of total natural resource expenditures. Figure 6 shows the amount of funding for the Office of the Secretary of Resources as a percentage of spending for all resource programs. The percentage of expenditures for the oversight function has grown from a little over 0.1 percent to just over 0.2 percent. We subtracted the major program functions given to the agency secretary to focus on the management and oversight responsibility. The office spent less in real terms in fiscal year 2000–01 than it did in fiscal year 1978–79. The oversight and management function of the secretary’s office remained fairly static until 1997, when additional funding for oversight functions was provided.

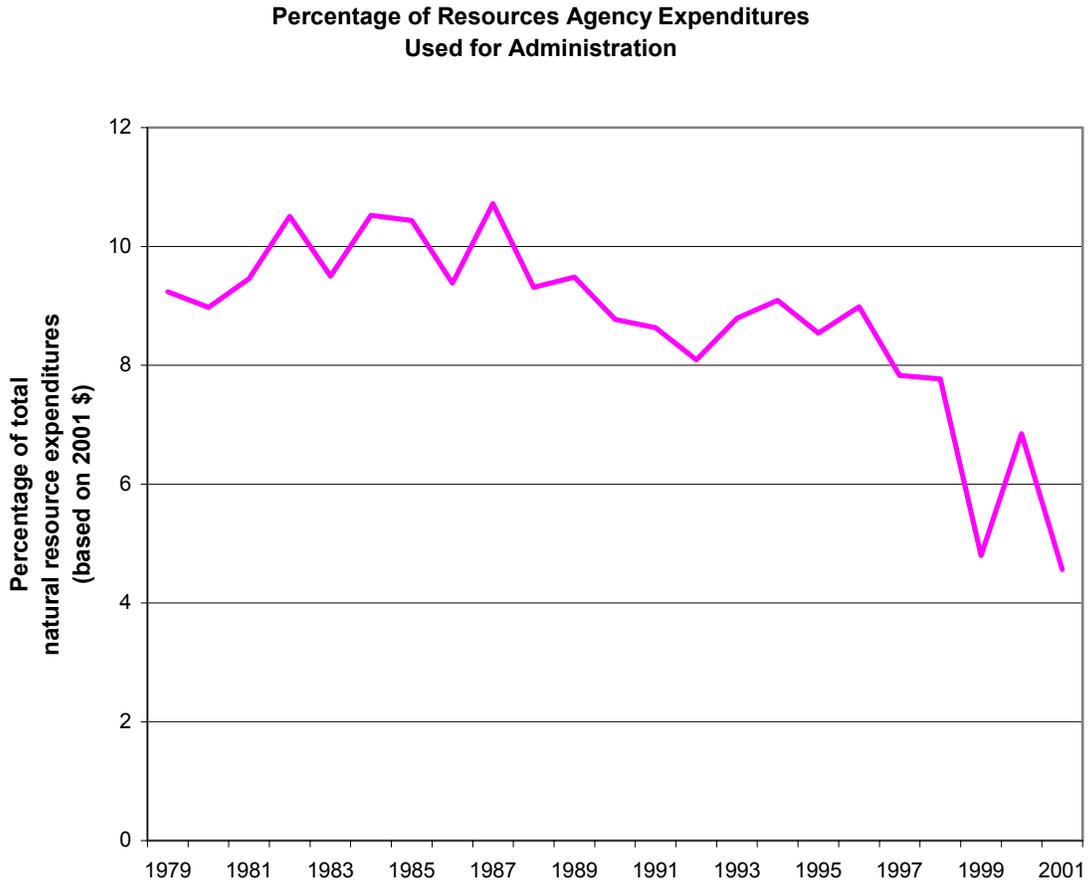
Figure 6

Percentage of Resources Agency Expenditures
Used for the Secretary of Resources



Administrative overhead is often an issue in the budget process. Although legislators and program advocates want as much funding as possible to go to program activities, day-to-day administrative expenses must be funded. Figure 7 shows that expenditures for basic administrative activities have remained at about 9 percent of total expenditures for natural resource programs until the last three years of the study period.

Figure 7

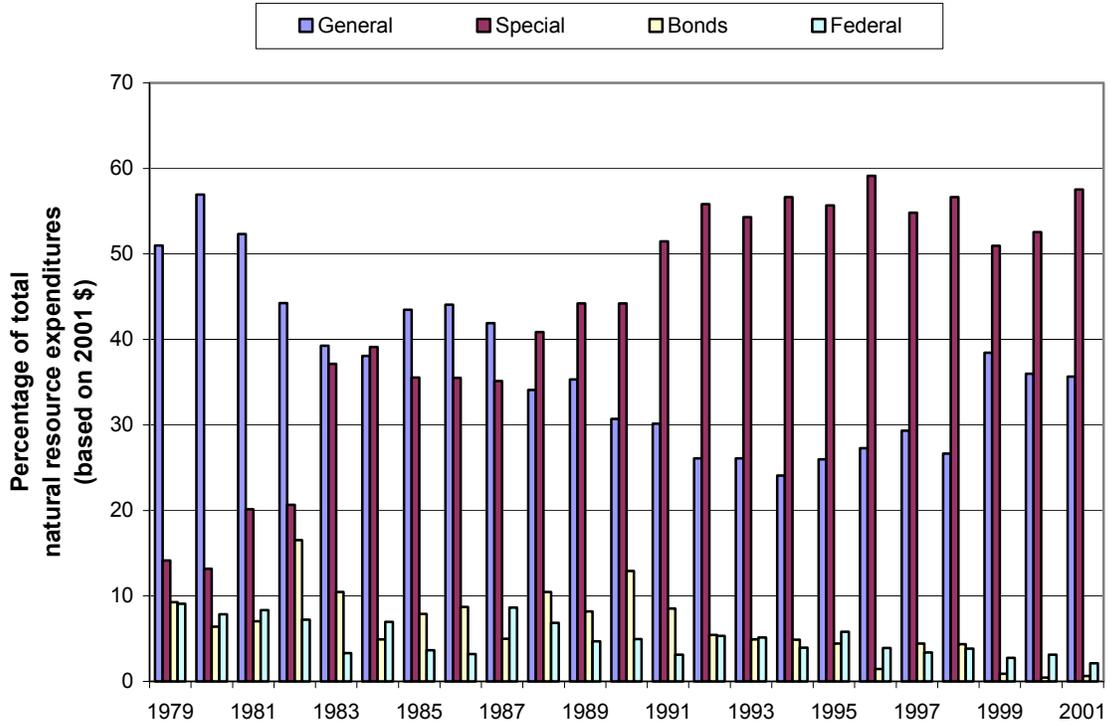


Revenues

The state uses a variety of funding sources for its natural resource programs. These sources include the general fund, special funds, bond funds, and federal funds. Since 1979, the relative shares of general fund and special funds have changed dramatically (Figure 8). In particular, the commitment of general fund resources has declined, and special funds have come to dominate the fiscal landscape. In 1979, approximately 51 percent of the funding for natural resource programs came from the general fund and 15 percent from special funds. Twenty-three years later, the general fund accounted for only about 35 percent of the total and special funds financed close to 58 percent. Bond funds and federal funds continue to finance a relatively small portion of the natural resource programs. General fund commitments for natural resource programs increased during times of general fund surpluses. Note that the short recession in 1981 reduced general fund commitments, as did the recession in the early 1990s. These reductions were offset by special funds earmarked for specific programs.

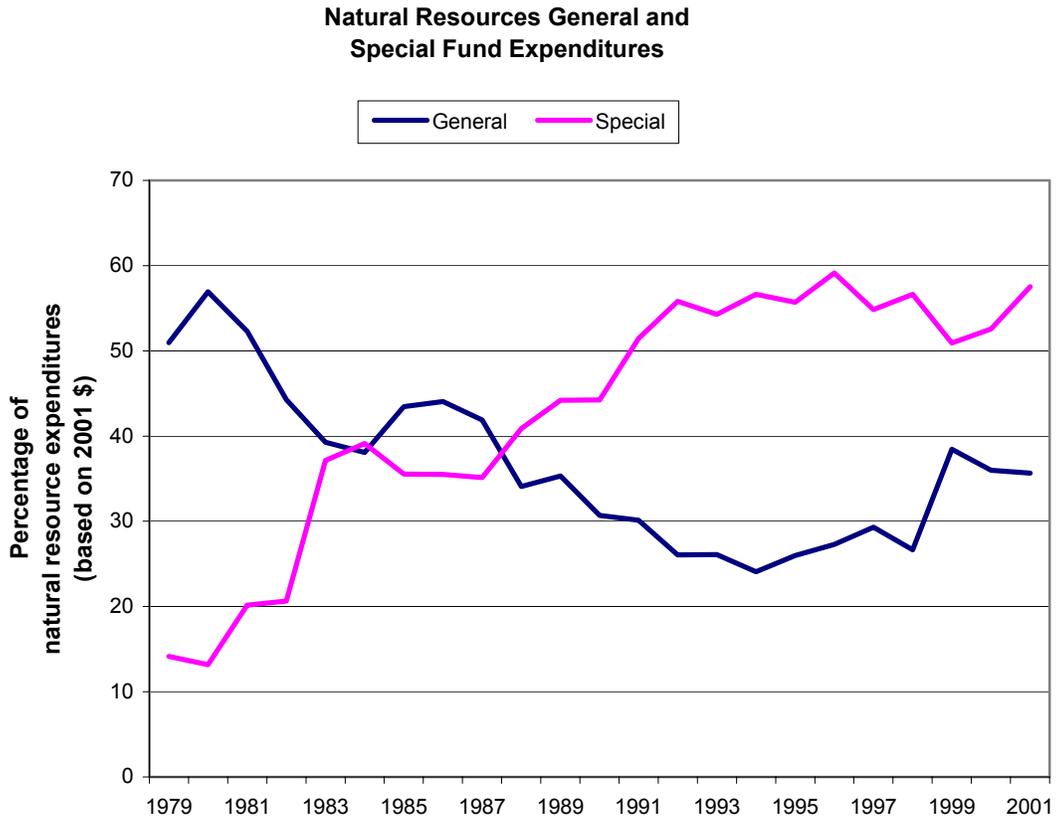
Figure 8

Source of Funding for Natural Resources Programs



During this period, general fund financing of natural resource programs declined with the increased use of special funds, fees, and dedicated revenue. Between 1981 and 1984, the share of general fund revenues for natural resource programs declined even as the percentage of total spending on those programs grew as a result of the increased use of special funds (Figure 9). At the same time, general fund revenues were diverted to education and health and social services as the recession of the early 1980s took its toll on the general fund. A similar pattern occurred in the recession of the 1990s. Various resource program fees, such as those for parks and recreation, were raised to replace general fund revenues that were redirected to education and health and human service programs.

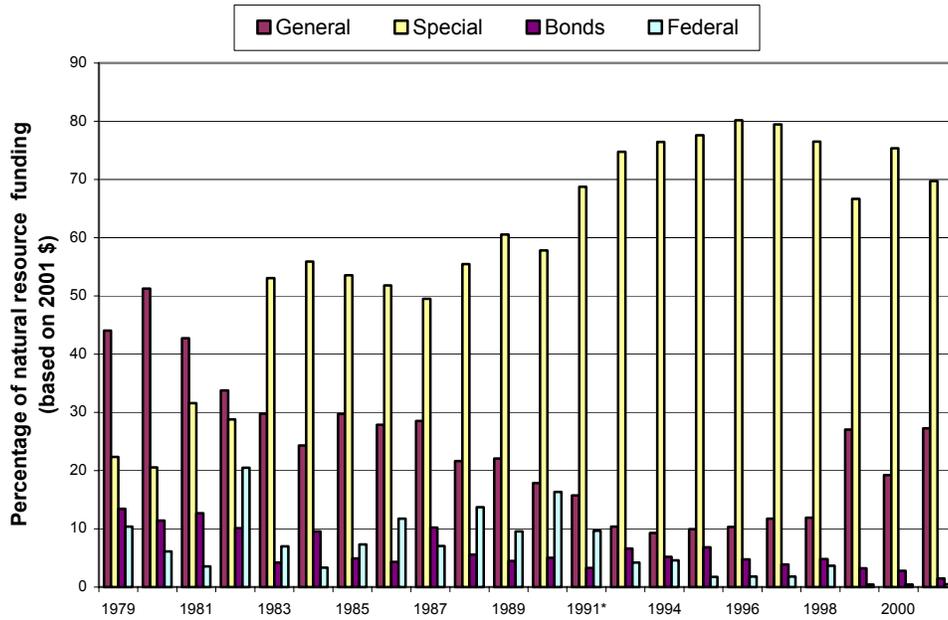
Figure 9



When public safety activities are excluded, the change in financing is even more dramatic. The composition of financing for conservation and development activities was about the same as the composition for all programs in 1979 (Figure 10). By 1998, however, general fund allocations had dropped to 11 percent of the total and special funds made up 78 percent of total funding for resource conservation and development activities.

Figure 10

Sources of Funding for
Natural Resource Conservation and Development Programs,
Excluding Public Safety



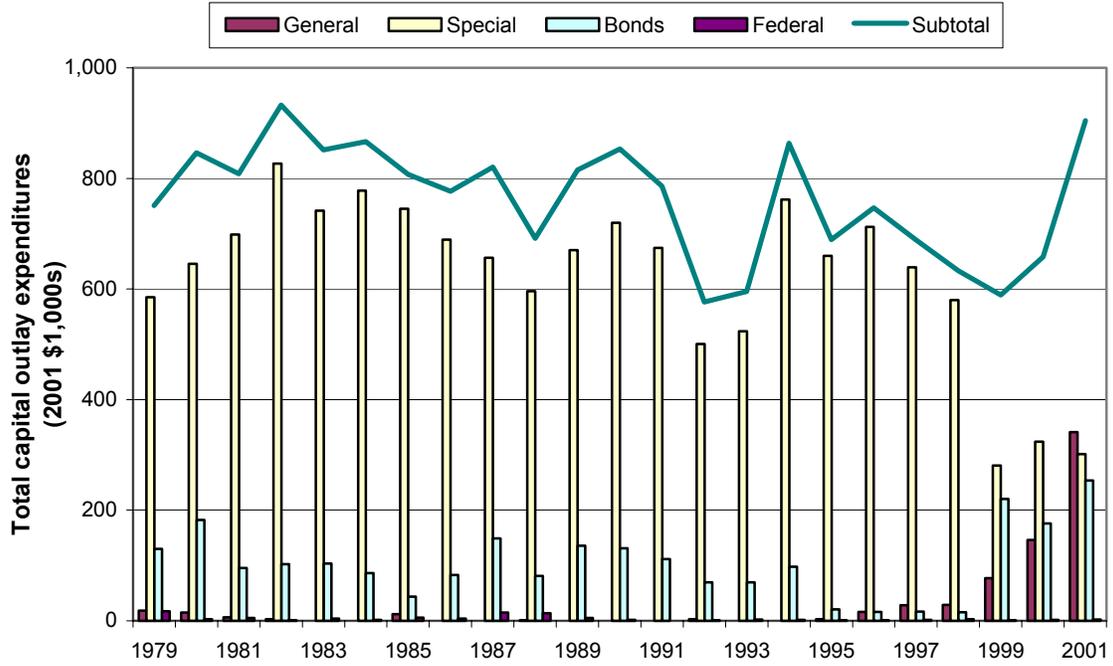
*No specific program data available for 1992

Capital investment in natural resource conservation and development is another important part of the state’s natural resource program spending. In 1979, capital investment accounted for 62 percent of spending on natural resource activities. By 1998, that figure had dropped to 45 percent. Figure 11 helps us understand the nature of capital investment in natural resource programs. State expenditures for capital improvements are made by the state and by local agencies through programs of local assistance. Note that the state’s general fund and federal funds have played a limited role in capital investment. This is attributable to the state administration policy over the last 30 years, which uses the general fund for operating programs and earmarked special funds and bond funds to fund capital investment. The decline in federal funding is due in part to declines in federal natural resource conservation grant programs, such as the Federal Land and Water Conservation program.

The rise and fall of capital investment is directly attributable to the outcome of park and fish and wildlife habitat bond measures placed before the state’s voters. These bond measures are placed on the ballot erratically, and their funding priorities are established by negotiation between the administration, the legislature, and the various interest groups that surround the decisionmaking process. Over the period of this study, capital investment for park development and fish and wildlife habitat totaled over \$1.8 billion.

Figure 11

State and Local Capital Outlay
Financed by the State



Conclusions

Two major conclusions can be drawn from this analysis. First, until 2001 the percentage of the state budget spent on natural resource activities had been decreasing over time. Second, contributions from special fees and taxes allocated to specific activities had been increasing. Because special fees usually have statutes governing the use of the revenue they produce, the increased reliance on special funds reduces state policymakers' ability to make choices among competing program objectives.

We now turn to the three questions that began the report. First, how much money has the state spent on natural resource activities? Over the 23 years examined in this study, the percentage of total state spending on natural resource programs was on a steady decline until fiscal year 2001, which saw a significant infusion of funds from the state's general fund. In 1979, the state spent 4 percent of its total funds on natural resource programs; by 2000, it was spending 3.4 percent. With respect to general fund spending, where state officials have the most discretion to consider competing priorities, state spending on natural resources declined from 1.5 percent in 1979 to barely 1 percent in 1998 until growing again from 1999 through 2001. In 2001, the percentage of the general fund going to natural resource programs grew to slightly more than 2 percent. Again, this recent increase is attributable to the growth in the state economy and does not necessarily reflect a larger commitment of funds for natural resources.

Second, what are the natural resource spending priorities and how have those priorities changed? Over the 23 year period studied, the activity that experienced expenditure growth is resource conservation. In 1979, 17 percent of total expenditures went to resource conservation activities. By 1999, it was 41 percent, with the largest growth occurring in the 1990s. Public safety activities came in a close second with resource development seldom receiving more than 37 percent of total spending. Resource development activities were more erratic and relied on the passage of general obligation bonds. These activities averaged about 36 percent of natural resource expenditures.

Third, which funding sources finance natural resource activities? For resource conservation and development activities (excluding public safety), special funds made up 23 percent of funding in 1979 and 70 percent by 2001. The general fund contribution over this period dropped from 44 percent to 28 percent, rising from a near-low 12 percent in 1998. The erratic nature of capital investment on resource conservation and development is attributable to the reliance on voter-approved general obligation bonds to finance these investment activities. Capital outlay and local assistance expenditures rise and fall with general obligations in bond funding. One long-term issue facing the state is the narrowing of its discretion through the use of funding activities with dedicated sources of revenue.

Appendix A: Departments of the California Resource Agency Included in This Study

Departments

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

Boards and Commissions

- California Coastal Commission
- California Energy Commission
- California State Lands Commission
- San Francisco Bay Conservation and Development Commission
- Delta Protection Commission
- Colorado River Board of California
- State Reclamation Board
- Board of Forestry
- Fish and Game Commission
- Mining and Geology Board
- Native American Heritage Commission
- Parks and Recreation Commission
- State Historic Resources Commission
- California Water Commission

Conservancies

- California Tahoe Conservancy
- Coachella Valley Mountains Conservancy
- San Joaquin River Conservancy
- Santa Monica Mountains Conservancy
- State Coastal Conservancy

Appendix B: List of Special Funds

The term “special funds” refers to revenues other than funds that flow into the general fund that are maintained in specific accounts for particular purposes or activities. The list below was taken from the fiscal year 1998–99 budget that was the last year we studied.

Department of Boating and Waterways

- Harbors and Watercraft Revolving Fund
- Abandoned Watercraft Abatement Fund

Department of Conservation

- State Transportation Fund
 - State Highway Account
- Surface Mining and Reclamation Account
- Mine Reclamation Account
- Cigarette and Tobacco Products Surtax Fund
 - Public Resources Account
- California Beverage Container Recycling Fund
 - Glass Processing Fee Account
 - Bimetal Processing Fee Account
 - PET Processing Fee Account
- Natural Resources Infrastructure Fund
- California Environmental License Plate Fund
- Hazardous and Idle-Deserted Wells Abatement Fund
- Soil Conservation Fund
- Seismic Hazards Identification Fund
- Strong-Motion Instrumentation Special Fund
- Agricultural Land Stewardship Program Fund
- California State Mining and Mineral Museum Fund

Department of Fish and Game

- California Environmental License Plate Fund
- Fish and Game Preservation Fund
 - Fish and Wildlife Pollution Account

California Waterfowl Habitat Preservation Account
Cigarette and Tobacco Products Surtax Fund
 Public Resources Account
Oil Spill Prevention and Administration Fund
Oil Spill Response Trust Fund
Environmental Enhancement Fund
Natural Resources Infrastructure Fund
Salmon and Steelhead Trout Restoration Account
Central Valley Water Project Improvement Subaccount
Harbors and Watercraft Revolving Fund
California Wildlife Coastal and Parkland Conservation Fund

Department of Forestry and Fire Protection

Unified Program Account
State Fire Marshal Licensing and Certification Fund
California Environmental License Plate Fund
California Fire and Arson Training Fund
California Hazardous Liquid Pipeline Safety Fund
Insurance Fund
Cigarette and Tobacco Products Surtax Fund
 Public Resources Account
Professional Foresters Registration Fund
Forest Resources Improvement Fund
Timber Tax Fund

Department of Parks and Recreation

California Environmental License Plate Fund
Cigarette and Tobacco Products Surtax Fund
 Public Resources Account
Habitat Conservation Fund
Off-Highway Vehicle Trust Fund
Natural Resources Infrastructure Fund
Delta Recreation Subaccount
State Parks and Recreation Fund
Winter Recreation Fund
Harbors and Watercraft Revolving Fund

Recreational Trails Fund

Department of Water Resources

California Environmental License Plate Fund

California Water Fund

Delta Flood Protection Fund

Environmental Water Fund

Natural Resources Infrastructure Fund

Central Valley Project Improvement Subaccount

Delta Levee Rehabilitation Subaccount

Feasibility Projects Subaccount

Water Conservation and Groundwater Recharge Subaccount

Energy Resources Programs Account

Central Valley Water Project Construction Fund

Central Valley Water Project Revenue Fund

Local Projects Subaccount

Sacramento Valley Water Management and Habitat Protection Subaccount

River Parkway Subaccount

Flood Control and Prevention Account

California Conservation Corps

California Environmental License Plate Fund

Cigarette and Tobacco Products Surtax Fund

Public Resources Account

Collins-Dugan California Conservation Corps Reimbursement Account

Natural Resources Infrastructure Fund

Petroleum Violation Escrow Account

Appendix C: List of Bond Funds

The list below was taken from the fiscal year 2001–02 budget and includes the year the bonds were approved.

Clean Water Fund (1970)
Clean Water Fund (1974)
State Beach, Park, Recreational and Historical Facilities Fund (1974)
California Safe Drinking Water Fund (1976)
State Urban and Coastal Park Fund (1976)
California Parklands Fund (1980)
Lake Tahoe Acquisitions Fund (1982)
California Park and Recreational Facilities Fund (1984)
California Safe Drinking Water Fund (1984)
Clean Water Fund (1984)
Fish and Wildlife Habitat Enhancement Fund (1984)
California Safe Drinking Water Fund (1986)
Community Parklands Fund (1986)
Water Conservation and Water Quality Fund (1986)
California Safe Drinking Water Fund (1988)
California Wildlife, Coast, and Park Land Conservation Fund (1988)
Water Conservation Fund (1988)
Safe, Clean, Reliable Water Supply Fund (1996)
California Safe Drinking Water Fund (2000)
Safe Neighborhood Parks Fund (2000)