MINUTE ITEM

3/29/73
WMT

19. REPORT TO COMMISSION RELATING TO BUDGETARY RECOMMENDATIONS IN LONG BEACH OPERATIONS MADE BY THE DEPARTMENT OF FINANCE, AUDITS DIVISION, REPORT ON STATE LANDS DIVISION.

The attached Supplemental Calendar Item 18 was submitted to the Commission for information only, no action thereon being necessary.

Attachment:
Calendar Item 18 (1 page)

A 39, 44, 68
S 32, 37

SUPPLEMENTAL INFORMATIVE CALENDAR ITEM

3/73
WMT

18.

REPORT TO COMMISSION RELATING TO BUDGETARY
RECOMMENDATIONS IN LONG BEACH OPERATIONS
MADE BY THE DEPARTMENT OF FINANCE, AUDITS DIVISION,
REPORT ON STATE LANDS DIVISION

This calendar item is in response to the State Lands Commission's directive to report back, in the March 1973 Commission meeting, as to certain specific proposals in the Department of Finance, Audits Division, report on State Lands Division, dated February 1, 1973.

As previously reported by the Division, the terms "Research and Development" and "Independent Research" in the audit report must be clarified. The staff's efforts that were classified as "Research and Development" are not in the area of pure research on new, and as yet, undeveloped concepts or procedures. Instead, the work consists of continued independent economic planning to maximize the revenue to the State, with all proper safeguards of the environment. The Division believes that this is a necessity because of the major State economic interest and potential divergent interests of the Field Contractor. The audit recommendation was that consideration be given to eliminating the independent economic planning function of the State, and re-allocating nine positions from Long Beach Operations to the extractive and non-extractive units. The audit report points out the risk of this proposal, that any immediate savings by cuts in the Long Beach Operations' budget would be offset by the possibility of decreased State oil revenue, since the option to maximize State revenue would be placed with the Field Contractor. There would also be the contingent budget problem of augmentation of the Statewide budget if these positions were transferred to Statewide units.

In order to meet the spirit of the Audits Division's recommendations, the staff is working toward reducing the THUMS 1973-1974 budget to remove duplicatory activities, and thereby increase revenue to the State to about the degree recommended by the Audits Division as an expenditure reduction.

In addition, the Division has reduced its staffing requirements to date by one petroleum geologist and one clerk. It is anticipated that an additional two positions will be dropped during the next two fiscal years.

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S 32, 37