

# Staff Report 63

## **SUMMARY:**

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This staff report provides an informational update on the Commission's fiscal condition, including revenue generated from the management of lands under the Commission's jurisdiction and expenditures in the recent fiscal year. This informational update provides the Commission and the public with an overview of the Commission's fiscal structure, operating budget, and revenue-generating activities, as well as budget change proposals included in the 2026-2027 state budget.

## **BACKGROUND:**

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Established in 1938, the Commission manages 4 million acres of tide and submerged lands and the beds of natural navigable rivers, streams, lakes, bays, estuaries, inlets, and straits. These lands, often referred to as sovereign or public trust lands, stretch from the Klamath River and Goose Lake in the north to the Tijuana Estuary in the south, the Colorado River in the east, and from the Pacific Coast three miles offshore to world-famous Lake Tahoe in the east, and includes California's two longest rivers, the Sacramento and San Joaquin. The Commission, in its capacity as a landowner, protects and enhances these lands and natural resources by issuing leases for use, development, and environmental preservation, championing public access, and resolving boundaries between public and private lands.

The Commission is also the trustee of approximately 500,000 acres of land, known as school lands, that the U.S. government granted to California in 1853, and which are managed to benefit the State Teachers Retirement System. The Commission's lands are subject to statutory and common law trust responsibilities that the Commission carries out on behalf of the state.

The Commission oversees sovereign land granted in trust to about 70 local jurisdictions, which are predominantly prime waterfront lands, coastal waters, and

the lands underlying California's major ports. The Commission secures and safeguards the public's access rights to navigable waterways and the coastline and preserves irreplaceable natural habitats for wildlife, vegetation, and biological communities.

Through its two regulatory programs, the Commission protects state waters from marine invasive species introductions and prevents oil spills by regulating oil transfers at marine oil terminals. The Commission is a stalwart guardian of a responsible transition from fossil fuels and the fight against climate change, managing significant decommissioning projects, as well as a portfolio of renewable energy leases and working alongside the California Energy Commission and others to facilitate clean energy development in California.

The Commission generates revenue for the State of California through royalties, rents, and other agreements. Commission work is supported by the General Fund, special funds supported by user fees, reimbursement for staff costs borne by applicants, and statutorily dedicated revenue sources.

The Commission is relatively small when measured by annual state operational expenditures, particularly when compared with the major departments and conservancies in the California Natural Resources Agency. For context, the Commission's enacted 2024-2025 budget totals \$77 million<sup>1</sup>, whereas the California Department of Parks and Recreation's budget for that same year was \$878 million, the Department of Fish and Wildlife's was \$682 million, and CAL FIRE's roughly \$4.2 billion. Even within the broader California Natural Resources Agency portfolio, the Commission is one of the smaller departments by budget level.

Despite its comparatively modest operating budget, the Commission occupies a unique fiscal role among California's environmental and natural resource agencies because it generates substantial revenue for the state. Much of the Commission's revenue-generating activity derives from its administration of oil and gas leases, which is subject to market conditions and broader economic factors that contribute to the price of petroleum products. From 2010- 2014, offshore oil and gas leases and agreements generated roughly \$300 million annually. Since then, revenues have been lower, with the most recent year generating roughly \$100 million from oil and gas operations. The Commission also generates revenue from

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<sup>1</sup> Includes \$20 million in one-time federal Inflation Reduction Act grant funding to support the Methane Emissions Reduction Program.

school lands leasing and mineral development, renewable energy projects, rights-of-way leases, commercial leases and other uses of state-owned lands. In 2025, for instance, the Commission's geothermal leases generated nearly \$5.5 million for CalSTRS. Through its management of sovereign lands, school lands, mineral interests, and oil and gas leases, the Commission oversees activities that produce ongoing revenue streams for the General Fund and the State Teachers' Retirement System.

As a result, the Commission differs significantly from other natural resource and environmental agencies, which are primarily expenditure driven entities supported through General Fund appropriations, bond funding, or special funds. While the Commission is not comparable in scale to California's major tax-collecting departments, such as the Franchise Tax Board or the Department of Tax and Fee Administration, it is unusual among environmental and land management agencies in that it consistently functions as a net revenue producing department. In practical terms, the Commission can be characterized as a relatively small state agency from a budgetary standpoint, but a comparatively large revenue producing natural resource and land management organization.

The relationship between the Commission's annual operating budget and the revenues it generates further distinguishes it in state government. The Commission's annual expenditures are a small fraction of the revenues associated with the public lands and resources it manages. This reflects the Commission's core statutory role as both a public trust steward and fiduciary manager of state lands and mineral resources. Through leasing, royalty collection, land/resource management, and oversight activities, the Commission helps ensure that California receives ongoing economic value from public assets while protecting environmental, recreational, and public trust values.

## **BUDGET COMPONENTS:**

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- Funding sources:
  1. General Fund
  2. Special Funds (Marine Invasive Species Control Fund (MISCF, 0212), School Land Bank Fund (0347), Oil Spill Prevention and Administration Fund (0320), Federal Trust Fund (0890), and Land Bank Fund (0943)).
  3. Reimbursements

- Revenues Generated by the Commission:

<b>Revenue Source</b>	<b>Where it Goes</b>
General leasing on sovereign land, oil and gas royalties, and net profit agreements with operators	General Fund (0001)
Legal settlements	General Fund (0001)
Regulatory fees	Marine Invasive Species Control Fund (0212)
Sale of school lands	School Land Bank Fund (0347)
Oil and gas royalties and rent on school lands	CalSTRS (0835)
Leasing of piers, buoys, and property in Lake Tahoe	Lake Tahoe Science and Lake Improvement Account (1018)
Oil operations in Long Beach	Oil Trust Fund (8032) and General Fund (0001)
Accrued Interest from the Surplus Money Investment Fund <sup>1</sup>	Various Funds

## **FISCAL YEAR 2024-2025 BUDGET OVERVIEW:**

For fiscal year 2024-2025, the Commission's total operating budget was roughly \$77 million, including \$20 million in one-time federal Inflation Reduction Act grant funding to support the Methane Emissions Reduction Program. The Commission generated roughly \$239 million, primarily through oil and gas royalties, net profit-sharing agreements and surface leases.

### **SPECIFIC REVENUES GENERATED:**

- Commission leases in Lake Tahoe generated \$2.27 million in revenue. The revenue is deposited into the Lake Tahoe Science and Lake Improvement Account (1018).

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<sup>1</sup> Moneys of various funds on deposit with the State Treasure are transferred for investment purposes. All earnings derived from investments are apportioned to the contributing fund.

- The Commission received \$72.5 million in legal settlements. \$22 million of that was reimbursed to a bond company and \$50.5 million was deposited into the General Fund.
- Statewide oil and gas operations and surface rentals generated \$100 million for the General Fund.
- Oil and gas operations in Long Beach generated \$34.3 million and an additional \$16.27 million in accrued interest from the Surplus Money Investment Fund for the Oil Trust Fund (8032).
- The revenue generated from rent and oil and gas royalties on school lands totaled \$6.34 million and was deposited into the State Teachers' Retirement Fund (0835) to benefit retired teachers.
- The School Land Bank Fund (0347) generated \$2.6 million in accrued interest from the Surplus Money Investment Fund.
- The Land Bank Fund (0943) generated \$1.8 million in accrued interest from the Surplus Money Investment Fund.
- The California Department of Tax and Fee Administration (CDTFA) performs collection duties on behalf of the Commission's Marine Invasive Species Program. CDTFA collected \$5.01 million in vessel arrival fees, which were deposited into the Marine Invasive Species Control Fund (0212).
- The Commission also has four Special Deposit Funds that accrue interest. These collectively accrued \$1 million in interest from the Surplus Money Investment Fund.
- The Commission received over \$20 million in federal grant funding from the federal Inflation Reduction Act to establish a Methane Emission Reduction Program. This revenue offsets the costs of the program.

## **FISCAL YEAR 2026-2027 BUDGET OVERVIEW:**

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The Commission's 2026-2027 operating budget, comprised of the baseline budget plus budget change proposals (BCPs), totals \$52.6 million and 243.5 positions. This approximately 30 percent decrease from the last fiscal year's operating budget is because it does not reflect one-time federal grant funding received in the prior fiscal year.

The Commission can submit BCPs every fiscal year to request additional resources needed to fulfill its duties. These can be a one-time or an ongoing augmentation to the budget. The Commission has three BCPs included in the 2026-2027 state budget.

The first BCP is for phased funding increases beginning in fiscal year 2026-2027 to address projected rent increases associated with renewing the Commission's Long Beach office lease, which expires in February 2027. The Commission has occupied the office space since 2019, and remaining in the existing location is the most cost-effective option.

The second BCP is for six positions and approximately \$2.09 million from the Oil Spill Prevention and Administration Fund in fiscal year 2026-2027, and approximately \$2.04 million ongoing to support the Commission's Marine Environmental Protection Division.

While the demand for petroleum products has declined, the available in-state production cannot meet demand. Consequently, imported products will be required to close the shortfall between demand and supply. Marine oil terminals will require upgrades to meet the increased throughput requirements. The Marine Environmental Protection Division lacks sufficient multi-disciplined engineering staff to effectively implement the Marine Oil Terminal and Engineering Maintenance Standards (MOTEMS) and Marine Terminals Oil Pipelines regulations and adapt to the continuously evolving marine oil terminal industry. This BCP allows the Commission to hire additional engineering staff with expertise in structural, mechanical, electrical, and pipeline systems to address increasing demands associated with marine oil terminal modernization, expanded import activity, regulatory oversight, and implementation of MOTEMS.

The Lempert-Keene-Seastrand Oil Spill Prevention and Response Act requires the Commission to regulate marine oil terminals to prevent oil spills and protect public health safety, and the environment. The Commission's Marine Environmental Protection Division administers this process by adopting and enforcing marine oil terminal regulations. In the next 10 years, staff anticipate overseeing the construction of at least four new marine oil terminals, major seismic rehabilitation of at least two marine oil terminals, and numerous construction projects related to the evolving industry needs. The Marine Environmental Protection Division must also continue to track and assess MOTEMS audits and Inspections of all 35 marine oil terminals (which are conducted every three to six years for the life of the facilities), MOTEMS post-event inspections resulting from significant, potentially damage-

causing events such as earthquakes, storms, vessel impact, fire, explosion, and tsunami.

The third BCP is for \$102,000 from the School Lands Bank Fund in fiscal year 2026-2027 and ongoing to support inspections, remediations, and repairs of abandoned mine features on state-owned school lands. This funding also supports regular field inspection trips, the purchase of field and safety supplies, and will provide staff with greater control over the prioritization and timing of mine remediation work.

The funding includes \$100,000 to hire specialized contractors to repair and remediate breached abandoned mine features on state land. Outdated or inoperable equipment will be repaired or replaced, including gas monitors, Geiger counters, face/gas masks, flashlights/lamps, safety ropes, welders, generators, saws, and signage. Staff anticipate inspecting up to 10 parcels annually.

The Commission faces a major challenge in remediating new mine features and repairing vandalized closures on its school lands parcels due to the limited current budget, which only covers staff's inspections and warning sign installations.

**CONCLUSION:**

The Commission's public land management work generates significant statewide revenue relative to its operating budget. Revenue generation fluctuates because oil and gas revenues fluctuate with the price of oil and production levels. Revenue generated by the Commission is deposited into the General Fund and special funds depending on statutory requirements.