

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON GENERAL GOVERNMENT**

Assemblymember John Dutra, Chair

**SATURDAY, MAY 21, 2004
STATE CAPITOL, ROOM 437
10 AM**

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ITEMS TO BE HEARD

ITEM 1880 STATE PERSONNEL BOARD

ISSUE 1 - INCREASED WORKLOAD

The Administration proposes \$549,000 of increased reimbursement and 5.5 position authority to support additional workload by the State Personnel Board.

ITEM 5240 DEPARTMENT OF CORRECTIONS

ISSUE 1 - INMATE CANTEEN RESTITUTION AND BANKING SYSTEM

The Administration proposes a reappropriation of \$2.3 million for the Inmate Canteen Restitution and Banking System. These funds would be available until June 30, 2005. Any funds that are unexpended would revert to the General Fund.

ISSUE 2 - REAPPROPRIATION OF FUNDS FOR MENTAL HEALTH CRISIS BEDS - CALIFORNIA MEDICAL FACILITY, VACAVILLE

The Administration proposes a reappropriation of funds (\$16.5 million) appropriated in Item 5240-301-0660 Budget Act of 2003 to build a new mental health crisis facility. The project has not yet gone to bid.

ISSUE 3 - REAPPROPRIATION ELECTRIFIED FENCE - CALIFORNIA INSTITUTE FOR MEN, EAST CHINO

The Administration proposes reappropriation of 1988 Prison Construction Bond Funds for the preliminary plans and working drawings of an electrified fence at the California Institute for Men, East Chino.

ISSUE 4 - REAPPROPRIATION - CHUCKAWALLA VALLEY STATE PRISON, BLYTHE - HEATING, VENTILATION, AND AIR CONDITIONING SYSTEM

The Administration proposes the reappropriation of \$47,000 from the 1990 Prison Construction Bond Fund in Item 5240-301-0751, Budget Act of 2002, reappropriated by Item 5240-490 Budget Act 2003. These funds support a centralized HVAC system to repair the existing system.

ISSUE 5 - REAPPROPRIATION CALIFORNIA CORRECTIONAL INSTITUTE, TEHACHAPI - WASTE WATER TREATMENT PLANT

The Administration proposes the reappropriation of unexpended funds (\$15.7 million) appropriated in Item 5240-301-0660 Budget Act of 2003. These funds were appropriated to renovate the existing wastewater plant. The reappropriation is needed as the project has not been able to go to bid at this time due to technical delays.

ISSUE 6 - HIPPA REAPPROPRIATION

The Administration proposes the reappropriation of the balance of funds (\$225,000) appropriated in Item 9909-017-0001 Budget Act of 2002 and reappropriated in Item 5240-495 Budget Act of 2003 for the purpose of implementing the Health Insurance Portability and Accountability Act. These funds would be available until June 30, 2005. Any funds that are unexpended would revert to the General Fund.

ISSUE 7 - REAPPROPRIATION - MADRID PATIENT INFORMATION MANAGEMENT SYSTEM

The Administration proposes a reappropriation of the balance of the original \$7.9 million appropriation (\$360,000 remaining) for the Madrid Patient Information Management System at Pelican Bay State Prison. These funds would be available until June 30, 2005. The unexpended funds would revert to the General Fund.

ISSUE 8 - REAPPROPRIATION - CALIFORNIA STATE PRISON, SAN QUENTIN - CORRECTIONAL TREATMENT CENTER

The Administration proposes to reappropriate the remainder of the available funds (\$375,000) from Item 5240-301-0001 Budget Act of 2002 reappropriated by Item 5240-490 Budget Acts of 2003 and 2004 for preliminary plans at the Correctional Treatment Center at the California State Prison, San Quentin. The department wants to pursue the preliminary plans for this project in case the combined Condemned Housing/Correctional Treatment Center is cancelled

ISSUE 9 - STANDARD STAFFING REAPPROPRIATION

The Administration proposes the reappropriation of \$450,000 for the purpose of developing statewide staffing standards at the Department of Corrections. These funds would be available until June 30, 2005. Any funds not used for this purpose would revert to the General Fund.

ISSUE 10 - STATEWIDE OFFENDER MANAGEMENT SYSTEM

The Administration proposed the reappropriation of \$799,000 for the development of the Statewide Offender Management System and shall be available until June 30, 2005. Funds not expended for this purpose would revert to the General Fund.

ISSUE 11 - REAPPROPRIATION - CALIFORNIA REHABILITATION CENTER, NORCO, POTABLE WATER SYSTEM IMPROVEMENTS

The Administration proposes the reappropriation of any remaining funds originally appropriated in Item 5240-301-0001 Budget Act of 2002 and reappropriated in Item 5240-490 of the Budget Acts of 2003 and 2004 (\$1,722,000). These funds are to be used to make improvements to the existing water system. This project is being deferred pending a review of potential facilities closures.

ISSUE 12 - REAPPROPRIATION - SIERRACONSERVATION CENTER, JAMESTOWN, EFFLUENT DISPOSAL PIPELINE

The Administration proposes the reappropriation of \$7.8 million appropriated in Item 5240-301-0001, Budget Act of 2001, reappropriated by Item 5240-490 of the Budget Acts of 2002 and 2003. This project is to construct a new pumping station at the wastewater treatment plant. The project has been delayed due to California Environmental Quality Act permitting problems.

ISSUE 13 - INCREASED POPULATION

The Administration proposes the increase of \$177.5 million (\$175.8 million General Fund) to the Department of Corrections to support an unanticipated increase in population.

ISSUE 14 - AMEND ITEM 5240-301-0001 CALIFORNIA MEN'S COLONY, WASTE TREATMENT FACILITY UPGRADE

The 2004 Governor's Budget erroneously titled this item as the Potable Water Treatment Facility Upgrade. This project should be named the Potable Water Distribution System Upgrade. The scope and costs of the project are not expected to change.

ISSUE 15 - VALDIVIA V SCHWARZENEGGER - PAROLEE RETURN TO CUSTODY - BUDGET BILL LANGUAGE

The Administration proposes an increase of \$22.2 million from the General Fund and 183.3 positions to implement the Valdivia Remedial Plan to address the procedural safeguards for parolees facing a return to prison for violations or the commission of new crimes. The Administration also proposes to add budget bill language that would allow the Director of Finance to authorize increased expenditures in excess of the appropriated amount for Valdivia upon a 30-day notice to the Joint Legislative Budget Committee.

The subcommittee may want to consider if it wants to delegate authority to the Department of Finance unilateral authority to increase the CDC budget authority. While any increase in budgeted authority is to be based upon Valdivia statistics, there do not appear to be any restrictions on the redirection of funds to other programs in CDC. In addition, the language would allow CDC to increase expenditures for Valdivia compliance without regards to efficiency or effectiveness of the funds expended.

ISSUE 16 - ADMINISTRATIVE SEGREGATION OVERFLOW FUNDING

The Administration proposes the increase of \$16.8 million from the General Fund and 193.6 positions to establish administrative segregation (ad seg) units and to provide a temporary help pool to support extraordinary ad seg needs in other institutions.

ISSUE 17 - MEDICAL GUARDING AND TRANSPORTATION

The Administration proposes an increase of \$18.2 million and 114.9 positions to address under funded medical guarding and transportation costs at CDC facilities.

ISSUE 18 - BUSINESS INFORMATION SYSTEM

The Administration proposes \$4.6 million and 8.8 positions to begin purchase and implementation of the Business Information System.

ISSUE 19 - EMPLOYEE DISCIPLINE REMEDIAL PLAN

The Administration proposes \$1.9 million and 18.7 positions to initiate a vertical prosecution model for employee disciplinary cases.

ISSUE 20 - YOUTH AND ADULT CORRECTIONAL AGENCY RESTRUCTURE

The Administration proposes a redirection of \$1.5 million in departmental funds to the Youth and Adult Correctional Agency to implement agency level staffing and oversight.

ISSUE 21 - CAPITAL OUTLAY - VALDIVIA HEARING ROOMS

The Administration proposes an increase of \$5.4 million to support the renovation and construction of additional hearing rooms that will be needed to pursuant to the Valdivia settlement plan for parolees facing the return to prison for parole violations.

ISSUE 22 GENERAL FUND SAVINGS

The Administration proposed a \$400 million unallocated reduction for the Department of Corrections in the Governor's Budget. As part of the May Revision, the Administration included specific proposals to achieve \$477 million in savings.

The subcommittee may want to adopt budget bill language to adopt the \$477 million in savings and give the Administration flexibility in achieving that goal.

Proposed Trailer Bill LanguageItem 5240-001-0001

Provision:

11. *The amount appropriated in this item includes an unallocated reduction of \$477 million. In order to achieve this reduction, the Departments of Corrections and Finance shall develop a reduction plan by September 1, 2004. The plan may include, but is not limited to, reduced use of sick leave and overtime, savings from other personnel costs, savings from consolidated purchasing, energy efficiencies in state prisons, pharmacy and medical services reforms, other operational efficiencies, and various reforms designed to reduce the rate of inmate recidivism.*

ITEM 5440 BOARD OF PRISON TERMS

ISSUE 1 - INCREASED PAROLE HEARING WORKLOAD

The Administration proposes an augmentation of \$117,000 to support increased workload associated with the number of parole hearings.

ISSUE 2 - VALDIVIA WORKLOAD- BUDGET BILL LANGUAGE

The Administration proposes an increase of \$35.4 million from the General Fund to fund the cost of new parole revocation processes associated with the Valdivia Remedial Plan. Budget Bill language authorizing the Department of Finance to authorize additional authority to the Board based upon statistics associated with the Remedial Plan has been proposed.

The subcommittee may want to consider denying the trailer bill language as it is not clear that the board would not be able to transfer funds received under this provision, to other functions at the Board. In addition, it would also allow additional funds to be spent for increased expenditures that would not necessarily be related to increased workload.

ITEM 5460 DEPARTMENT OF YOUTH AUTHORITY

ISSUE 1 STATISTICS ON CYA WARDS

In the May 17th hearing a request was made of the Department of Youth Authority to identify the number of wards with histories of serious and violent offenses that are being transferred from the Fred C. Nelles facility to the Southern Youth Correctional Center and Clinic. In addition, the subcommittee requested the Department provide information on plans to address an increase in population that would occur if the funding for local juvenile programs through the Temporary

Assistance to Needy Families program were to be substantially reduced. That information has not been received to date.

The subcommittee may want to ask for the information requested at the previous meeting.

ISSUE 2: SOUTHERN YOUTH CORRECTIONAL RECEPTION CENTER AND CLINIC; HEMAN G. STARK YOUTH CORRECTIONAL FACILITY

The Administration proposes an increase of \$2 million from bond funds to make renovations for housing and education programs at the Southern Youth Correctional Center and Clinic (Norwalk), and the Heman G. Stark Youth Correctional Facility (Chino). These changes are needed to accommodate wards previously residing in the Fred C. Nelles Youth Correctional Facility, which is in the process of closure.

ISSUE 3: WARD POPULATION ADJUSTMENT

The Administration proposes an increase of \$6.3 million to reflect changes to the ward and parole populations. The estimated ward population is expected to be 318 higher than anticipated in the Governor's Budget while the parole population is expected to be 55 parolees less than that assumed in the Governor's Budget.

ISSUE 4: POST RELIEF FACTOR - TRAILER BILL LANGUAGE

The Administration proposes an increase of \$3.5 million from the General Fund to support increased relief of posted positions. \$964,000 of this amount is to provide vacation relief coverage. \$2.5 million of this amount is to provide relief coverage for employees taking training classes. The Administration also proposes budget bill language limits the funds allocated for training relief costs to be limited for that purpose.

ISSUE 5: AGENCY RESTRUCTURE

The Administration proposes a redirection of \$200,000 from the CYA to the Youth and Adult Correctional Agency related to a restructure plan at the Agency. This is consistent with the proposal to transfer of \$1.5 million from the Department of Corrections to the Agency for the same purpose.

ITEM 8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**ISSUE 1: PEACE OFFICER TRAINING FUND SHIFT**

The Administration proposes a redirection of \$118,000 from local assistance to state operations to resolve a previous technical error.

ITEM 8380 DEPARTMENT OF PERSONNEL ADMINISTRATION**ISSUE 1: GENERAL FUND REDUCTION**

The Administration proposes the reduction of \$259,000 and 5 positions to comply with the directive to reduce General Fund expenditures.

ITEM 8830 CALIFORNIA LAW REVISION COMMISSION**ISSUE 1: TERMINATION OF CALIFORNIA LAW REVISION COMMISSION**

The mission of the California Law Review Commission (CLRC) is to make recommendations to the Governor and the Legislature regarding revision of the law. CLRC assists the Governor and Legislature to keep the various statutes current by studying complex legal issues; identifying major policy questions for legislative attention. It performs this duty by gathering the views of interested persons and organizations then drafting recommended

legislation for consideration. The CLRC may only study topics that the Legislature authorizes by concurrent resolution.

The Administration proposes the elimination of the California Law Revision Commission effective January 1, 2005 for a savings of \$256,000

Over its 50 year history, the CLRC has submitted approximately 350 recommendations, of which more than 320 (95%) have been adopted in whole or in part. More than 1,500 appellate decisions have cited CLRC reports for interpretation of the law. Legislation enacted by the CLRC recommendation affect nearly 20, 000 sections of California law.

The Commission currently has 15 active projects that represent a backlog of 5.24 years. These projects include areas of mechanic's liens, financial privacy, legal malpractice and waiver of privilege. In addition, the Commission has projects that are scheduled but had not received active status that represent a backlog of 3.1 years. Unscheduled projects make up a third category of assignments that are eventually expected to reach the scheduled status as the higher priority workload is addressed. This category represents a backlog of 5.6 years. Therefore at the current staffing levels, it would take nearly 14 years to eliminate the backlog for the Commission assuming that the Legislature does not make any further requests of CLRC during that period of time.

The Subcommittee may want to reject the Administration's proposal to eliminate the Law Revision Commission in order to continue to maintain an agency that provides a source of objective, thoughtful analysis of outstanding complex legal issues.

Due to the substantial backlog at the Commission, the subcommittee may want to consider a minor augmentation of funds so that current legislative requests are able to be completed more quickly. The Commission has estimated that an increase of \$150,000 and 1.75 positions should allow it to complete the currently active assignments, its highest priorities, in approximately three years.

ITEM 8840 COMMISSION ON UNIFORM STATE LAWS

ISSUE 1: GENERAL FUND REDUCTION

The Administration proposes the reduction of \$24,000 from the Commission on Uniform State Laws. This is a technical adjustment from the Governor's Budget.

ITEM 8910 OFFICE OF ADMINISTRATIVE LAW

ISSUE 1: WORKLOAD INCREASE - EXECUTIVE ORDER S-02-03

The Administration proposes an increase of \$605,000 and 7 positions for a two-year limited term to address additional workload for the review of all regulations pursuant to Executive Order S-02-03.

The subcommittee may want to consider if there is a need to complete this project over a two-year period rather than a three-year period. In addition, it may want to consider whether the Office needs to be budgeted for staff counsel at Range C rather than at Range B.

9210 LOCAL GOVERNMENT FINANCING

ISSUE 1 - COPS - JUVENILE JUSTICE GRANTS

The Administration proposed an appropriation of \$100 million each for the Citizens' Option for Public Safety (COPS) and the Juvenile Justice grants for a total appropriation of \$200 million.

The May Revision proposed to offset the level of COPS funding by the outstanding amount of local mandate claims associated with the Peace Officers' Bill of Rights (POBR). The level of claims associated with the mandate is estimated at approximately \$30 million for the budget year. The cumulative amount of the outstanding claims under this mandate approaches \$100 million. In a private communication to staff members of the Assembly, the Administration has indicated that it is withdrawing the proposal to offset the usage of COPS funds against the POBR mandate claims.

The subcommittee may want to ask the Administration to confirm this understanding.

Under federal grant programs, state and local law enforcement agencies "flag" undocumented foreign nationals upon conviction and incarceration into state and local correctional institutions. Under this program, undocumented foreign nationals that are so identified are turned over to the custody of the United States Immigration and Naturalization Service (INS) for further questioning and possible deportation. It is this committee's understanding that federal funds are becoming available for the purpose of identifying undocumented foreign nationals upon arrest or even first contact with law enforcement officers. Under this plan, these persons would be turned over to the INS in the absence of any conviction for criminal wrongdoing. In the case of the program to identify undocumented foreign nations upon first contact, the staff involved in this procedure could likely be the same persons funded by the COPS program.

The subcommittee may want to it is appropriate to use COPS funded front line law enforcement staff to enforce immigration laws upon first contact in the absence of any violation of law.

Possible budget bill language could include:

Proposed Budget Bill Language

Item 9210-101-0001

Provision

Amounts under this item to support the Citizens' Option for Public Safety (COPS) program shall not be allocated to local police departments, sheriff departments or district attorney offices if that agency or the respective city or county government engages in a policy of seeking to determine whether that individual is an undocumented foreign national for purposes of transfer to national immigration authorities prior to the conviction of a crime.

ITEM 9650 HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

ISSUE 1: RATE REDUCTION

The Administration proposes a reduction in this item of \$1.6 million from the amount proposed in the Governor's Budget as the dental insurance premium rate increase is now expected to be 2 percent as compared to 5 percent in the fall.

ITEM 9800 AUGMENTATION FOR EMPLOYEE COMPENSATION

ISSUE 1 - ELIMINATE FUNDING FOR SALARY AND INSURANCE PREMIUM INCREASES

The Administration proposes the elimination of funding for this item for a savings of \$464.2 million in General Funds and a total of \$874.5 million for all funds. These funds support negotiated salary increases for state employees. There are no funds for those bargaining unit employees that are no in effect. This proposal would also delete all funds for the employer's share of increases to employee health, dental and vision insurance premiums.

ITEM 9100 TAX RELIEF**ISSUE 1: RECONCILIATION OF LOCAL GOVERNMENT SAVINGS WITH THE MAY REVISION**

This issue was heard by the subcommittee at yesterday's hearing, but was not resolved.

The May Revision substantially revises the Governor's January proposal for a \$1.3 billion local government contribution to the state's budget solutions. The January Budget proposed an ongoing annual increase in the property tax shift from local governments to schools and community colleges. This shift took place via the Educational Revenue Augmentation Fund (ERAF) in each county and reduced on a dollar-for-dollar basis the state's General Fund obligation to K-14 education under Proposition 98. The May Revision proposal retains \$600 million of the \$1.3 billion ERAF shift that was proposed in the January Budget. The May Revision, however, accomplishes the remaining \$700 million of budgeted savings in a different manner. The May Revision eliminates the Vehicle License Fee (VLF) backfill for a GF savings of \$4.1 billion and provides a "reverse ERAF" property tax shift of \$3.4 billion to partially replace the backfill payments to local government. This exchange results in a net state savings of \$700 million.

Need for Consistency. Currently, the Assembly version of the budget includes actions and assumptions that incorporate portions of the January proposal and portions of the May Revision proposal in an inconsistent manner. For example, action on the California Community Colleges is consistent with the May Revision proposal, while most of the K-12 budget reflects the January ERAF proposal.

Staff Recommendation. In order to make the budget internally consistent, so that decisions can be made in an unambiguous manner going forward, staff recommends adoption of the May Revision VLF backfill and property tax actions. This action would be taken merely to establish consistency without implying approval of any of the specific allocations or policy proposals in the Governor's May Revision "agreement" with local government. Adopting the May Revision approach simplifies budget actions because the May Revision also incorporates other updates and adjustments that would have to be reconciled separately with some other approach. The recommendation could be accomplished by taking the following actions:

- 1) Eliminate the 2004-05 General Fund backfill for the VLF offsets (reduce GF backfill costs by \$4.1 billion).
- 2) Increase General Fund K-14 support by a net \$2.8 billion to replace property tax revenue shifted from K-14 education to local government. This amount is calculated as \$4.1 billion

- 3) for VLF backfill less the \$700 backfill shortfall and less the \$600 million property tax shift from local governments to schools.

TRAILER BILL LANGUAGE: LOANS FROM SPECIAL FUNDS—AB 1871

AB 1871 (Nakano) requires the Annual Governor's Budget to include a summary of General Fund obligations to special accounts and the dates the obligations are due.

Over the last few years, the General Fund has borrowed substantial amounts from many special funds. This measure would require the Governor's Budget to provide a comprehensive annual status report on those loans and obligations.

Comment. Section 163320 of the Government Code currently requires the Director of Finance to provide reports on the balances of loans made to address budgetary shortfalls in 2001-02, 2002-03, and 2003-04. These reports must be provided to the Chairperson of the Joint Legislative Budget Committee on August 1 and February 1 of each year. The language of AB 1871 should be revised to eliminate at least the February report since there would be a report in the January Governor's Budget.