

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

**ASSEMBLYMEMBER GEORGE NAKANO, CHAIR**

**WEDNESDAY, APRIL 7, 1999  
STATE CAPITOL, ROOM 437  
1:30 P.M.**

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## **1705 FAIR EMPLOYMENT AND HOUSING COMMISSION**

The Fair Employment and Housing Commission is a quasi-judicial body responsible for the enforcement of State civil rights laws against discrimination in employment, and public housing. The commission conducts hearings and issues decisions in cases prosecuted before the Department of Fair Employment and Housing.

## **2320 DEPARTMENT OF REAL ESTATE**

The primary objectives of the Department of Real Estate (DRE) are: (1) to protect the public in offerings of subdivided property; (2) to ensure that licensed individuals conducting real estate transactions are competent and qualified; and (3) to prevent fraud, deceit and misrepresentation in the real estate marketplace by assisting the public through the investigation of complaints.

The budget of DRE is proposed to increase by \$462,000 or 1.7 percent, over the current year. Personnel years will increase by 5.7 to 294.7 DRE's budget is financed by license and other fees.

## **5240 DEPARTMENT OF CORRECTIONS**

The following proposals are recommended to be approved as budgeted.

(Dollars in Thousands)

<b>Proposal Title</b>	<b>1998-99 Funding\Net PY</b>	<b>1999-00 Funding\Net PY</b>	<b>Fund</b>
Parole Casework Services	\$5,500	\$5,500	General Fund
Pest Control Technician	0	-\$14/.9	General Fund
Youthful Offenders Federal Grant	\$1,505/7.1	\$1,572/17.9	Federal Funds
Inmate Welfare Fund	0	\$3,000	Inmate Welfare Fund
Federal Reimb. Grants	\$277	\$277	Federal Funds
Women and Children's Services SB 519	0	\$595/.3	General Fund
Water and Waste Water Plant Supervisor	0	\$184/2.9	General Fund
Offender Employment Placement Program	\$769	\$1,000	General Fund
Pre-Release Program Expansion	\$500/3.6	\$1,000/7.1	General Fund
Legislative Estimates Unit	0	\$92/1.4	General Fund
Energy Unit Staffing	0/1.9	0/1.9	Redirection of General Fund resources
Internal Affairs	\$982/12.9	\$1,554/19.4	General Fund

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## **5450 YOUTHFUL OFFENDER PAROLE BOARD**

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The Youthful Offender Parole Board is the paroling authority for young persons committed by the courts to the Department of the Youth Authority. The Board uses a classification system which designates young offenders by categories of offense. These categories guide the Board in setting a parole consideration date, that is, the presumptive period of incarceration after which a person can be released to parole without being a danger to society. The Governor's budget proposes a 1999-00 spending level of \$3,348,000. This reflects an increase of less than one percent over 1998-99 spending authority.

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## **8120 COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**

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As stated in the Governor's Budget, The Commission on Peace Officer Standards and Training (POST) is responsible for raising the competence level of law enforcement officers in California by establishing minimum selection and training standards, improving management practices and providing financial assistance to local agencies relating to the training of their law enforcement officers. The Governor's budget proposes a 1999-00 spending level of \$47,980,000. This reflects an increase of less than one percent over 1998-99 spending authority.

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## **8300 AGRICULTURAL LABOR RELATIONS BOARD**

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The Agricultural Labor Relations Board (ALRB), is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

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## **8385 CALIFORNIA CITIZENS COMPENSATION COMMISSION**

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The California Citizens Compensation Commission establishes the annual salary and the medical, dental, insurance and other similar benefits for the Governor, Statewide elected officials, Members of the Legislature, and Members of the Board of Equalization. The Commission was established in June of 1990, by Proposition 112 and is composed of seven members appointed by the Governor.

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## **8950-8966 DEPARTMENT OF VETERAN AFFAIRS**

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The Department of Veterans Affairs (DVA) provides services to California Veterans and their dependents, and to eligible members of the California National Guard. The principle activities of DVA include: (1) providing home and farm loans to qualifying veterans, using proceeds from the sale of general obligation and revenue bonds; (2) assisting eligible veterans and their dependents to obtain federal and state benefits by providing claims representation, subventions to county veterans service officers, and direct educational assistance to qualifying dependents; and (3) operating veterans' homes in Yountville and Barstow with several levels of medical rehabilitation services, as well as residential services.

The 1999-00 proposed budget is almost \$351 million and reflects a 2.7 percent relative to the department's 1998-99 appropriation. The majority of the increase is accounted for by the scheduled construction of the Veteran's Home at Chula Vista.

The Governor will launch the following policy directives to comprehensively and systematically address the following issues:

***Reported Abuse in Veterans' Homes in California:*** The Governor will sign legislation to create an Office of the Inspector within the Department of Veteran Affairs. This entity would investigate, as well as serve as a deterrent, to the reported abuse of veterans in the department operated homes (Yountville and Barstow). This measure will do much to rectify current problems and protect veterans in the future.

***Quality of Health Care in Veterans' Homes in California:*** The Governor will appoint a Blue Ribbon Commission to develop findings for improvement of the health care provided at the Veterans' Homes.

***Cal-Vet Program—Existing Function, Future Role:*** The Governor will direct the Bureau of State Audits (BSA) to conduct program and fiscal audits of the Cal-Vet Loan Program. This will lay the ground work for addressing the crucial policy question as to what should be done if it is found that the need for home loans is not as great as say elder care for an aging veteran population. With the BSA findings combined with existing study findings--the Secretary will, within 180 days of being appointed, make recommendations for what restructuring of the Cal-Vet program would be in order.

***"Veterans' Bridge":*** The Secretary will also report to the Governor on gaps in supportive services to veterans and how to fill or bridge said gaps.

***The major features of the Department of Veterans Affairs' budget as proposed (January 8) include:***

- \$14.6 million and 126 positions to staff and operate the new Chula Vista Veterans Home which is under construction and scheduled to be completed by February 2000. Nursing and medical staff will be available on site, providing a full complement of medical services to this state's deserving veterans;
- \$385,000 to increase outside health care provider funding for veterans; and
- \$2.1 million for funding of County Service Veterans Offices (CVSOs). CVSOs assist veterans to secure federal benefits that absent such assistance the veterans would go without. By connecting veterans to federal benefits, the CVSOs provide an important service to this worthy group as well as significantly reduce reliance on local general assistance and various forms of state aid, thereby driving notable savings to both state and local government.

Staff notes that Finance Letters and Senate actions relative to the department's budget will be taken up in future hearings.

## 5440 BOARD OF PRISON TERMS

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As the Governor's budget describes it, the Board may suspend or revoke the parole of any prisoner under its jurisdiction who has violated parole. The Board may also waive parole and may discharge any such prisoner prior to the expiration of the statutory maximum parole period. The Board also advises the Governor on applications for clemency.

The Board is comprised of nine Commissioners appointed by the Governor and confirmed by the Senate for terms of four years each. The terms are staggered and Commissioners are eligible for reappointment. A chairperson of the Board is designated by the Governor. Deputy Commissioners are employed by the Board in civil service positions. Their duties include hearing and deciding cases.

### ISSUE 1: MENTALLY DISORDERED OFFENDER PROGRAM STAFFING AND FUNDING INCREASES

The Board requests two positions and \$619,910 effective 1999-00.

#### BACKGROUND:

The Mentally Disordered Offender Program (MDO) was established by SB 1054 (Lockyer) Chapters 1418 Statutes of 1985 and SB 1296 (McCorquodale) Chapter 1491 and Statues of 1985 to commit mentally ill prison inmates to state mental hospitals. To satisfy MDO criteria an inmate must:

- Have committed one of a number of specified violent crimes.
- Be nearing release on parole.
- Be deemed to pose a substantial danger of causing physical harm to others if released.
- Have received mental health treatment through the Department of Corrections for at least 90 days during the year prior to anticipated parole.

As the LAO explains, **“State law provides that BPT must certify that an inmate considered for an MDO commitment meets the necessary criteria. The BPT schedules and coordinates the evaluation of such offenders by psychiatrists or psychologists representing the Department of Mental Health (DMH) and the California Department of Corrections (CDC). If the DMH and CDC evaluators disagree about whether an inmate is eligible for an MDO commitment, state law requires BPT to solicit the opinion of two other, independent evaluators to resolve the matter. Both must concur in an MDO commitment if it is to proceed otherwise, the offender would likely be released on parole.”**

The BPT projects increased workload for this program and is seeking resources to meet this anticipated need. Most of the funding requested is for contract funding for clinician evaluations (\$442,000).

<b>COMMENTS:</b>
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Budget Committee staff finds the proposal meritorious. The LAO has proposed that the proposal be reduced by \$100,000 to allow for its recommendation relative to driving down the rate increase for clinicians proposed by BPT. In an effort to ensure that BPT has ample clinicians available it proposes to increase its evaluation rate from \$320 to \$568. The BPT notes that DMH pays clinicians to do comparable work for \$614. To remedy the situation the LAO counters that instead of raising BPT's rate that, ***"...a better approach to reducing the gap would be to increase the rate BPT pays for MDO evaluations to \$490... and reduce DMH rates to \$490."***

Staff informed all parties at the pre-hearing that it would recommend against adopting the above LAO recommendation for the following reasons. From a market perspective, it should be noted that the clinicians at issue have other clients to choose from besides BPT and DMH. Consequently if the DMH rate is reduced and the BPT rate is still deemed insufficient by the clinicians, it is more likely that BPT will still be vulnerable to not having sufficient clinicians and the DMH will also begin realize a diminished pool of clinicians. In short, it is not clear how either entity appreciably benefits from the LAO recommendation. Furthermore while this subcommittee could make the reduction to the BPT proposed rate it is very unlikely that the corresponding reduction to the DMH rate will be adopted by the appropriate subcommittee in either house.

In the end, staff makes the following recommendation:

- Approve the BPT requested clinician rate.
- Approve the BPT requested positions.
- Reduce the contract funding by \$175,000 pending confirmation of the projected workload increase.

**Staff expects that the proposed reduction above will be restored by if not before Conference Committee.** However, at this writing, staff has not had enough time to reconcile and confirm workload assumptions and premises associated with the CDC and DMH. These premises and assumptions are central to the BPT's argument for the contract funding increase. Given the objective to convene Conference Committee by May 1 and the fact that all data may not be available by May 1, it would seem appropriate to make the proposed reduction ensuring that this matter goes to conference, thereby affording the opportunity for BPT's projections to be adjusted and confirmed with the latest actual data. The end result could be that the contract funding definitively approved could exceed its current request. The reduction proposed herein is selected so as not to be construed or confused in anyway as an adoption of the



aforementioned rate reduction recommendation—a possibility given any number less than \$100,000.

Staff has committed to the BPT, Finance, and the Senate consultants to work towards the most accurate number yielded by the comprehensive analysis of factors relative to the relevant operations of BPT, DMH and CDC and the relevant components of their respective budgets.

Some of the areas being pursued currently include:

- Acquiring data that provides the committing offense for participants in the CDC mental health programs.
- Acquiring data that provides the number of inmates who have had 90 days of mental health treatment within the year prior to their parole date.

Budget Committee staff reasons that the above data is necessary to building a tenable workload estimate. If the possible MDO pool is better known so too the likelihood that a more accurate workload projection number can be developed. While the BPT used small samples from a study and extrapolated from these samples to project statistics to build their workload estimates—no data base to extract and monitor the above information currently exists but will within a month. Staff is also trying to determine what if any impact the staff clinician in the request will have on the rate of difference of opinion between DMH and CDC clinicians and other workload.

**ISSUE 2: LIFE PRISONER AND PAROLE REVOCATION HEARING WORKLOAD  
INCREASE**

The BPT requests 5.6 positions and \$595,000 for 1998-99. 10.5 positions and \$1,082,000 effective 1999-00.

**BACKGROUND:**

The BPT is mandated to conduct timely parole revocation and consideration hearings to provide due process rights to the parolees and inmates. The total number of hearings conducted is, reasons BPT, directly related to the parolee and prison populations. Growth in the Department of Corrections (CDC) inmate and parolee populations, reasons the BPT, drives the Board's workload.

**COMMENTS:**

It was established at the pre-hearing that this proposal would be adjusted for CDC Spring Population Projections through the May Revise. However, Budget Committee staff notes that unlike prior years there are some CDC population developments and programming factors that may result in slightly different impacts to BPT hearing workload in 1999-00. These include:

- Inmate population growth has slowed significantly.
- Parole population has increased but fewer parolees are failing and being sent back to prison.
- CDC has increased support service geared to ensuring successful parole episodes for longer periods, many of which are noted in the consent calendar herein as well as in CDC items to be heard.

Given these changing factors it would seem to follow that BPT workload could conceivably be adjusted in a way that differs from years past by the coming Spring projections. To allow for this possibility Budget Committee staff recommends as much time as possible is allowed for to apply the latest accurate projection data to this proposal. This means closing this budget now and pushing the issue to conference (post May Revise session) where the latest population developments and related trends can be applied to this proposal.

To accomplish this, staff recommends eliminating the Travel-In State and Equipment requests in the budget year. This funding will be restored according to what the eventual staffing level is adopted in conference.

## **5460 DEPARTMENT OF YOUTH AUTHORITY**

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The Department of the Youth Authority is responsible for the protection of society from the criminal and delinquent behavior of young people (generally ages 12 to 24, average age 19). The department operates training and treatment programs that seek to educate, correct, and rehabilitate youthful offenders rather than punish them. The department operates 11 institutions, including two reception centers/clinics, and six conservation camps. In addition, the department supervises parolees through 16 offices located throughout the state.

The department projects an institution population of 7,725 by June 30, 1999, a decrease of 185 from earlier projections. Parolees are projected at 5,100 by June 1999, dropping to 5,060 by June 2000. Spending authority proposed for 1999-00 amounts to almost \$392 million reflecting a nominal increase of less than one percent over 1998-99.

### **ISSUE 1: JUVENILE AND GANG VIOLENCE PREVENTION, DETENTION AND PUBLIC PROTECTION ACT OF 1998 IMPLEMENTATION**

The department requests two positions and 125,000 in 1998-99 and four positions and 225,000 in 1999-00.

#### **BACKGROUND:**

This act, AB 2796 (Wright) Chapter 499, Statutes of 1998 authorizes the Department of Youth Authority to allocate \$25 million to nonprofit organizations for acquiring, renovating, or constructing youth centers. AB 2796 also allows for a percentage of the \$25 million to fund administrative costs to the department to administer the provisions of the statute.

This proposal sets forth the administrative costs and necessary funding provided for in the bill.

#### **COMMENTS:**

The subcommittee may wish to ask the department for an update on the program.

**ISSUE 2: 800 MEGAHERTZ RADIO SYSTEM**

The department requests \$844,000 one-time in 1999-00 and \$17,000 ongoing.

**BACKGROUND:**

This proposal would provide the Preston Youth Correctional Facility (PYCF) with an 800 megahertz (MHZ) radio system. This system includes hand-held radios, mobile radios for vehicles, and base station with re-charger for hand-held radios.

The proposal documents that the existing radio system is inadequate to the safety needs of both the staff at Preston and the surrounding community. The proposed system will eliminate current system problems with dead zones, limited transmission capability. The upgrade in radio capability will also allow for radio compatibility with other law enforcement agencies in emergency situations.

**COMMENTS:**

This augmentation is part of a multi-phase system implementation at all facilities.

**ISSUE 3: ENTRANCE SUPERVISION STAFFING**

The department requests three positions and \$220,000 effective 1999-00.

**BACKGROUND:**

This proposal would add a security post (i.e. one youth correctional officer) 24 hours, seven days a week. This will allow for full security coverage of the main entrance at El Paso De Robles Youth Correctional Facility. The department reports a variety of security risks and operational problems that they reason will be remedied by placing an officer in the entrance area at all times.

**COMMENTS:**

The department faces unusual circumstances at the facility in question. While Budget Committee staff is not completely satisfied that the requested augmentation is the best or only solution. It must be conceded to the department however that there does not appear to be a better solution. Staff therefore recommends approval of the request.

**ISSUE 4: SECURITY EQUIPMENT UPGRADES**

The department requests \$190,000 effective 1999-00.

**BACKGROUND:**

The request is specifically for metal detectors. The department is requesting the replacement of antiquated metal detectors used in the institutions to detect contraband coming into, and moving within an institution.

The department notes that the request is driven by the increase in the number of violent offenders assigned to its facilities who have a propensity for attempting to smuggle contraband. This system wide implementation of upgraded detectors will allow for increased contraband checks and heightened ability to detect weapons made of hard to detect materials like wire and plastic which currently are not consistently detected by the existing detectors.

**COMMENTS:**

The proposal is obviously imperative to staff safety. Budget Committee staff recommends accordingly.

## 5460 DEPARTMENT OF YOUTH AUTHORITY

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Capital Outlay: The Governor's budget proposes \$34,222,000 in major and minor Capital Outlay funding in 1999-00. This includes continuation of previously approved projects as well as new projects. \$22,489,000 of the total funding is General Fund.

### ISSUE 5: LAO COMPREHENSIVE RECOMMENDATIONS RELATIVE TO THE YOUTH AUTHORITY CAPITAL OUTLAY PROGRAM

In light of the current state of affairs relative to the department's capital outlay projects not to mention the status of projects statewide, the LAO makes the following recommendation.

#### BACKGROUND:

The LAO makes the following recommendation:

Of the 24 major capital outlay projects in the budget, 18 were previously funded for preliminary plans and working drawings, and the budget proposes to fund the construction phase. The six other major projects are proposed for initial funding. Because the LAO has yet to receive preliminary plans for the aforementioned projects and further because working drawing completion at this late point in the fiscal year would seem improbable absent evidence to the contrary, the LAO recommends:

- Approve the 18 previously approved projects pending receipt of preliminary plans that are consistent with cost and scope recognized by the Legislature in the Supplemental Report of the 1998-99 Budget Act.
- Defer three new projects and only partially fund two new projects due to delays in implementing the currently funded capital outlay program.
- Approve one new project as proposed in the budget.

**LAO's reasoning.** The driving premise in the LAO's reasoning is that unless the Department of General Services and the departments that it provides project management services to can tenably demonstrate that both existing project phase delivery targets as well as undertaking new projects can be completed as proposed--then the amount of funding (and therefore the phases proposed) should be scaled down. Otherwise significant funding will be authorized but not used in the budget year and therefore will not be available for competing legislative and administrative priorities. This scaling down of project authorization cannot be characterized as a slow down if the Administration cannot demonstrate that it can accomplish what it is currently proposing. The above issues were discussed at length with the department at the last pre-hearing. At this writing (April 3, 1999), it is the Budget Committee's staff's understanding that the

preliminary plans for the above referenced projects had yet to be delivered to the LAO. Furthermore a matrix type document that sets forth,

- a) what the Legislature could have expected to have completed as of January 1, 1999 relative to existing projects and when subsequent project phases could be expected (despite delays to date), and ,
- b) why these subsequent phases can be expected by specified dates--given past and current circumstances,

also had yet to be delivered to Budget Committee staff as of April 3, 1999. Staff is confident that both the plans and matrix will be delivered by the department well in advance of the hearing as the department indicated that both were in existence as of March 31, 1999 and would be forthcoming shortly. However it is not certain whether staff and the LAO will have completed the review of said documents by the time of the hearing.

As with the new projects, staff advises the subcommittee that it may want to defer decisions relative to existing projects until the LAO and staff complete their combined review of the aforementioned matrix and plans and then reconcile the findings with the Department of General Services (DGS) Project Management Branch staffing/workload plan (received April 2). Staff expects that DGS Capital Outlay Program will be addressed in this subcommittee on April 14 and April 21.

***The Administration's response.*** It is important to note that Finance as well as Youth Authority (and DGS at a separate prehearing) have made some tenable cases for moving forward with the projects as proposed. While it has been conceded that projects have fallen behind, closer coordination between DGS and Finance has been outlined. To the argument that preliminary plans are not completed, Finance points out that plans are complete in most cases just not yet approved by the Public Works Board. Furthermore, it is contended that through more involved (and longer) development of preliminary plans, the development time for working drawings will be significantly reduced.

Moreover, while the rationale to partially approve some projects is understood, Finance would point out that breaking up the phases by fiscal year would likely increase delays. Finance indicates that DGS project teams can process projects faster if phases (e.g. plans, drawings or say drawings and construction) are budgeted together in a fiscal year. This is because DGS can assign a project team that will work the project throughout its duration and develop familiarity and increase efficiency. If phases were scaled down as proposed, different project teams might have to be assigned to each phase due to teams finishing a phase before the end of a fiscal year and being assigned elsewhere to avoid idleness. Consequently new teams would be assigned for each phase and with them learning curves would have to be overcome again and expertise re-established. The end result being the probability that projects would be at risk for delay.



**COMMENTS:**

In the end the issues before the subcommittee are:

Will the department and DGS offer compelling enough evidence that projects that are currently behind can be brought current in enough time to justify funding for subsequent phases (namely construction) in 1999-00.

Relative to new projects, will the subcommittee recognize enough merit to approve funding for preliminary plans and working drawings. This is important because although a project can be halted for scope or cost overruns, the fact of the matter is that considerable funding and staff resources typically are invested in preliminary plans alone, not to mention working drawings. Consequently by approving preliminary plans the Legislature, for all intent and purposes, approves entire projects including construction. This is borne out by the number of projects that have been eliminated definitively after preliminary plans and working drawings have been completed but before construction begins. Consequently staff will be heightening the standard for recommending approval for new projects.

In the end, Finance, the LAO, DGS, Budget Committee staff and the department have all agreed that the mutual objective is to facilitate the progress of the most number of projects as possible in accordance with resources and justification.

Although recommendations for all projects will not be ready by the hearing on April 7, staff assumes that some decisions relative to particular projects can be made. Those projects follow.

**ISSUE 6: RENOVATE TAFT ADJUSTMENT CENTER**

The department requests \$140,000 for preliminary plans and working drawings in 1999-00. If there are no cost increases encountered, the construction cost is estimated at \$1,060,000 (construction funding is not proposed in the budget year). Total project funding is currently estimated to be \$1.2 million

**BACKGROUND:**

The resources are requested to completely renovate this lockup unit. The proposal explains that the Taft Adjustment Center is the Fred C. Nelles Youth Correctional Facility lock-up unit. Taft was built approximately 40 years ago. The department reasons that the more violent offenders that occupy Taft now are not the type of wards that the facility can house and still ensure staff and ward safety. The proposal points out that there have been four staff assaults in Taft since January 1997.

**COMMENTS:**

This is one of the two new projects that the LAO is proposing for partial approval. Specifically the LAO is proposing to fund preliminary plans only in 1999-00 (\$55,000). During the prehearing there was discussion about Taft and its design versus another high security unit at another facility that may be useful for the subcommittee to hear at hearing.

The subcommittee would never consider any action that would delay safety to department staff. However if it wouldn't impact the eventual construction commencement date (not offered in the proposal anyway) Budget Committee staff would offer the following compromise recommendation.

Approve preliminary plans only at a higher level of funding than currently proposed (to be agreed upon by the LAO, Budget Committee staff, the department, and Finance) in an effort to develop thorough and detailed enough plans that in turn would significantly shorten the working drawing development time so that both drawings and construction could be scheduled in the out year.

This would address the concern that no more than preliminary plans can be accomplished in 1999-00 if funding for both plans and drawings were provided. By funding and requiring a higher standard for preliminary plans it would appear that plan development time could conceivably take an entire year or close to it so the DGS project team problem of being reassigned due to gaps in project phases (noted in the last issue) would also be eliminated. Most importantly if working drawing development time can be significantly reduced and shifted to the out year, construction commencement and therefore relief to staff is not delayed.

During the pre-hearings for this department and others relative to capital outlay, the importance of preliminary plan became very evident. If staff is not mistaken failures in cost estimates for entire projects, difficulties in working drawings and other problems were identified through the development of preliminary plans. While all phases of a project should receive as much methodical development attention as possible it seems that investing more time and resources in preliminary plans could resolve some of the outstanding issues in question.

In the end, the subcommittee should adopt whatever can be agreed between the real experts in the matter: the department, Finance and the LAO.

**ISSUE 7: WINDOW MODIFICATION AT HEMAN G. STARK YOUTH CORRECTIONAL FACILITY**

The department requests \$377,000 for preliminary plans and working drawings. Construction costs (not proposed for 1999-00) are currently estimated at \$3,103,000. The total cost for the project is currently estimated to be \$3,480,000.

**BACKGROUND:**

The resources are requested so the department can remove existing windows (36" X 36") in 1200 ward rooms with replacement windows that are too small (6" X 36") for escapes. Unless staff is mistaken there seems to be an inconsistency between the proposal narrative and the pre-hearing discussion. The proposal reads, ***"All window hardware and components shall be removed from the 36" X 36" window openings in all ward rooms."*** However during the pre-hearing staff understood the department to indicate something to the contrary. There was also some discussion relative to the viability of the department's intent regarding the installation of the windows between department staff and the LAO. This should be resolved by the hearing.

**COMMENTS:**

The LAO took issue with this project in its ANALYSIS. The LAO reasons, ***"While the problems with the existing windows and screens are apparent, we believe that the department, instead of undertaking this expensive (\$2,900 per window) proposal to modify the window opening, should instead use the less costly alternative of replacing the windows in kind. This alternative would also provide new windows and frames and thus would address the problem of wards using the deteriorated materials for weapons. We therefore recommend deletion of the budget proposal and recommend that the department submit a new proposal for this alternative for legislative consideration."***

**5240 DEPARTMENT OF CORRECTIONS****ISSUE 1: MANAGEMENT ANALYSIS AND EVALUATION STAFFING INCREASES**

The department requests one position on a two-year limited term basis and \$62,000 for each year.

**BACKGROUND:**

The department proposes the position because it reasons that it can—possibly—recoup many millions of dollars in federal reimbursements associated with the incarceration of non-citizen felons housed in the department's prisons. Specifically the department proposes the position for the following purposes: **“Pursue and gain the State's fair share of the hundreds of millions of federal dollars that are available each year for criminal alien incarceration costs. Develop improved criminal justice strategies to identify and deport criminal aliens [sic].”**

**COMMENTS:**

The proposal provides extensive detail relative to the unit's past efforts and successes in its pursuit of federal reimbursements. But considerably less detail relative to how it is that the one proposed position would achieve such feats going forward not to mention exceed (let alone match) past reimbursement collection levels. Even specific Budget Committee staff inquiries requesting detail as to what ways are there to secure reimbursements over past levels through the proposed position were not responded to with enough tenable information to support the proposal. The department was also asked to tie the request to specific direction from the new Administration to which it responded that the department had not been given any instructions or direction regarding the State Alien Criminal Assistance Program (SCAAP) from the new Administration.

The unit has obviously been extremely important in past efforts to secure reimbursements and it deserves appropriate recognition. However, for a variety of reasons, future efforts, even if intensified, are likely to result in lower collections than in the past. Federal reimbursements are finite and as the LAO points out the amount of total federal dollars available for SCAAP purposes going forward will likely be lower than prior years. Moreover, this lower amount of total available dollars will be subject to increased number of jurisdictions that will be intensifying their efforts to secure their share. Fewer resources against more requests from more states spells less for California regardless of quality and strength of department staff work. California's share will be determined by the work done at much higher levels (i.e. the California Congressional delegation, the Governor and Governor's Office staff) not by Department of Corrections staff.

During the course of pre-hearing discussions, the department shifted the focus of its argument from SCAAP workload to other workload that the unit has not been able to address as a result of committing resources to SCAAP. This notion was better supported in pre-hearing discussions than it is in the proposal. If the request is really about the need to address other workload versus SCAAP then the proposal should be revised accordingly. In its current form it does not adequately address total unit workload. It only quantifies and expands on SCAAP workload.

**ISSUE 2: JOINT VENTURE PROGRAM CHANGE**

The department requests authority to redirect contract funding to create a Facility Captain position to market the Joint Venture Program. This would be a net increase of \$10,000.

**BACKGROUND:**

The Joint Venture Program attempts to get private business entities to locate on institution facilities and use inmate labor. The inmate's salaries are then deducted from by the department for room and board and restitution to victims as salary levels allow. The department contends that the current use of contracted marketing assistance is ineffective. Instead it proposes to use a permanent Facility Captain to recruit and contract businesses to department institutions.

**COMMENTS:**

Budget Committee staff recommends against this proposal, primarily because the new administration may want to evaluate the program more closely before any change is made to it. For instance closer coordination with the new Trade and Commerce Agency (the department presently does work to some extent with Trade and Commerce) or even the Business and Transportation Housing Agency (and or its constituent departments) for marketing assistance (versus using a permanent Facility Captain) may be one of the options the new Administration might consider. The department responded to staff's issue relative to the new Administration by stating, ***"The Governor-elect had the opportunity to review and be aware of the program and its funding in the 1999/2000 Budget. There were no cuts or additions authorized and this BCP was introduced as part of the Governor's Budget. There has been no other official program or policy direction from the [new] Governor."***

While the department makes a compelling point, staff would only note that given the short time frame in which the transition team had to review an incredible amount of proposals, develop a budget in conjunction with Finance and then present and recommend a final package to the Governor-elect **it is possible that this proposal might not have been looked at as closely as some others of much larger scale, impact, and funding level.**

If the subcommittee were to adopt staff's recommendation for denial it may prompt the new administration to look closer at the program. If the department's proposal is found worthy by the Administration, the subcommittee will most likely be notified and a recommendation for restoration would no doubt follow. It should also be noted that using a permanent staff person for marketing was once attempted by the department. The department opted to use contract funding in the end however because of classification difficulties encountered at the Department of Personnel Administration (DPA). It is not clear that the proposed Facility Captain position would avoid problems at DPA.

**ISSUE 3: SERVICE CONTRACTS STAFFING INCREASES**

The department requests two positions and \$129,000. It also requests six positions (position authority for six staff positions) and proposes to fund these additional positions out of existing resources.

**BACKGROUND:**

This unit is responsible for the department's numerous service contracts and associated duties and products like Requests for Proposals (RFP). The department contends that its staffing is inadequate to its workload and requires the identified augmentations. Without the augmentations they indicate some RFPs will be issued up to two years late.

**COMMENTS:**

Budget Committee staff recommends approval of the request with one modification. Instead of 6 positions at no cost and an additional two positions and associated funding at \$129,000, staff recommends that the funding for the two additional positions be deleted. The result is approval of eight positions at no cost.

***Staff bases its recommendation on the expectation that an ongoing augmentation that the department received in the last budget cycle should by July 1, 1999 be yielding at least enough savings to fund the two positions for which this proposal seeks funding. The proposal in question is titled, Internal/External Business Audits Performance and Accountability BCP. The augmentation provided 23 positions and \$1,500,000.*** The majority of the positions and funding were requested on the basis that significant savings, and improved contract rates could be secured with the level of audit staffing set forth in the proposal. Many of the contract areas that the proposal before the committee deals with were targets for increased efficiencies in the audit proposal.

If it is argued that the Audit positions are not filled by the first quarter of 1999-00 then the recommendation still holds as the department can redirect the savings generated by the audit vacancies to fund the two contract services positions at issue. As the audit positions are filled the intended savings should be generated eventually and should also be sufficient to fund the contract services positions.

**ISSUE 4: PREVENTING PAROLEE CRIME PROGRAM**

The department requests three positions and \$1,600,000 in 1998-99. Three positions and \$1,835,000 in 1999-00 and thereafter.

**BACKGROUND:**

This proposals sets forth an expansion of an existing parole program called the Preventing Parolee Failure Program. Basically this proposal will allow for a variety of support services to parolees intended to curb recidivism. Programs services and components include: computer learning centers, substance abuse treatment, and job placement among other features.

**COMMENTS:**

Budget Committee staff would urge the subcommittee to support the administration's spending plan and resource allocation for this program. Given both the General Fund situation facing the new Administration and the need to comply with the chaptered legislation (an agreement entered into with the outgoing administration) this was a fair, sound and prudent package.

**Unfunded Costs.** Staff also advises the subcommittee that there are efforts underway to increase the funding for this program over the level proposed by the Administration. Staff further advises the subcommittee that the current size of this program as well as the similar projects on consent (e.g. Pre-Release, Job Placement) as well as the program described in the next issue and proposals yet to be heard (Substance Abuse expansion both at existing institutions and at proposed CCFs) are driving significant direct and indirect costs throughout the department that will be absorbed to the extent possible. The unfunded costs driven by this program and the others just described (unless staff has misunderstood the data and discussions) that are being absorbed affect a notable range of department components. This range spans Regulations and Policy Branch, Contract Services, Leasing and Telecommunications Contract Services, Accounting, and the Institutions themselves in areas like Facility Operations, administration and even custody. Staff acknowledges that many of the aforementioned entities and areas are receiving some funding but if staff is interpreting the data and discussions correctly an inordinate amount of actual costs are not funded by the current complement of proposals and therefore will be addressed through redirection from other budgeted priorities at both Headquarters and the Institutions.

Staff is currently attempting to develop an estimate of the level of unfunded costs given current program levels and then trying to project to what extent the unfunded costs across the department's divisions are exacerbated if the programs in question receive the funding increases that are being proposed.

**Undetermined Benefits.** Now that the aforementioned programming efforts have proposals describing features, span and benefit, staff notes that the benefits now

appear less definite. Unless staff is mistaken the program proposals in question make little reference to cost savings to the existing base budget but instead emphasize cost avoidances generally in the future. Given the unfunded cost issue just presented and the lack of savings in the present and only speculation at this point relative to definitive cost avoidances in the future, it would be reasonable to expect that both all costs (funded and unfunded) and all benefits (verifiable, contingent and conjectural) be factored against one another before any of these programs including this one is funded above the levels currently proposed.

In an effort to further verify the merit of the administration's package as currently proposed and be prepared to respond to expected efforts to increase funding over that proposed by the Governor, staff recommends the following reductions to provide incentive to Finance and the department to work with Budget Committee staff to better identify both the true cost of this program and others included in the Governor's budget and also clarify and definitively establish benefits. Given the amount of investment proposed, the promise upon which the programs were marketed to the Legislature, and the current condition of the General Fund it is more than reasonable to have heightened expectations and force deeper discussions through the following reductions:

- Eliminate the new General Fund portion of the request.

**The objective is that the above funding will be restored before Conference Committee.** But again for staff to recommend restoration before the end of subcommittees, the department, Finance and staff should agree on a firmer cost benefit analysis.

The question that needs to be posed to the members is whether after the aforementioned firmer cost benefit analysis is reached, will the Legislature be inclined and prepared to reprioritize funding to expand this program and similar ones. Or conversely will it find that the Administration's current package is sufficient at this time.



**ISSUE 5: WOMEN PAROLEES WITH CHILDREN PILOT PROGRAM**

The department requests \$3,021,000 for 1998-99 one-time. Effective 1999-00 the request is \$5,919,000

**BACKGROUND:**

This proposal seeks funding to implement the Female Offender Treatment and Employment Programs (FOTEP). 426 female offenders, with their children, will be addressed in this program. This pilot will offer intensive community case management, substance abuse treatment services, family reunification, training and counseling programs for female parolees and their children. The FOTEP will provide services primarily in the counties of Los Angeles, San Bernardino and San Diego. This type of programming is supported by the Legislature. Last year this subcommittee augmented the Governor's budget for this program. The important difference being that because the request was/is a pilot the subcommittee approved a proposal using TANF dollars (not General Fund) for the duration of the pilot.

**COMMENTS:**

Budget Committee staff would urge the subcommittee to support the administration's spending plan and resource allocation for this program. Given both the General Fund situation facing the new administration and the need to comply with the chaptered legislation (an agreement entered into with the outgoing administration) this was a fair, sound and prudent package.

**Unfunded Costs.** Staff also advises the subcommittee that there are efforts underway to increase the funding for this program over the level proposed by the Administration. Staff further advises the subcommittee that the current size of this program as well as the similar projects on consent (e.g. Pre-Release, Job Placement) as well as the program described in the previous issue and proposals yet to be heard (Substance Abuse expansion both at existing institutions and at proposed CCFs) are driving significant direct and indirect costs throughout the department that will be absorbed to the extent possible. The unfunded costs driven by this program and the others just described (unless staff has misunderstood the data and discussions) are being absorbed in a variety of department entities. These entities range from Regulations and Policy Branch, Contract Services, Leasing and Telecommunications Contract Services, Accounting, and the Institutions themselves in areas like Facility Operations, administration and even custody. Staff acknowledges that many of the aforementioned entities and areas are receiving some funding but if staff is interpreting the data and discussions correctly an inordinate amount of actual costs are not funded by the current complement of proposals and therefore will be funded from other budgeted priorities at both Headquarters and the Institutions.

Staff is currently attempting to develop an estimate of the level of unfunded costs given current program levels and then trying to project to what extent the unfunded costs

across the department's divisions are exacerbated if the programs in question are expanded.

**Undetermined Benefits.** Now that the aforementioned programming efforts are described in budget change proposals describing features, span, and benefit, staff notes that the benefits now appear less definite. Unless staff is mistaken there is little reference to cost savings to the existing base budget and an emphasis on cost avoidances in the future. Given the unfunded cost issue just presented, the lack of savings in the present and only speculation at this point relative to definitive cost avoidances in the future, it would be reasonable to expect that both all costs (funded and unfunded) and all benefits (verifiable, contingent and conjectural) be factored against one another before any of these programs including this one is funded above the levels currently proposed.

In an effort to further verify the merit of the administration's package as currently proposed as well as be prepared to respond to expected efforts to increase funding over that proposed by the Governor, staff recommends the following reductions to provide incentive to Finance and the department to work with Budget Committee staff to better identify both the true cost of this program and others included in the Governor's budget and also clarify and definitively establish benefits. Given the amount of investment proposed and the promise upon which the programs were marketed to the Legislature, and the current condition of the General Fund it is more than reasonable to have heightened expectations and force deeper discussions through the following reductions:

- Eliminate the new General Fund budgeted for 1999-00.

**Again, the objective is that the above funding will be restored before Conference Committee.** And again for staff to recommend restoration before the end of subcommittees, the department, Finance and staff should agree on a firmer cost benefit analysis.

The question that needs to be posed to the members is whether after the aforementioned firmer cost benefit analysis is developed and agreed upon, will the Legislature be inclined and prepared to reprioritize funding to expand this program and similar ones. Or conversely will it find that the Administration's current package is sufficient at this time.

**ISSUE 6: REGULATION AND POLICY STAFFING INCREASE**

The department requests three positions and \$225,000 on a two year limited term basis.

**BACKGROUND:**

The Regulation and Policy Management Branch is responsible for regulation processing workload. The department is projecting an inordinate amount of such workload and seeks staffing accordingly.

**COMMENTS:**

Budget Committee staff finds the proposal meritorious. However rather than authorizing three limited term positions staff makes the following recommendation:

- Approve one Correctional Counselor II position (personal services funding only) on a permanent basis.

This eliminates recruitment problems associated with limited term positions. It also allows the unit to address the current backlogs and ready itself to undertake its long range planning faster than it would if it were to try to fill three limited term positions. Upon its long range planning analysis, the unit will likely find that having this position on a permanent basis will be justified given the proposed workload supplied by the department.

Staff also examined past staff utilization practices in the branch and reached the conclusion that an added permanent position was justified.

**ISSUE 7: CORRECTIONAL LAW UNIT STAFFING INCREASE**

The department requests two positions and \$242,000.

**BACKGROUND:**

The Correctional Law Unit requests increased staff to address rising workload associated with mandated due process exercises necessary to administer psychotropic medication to mentally ill inmates who do not consent to such treatment. This due process requirement is referred to as Keyhea Hearings.

**COMMENTS:**

Budget Committee staff finds the proposal meritorious. However to allow for the possibility that current escalating workload trends for some reason flatten going forward, staff recommends approval of the request modified as follows:

- Approve two Staff Counsel positions only (position authority only, eliminate personal services funding); and
- Approve the Operating Expense and Equipment funding in the amount currently requested.

**ISSUE 8: TELECOMMUNICATIONS NETWORK UNIT STAFFING INCREASE**

The department seeks one position and \$61,000.

**BACKGROUND:**

In order to accomplish necessary infrastructure data wiring tasks, the department indicates that the position and funding in question is necessary.

**COMMENTS:**

Budget Committee staff recommends denial of this request.

Given the usage of the temporary help blanket relative to permanent positions department wide as well as findings staff has made relative to several divisions' staffing utilization practices over the last three years, it would seem that the department can redirect either existing permanent or temporary help authority (and associated funding) to address this important priority. When circumstances and priorities dictate the department has found ways to make do with existing resources be it redirecting CEA positions for the purpose of Ombudsmen workload or for more fundamental requirements like redirecting funding to establish a Pest Control Technician position at the California Institute for Men.

The department appears to have ample vacancies to redirect to provide position authority for the requested position. The department appears to have equally ample available funding to support one position through redirection.

**ISSUE 9: OFFICE OF TELECOMMUNICATIONS NETWORK UNIT STAFFING INCREASE**

The department requests two positions and \$122,000 on a two year limited term basis effective 1999-00.

**BACKGROUND:**

The resources are requested to coordinate the change out of an existing Public Access Telecommunications Service.

**COMMENTS:**

As noted relative to the last issue, given the usage of the temporary help blanket relative to permanent positions department wide, as well as findings staff has made relative to several divisions' staffing utilization practices over the last three years, it would seem that the department can redirect either existing permanent or temporary help authority (and associated funding) to address this important priority.

The department appears to have ample vacancies to redirect to provide position authority for the requested positions. Further, the Energy Unit staffing increase (see Consent Calendar herein) should provide sufficient savings to fund not only the Energy Unit staff requested but also the positions redirected to this unit. Given the promise and accomplishments of the Energy Unit described in the proposal, it would seem that the Energy Unit staffing increase could at the very least generate a \$122,000 in savings for a minimum of two years.

## 5240 DEPARTMENT OF CORRECTIONS

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Capital Outlay: The Governor's budget proposes \$275,881,000 in major and minor Capital Outlay funding in 1999-00. This includes continuation of previously approved projects as well as new projects. Only \$41,808,000 of the total funding is General Fund.

### ISSUE 10: ADMINISTRATIVE SEGREGATION EXPANSION

The department requests 32 positions and \$910,000 in 1998-99 and \$4,699,000 and 83 positions in 1999-00.

#### BACKGROUND:

The department is proposing its segregated housing expansion plan for which it received authority to undertake through Chapter 502, Statutes of 1998. Total spending authority specified in the legislation exceeds \$71,000,000. As enacted the project was funded entirely with General Fund resources. However, the Governor is now proposing that over \$62,000,000 be financed through Lease Revenue Bonds.

#### COMMENTS:

As the LAO and Finance will point out the cost of financing this project via lease revenue is very costly. Depending on the inflation factors lease revenue financing can add anywhere from 40 to 70 percent to total project costs.

Given the subcommittee's savings targets as well as the probable reductions to the department's budget that Finance will apply in the May Revise, staff recommends that the subcommittee change the funding of this project back to General Fund. Specifically staff recommends:

Delete Schedule (1) of item 5240-301-0660 in AB 135 and in turn schedule the \$62,400,000 under an appropriate General Fund item.

Delete Item 5240-495 (Reversion provisional language) in AB 135.

**ISSUE 11: ARCHITECTURAL AND ENGINEERING SECTION**

The department requests reimbursement authority for 22 positions and associated funding of \$1,064,000 and \$1,650,000 in 1998-99 and 1999-00 respectively.

**BACKGROUND:**

This proposal is fundamentally a policy budget change proposal and therefore should be considered on a policy basis. Simply stated it involves transferring to the department centralized services and associated authority currently performed by and restricted to the Department of General Services. Although staff has identified workload, cost and staffing issues that warrant closer review, staff has subordinated these issues to the more pressing question as to whether this is an appropriate policy direction.

**COMMENTS:**

Budget Committee staff recommends denial of this request.

The proposal does not justify deviation from existing policy.



**ISSUE 12: SAN QUENTIN MASTER PLAN**

The department requests \$1,000,000.

**BACKGROUND:**

As stated on the front page of the proposal, the department seeks to, ***“Prepare a comprehensive facility study which will identify renovation, repair, and new construction requirements at San Quentin for the next 15 years. In addition, the study will prioritize these needs and provide a phased sequencing to minimize the operational impact on the facility in carrying out its mission.”***

**COMMENTS:**

Budget Committee staff would strongly urge the subcommittee to deny this request.

As evidenced by the seismic work currently underway at San Quentin, the continued discussions related to moving Death Row out of San Quentin and placing it at another institution, and the fact that in the next issue a sizable construction project for San Quentin is proposed, it is apparent that the department is capable of identifying “renovation, repair, and new construction requirements and other facility changes at San Quentin for at least the first few years of the next 15 year period—without a master facility study.

The proposal is prefaced by a letter, **dated November 1996**, from the Department of General Services (DGS), Office of Project and Development and Management outlining a scope of services for a Facility Master Plan for San Quentin which (in its own words):

- “...will rely heavily on previously completed facility studies....”
- Involve only six site visits to conduct site research and survey “...in lieu of the forty previously proposed.”
- Will not include, “Destructive testing of the structural system....”
- “The proposed study will not recommend infrastructure upgrades, or develop criteria to categorize existing facilities.”

An attachment to the aforementioned letter emphasizes that the services will range from consolidating **existing** data, studies and evaluations relative to hazardous materials and environmental concerns to reviewing **existing** facilities’ data to determine functional and organizational constraints that may influence optimization. Presumably the progress meetings that are proposed to review findings and receive direction will be with San Quentin’s existing Hazardous Material Coordinator and Chief of Plant Operations who likely participated if not unilaterally prepared all the **existing** data,

studies, and evaluations that will be consolidated by the DGS consultants. All at a quoted price of \$503,000.

This price quote is addressed in the body of the proposal (the title of which indicates that it was written for the 1997-98 budget cycle). The proposal points out, ***“The Department of General Services, Office of Project Development and Management has estimated the cost for developing a site master plan at \$1,000,000 based upon the number of buildings and their square footage. However, they indicated the cost of the plan could be reduced down to \$500,000 if some of the buildings have already been analyzed or the structure does not warrant investigation for other reasons.”***

The only DGS cost estimate documentation provided in the proposal is the \$503,000 noted earlier. Staff has not found the reference to a DGS estimate of \$1,000,000 or qualifications for reducing such an estimate for the reasons quoted above.

Again staff recommends that this proposal be disapproved for the following reasons:

- The department is demonstrating the ability to make decisions relative to San Quentin without a \$1,000,000 augmentation to develop a master facilities plan that will likely mirror what the department already has planned for San Quentin in the current Master Plan.
- The supporting documentation included in the proposal seems to confuse if not undermine the cost estimate and value of the study.
- Although no commitment has been made, it is noted that the Youth and Adult and Correctional Agency Secretary has expressed interest in possibly closing San Quentin and Californian Rehabilitation Center and selling the land for development purposes.

The current General Fund situation is simply not strong enough to fund proposals like this one where reasoning as to need and benefit is so undermined by the above circumstances and factors.

Staff reminds the subcommittee that support funds can be redirected to accomplish studies like this one. If the proposal can provide extraordinary benefit, the department can redirect its existing resources if it deems this effort a priority.

**ISSUE 13: CONSTRUCT RECEIVING AND RELEASE BUILDING AT SAN QUENTIN**

The department requests \$272,000 for preliminary plans and working drawings.

**BACKGROUND:**

The problem statement on the cover sheet of the proposal reads: ***“Due to the age, design, past, and more recent seismic activity, coupled with numerous renovations over a 132 year life, the structural integrity of Building No. 22 is questionable. The type of construction, current and future integrity of the compromising materials of the structure, is a potential threat to life and safety for the occupants (staff and inmates) who work in the building. Administration and Education functions will continue to be housed in this facility until Department of General Services evaluates the condition of the building. The Receiving and Release Center needs more space and to be located outside the secure perimeter for efficient operation.”***

The above like the text of the proposal itself makes a more compelling case for the renovation of Building 22 than it does for the relocation of Receiving and Release (R&R) in a new structure. The proposal cites two studies (completed in 1984 and 1990) that recommend the ***“removal and replacement”*** of Building 22 and that this structure has ***deficiencies “...that could be an inherent risk for the institution, and the state.”***

While the efficiency of building a new R&R facility is not doubted, the status of the potential seismic retrofit would be of priority interest to the subcommittee. This is especially the case if those administration and education staff that will remain in Building 22 are subject to the life and safety threat indicated by the proposal.

**COMMENTS:**

Budget Committee staff would recommend denial of this request.

Again while the benefits of the R&R unit relocated to a new structure seem reasonable; they are also subordinate to the life and safety threat faced by staff that will remain in Building 22 pending the seismic retrofit assessment. With the slowing of parole revocation as well as new commitments in general it would seem that the pressure on the R&R unit might be somewhat alleviated compared to recent years.

Therefore it would seem completely reasonable to defer on an R&R project and instead focus on a solution for Building 22 as a whole. If the occupants of the building are in the danger indicated, it would seem appropriate to escalate the seismic assessment and then address the 9,000 square feet of space (the approximate space estimate of the new R&R structure proposed) that goes unused currently in Building 22 assuming staff is interpreting the proposal correctly.

In light of the above staff recommends:

- Deny the request.
- Request a status on renovating Building 22 by DGS.

The proposal lists renovation of Building 22 as one of four alternatives in the proposal. It also notes that "DGS is currently reviewing this option." This is not only an important assessment to consider it is yet another facility effort that is being undertaken quite reasonably without conducting a \$1,000,000 study.

**ISSUE 14: MARCH 30, 1999, FINANCE LETTER. DELETE FUNDING FOR  
SELECTED PROJECTS**

Due to various circumstances the department is proposing to delete funding for two specific projects in the amount of \$26,534,000 total.

**BACKGROUND:**

Specifically the Finance Letter proposes to:

- Delete funding for the California Institution for Women, Frontera: Correctional Treatment Center, Phase II (-\$12,471,000) construction funding. The most recent project schedule indicates construction funds will not be required in the budget year.
- Delete funding for the California State Prison, San Quentin: Correctional Treatment Center, Phase II (-\$14,063,000), construction funding. The most recent project schedule indicates construction funds will not be required in the budget year.

Both of these projects were scheduled to have construction costs funded through lease revenue financing.

**COMMENTS:**

The department and Finance may wish to provide the subcommittee with a short briefing as to why the projects will not be needing construction funding in 1999-00. It may be a proper segway into the next issue.

**ISSUE 15: LAO COMPREHENSIVE CAPITOL OUTLAY PROGRAM  
RECOMMENDATIONS**

In light of the current state of affairs relative to the department's capital outlay projects not to mention the status of projects statewide, the LAO makes the following recommendation.

**BACKGROUND:**

The LAO explains in the ANALYSIS,

Of the 51 major capital outlay projects in the budget, 40 were previously funded for preliminary plans and/or working drawings. The budget proposes to fund the working drawings and/or construction phases for these 40 projects. The 11 other major projects are proposed for initial funding. Because the LAO has yet to receive preliminary plans for the aforementioned projects and further because working drawing completion at this late point in the fiscal year would seem improbable absent evidence to the contrary, the LAO recommends:

- Approval of the 40 previously approved projects pending completion of preliminary plans that are consistent with the cost and scope recognized by the Legislature in the Supplemental Report of the 1998-99 Budget Act.
- Defer six new projects and only partially fund three new projects due to delays in implementing the currently funded capital outlay program.
- Approval of two new projects as proposed in the budget.

**LAO's reasoning.** The driving premise in the LAO's reasoning is that unless the Department of General Services (DGS) and the departments that it provides project management services to can tenably demonstrate that both existing project phase delivery targets as well as undertaking new projects can be completed as proposed, then the amount of funding (and therefore the phases proposed) should be scaled down. Otherwise significant funding will be authorized but not used in the budget year and therefore will not be available for competing legislative and administrative priorities. This scaling down of project authorization cannot be characterized as a slow down if the administration cannot demonstrate that it can accomplish what it is currently proposing in the budget year.

**The Administration's response.** It is important to note that Finance as well as the department (and DGS at a separate pre-hearing) have made some tenable cases for moving forward with the projects as proposed. While it has been conceded that projects have fallen behind, closer coordination between DGS and Finance has been outlined. To the argument that preliminary plans are not completed, Finance points out that plans are complete in most cases just not yet approved by the Public Works Board.

Furthermore, it is contended that through more involved (and longer) development of preliminary plans, the development time for working drawings will be significantly reduced.

Moreover, while the rationale to partially approve some projects is understood, Finance would point out that breaking up the phases by fiscal year would likely increase delays. Finance indicates that DGS project teams can process projects faster if phases (e.g. plans, drawings or say drawings and construction) are budgeted together in a fiscal year. This is because DGS can assign a project team that will work the project throughout its duration and develop familiarity and increase efficiency. If phases were scaled down as proposed, different project teams might have to be assigned to each phase due to teams finishing a phase before the end of a fiscal year and being assigned elsewhere to avoid idleness. Consequently new teams would be assigned for each phase and with them learning curves would have to be overcome again and expertise re-established. The end result being the probability that projects would be at risk for delay.

<b>COMMENTS:</b>
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In the end the issues before the subcommittee are:

Will the department and DGS offer compelling enough evidence that projects that are currently behind can be brought current in enough time to justify funding for subsequent phases (namely construction) in 1999-00.

Relative to new projects, will the subcommittee recognize enough merit to approve funding for preliminary plans and working drawings. This is important because although a project can be halted for scope or cost overruns, the fact of the matter is that considerable funding and staff resources typically are invested in preliminary plans alone, not to mention working drawings. Consequently by approving preliminary plans the Legislature, for all intent and purposes, approves entire projects including construction. This is borne out by the number of projects that have been eliminated definitively after preliminary plans and working drawings have been completed but before construction begins. Consequently staff will be heightening the standard for recommending approval for new projects.

In the end, Finance, the LAO, DGS, Budget Committee staff and the department have all agreed that the mutual objective is to facilitate the progress of the most number of projects as possible in accordance with available resources and justification.

**ISSUE 16: REVERSE OSMOSIS WATER PURIFICATION SYSTEM**

The department requests \$300,000 for preliminary plans and working drawings.

**BACKGROUND:**

As the proposal notes resources are requested to **“Provide a reverse osmosis water purification system to filter expended gray water from the facility laundry, textile mill, and Central Energy Plant. The reclaimed water will be used repeatedly in the laundry instead of replenishing with fresh water.”**

**COMMENTS:**

The proposal indicates that upon completion the reverse osmosis system will provide savings of \$80,000 a month in water and sewer costs.



## **2310 OFFICE OF REAL ESTATE APPRAISERS (OREA)**

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The Office of Real Estate Appraisers was established to ensure the availability of qualified state-certified and licensed appraisers. It administers a program for voluntary licensing of real estate appraisers. Individuals seeking certification or licensure as real estate appraisers in California must meet minimum education and experience requirements and successfully complete a nationally approved examination. The Governor's 1999-00 Budget proposes expenditures of \$4.2 million from the Real Estate Appraisers Regulation Fund for support of the office, this is a 0.5 percent increase over current year expenditures.

### **ISSUE 1: FUND BALANCE AND REVENUE**

The OREA will end the budget year with approximately \$500,000 in fund reserve. This is an insufficient reserve.

#### **BACKGROUND:**

In 1990, the Legislature enacted the Real Estate Appraisers' Licensing and Certification Law with the intent of implementing Title XI of the federal Financial Institutions Reform, Recovery Act of 1989 (FIRREA) and establishing a state program to license and certifies real estate appraisers. As a result, OREA was created to ensure the availability of state-certified and licensed appraisers for federally related transactions appraisals and to supervise such appraisers.

It is the general policy that for special fund agencies it is important to maintain a fund balance equal to three months operating expenses. For this agency sufficient reserve would be \$1 million.

#### **COMMENTS:**

The subcommittee may wish to ask OREA what they plan on doing about the reserve?

**ISSUE 2: AUDIT REPORT AND FINDINGS**

In March 1998, the State Auditor released a report that raised issues with several practices with the office.

**BACKGROUND:**

The State Auditor identified several major problems with the office. These problems include: a large backlog of complaints that it had been unable to resolve promptly; certain personnel practices violated state and federal rules; and some investigatory procedures needed to be improved.

Last year as a result of the audit report and budget hearings the Director, Chief Deputy Director and Chief Counsel resigned.

The legislature last year adopted several supplemental reporting requirements. The office was required to submit quarterly reports tracking its progress in responding to the issues raised by the auditor. The quarterly reports indicate that 567 of the original 641 complaints have been closed and 198 existing and new complaints are pending.

**COMMENTS:**

How has the OREA addressed the problems issued by the Bureau of State Audits last year?

## **8350 DEPARTMENT OF INDUSTRIAL RELATIONS**

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. It also enforces Workers' Compensation Insurance Law and adjudicates on workers' compensation insurance claims. The Governor's 1999-00 budget proposes expenditures of \$223.7 million, a decrease of \$861,000 from the current year.

### **ISSUE 1: WORKERS' COMPENSATION ADMINISTRATION REVOLVING FUND**

The Governor's budget proposes the continuation of assessments on employers to help fund the Workers' Compensation Administration Revolving Fund through a budget trailer bill.

#### **BACKGROUND:**

Prior to 1990, the Division of Workers' Compensation was funded 100 percent by the General Fund. In the Margolin-Bill Green Workers' Compensation Reform Act of 1989, Section 62.5 was added to the Labor Code creating the Workers' Compensation Administration Revolving Fund (WCARF). The WCARF consisted of money from the General Fund and assessments to be levied from employers in the event that the amount appropriated from the legislature exceeded \$56,057,000 (adjusted annually for changes in the costs of living).

Labor Code Section 62.5 was originally scheduled to sunset on January 1, 1994. However, the Workers' Compensation Reform Act of 1993 delayed the repeal date to January 1, 1999.

This proposed legislation would re-establish DIR's authority to assess employers for a portion of the costs of the DWC. These assessments are deposited in the WCARF and currently provide 20 percent of the funding for the DWC. The remaining 80 percent of DWC's budget presently comes from the General Fund.

#### **COMMENTS:**

The sunset of this section, absent reauthorization, means that the programs receiving the employer assessments would lose 20 percent of its budget from employer assessments. This amounts to a shortfall of \$17,976,000 in the 1999-00 budget.

**Does the subcommittee wish to adopt the proposed legislation as a budget trailer bill? (See Attachment 1)**

### **ISSUE 2: CAL-OSHA TARGETED INSPECTION AND CONSULTATION FUND**

The Governor's budget proposes enactment of a budget trailer bill to continue the assessments on employers to support the Targeted Inspection and Consultation Program.

**BACKGROUND:**

The 1993 Workers' Compensation Reform legislation, AB 110 (Peace) Chapter 121, Statutes of 1993, mandated new responsibilities to the Department of Industrial Relations' Division of Occupational Safety and Health (DOSH).

Section 6354, which established the Targeted Consultation Program, and 6355 of the Labor Code required the Division to provide an expanded consultation to assist "high hazard" employers in reducing preventable occupational injuries and illnesses.

Funding for these programs were provided under a specific sun setting provision contained within Labor Code Section 62.9 whereby the Director of the Department of Industrial Relations was mandated to levy and collect assessments from employers. These assessments are deposited in the Cal-OSHA Targeted Inspection and Consultation Fund.

DIR's authority to assess employers in industries with the highest incidence of preventable injuries for the costs of the Program sunsets on January 1, 2000.

**COMMENTS:**

Without a later enacted statute to delete or extend the sunset provisions, it is necessary to find alternative funding of \$6.2 million in Fiscal Year 2000-2001 to support the Targeted Inspection and Consultation Program and avoid the elimination of the program which is comprised of 85.5 authorized positions.

**Does the subcommittee wish to adopt the proposed legislation as a budget trailer bill? (See Attachment 2)**

**ISSUE 3: AUGMENTATION DIVISION OF WORKERS COMPENSATION AUDIT UNIT**

In 1998, the Commission on Health & Safety & Workers Compensation (CHSWC) conducted a study to evaluate the effectiveness of the Audit and Enforcement Unit. This study was based on allegations of high levels of unpaid compensation benefits to injured workers and generally poor performance among claims administrators.

**BACKGROUND:**

The Audit and Enforcement Unit is responsible for auditing the files of workers' compensation administrators. At least one-half of the audit subjects are to be randomly selected, and other subjects are targeted based on systematic compliant process.

There are currently 26 authorized positions in this division. In 1991 the unit had 62 authorized positions. Over the years, many of these positions were either eliminated to obtain General Fund savings or transferred to other areas by the previous administration.

With the assistance of an industry advisory committee the DWC recently adopted some new regulations. These include regulations include many of the findings from the CHSWC regarding implementing modified audit procedures, implementing a civil penalty assessment fi the audit subject fails the second test and increasing the penalty for falsifying or backdating documents.

**COMMENTS:**

The Budget Bill of 1998 contained an increase of \$716,000 (\$573,000 General Fund and \$143,000 Workers Compensation Revolving Fund) and nine positions to increase the Audit and Enforcement Unit to ensure compliance with state laws. Governor Wilson vetoed the augmentation.

The Senate subcommittee during this budget cycle again augmented the budget by \$716,000 and nine new positions.

**ISSUE 4: DIVISION OF LABOR STANDARDS**

Issues have been raised with regard to the Division of Labor Standards Enforcement and its ability to enforce wage and hours law.

**BACKGROUND:**

The objectives of the Division of Labor Standards Enforcement are include:

- The enforcement and interpretation of Industrial Welfare Commission Orders and sections of the Labor Code which relate to wages, hours of work and conditions of employment, including anti-discrimination laws relating to employees engaged in protected activities.
- The determination and collection of unpaid wages
- The licensing of farm labor contractors, industrial homework firms, talent agencies, the registration of garment manufacturers, the certification of studio teachers, and the registration of entities and individuals using minors in door-to-door sales.
- Field enforcement of laws governing public works, workers' compensation insurance, child labor, unlicensed contractors, and the cash payment of wages without required deductions.

The field enforcement staff over the past several years have been reduced substantially and the number of field inspections has dropped accordingly. There is a backlog of over 2,000-wage adjudication that need to be investigated.

**COMMENTS:**

Constituent groups have raised issues with the timeliness of field inspections and public works complaints not being addressed within the statutory 90-day limitation.

How many positions will it take to reduce the backlog?

The Senate subcommittee augmented the budget by \$2 million and 26 positions.

## **2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

The department of Housing and Community Development (HCD) is responsible for expanding housing opportunities for all Californians. The department's mission is to meet the housing needs of low-income families and individuals. It also administers and implements building codes, manages mobile home registration and titling, and enforces construction and standards for mobile homes.

HCD's proposed budget for FY 1999-00 is \$172 million, a \$2.4 million increase or 1.5 percent from current year expenditures. The proposed General Fund appropriation of \$28.1 million is a 34 percent increase over the current year and accounts for 16 percent of the department's proposed funding. Federal funds account for \$101.8 million, primarily for the Community Development Block Grant and Home Investment Partnership Act programs. A number of state special funds provide the remainder of the department's funding. The department has a proposed staffing level of 475 personnel-years.

### **ISSUE 1: BASELINE INCREASE – STATE HOUSING LAW PROGRAM**

The Department proposes an augmentation of two positions and \$213,000 General Fund as an ongoing baseline increase to improve the effectiveness for the State Housing Law Program within the Division of Codes and Standards

#### **BACKGROUND:**

The department is responsible for administering the State Housing Law. The Department must develop statewide building standards and other regulations for residential occupancies. Developing these standards requires the department to work with and survey a variety of boards and commissions in order to adopt model codes.

Due to current budget constraints in the State Housing Law Program, the department does not adequately carry out its responsibilities to provide assistance and interpretations of building standards and other requirements to professionals in the field.

Additionally, HCD has been criticized by the California Building Standard Commission, State and Consumer Services Agency and the California Building Industry Association for its inability to sustain the current code adoption cycle and failure to influence the development of the international building codes.

The baseline budget for State Housing Law is \$344,000.

#### **COMMENTS:**

The LAO has no comment.

**ISSUE 2: OFFICE OF MIGRANT SERVICES**

The department proposes an appropriation of \$5.8 million for the Office of Migrant Services (OMS). This would authorize \$5.1 million to continue the multi-year reconstruction plan for OMS; \$600,000 to match Federal Emergency Management Agency (FEMA) funds for foundation raising at the Madison Migrant Center and \$109,000 for one full-time permanent position.

**BACKGROUND:**

The OMS operates and provides 2,102 temporary and seasonal housing units to approximately 11,000 farm workers and their families. The majority of these units are located in the Central Valley region.

The department is currently under a multi-year reconstruction schedule that will continue rehabilitation of State-owned migrant farm worker housing. The funds will be used to rehabilitate 97 housing units at the Williams OMS Center in Colusa County, 77 housing units at the Empire Migrant Center in Stanislaus County, 102 housing units at the Arvin Migrant Center in Kern County, 33 housing units at the King City Migrant Center in Monterey County.

**COMMENTS:**

This is an ongoing project. Considering the lack of farm worker housing in California these units can not be allowed to disappear.

LAO has no issues.



**ISSUE 3: CODES AND STANDARDS PROGRAM BASELINE ADJUSTMENT**

The department proposes to increase 1999-00 expenditure authority for the Mobile Home Manufactured Home Revolving Fund by \$2 million and to increase expenditure authority for the Mobile Home Park Revolving Fund by \$277,000 and the addition of 25 permanent position and 18 temporary positions.

**BACKGROUND:**

The Mobile Home Registration and Titling Program processes the state registration of mobile homes, manufactured housing and similar forms of housing and provides their owners with title documents.

Due to the upswing in California's economy the industry of manufactured homes building and sales have increased. Consequently the workload for HCD has significantly increased. Since the benchmark year 1994 transactions performed by the Mobile Home Registration and Titling Program have increase by 34 percent.

Lack of automation made the increase in workload not immediately identifiable. Therefore, prior budget requests did not address this workload increase. This budget request is an effort to rectify the backlog in the processing of titles, as well as account for an increasing workload.

**COMMENTS:**

Currently backlog is up to six months for delivery of title. Based on current projects and approval of the budget item the backlog will be reduced to 60 days by November and 30 days by March.

A current year adjustment of \$1.8 million was recently approved for the Mobile Home Manufactured Home Revolving Fund to address workload increases and to reduce the backlogs during the current year.

LAO raises issues about workload distribution. The committee may wish to ask the department about the on-going tracking of workload. Will it increase or decrease?

**ISSUE 4: CHILD CARE FACILITIES FINANCING PROGRAM**

The Governor's budget requests an increase in the 1999-00 expenditure authority for the Child Care Facilities Financing Program (CCFFP) by \$128,000.

**BACKGROUND:**

Existing law establishes the Child Care and Development Facilities Loan Guarantee Fund and the Child Care and Development Facilities Loan Fund to guarantee private sector loans or make subordinated direct loans for the purchase, development, construction, expansion or improvement of licensed child care and development facilities. Funds may also only be administered with a cost of three percent to the original appropriation for each of the programs two funds.

The department anticipates the CCFFP to be fully implemented by 1998-99 with a peak one-time workload occurring during FY 1999-00. HCD does not have staff to administer the program and has therefore contracted with Trade and Commerce to administer the loans through the Small Business Financial Development Corporations.

**COMMENTS:**

The partnership with Trade & Commerce is consistent with its role in providing direct loan services such as underwriting, loan closing and loan servicing. HCD would require four positions if it were to directly administer the program.

**ISSUE 5: PROVISIONAL LANGUAGE ON HOUSING TASK FORCE**

The Governor has proposed the establishment of a State Housing Task Force which will include the Lt. Governor, Treasurer, and the Secretary of the Business Transportation and Housing Agency.

**BACKGROUND:**

The housing task force is directed to look at permanent sources of income for affordable housing, growth management strategies, tax distribution and the fiscalization of land use, permitting costs. It will also consider establishing state government oversight of the use of redevelopment funds. The task force has not yet been formalized.

The Governor has also directed HCD to begin an informal working group to develop an outline and proposed spending for the additional \$2.5 million that has been proposed.

**COMMENTS:**

The working group is expected to come up with findings in mid-April.

LAO has raised issues regarding oversight of the housing task force expenditure of funds. LAO recommends that all additional housing expenditures \$10 million (\$8 million in proposed augmentations and \$2 million of the \$2.5 million designated for the task force) be held in reserve and \$500,000 be allocated for administration of the housing task force.

**ISSUE 6: INCREASE FUNDING FOR SELF-HELP HOUSING**

The Governor's budget 1999-00 proposes an additional appropriation of \$1 million General Fund for the California Self-Help Housing Program. This will double the base amount funding to \$2 million in order to provide technical assistance grants to eligible nonprofit sponsors for training and supervision of Self-Help Families.

**BACKGROUND:**

Self Help provides technical assistance grants to eligible public agencies, private nonprofit corporation and limited-equity housing cooperatives also known as housing sponsors. In self-help housing projects, groups of eight to twelve families work together to build or rehabilitate their own homes under the guidance of a supervisor employed by the sponsors.

Appropriations for the Self-Help Housing program over the last three fiscal years have provided \$1 million for each period. The \$2 million current funding request will allow non-profit applicants to seek funding for twice as many projects as previously requested with a maximum of \$400,000 per agency.

**COMMENTS:**

The proposed funding would serve as a catalyst to develop much needed low-income housing and allow low-income families to vest in the building of their homes.

**ISSUE 7: FARMWORKER HOUSING GRANT PROGRAM**

The Governor's budget 1999-00 requests \$2 million General Fund for the Farmworker Housing Grant Program. The program provides grants to local government and nonprofit entities to build or rehabilitate owner-occupied housing and rental housing for low income, year-round farm workers and their families.

**BACKGROUND:**

The Farmworker Housing Grant Program (FHGP) arose from a state-wide conference of both growers and farmworkers in 1976. HCD under the authorization of Health and Safety Code Section 50517.5 established the FHGP in 1977 to help meet the needs of farmworkers in California.

This program usually operates in conjunction with various programs offered through federal Farmer's Home Administration. The state's \$39 million investment in the program since 1978 has leveraged over \$160 million in combined public and private investment.

In 1997, the department issued a statewide Notice of Funding Availability (NOFA) for \$3 million. In response, HCD received 21 applications requesting funding totaling \$7.5 million.

**COMMENTS:**

A 1995 study published by the University of California found a shortfall of 257,000 affordable housing units for farmworkers. Last years funding of 12 approved applications totaling \$2.6 million will build 312 rental units and 212 homeownership units.

The subcommittee may wish to ask the department how the prior \$4 million in funding improved farmworker housing availability?

**ISSUE 8: FAMILIES MOVING TO WORK PROGRAM**

The Governor's budget 1999-00 requests \$5 million General Fund for the Families Moving to Work Program (formerly known as the Welfare-to-Work Transition Housing).

**BACKGROUND:**

Housing and Community Development administered the Family Housing Demonstration Program (FHDP) with funding authorized by the Housing and Homeless Bond Act of 1988. FHDP provided \$12 million in development financing to affordable rental housing projects that featured on-site child care and job training services.

The budget proposal requests implementing language that would modify FHDP to target CalWORKS recipients while they are in the activity job training program required by CalWORKS. This proposal would also change the name to "Families Moving to Work Program."

This program allows funds to be used to develop community housing grants that provide services typically needed by individuals moving from welfare assistance to self-sufficiency. The program specifically contains two approaches: 1) Conversion of large existing houses into "Congregate Housing" for three to six families, also with a job and childcare component; and 2) Construction of new rental housing with childcare on-site and a job training/search program.

In California 600,000 single parent families face the enormous challenge of moving from welfare to work within very tight timeframes. All 58 counties are struggling with this problem.

Funds in this program will be used for capital costs associated with the development of rental housing and childcare centers. In 11 projects funded by FHDP they have been leveraged at a rate of nearly four to one by local government loans, private equity capital (tax credits), bank loans and federal government loans.

**COMMENTS:**

Enabling legislation will modify the program to facilitate the development of shelter, child care, and employment training and referral services for CalWORKS eligible individuals transitioning from welfare to self-sufficiency.

**Does the subcommittee wish to adopt the language in the attached trailer bill (attachment 3)?**

**ISSUE 9: EMERGENCY HOUSING AND ASSISTANCE PROGRAM ADMINISTRATIVE COSTS**

The Emergency Housing Assistance Program (EHAP) is a grant program that provides funds to local governments and non-profit organizations to support shelters and services for the homeless.

**BACKGROUND:**

For the past several years there have been issues raised about the administrative cost for the distribution of grants. Last year the administrative budget was reduced by \$100,000 to \$457,000. Although its costs have somewhat declined, the department still spends nearly \$4,000 to administer an average grant of less than \$16,000.

The Legislature requested the department to report on efforts to reduce costs and explore alternative delivery methods for the grants. The department prepared a survey to counties in order to determine their willingness to receive a direct allocation for emergency housing instead of the grant process. Counties were receptive to the concept, but the department still has reservations.

They are currently taking steps to continue to reduce the administrative costs.

**COMMENTS:**

What are the steps and how will these reduce administrative costs? What are the reservations of the department for direct allocation to counties?

This program will sunset in 1999 if action is not taken. Does the subcommittee wish to extend the sunset?

**ISSUE 10: HCD FINANCE LETTER**

Department of Finance has submitted a finance letter requesting that the Department of Housing and Community Development budget be increased in order to account for the receipt of additional federal Disaster Recovery Initiative (DRI) funds.

**BACKGROUND:**

Congress appropriated DRI funding during the 1998 federal fiscal year to mitigate 1998 winter storm damage in impacted California cities and counties. The Department of Housing and Community Development is currently administering the 1997 DRI funds through its Community Development Block Grant program to mitigate 1997 winter storm damage and proposes that the 1998 DRI funds also be administered through that program.

**COMMENTS:**

LAO has no issues.



**ISSUE 11: HOUSING PRESERVATION**

The Governor's budget includes \$2.5 million for the Department of Housing and Community Development to fund efforts to reinvest in our communities.

**BACKGROUND:**

Currently 1.5 million rental units are in need of rehabilitation and code enforcement or will become so substandard as to require demolition. Another 300,000 units have been neglected too long and now must be demolished.

Approximately 240,000 seniors, disabled and lower income families face displacement from their homes because of the termination of federal housing subsidies. The current lack of affordable housing cannot afford the loss of nearly 100,000 affordable apartments that are eligible to convert from Section eight if they are not renewed in the next three years.

Currently the California Housing Rehabilitation program provides loans and grant funds to local governments for three-pronged community reinvestment strategy of code enforcement, rehabilitation and preservation.

**COMMENTS:**

In order to preserve the existing housing this program would allow local governments to apply for any or all of the three programs that apply to their needs.