

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

Assemblymember Rudy Bermudez, Chair

TUESDAY, MAY 13, 2003
STATE CAPITOL, ROOM 447
1:30 P.M.

CONSENT CALENDAR

ITEM	DESCRIPTION
0845	DEPARTMENT OF INSURANCE – FINANCE LETTER

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1760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: STATE CONTRACTING

Each year, California state agencies purchase over \$7 billion worth of goods and services; one-third of those purchases is made through existing contracts, created and maintained by the Department of General Services (DGS) Procurement Division. The Subcommittee would like the department to report on general state contracting procedures and guidelines.

2920 TECHNOLOGY, TRADE AND COMMERCE

ISSUE 1: FILM CALIFORNIA FIRST

Started in 2000-01, The Film California First program was created to promote the retention of film production within the state of California by offering reimbursements to film production companies for costs accrued while filming on public property. These reimbursements, which are capped at \$300,000, can be applied to costs for activities such as obtaining permits from local or state entities, the use of California Highway Patrol, State Firefighters, etc.

COMMENTS

Due to incentives offered by other states and Canada, the California film industry has experienced a strong decline in film production within California. The Film California First program was developed to attract film production in California by offering reimbursements for filming on public state property. While film producers are the direct beneficiaries of Film California First reimbursements, increases in local film production have a significant positive impact on local economies.

The Legislative Analyst's Office (LAO) analyzed 2001 program data on reimbursements and total reported filming costs. The LAO found that reimbursements covered about 0.2 percent of total production costs. For feature films, reimbursements covered 2.7 percent of total production costs for productions costing less than \$100,000 and 0.1 percent of production costs for \$50 million-plus blockbusters.

5240 DEPARTMENT OF CORRECTIONS**ISSUE 1: ADMINISTRATIVE REDUCTIONS**

The Subcommittee may want the department to comment on the following reductions to the Community Correctional Program:

- 1) Elimination of 208 Parole Agent III positions (savings of \$16.7 million);
- 2) Elimination of five Chief Deputy Administrator positions (savings of \$451,000); and
- 3) Elimination of two of the four Regional Administrator positions (savings of \$257,000).

ISSUE 2: NORTHERN CALIFORNIA WOMEN'S FACILITY CONVERSION

The Governor's Budget proposed the closure of the Northern California Women's Facility in response to declining female inmate population. In March 2002 the department considered alternative uses for this 800-bed facility. The report recommended the conversion of this facility to a male inmate reception center to address the higher-than-anticipated levels of demand in Northern California. This option would require the installation of six observation towers and an electrified fence. Additional modifications would address medical needs of the inmates and would create administrative segregation areas. The cost of this conversion is estimated to be \$11 million.

The administration has proposed a reduction in personal services expenditures of 10 percent in 2003-04. This proposal could affect programs in the department and the number of inmates that may be entering prison or returning to custody as a result of violating the terms of parole. The Subcommittee may want to ask whether it is appropriate to begin this project in the budget year.

5460 DEPARTMENT OF YOUTH AUTHORITY**ISSUE 1: ENGLISH LANGUAGE LEARNERS PROGRAM**

The department is required by state and federal law to identify need, assess and provide educational instruction to wards who have limited English proficiency (English Language Learners). Of the 4,600 wards that are in need of additional instruction to meet their high school graduation requirements, 1,230 are English Language Learners. The department currently has only 17 teachers certified to work with these wards.

In 1997, the Office of Civil Rights (OCR) within the United States Department of Education performed a review of California Youth Authority's (CYA) English Learner Program and determined that the department had the following deficiencies:

- Insufficient number of certified teachers
- Non-existent or limited program services
- Inconsistent or non-standardized assessment of English Language Learners
- Deficient monitoring of English Language Learners
- Ineffective identification of English Language Learners
- Lack of parental notification

As a result of the study the department developed a Voluntary Restitution Plan was developed to address the compliance issues. This plan requires a continuum of care to address the needs of non-English speakers, limited English speakers and fluent English speakers. In 2001, a follow-up review by OCR indicated that CYA still had areas of non-compliance. As a result, OCR had requested the department develop an action plan on how the deficiencies would be corrected, resources needed to correct the deficiencies and the timetable for completion of the necessary steps to achieve compliance. The department has 17 teachers certified to teach English Language Development instruction to English Language Learners in four conservation camps and 11 high schools.

The Governor's Budget requests an increase of \$1.2 million to support the training and certification of teachers for the English Language Learners program. The department believes that the training of existing employees is the most viable option because: 1) the department does not have a separate classification for teachers that possess an English Language Development certificate so it would not be able to differentiate these employees for layoff purposes; and 2) the department has indicated that there are currently no unfilled teacher vacancies. As a result, any layoff of teachers would include those with English language development skills. In addition, any subsequent rehire of employees must give priority to previously laid off persons.

The department's request is based upon the need to provide 1,230 students English language services out of a population of 6,082 (20 percent). Based upon the estimated population of 5120 (84 percent of population in Governor's Budget) at the end of June 2003, the subcommittee may want to make a commensurate reduction in this request by \$183,000 to \$970,000. To the extent that the population projected for the Department for 2003-04 in the May Revision is even lower than in the current year, perhaps the subcommittee may want to make a further adjustment to this request.

The Legislative Analyst's Office has raised concerns that the administration's proposal does not address the assessment, identification and monitoring of the English Language Learner participants.

ISSUE 2: CONSOLIDATION PLAN (INFORMATIONAL)

As part of the 2002-03 Budget package, the Legislature directed CYA to close one facility prior to June 30, 2004 and attach a plan to have a total of three facilities closed by June 30, 2007. The plan was submitted to the Legislature in January of 2003 and proposes the consolidation in two phases. Phase 1 would: 1) close the male portion of the Ventura Youth Correctional Facility, exclusive of the fire camp; and 2) close the Karl Holton Drug and Alcohol Treatment program, move the DeWitt Nelson program to Holton and close the Nelson Facility – all by June 30, 2004. Phase 2 would include the closure of the Fred C. Nelles Youth Correctional Facility by June 30, 2006. The department's plan would result in additional costs of \$2.5 million in 2003-04. Savings are projected beginning in 2004-05 of \$5 million increasing to \$23.2 million a year by 2007-08. Costs in the budget year are based upon estimates of the time it would take to complete the closure. To the extent that the department would be able to shorten the closure period, the costs in 2003-04 could be lower.

Subsequent to the release of the report, this Subcommittee had asked the department to develop an alternative plan to: 1) accelerate the closure of a first facility that would begin no later than July 1, 2003; 2) develop a consolidation strategy to achieve a cost savings in 2003-04 of approximately \$5 million that may include the closure of a second juvenile correctional facility; and 3) identify an alternative to closure of the Fred C. Nelles as the third juvenile correctional facility.

The April Reduction Package passed by the Legislature and signed by the Governor includes \$4 billion of reductions and revenue enhancements that will work toward reductions in the Budget shortfall through June 30, 2004. As part of this package, \$5 million in reductions are to be achieved by the Department of Youth Authority resulting from the consolidation of state juvenile correctional facilities.

It is believed that the department has procedures in place to begin the closure of the Karl Holton facility by approximately the end of October 2003. Based upon that model, it is estimated that the department will achieve savings of \$3 million in the Budget year. This would require the department to consider the alternative of closing a second juvenile facility in the Budget year to achieve the \$5 million identified in the April Reduction Package.

The Subcommittee may want to ask the department: 1) if it has a plan to save \$5 million in the Budget year; 2) for details of that plan; 3) what statutory changes would be required to implement this plan; 4) if it has identified an alternative to Fred C. Nelles as the third juvenile

correctional facility for closure; and 5) the timing of the closure of the three juvenile correctional facilities.

8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

ISSUE 1: 10 PERCENT SOLUTION (INFORMATIONAL)

The Governor's Budget proposed a reduction in employee compensation costs by \$855 million (\$470 million General Fund). The administration has entered into negotiations with collective bargaining units in order to reach these reduction targets. In addition, the administration has directed state departments to prepare a reduction plan that would lower their ongoing personal services expenditures by 10 percent. These plans were submitted to the Department of Finance on April 22. To the extent that these plans would require layoffs, this information was submitted to the Department of Personnel Administration.

The Subcommittee may want to ask the department:

- 1) The status of the negotiations with the collective bargaining units to reduce personal services costs;
- 2) Administration's estimate of the savings resulting from:
 - The elimination of the July 1, 2003 salary increase
 - The elimination of increases in employer contributions for employee health dental and vision insurance premiums for 2003-04;
- 3) Information regarding the 10 percent reduction plans:
 - How many layoffs are projected from the implementation of the 10 percent reduction plans submitted on April 22?
 - What is the total number of layoffs expected in 2003-04?
 - How long would it take to implement the layoffs? What percentage of total annual salaries is expected to be captured from the layoffs?
 - What are the estimated costs of lump sum payments to employees that are laid off as a result of the 10 percent reduction plan?
 - What have the administration and state departments done in response to the 10 percent plans?