

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION**

Assemblymember Warren Furutani, Chair

**TUESDAY, APRIL 20, 1:30 PM
STATE CAPITOL, ROOM 447**

CONSENT CALENDAR		
ITEM	DESCRIPTION	
8940	MILITARY DEPARTMENT	3
ISSUE 1	STATE ACTIVE DUTY EMPLOYEE COMPENSATION INCREASE WITH ADJUSTMENT	3
ISSUE 2	CAL EMA (HOMELAND SECURITY) TRAINING AND EXERCISE PROGRAM	3
0690	CALIFORNIA EMERGENCY MANAGEMENT AGENCY	4
ISSUE 1	TSUNAMI PROGRAM	4
0520	BUSINESS, TRANSPORTATION AND HOUSING AGENCY	4
ISSUE 1	ELIMINATE THE MANUFACTURING TECHNOLOGY PROGRAM	4
ISSUE 2	APRIL FINANCE LETTER	4
1760	DEPARTMENT OF GENERAL SERVICES	5
ISSUE 1	APRIL FINANCE LETTER – CAPITOL OUTLAY	5
ISSUE 2	APRIL FINANCE LETTER – OCIO TRANSFER AND TECHNICAL CORRECTIONS	5

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
8820	COMMISSION ON THE STATUS OF WOMEN	6
ISSUE 1	ELIMINATION PROPOSAL	6
8940	MILITARY DEPARTMENT	8
ISSUE 1	FEDERAL FUNDS AND POSITIONS FOR FORCE PROTECTION	8
ISSUE 2	CONSOLIDATED HEADQUARTERS COMPLEX	9
0690	CALIFORNIA EMERGENCY MANAGEMENT AGENCY	11
ISSUE 1	FORENSIC SCIENCE IMPROVEMENT ACT WITH ADJUSTMENT	11
ISSUE 2	EMERGENCY RESPONSE FUND-FEE COLLECTION	13
ISSUE 3	EARTHQUAKE HAZARD REDUCTION PROGRAM	14
ISSUE 4	FEDERAL STIMULUS JUSTICE ASSISTANCE GRANT (JAG) INTEREST	15
ISSUE 5	EQUALITY IN PREVENTION AND SERVICES FOR DOMESTIC ABUSE PROGRAM	16

ISSUE 6	APRIL 1 FINANCE LETTER – ANTITERRORISM FUND	17
ISSUE 7	RESTORE DOMESTIC VIOLENCE SHELTER FUNDING	18
0520	BUSINESS, TRANSPORTATION AND HOUSING AGENCY	20
ISSUE 1	SMALL BUSINESS LOAN GUARANTEE PROGRAM	20
ISSUE 2	CALIFORNIA WELCOME CENTERS	21
ISSUE 3	OFFICE OF PLANNING AND RESEARCH	21
0911	CALIFORNIA REDISTRICTING COMMISSION	22
ISSUE 1	\$3 MILLION AUGMENTATION	22
1100	CALIFORNIA SCIENCE CENTER	24
ISSUE 1	ADMISSION FEE	24
1760	DEPARTMENT OF GENERAL SERVICES	26
ISSUE 1	OFFICE OF PUBLIC SCHOOL CONSTRUCTION – IT	26
ISSUE 2	OFFICE OF PUBLIC SCHOOL CONSTRUCTION – CHARTER SCHOOLS	26
ISSUE 3	BUILDING STANDARDS COMMISSION - WORKLOAD	27
ISSUE 4	BUILDING STANDARDS COMMISSION - GREEN BUILDING EDUCATION	28
ISSUE 5	STATE BUILDING SALE/LEASEBACK UPDATE	28
ISSUE 6	CAPITOL REPAIRS FUNDING	30
ISSUE 7	DIVISION OF STATE ARCHITECT – PROVISIONAL LANGUAGE	31
ISSUE 8	AMERICANS WITH DISABILITIES ACT	32
8790	COMMISSION ON DISABILITY ACCESS	33
ISSUE 1	APRIL FINANCE LETTER	33

CONSENT ITEMS**8940 MILITARY DEPARTMENT****ISSUE 1: STATE ACTIVE DUTY (SAD) EMPLOYEE COMPENSATION INCREASE**

The Governor's budget request a baseline augmentation of \$1,454,000 (\$760,000 General Fund and \$694,000 Federal Trust Fund) to cover the estimated State Active Duty (SAD) employee compensation increases to be granted effective January 1, 2010 and estimated to be granted January 1, 2011.

STAFF COMMENT

As mandated by state statute, pay for SAD employees must be based upon military pay increases granted by Congress. The additional PY's in this proposal are on a global ratio as oppose to per person.

Since the BCP was submitted, the federal adjustment for July 1, 2010 to June 30, 2011 changed. The new estimate will total \$1,350,000 –this is a difference of \$104,000.

ISSUE 2: CAL EMA (HOMELAND SECURITY) TRAINING AND EXERCISE PROGRAM

The Governor requests continuation of federal reimbursement authority in 2010-11 for the current-base level of \$1.646 million and the reestablishment of 12 limited-term positions to execute a continuing interagency agreement (IA) between the California Military Department (CMD) and the California Emergency Management Agency (Cal EMA) for staffing support and operating expenses.

STAFF COMMENT

This proposal would extend on a one-year basis, 12 positions previously approved in 2007-08, which otherwise will expire June 30, 2010. The cost of these positions is reimbursed by the Federal Department of Homeland Security grant funds.

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

ISSUE 1: TSUNAMI PROGRAM

The Governor's budget requests an additional \$245,000 Federal Trust Fund authority for the Earthquake and Tsunami Program.

STAFF COMMENT

The requested funding authority is federally awarded and requires no state match. Specifically, the Tsunami program is funded through a grant by the National Oceanic and Atmospheric Administration (NOAA). Should the Legislature choose not to grant Federal Trust Fund authority, the federal NOAA funding will be returned to FEMA.

ITEM 0520 BUSINESS, TRANSPORTATION AND HOUSING AGENCY

ISSUE 1: ELIMINATE THE MANUFACTURING TECHNOLOGY PROGRAM

The Governor proposes elimination of the Manufacturing Technology Program, resulting in a reduction in reimbursement authority of \$2.1 million.

ISSUE 2: APRIL FINANCE LETTER

The Governor proposes increasing reimbursement authority for the Agency by \$901,000 to contract with Financial Development Corporations to provide loan underwriting, packaging and servicing in support of the Clean Energy Business Financing Program. This program is run by the California Energy Commission with ARRA funding.

There are no positions included in this request, just reimbursement authority.

ITEM 1760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: APRIL FINANCE LETTER – CAPITOL OUTLAY

The Governor proposes reappropriation of the unencumbered balances of appropriations for the Library and Courts renovations project and the California Department of Corrections and Rehabilitation (CDCR) Deuel Vocational Institute, Tracy, Hospital Building, structural retrofit project. Due to the freeze of disbursements on interim financing for bond funded projects, both of these projects were suspended temporarily. The projects have resumed, but require reappropriation to allow an extended timeline to account for the delay.

ISSUE 2: APRIL FINANCE LETTER – OCIO TRANSFER AND TECHNICAL CORRECTION

The Governor requests a reduction in the DGS service revolving fund budget of \$2 million to reflect the transfer of 9.0 positions to the Office of the Chief Information Officer (OCIO). These positions provide indirect services to the Telecommunications Division, which was transferred to the OCIO under the reorganization plan last year.

This request additionally includes technical corrections to the provisional language for DGS to properly allocate the amount for Base Rentals and Fees within their budget.

ITEMS TO BE HEARD

ITEM 8820 COMMISSION ON THE STATUS OF WOMEN

The Commission on the Status of Women is an independent, non-partisan state agency serving to advance the causes of women and girls. The Commission influences public policy by advising the Governor and the Legislature on issues effecting women and educating its constituencies. The Commission was originally established by an advisory body in 1965 later to be signed into law by former Governor Reagan in 1971.

ISSUE 1 ELIMINATION PROPOSAL

The LAO has recommended that the Commission be eliminated in view of California's current fiscal crisis.

The Governor's budget proposes expenditures of \$489,000 (\$487,000 General Fund and \$2,000 reimbursements) and 4.6 positions, for a decrease of \$2,000. Funding however would be lower than in previous years over the last decade:

	Positions			Expenditures (in thousands)		
	2008-09	2009-10	2010-11	2008-09	2009-10	2010-11
	4.6	4.6	4.6	\$486,000	\$489,000	\$487,000

PANELISTS

- Commission on the Status of Women
- Department of Finance
- Legislative Analyst Office

STAFF COMMENT

The LAO should be prepared to explain its recommendation of elimination in light of other budget reduction proposals in other areas (specifically health and human services and education) that directly effect women and girls given that the elimination of the Commission could result in even fewer services and advocates for women and girls. Additionally, the LAO should explain why a General Fund savings of less than half a million dollars (\$487,000) within the states \$20 billion deficit is an effective budget reduction strategy meriting the elimination of the entire Commission.

Furthermore, given the State of California's current budget deficit the Commission should be prepared to speak about the value of its role and specifically its importance in serving the causes of women. The Commission should address its effectiveness due to prior budget reductions and explain why it should not be consolidated within a larger government office.

SUGGESTED QUESTIONS:

For the LAO:

- 1) Given the state's fiscal crisis how is a GF savings of less than half a million dollars (\$487,000) within the states \$20 billion deficit seen as an effective budget reduction strategy to merit the elimination of the entire Commission?
- 2) If the Subcommittee were to eliminate the Commission would it be re-instated in better economic times?
- 3) If the Commission was eliminated would the role be filled by other like-minded advocacy groups given the budget reduction proposals in other areas (health and human services, education, childcare, etc) might greatly reduce or eliminate women and girl specific services within the state?
- 4) If eliminated, what is the impact on women and girls in California without the Commission's services?

Given the looming and recent budget reductions that have already drastically affected women and girls across the state, staff feels it is important to have the Commission overseeing and advocating on the behalf of women. Termination of such a small amount of proposed funding has little if any real effect on solving California's budget problems. This being said, staff feels that funding the Commission on the Status of Women is warranted.

8940 MILITARY DEPARTMENT

The California Military Department (CMD) is responsible for the command, leadership and management of the California Army and Air National Guard and five other related programs. The purpose of the California National Guard is to provide military services supporting this state and the nation. The three missions of the California National Guard are to provide: (1) mission ready forces to the federal government as directed by the President, (2) emergency public safety support to civil authorities as directed by the Governor, and (3) support to the community as approved by proper authority. The Military Department is organized in accordance with federal Departments of the Army and Air Force staffing patterns. In addition to the funding that flows through the State Treasury, the Military Department also receives Federal Funding directly from the Department of Defense.

Totals	Actual 2008-09	Estimated 2009-10	Proposed 2010-11
Total Personnel Years (All Programs)	786	821.3	822.2
Total Expenditures (All Funds)	\$147.6 million	\$137.9 million	\$143.4 million
Total General Fund	\$39.4 million	\$42.3 million	\$45.7 million

ISSUE 1: FEDERAL FUNDS AND POSITIONS FOR FORCE PROTECTION

Governor's Budget Proposal. The Governor's budget request continuation of reimbursement authority in 2010-11 of \$3.5 million in federal trust funds and the re-establishment of 47 limited-term positions, to provide security of CMD Installations and Army Aviation Airfields (AASF).

Background. The California Army National Guard (CARG) has eight sites which have been designated by the Department of the Army (DA) and National Guard Bureau (NGB) as Mission Essential Vulnerability Areas (MEVA). Should any of these sites be compromised, the ability for the use of militia equipment or to mobilize troops in these sites will be undermined.

STAFF COMMENT

The CMD receives additional staffing funds from NGB to secure the CMD's installations and Army Airfields. The funding source comes from the federal Master Cooperative Agreement (MCA) which flows through the States Treasury as Federal Trust Fund payments. Therefore, funding the costs of providing security staffing at these MEVA's will be completely federally reimbursed by the NGB.

ISSUE 2: CONSOLIDATED HEADQUARTERS COMPLEX

Governor's Budget Proposal. The Governor's budget request \$49.1 million (\$47.3 million lease revenue bonds and \$1.8 million Armory Fund) to fund the state's share of a project to provide the CMD with a 125,000 square foot Consolidated Headquarters Complex (HQ Complex) and a 22,600 square foot storage facility on 30 acres of land at Mather Field in eastern Sacramento County.

Prior Budget Appropriations. The Legislature approved a COBCP in 2006-07 totaling \$1 million general fund (GF) to acquire a purchase option to reserve, for at least two years, the 30 acres of land at Mather Field for the HQ Complex. In 2007-08, the Legislature also approved an additional \$100,000 to ensure that the purchase option could be secured.

Federal Funds. The federal government will fund \$49.3 million for the overall HQ complex (Phase 1) project, including \$1.8 million to reimburse the Armory Fund for design costs in FY 2012-13. The U.S. Department of Defense (DoD) will also fully fund the second and third phase expansions of the HQ Complex, expanding it to 300,000 square feet and allowing the consolidation of all headquarter staff and elimination of additional lease payments, which current cost the state \$2.84 million annually.

Background. Federal guidelines, both statutory and regulatory, govern the organization, funding, and operation of the National Guard, including minimum federal protections requirements for military buildings. The CMD is currently operating out of seven facilities dispersed throughout the state; four are leased, two are federally-owned and one is state-owned. However, none of these buildings fulfill the antiterrorism and force protection requirements for military buildings. Due to these requirements, the lease on the Department's main building cannot be extended past 2017. Unless the National Guard unit is federalized, typically to serve overseas, it is the state's responsibility to house the Guard. Therefore, replacement of the existing facility is mandatory by 2017.

Additionally, the Department of Defense (DoD) recently designated the CMD as the Joint Force Headquarters –California. The CMD will be the primary link between the DoD and the Governor's Emergency Management Agency for military support. To accomplish this mission, the DoD has funded 14 position for the CMD, but the current facility does not accommodate the additional staff.

Financing. Assuming the CMD can secure lease revenue bond financing, the repayment cost is estimated at a 6% annual interest rate for 25 years, \$3.65 million annually. In comparison, the current facilities leased by the CMD will increase from \$2.5 million, to an estimated \$ 7 million by mid-2016.

The \$47.3 million in lease revenue financing and \$1.8 million Armory Funds, will allow the initiation of preliminary plans. The federal government will fully fund the \$1.8 million from the Armory Fund and fund phases two and three of the HQ complex, in total funding approximately 70% of the entire projects (phases 1-3).

However, the acquisition phase must be solely funded by the state as federal funds cannot be used for such cost, per Chapter 8 of the National Guard Pamphlet. The existing purchase option will expire June 25, 2012. Figure 1 below shows the breakdown of FY contributions by the State and Federal Government.

Figure 1: State and Federal Contributions for Phase 1.

Phase	FY	Total	State Contribution	Federal Contribution
Acquisition	2006-07	\$1,000,000	\$1,000,000	\$0
Acquisition	2007-08	\$100,000	\$100,000	\$0
Preliminary Plans	2010-11	\$4,354,000*	\$4,354,000*	\$0
Acquisition	2011-12	\$10,205,000	\$10,205,000	\$0
Preliminary Plans	2012-13	\$3,283,000	-\$1,800,000	\$5,083,000
Working Drawings	2012-13	\$7,134,000	\$3,121,000	\$4,013,000
Construction	2013-14	\$65,922,000	\$27,022,000	\$38,900,000
Construction Supv.	2013-14	\$5,220,000	\$4,053,000	\$1,167,000
Group 2 Equipment	2013-14	\$2,254,000	\$309,000	\$1,945,000
Totals		\$99,472,000	\$48,364,000	\$51,108,000

*Includes \$2.554 million bond revenue and \$1.8 million from the Armory Fund (the Armory Fund will be replenished in the 2012-13 FY by the federal government.)

STAFF COMMENT

It is important to note, that this proposal and the states current cash flow is not in the standard form for lease revenue bond projects. In the past, lease revenue bond financing included interim financing by the Pooled Money Investment Board (PMIB) to cover interim costs associated with a project until bonds can be sold. As a result, the Administration is developing alternative interim financing methods, to be finalized this summer. Approval of this proposal will grant the Administration approval to sell the lease revenue bonds at the end of the design phase in 2011-12.

The HQ Complex will address the CMD'S ability to effectively respond to emergencies, improve efficiency, comply with federal force protection standards, reduce transportation cost and eliminate current facility lease payments. However, is the right timing for the State to invest in a Military HQ?

The CMD present the Committee with the following reasons to act now: (1) the federal government requires property acquisition authority as a good faith investment by the state before it will authorize planning and design expenditures and additional construction funding; (2) the existing purchase option will expire June 25, 2012 and the state could potentially lose the property; (3) Bonds cannot be sold until the design has been largely completed (approximately 18 months); (4) securing a new facility to lease once the current one expires in 2017, could be problematic and can cost upwards of \$7 million annually; (5) the current leasing cost of properties is \$2.8 million GF, by 2017 it is expected to increase to \$5 million annually; (6) the cost to remodel a new facility to lease could cost upwards of \$7 million; (7) the Legislature virtually approved this proposal when it awarded CMD \$1 million in 2006-07 to acquire the purchase option;

and (8) the state investment would be \$47.3 million in lease revenue financing over 25 years, after which the state will own a \$143 million Military Department Headquarters Complex and federal funding for phases two and three would be activated

Questions:

When is construction anticipated to end and when will it be ready to be occupied?
What will happen to the leases on the seven facilities currently occupied by CMD? Will the state be responsible for those payments as well?

0690 CALIFORNIA EMERGENCY MANAGEMENT AGENCY

The California Emergency Management Agency (Cal EMA) is tasked with reducing the vulnerability to hazards and crimes through emergency management and criminal justice. During an emergency, the Cal EMA functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes. It also acts as the conduit for federal assistance through natural disaster grants and federal agency support. Additionally, the Cal EMA is responsible for the development and coordination of a comprehensive state strategy related to all hazards that includes prevention, preparedness, and response and recovery. Further, the Cal EMA administers grant finances and technical assistance to local governments, state agencies and the private sector for public safety and victim services.

Totals	Actual 2008-09	Estimated 2009-10	Proposed 2010-11
Total Personnel Years (All Programs)	538.7	620.3	620.1
Total Expenditures (All Funds)	\$904 million	\$1.6 billion	\$1.5 billion
General Fund	\$160 million	\$138 million	\$125 million

ISSUE 1: FORENSIC SCIENCE IMPROVEMENT ACT WITH ADJUSTMENT

Governor's Budget Proposal. The Governor's budget requests an increase of \$608,000 Federal Trust Fund authority, to fully utilize available funding from the United States Department of Justice (DOJ), Office of Justice Programs (OJP) and the National Institute of Justice (NIJ).

Background. Funding comes from the Paul Coverdell Forensic Science Improvement Act (FSIA) grant from the NIJ. California is anticipated to be awarded \$1,811,000 2009, for implementation during 2010-11. The grant provides local assistance funding to state

and local agencies for criminal forensics programs. The department notes that during 2008-09, this program has reduced the time required for forensic examinations by 341 days.

STAFF COMMENT

For the past three years the Paul Coverdell Forensic Science Improvement Act (FSIA) formula grant from the NIJ has been steadily rising. During the pre-hearing, staff was notified that California will be receiving \$2,694,783 –exceeding the 10 percent increase expected. As a result, additional Federal Trust Fund Authority is sought.

The original proposal only requested \$608,000 for local assistance and no additional Cal EMA administration cost were requested. An updated proposal revealed a \$108,000 increase for local assistance and a request for \$176,000 for State Operations, for a new total in Federal Trust Fund authority of \$884,000. Currently, Cal EMA uses approximately 8.3% in State Operations; this new request would bring them to approximately an 11% in State Operations. This new State Operations increase seems excessive.

Questions:

The original proposal did not include a State Operations request, why are you requesting \$176,000 for that purpose now?

What will be the impact to Cal EMA if not awarded funding for State Administration?

ISSUE 2: EMERGENCY RESPONSE FUND-FEE COLLECTION

Governor's Budget Proposal. The Governor's budget includes the proposal to add a Section to the Insurance Code to create the Emergency Response Fund (ERF) that will be supported through an insurance surcharge.

The Cal EMA proposal request, one-half year's funding to establish 5.0 positions and \$792,000 in authority for the Fee Collections, Audit/Compliance Units, to become effective January 1, 2011. The full-year cost of \$1.6 million Emergency Response Fund authority and 10.0 positions will occur in 2011-12 and on-going. If approved, this proposal would begin collection January 1, 2011.

Background. If approved by the Legislature, effective July 1, 2010, insurance companies in California would be required to collect a special purpose surcharge on commercial or residential insurance policies. The surcharge would be equivalent to 4.8 percent of the insurance premium. Generated revenue would be distributed, upon appropriation, to Cal EMA, the Department of Forestry and Fire Protection (Cal Fire), and the Military Department.

A Cal EMA Fee Collection Unit will complete monthly fund reconciliation and an Audit Compliance Unit will provide periodic (at least quarterly) audit findings. The additional 5.0 position in 2010-11 and the 10.0 positions in 2011-12 will make up these units.

STAFF COMMENT

Unless the Emergency Response Initiative is approved, this proposal is not necessary. Additionally, the possibility of having the Board of Equalization serve as the Fee Collection and Audit Unit should be sought, as it is the States Fee Collecting body and perhaps, the most appropriate agency to collect these fees.

Questions:

How is Cal EMA fit to collect and administer this new fund source?

Has Cal EMA explored the possibility of the BOE as the fee collecting agency? If so, what was the outcome?

ISSUE 3: EARTHQUAKE HAZARD REDUCTION PROGRAM

Governor's Budget Proposal. The Governor's budget requests \$639,000 Federal Trust Fund spending authority for the Earthquake Hazard Reduction Program.

Background. The Earthquake Hazards Reduction State Assistance Program (EHRSA) is estimated to award \$2.3 million nationwide in FY 2011, targeted to be allocated among 29 eligible states, including California.

The Cal EMA is requesting Federal Trust Fund spending authority for three projects in coordinates with:

1. The California State Assessment of Facilities at Earthquake Risk Pilot Project: The project will assess state-owned buildings to identify high-risk buildings that will require further evaluation.
2. Concrete Coalition Pilot Project: The project will expand the National Earthquake Hazard Reduction Program (NEHRP), which identified older, non-ductile concrete buildings. Phase two will focus on stimulating awareness and action by developing strategies and products to assist communities in raising awareness and mobilizing public opinion to make progress. At this point in time, the Coalition is working with the City of Los Angeles to conceptualize such a program and is planning on selecting additional pilot cities to give range in geography, size and dimensions of the problem.
3. California Earthquake Authority Household Rebate Program (CEAHRP): Cal EMA will conduct training workshops for the CEAHRP, which has received \$10 million to provide rebates to homeowners for doing earthquake mitigation on their homes. (Cal EMA will not be directly involved in the rebate, but will train homeowners on mitigation measures they can use to reduce/prevent injury and property damage.) The purpose is to reduce the states responsibility for earthquake disaster recovery funds.

STAFF COMMENT

Under the Disaster Mitigation Act of 2000, the state, local governments and special districts are required to record planning activities, conduct a hazard vulnerability assessment, identify and prioritize mitigation measures and work with agencies involved and citizens to develop a mitigation plan. Cal EMA produced a 2004 and 2007 State of California Multi-Hazard Mitigation Plans (SHMPs), which were approved by FEMA. FEMA is thereby directed by the federal government to provide the state with funding for earthquake risk reduction. The three programs would be financed by FEMA and do not require a state match. If approved, implementation would begin July 2010.

ISSUE 4: FEDERAL STIMULUS JUSTICE ASSISTANCE GRANT INTEREST

Governor's Budget Proposal. The Governor's budget requests \$800,000 Federal Trust Fund authority for the 2010-11 fiscal year, an additional \$800,000 for the 2011-12 fiscal year and 6.0 positions to administer the Federal Justice Assistance Grant Stimulus (JAG) funding that was awarded to California.

It is proposed that the \$1,600,000 will come from the interest earned on the \$135 million Federal JAG American Recovery and Reinvestment Act (ARRA) funds, which were awarded to the department in FY 2009.

Background. As the State Administered Agency (SAA), The Cal EMA received \$135,641,945 in federal JAG ARRA funds, in the FY 2009 stimulus package, for state and local law enforcement assistance. The funds are intended to address California's need for widespread apprehension, prosecution, adjudication, detention, and rehabilitation of offenders. These funds have a four-year performance period from October 1, 2008 to September 30, 2012.

To administer these funds, the Cal EMA requested \$800,000, but the Legislature approved a one-time allocation of \$592,000 in 2009-10 instead. These allocated funds are currently being used for positions, benefits and operating expenses, but will expend June 30, 2010.

This proposal suggests using the interest accrued by the JAG ARRA funds to fund the additional 6.0 temporary positions for two more fiscal years, at \$800,000 per fiscal year. Federal guidelines established by the Bureau of Justice Assistance (BJA), gave states the discretion on how interest would be spent, for local assistance or state operations. In California historically, the interest is used for local assistance. The annual JAG money is typically accrued at a rate of two to three percent per year, estimated to be \$4 million.

STAFF COMMENT

The Cal EMA is requesting to use \$1,600,000 –from the interest earned –to fund the 6.0 temporary positions in 2010-11 and 2011-12. This will take them through the 2012 duration of the JAG ARRA allocation, after which the need for positions will no longer be necessary unless California is awarded more stimulus funds.

The Department notes that the additional 6.0 temporary positions are needed to: develop and manage increasingly complex federal programs; provide oversight and assistance for the funded projects; and interpret and implement the statues and regulations. Furthermore, they argue that future allocations are necessary to continue administering and providing technical assistance to the new projects after year one. The Cal EMA anticipates funding approximately 235 new projects with the JAG ARRA funds.

The Legislative Analyst Office notes that the Cal EMA has not been able to provide sufficient workload information to justify the requested funding increase. Thus, they recommend funding the Cal EMA at the same level of \$592,000 as in the current year. Staff also finds that the increase difference of \$208,000 requested is not sufficiently justified. Furthermore, the interest rate on the fund has been declining, currently it is at 0.5%, from August 13, 2009 through December 31, 2009 in has accrued \$276,378 in interest.

ISSUE 5: EQUALITY IN PREVENTION AND SERVICES FOR DOMESTIC ABUSE PROGRAM

Governor's Budget Proposal. The Cal EMA request a reduction of \$75,000 (\$25,000 in State Operations and \$50,000 local assistance) to the Equality in Prevention Services for Domestic Abuse (EPSDA) Fund authority to match the anticipated revenue that will be received in 2010-11.

Background. The Cal EMA has provided state and federal funding for victims of Domestic Violence (DV) for over twenty years. The implementation of Assembly Bill 2051 (2006) required the department to establish a targeted or directed mini-grant program for the development and support of DV programs and services for the lesbian, gay, bi-sexual, and transgender (LGBT) community – known as The Equality in Prevention Services for Domestic Abuse (EPSDA).

Historically, this community has not sought services provided by traditional DV shelters. The EPSDA attempts to provide, expand and raise awareness of same-sex violence and the ability to access services.

Funding for this program is established at the Secretary of State's Office and is called the EPSDA fund. The fund is derived from a \$23 fee for same sex couples who register as domestic partners. The brief May 2008 California Supreme Court ruling, which legalized same-sex marriage negatively, affected the baseline funding for the EPSDA fund. The decline in couples registering as domestic partners slowed the account drastically. As a result, in 2007-08, a \$300,000 appropriation of Restitution funds was transferred to the EPSDA fund and an additional \$400,000 in 2008-09. However, the State is unable to provide Restitution Funds in subsequent years.

In 2009-10 a Budget Change Proposal reduced the programs Local Assistance budget to \$120,000 and the State Operations to \$60,000. This proposal will further reduce the Local Assistance budget to \$70,000 and State Operations to \$38,000. This is a total EPSDA authority reduction of \$75,000.

STAFF COMMENT

The EPSDA program is an important program that administers a 24-hour crisis hotline, counseling, emergency shelter, court and social services advocacy, and legal assistance. Other than the EPSDA fund, there are limited state and federal funds for this program that address a void for an underserved and unserved population.

In the past, Restitution Funds were available to supplement the EPSDA fund, however, the financial climate has made that impossible. Therefore, appropriations to administer the EPSDA program as mandated by Assembly Bill 2051, are reduced to match projected revenue dedicated for the program. However, future implications of this decision should include alternative funding sources and whether the passage of Proposition 8 will change the decline in registered same-sex partners.

Questions:

Has the Department sought other funding for this program?

LAO, how will Proposition 8 impact funding for this program? Do you have any recommendations on how this program can be funded?

ISSUE 6: APRIL 1 FINANCE LETTER – ANTITERRORISM FUND

Proposal. The proposal would increase by \$2.0 million state operations from the Antiterrorism Fund, to provide reimbursement for the Commission on Police Officers Standards and Training and the California Fire Fighters Joint Apprenticeship Center and supplemental funding to the California State Terrorism Threat Assessment System (STTAS).

The Cal EMA will allocate \$1 million evenly to the Peace Officer Standards and Training (POST) and the California Fire Fighter Joint Apprenticeship Center (CFFJAC) for training California's first responders. The remaining \$1 million will be evenly allocated to California's STTAS five fusion centers.

Background. The Antiterrorism Fund money is funded by the sale of DMV special license plates memorializing individuals killed or injured during the terrorist attacks of September 11. The Cal EMA administers approximately forty-two percent of the funds and is responsible for allocating its share in accordance with specified antiterrorism activities.

In 2007, the Governor signed AB 587, which appropriated \$5 million to the Antiterrorism Fund. Of these monies, \$2.5 million was allocated to the CFFJAG and the remaining \$2.5 million to the POST.

STAFF COMMENT

This allocation is a one-time cost and it is in accordance with the Antiterrorism funds purpose. The funds can be used for hiring support staff; training law enforcement; fire protection; hiring or training public health personnel; and activities related to the prevention, detection, and emergency response to terrorism.

California's STTAS five fusion centers and four Regional Terrorism Threat Assessment Centers (RTTAC's) support the gathering, processing, analysis and dissemination of information. They are house federal, state and local first responders and law enforcement personnel. There is some federal homeland security grant funds, but there are limitations on how the money can be spent, including restrictions on maintenance and upkeep equipment and can only be used for personnel costs on a limited basis.

As of July, before accounting this Finance Letter, the Department of Finance notes that the Antiterrorism Fund has a balance of \$2.2 million.

ISSUE 7: RESTORE DOMESTIC VIOLENCE SHELTER FUNDING

Governor's Budget. The Governor's budget eliminates all funding for Domestic Violence Shelters as administered by Cal EMA in California.

Background. Existing law established a comprehensive statewide domestic violence program in the Cal EMA and require the department to provide financial and technical assistance to local domestic violence shelters. However, year after year, the funding for domestic violence shelters is eliminated in the Governor's Budget.

In the 2009-10 fiscal year, the Governor's line-item veto completely eliminated all funding to the Department of Public Health's (DPH) Domestic Violence Program, \$20.4 million, which supported 94 domestic violence shelters.

Last year, the Legislature (accepting a 20% cut) amended the Budget Act of 2009, to require the Department of Finance to transfer \$16.3 million from the Alternative and Renewal Fuel and Vehicle Technology Fund (ARFVT) to the General Fund as a loan to fund the domestic violence shelters and changed the administrative agency from DPH to Cal EMA. Through Senate Bill 13: (1) the loan would be repaid, with interest at the rate earned by the Pooled Money Investment Account, by June 30, 2013; (2) administration of the shelter-based program transferred from the Department of Public Health to the Cal EMA; (3) establishes consistent funding for previously funded shelters, unless their performance is hindered; (4) allows Cal EMA to use 10% of the appropriation for administrative purposes and (5) requires grant recipients to work in the area of domestic violence and provide a 20 percent match in funding or in-kind services.

Impact. During the time after the line-item veto, until the Legislature restored the funds, six shelters closed their doors –shelters were in both rural and urban areas –including Madera, Grass Valley, and Ventura.

All but one of the six shelters managed to reopen after the Legislature approved funding. However, funding as adopted by the Legislature in the 2009 Budget Act, will expire June 30, 2010. This year, with only partial restoration of these funds, one additional shelter has notified that it will close in June 2010 and numerous others are significantly under-staffed and note an increase in demand for services.

STAFF COMMENT

The State's Domestic Violence Program in California provide victims of domestic violence 24-7 emergency shelter, 24-7 crisis lines, transitional housing, legal advocacy, and assistance with restraining orders, counseling, transportation, education for children, and emergency food and clothing.

Staff recommends that the Committee and Legislature restore the \$20.4 million from General Fund for statewide domestic violence shelters in California. Furthermore, the Cal EMA as the administering agency should only be allotted 5% in administrative cost and not the 10% as previously used. The average administrative cost across agencies is 5%.

ITEM 0520 BUSINESS, TRANSPORTATION AND HOUSING AGENCY

The Business, Transportation and Housing Agency oversees and coordinates the activities of 13 departments and several economic development programs and commissions.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$27 million	\$17.7 million	\$16.2 million
Personnel Years	56.4	66.5	67

ISSUE 1: SMALL BUSINESS LOAN GUARANTEE PROGRAM

The Agency requests \$159,000 and 1.5 positions to staff the Small Business Loan Guarantee Program (SBLG). The SBLG provides guarantees on bank loans to small businesses that would otherwise not be made. The guarantees are backed by a trust fund that can be leveraged up to five times. The state currently guarantees a portion of more than \$276 million in outstanding loans.

In last years budget, all new loan guarantees were suspended and all funds not needed to back existing loans were swept. Subsequently, new legislation was passed that allowed new loan guarantees to be made once \$8.3 million had been swept back to the GF. This means that instead of gradually eliminating the program, administrative costs will continue, as requested here-in. Support costs were previously paid by the small business expansion fund, but the Agency argues that the transfer of funds to the General Fund has reduced the balance of the fund to that which is required to be on deposit to back existing loan guarantees.

According to the Agency, these positions are necessary for ongoing oversight and monitoring. The staff will restructure problem loans and ensure that default claims by lenders are legitimate and that the lender has complied with all the requirements of the guarantee agreement prior to disbursement of a default payment. These actions can greatly reduce unnecessary losses to the state.

COMMENTS

The administration of this program was previously funded through the SBLG fund, but the \$8.3 million sweep, removed all the interest funding that had accumulated in the fund and was used for such costs. All that remains in the fund now are funds dedicated as loan guarantees. To use those funds to pay for administrative costs would deteriorate the ability to provide loan guarantees. The agency claims that new interest earned moving forward is necessary to maintain operations of the lending entities because last years budget cut their budget's in half, in anticipation of ending the program. Now those entities are required to continue operating, but with an allocation of only half the budget. As such, those interest revenues are necessary to keep them operating.

While it is unfortunate to have to use General Funds, the Legislature decided last year to reinstate this program after the sweep. If the Committee wishes to maintain that decision, this request would need to be approved. The net result of the actions taken in total is still a significant General Fund savings.

ISSUE 2: CALIFORNIA WELCOME CENTERS

The Agency requests a \$29,000 on-going increase in appropriation authority from the Welcome Center Fund to support increased costs of designating six more California Welcome Centers. These program costs are covered by fees collected from the entities operating California Welcome Centers. The application fee is \$1,000 and centers must pay \$5,000 each year.

COMMENTS

This is a self-funded program, and this action merely reflects the expansion in the number of welcome centers.

Staff raises no concerns with this proposal.

ISSUE 3: OFFICE OF PLANNING AND RESEARCH

The Governor requests \$206,000 and 2.0 positions to fund the transfer of the Office of the Small Business Advocate, currently housing the Governor's Office of Planning and Research (OPR) to the Business, Transportation and Housing Agency.

The Office of the Small Business Advocate was created in 1996 to assist small businesses' in dealing with state government and advocate their desires to state agencies and the Legislature.

Accomplishments listed include the Governor's Conference on Small Business & Entrepreneurship, advisory group meetings, "Stimulus Opportunities Program Statewide Tour," and development of a small business toolkit.

COMMENTS

In the LAO recommendation regarding the elimination of OPR, they recommend rejection of this transfer of positions.

While the goals of this entity have merit, staff has not received sufficient justification of the benefit of this program to continue its existence upon the elimination of the Governor's Office of Planning and Research.

ITEM 0911 CALIFORNIA REDISTRICTING COMMISSION

Created by the "Voters FIRST Act" (Proposition 11), this independent 14-member Commission is tasked with drawing the new district boundaries for the state Legislature and the Board of Equalization beginning with the 2010 census.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$0	\$500	\$5 million
Personnel Years	0	0	unknown

The Commission is being created for the first time and has no existing funding or staff.

ISSUE 1: \$3 MILLION AUGMENTATION

Prior to the passage of Proposition 11 (the Voters FIRST act) in November of 2008, responsibility for redrawing the legislative and Board of Equalization district lines was the task of state elected officials. Proposition 11 created the Citizens Redistricting Commission to take over that responsibility. The Commission consists of 14-members of the public selected through an intensive process with specified restrictions on eligibility. Their ability to redraw district lines is limited by strict rules specified in the proposition.

Proposition 11 Act required that the Commission and creation of the Commission be funded at a minimum of \$3 million over three years (2009-10 through 2011-12). That \$3 million was intended to cover the creation and operation of the Commission. Last years budget allocated the required \$3 million, to be spent over three years. Of that \$3 million, \$500,000 has been transferred to the Bureau of State Audits (BSA) for costs incurred to begin the process of picking the Commissioners, as prescribed in the Proposition. The Governor's budget proposes to re-allocate \$2 million of last years allocation and requests an additional \$3 million for the budget year, for a total of \$5 million in 2010-11. The remaining \$500,000 from last year's allocation is proposed to be available for costs incurred in 2011-12.

COMMENTS

Estimates regarding the true cost of Proposition 11 do appear to have been off. The cost of redistricting prior to Proposition 11 consisted primarily of the actual process of drawing the lines. It was not necessary to create a Commission. In 2000, it cost approximately \$3 million for that process to be completed, leading to the estimate of \$3 million for the Proposition. While it was certainly known that costs must be incurred to create such a Commission, it does not appear the proponents adequately accounted for such costs. The Committee may wish to ask the LAO and Commission if they agree with this assessment of why the estimate is off.

The Bureau of State Audits (BSA) has expended considerably more in their efforts to conduct outreach for the initial pool of candidates for the Commission than was allocated pursuant to last years budget action (\$500,000). Through March 31, 2010, the Auditor incurred over \$700,000 in costs, plus a \$1.36 million contract with Ogilvy Worldwide for media and outreach. Through January of 2011, the Auditor estimates it will spend a total of \$3.5 million on their redistricting activities. BSA, however, has indicated that due to extensive internal efforts, they will be able to absorb all their costs in excess of the \$500,000 already appropriated by utilizing savings they have produced elsewhere in their budget.

Once the Commission is created, the BSA's responsibilities end, and the Secretary of State's office (SOS) becomes responsible for staffing the Commission until they are able to hire their own staff. The SOS has estimated \$300,000 in costs for their role in supporting the Commission, but it is unclear if they are truly prepared to help the Commission get off the ground in the urgent manner necessary to meet the deadlines prescribed in the Proposition. The Committee may wish to request additional information from them.

Thanks to the exemplary efforts of the BSA, it appears that the only costs that still need to be funded with the remaining allocation of \$2.5 million are the Commission itself and the SOS. Because the Commission is a brand new entity, it is hard to estimate what their actual costs will be. No cost estimates have been submitted by the Department of Finance. The Administration proposes that the additional \$3 million requested in the budget be appropriated and the DOF will allocate funds based on when the Commission and SOS need them. However, based on the BSA's savings estimates, it appears that the additional proposed appropriation may no longer be necessary.

The language of the Proposition specifies that the Commission shall be funded at a minimum of \$3 million, or the amount appropriated for the previous redistricting conducted by the Commission, plus CPI, whichever is greater. As such, this allocation will create a permanent baseline of funding for the Commission, so it is important to avoid over-appropriation, while still ensuring the Commissions efforts are adequately funded.

ITEM 1100 CALIFORNIA SCIENCE CENTER

The Science Center, the Office of Exposition Park Management and the California African American Museum (CAAM), are located in Exposition Park, a 160-acre tract in south Los Angeles, which is owned by the state and collectively known as the California Science Center. Its major exhibit facility opened in February 1998, and its "Phase II" expansion just opened this year.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$23.9 million	\$31.3 million	\$32.3 million
GF Expenditures	\$17.1 million	\$23.3 million	\$12.5 million
Personnel Years	164.8	199.9	203.2

Much of the increased cost for the Science Center is linked to the Phase II expansion.

ISSUE 1: ADMISSION FEE

In 2009-10 the Science Center received \$21.1 million in General Fund support (not including rental payments on lease-revenue bonds), with an additional \$17.8 million coming from the Science Center Foundation, funded through donations and enterprise revenue generated through parking fees, IMAX theatre fees, and admission costs for special exhibits. The Governor's Budget proposes a reduction of \$12 million (General Fund) to be replaced with \$12 million to be generated by admission fees.

The California Science Center does not currently charge an admission fee. They do, however, charge \$8 for parking, an admission fee for their IMAX Theatre, and admission fees for special exhibits as appropriate.

In 2004, the Legislative Analysts Office (LAO) recommended a reduction in General Fund (GF) support for the Science Center to be replaced by revenue from an admission fee. The Legislature rejected the proposal, but did ask for a report to provide more information on the potential impact of an admission fee.

The report showed that although the fee would generate revenue, there would also be a corresponding reduction in attendance. That reduced attendance would decrease parking revenues, concession and gifts revenue, and IMAX attendance. While the ranges of potential impact varied based on the theoretical fee (30% to 70% reduction in attendance) the report showed a clear potential for a negative impact on total funding levels due to decreased attendance.

The Governor's proposal does not provide back-up for how the \$12 million number was reached, nor does it provide specifics on the fee proposal. The Science Center was not informed of the proposal until the Governor's budget was released, and has since been tasked with determining the structure for the proposed fees.

COMMENTS

The Exploratorium in San Francisco has been cited as an example of the ability to operate with an admission fee, but their total gross revenue from admissions was only \$3.9 million in 2009 (and they spent \$1.7 million of that on marketing). The Natural History Museum of LA County is located on the same property as the Science Center and charges a \$9 admission fee that only produced \$1.5 million last year. Based on an initial review of the previous study on the potential for charging admission fees, it is unlikely the Center could recover anything near \$12 million through admission fees. After considering lost enterprise revenue, and the cost to implement a ticketing system, it is unclear whether any significant savings could be achieved by implementing an admission fee.

That being said, the Science Center's General Fund budget has nearly doubled from \$12 million in 2006-07, to over \$21 million last year. Much of this increase is due to the Phase II expansion project which recently had its grand opening, but still represents considerable growth in General Fund expenditures during difficult budgetary times.

SCIENCE CENTER PROPOSAL

Recognizing the current fiscal issues for the State, the Science Center has proposed the following:

- Rejection of the Governor's proposed \$12 million reduction
- Increasing expenditures from the Exposition Park Improvement Fund (non-General Fund) by \$1 million
- Increasing the General Fund line item by \$11 million (\$1 million less than the \$12 million reduction in the Governor's Budget)
- Adding Budget Bill Language stating legislative intent to encourage the Science Center to consider alternative sources of funding, and to require a report to the Legislature and Governor with both short-term and long-term alternatives for restructuring the Science Center's financing and governance to minimize General Fund support.

This proposal would provide \$1 million in General Fund savings compared to simply rejecting the Governor's proposal.

STAFF COMMENTS

Staff would recommend the Committee reject the Governor's proposal, but would recommend achieving some level of GF savings from this item. By simply adopting an unallocated reduction, the Committee can leave the Science Center with maximum flexibility to achieve the savings through reduced costs or increased revenue from other sources. Language similar to that proposed by the Science Center could be adopted as well.

ITEM 1760 DEPARTMENT OF GENERAL SERVICES

The Department of General Services (DGS) provides centralized services to state agencies in regards to management of state-owned and leased space, printing services, procurement, vehicle fleets, and many other areas.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$1.1 billion	\$1.25 billion	\$1.1 billion
Personnel Years	3,732.8	3,854.2	3,786.3

Variance between years is largely dependent upon reimbursements provided directly to DGS for services provided.

ISSUE 1: OFFICE OF PUBLIC SCHOOL CONSTRUCTION (OPSC) – IT

The Governor's budget requests one limited term position redirected from departmental vacancies, and \$120,000 from bond funds. This position will develop, implement and maintain automated systems necessary for the OPSC to administer the School Facility Program and to ensure proper bond accountability. It is proposed for funding from the bonds that will benefit from these activities.

\$15,000 of this request was inadvertently included and can be removed.

Staff raises no concerns with this proposal.

ISSUE 2: OFFICE OF PUBLIC SCHOOL CONSTRUCTION – CHARTER SCHOOLS

The Governor's budget proposes funding two redirected departmental vacancies at \$242,000 from Charter School Construction bond funds. These staff will be dedicated solely to the workload of the Charter School Facilities Program. Existing staff have been accruing overtime, and still falling behind the existing workload. It is often more effective to hire additional staff rather than continue to allow staff to accrue overtime. Currently the program is only achieving a 47% success rate (based on the number of projects that have gone on to complete construction of a new school). These positions, funded from the bonds that are designated for construction of charter schools, are intended to increase that success rate, there-by leading to more schools constructed.

Staff raises no concerns with this proposal.

ISSUE 3: BUILDING STANDARDS COMMISSION - WORKLOAD

The Governor's budget requests support of three redirected positions from the Division of the State Architect and increased expenditure authority of \$350,000 (Building Standards Administration Service Revolving Fund - BSASRF) to be offset by a reduction to two DGS funds the are typically funded through contributions by other state departments, to meet regulatory workload mandates including new and increasing CALGreen building workload.

The California Building Standards Commission (BSC) is responsible for administering California's building codes, including adopting, approving, publishing, and implementing codes and standards. Every three years (during its triennial cycle), the BSC reviews the newest model building codes published by various independent code developing bodies. When published, these model codes are sent to the BSC and to various state agencies that propose or adopt building standards, including the Office of the State Fire Marshall, the Division of the State Architect (within DGS), and the Department of Housing and Community Development. These agencies, and the public, draft proposed changes to the model codes and, through a deliberative process, the BSC eventually approves changes to the California Code of Regulations (CCR), Title 24, also known as the California Building Standards Code. On January 12, 2010, the BSC adopted the new California Green Building Standards Code (Part 11 of Title 24).

Chapter 719, Statutes of 2008 (SB 1473), created the BSASRF for expenditures related to carrying out building standards, with emphasis placed on the development, adoption, publication, updating, and educational efforts associated with green building standards. The BSASRF is supported by fees collected from any applicant for a building permit, assessed at the rate of \$4 per \$100,000 in valuation. These fees are anticipated to generate approximately \$1.2 million in revenues to the BSASRF in FY 2010-2011.

COMMENTS

The BSC currently has 10 authorized positions, plus the three positions loaned to them for the past several years, that they now seek to transfer to the BSC.

SB 1473, which created the funding source for this proposal, specified that those funds are to be used for "carrying out the provisions of California Building Standards Law, with emphasis on the development, adoption, publication, updating, and educational efforts associated with green building standards." The Green Building Standards recently adopted by the Commission, will require constant updating to account for new technologies, increase efficiency, and address concerns that will no doubt be raised from their first time use this year.

This proposal is an appropriate use of those funds, and appears well justified.

ISSUE 4: BUILDING STANDARDS COMMISSION – GREEN BUILDING EDUCATION

The Governor's Budget proposes increased expenditure authority of \$36,000 (Building Standards Administration Service Revolving Fund - BSASRF) to educate California's building industry about new and efficient green building standards.

This request does not include any positions and is linked with the previous agenda item. Chapter 719, Statutes of 2008 (SB 1473), created the BSASRF for expenditures related to carrying out building standards, with emphasis placed on the development, adoption, publication, updating, and educational efforts associated with green building standards. The BSASRF is supported by fees collected from any applicant for a building permit, assessed at the rate of \$4 per \$100,000 in valuation. These fees are anticipated to generate approximately \$1.2 million in revenues to the BSASRF in FY 2010-2011. As stated above, this is an appropriate use of the funds specified for this proposal.

Staff has no concerns with this proposal.

ISSUE 5: STATE BUILDING SALE/LEASE-BACK UPDATE

Pursuant to last years budget agreement (Chapter 20, Statutes of 2009 - ABx4 22) the Governor's Budget estimates one-time revenue of \$289 million for the sale of state-owned buildings. The state will retain space in these properties by entering into long-term lease agreements. Additionally, through Control Section 4.65, the Governor's Budget includes the authority to increase expenditures in the event the cost of leasing is greater than anticipated. The \$289 million revenue estimate accounts for funds from the sale proceeds that are required to pay off existing revenue bonds, thus reducing the states debt burden. It does not, however, account for the estimated \$20 million in lease costs, and \$3 million in administrative costs. So the net revenue from this proposal would be \$266 million. Additionally, that estimate assumed a phased sale process, where not all the buildings would be sold this fiscal year. It now appears the Administration plans to sell all the properties at one time, leading to expected revenue of \$598 million. If all the properties were sold, it would raise the lease costs to \$40 million, leaving the state with a net total of \$558 million.

Last years budget authorized the Administration to sell and lease back 11 properties, totaling more than seven million square feet of office space. In addition, ABx4 22 authorized the Administration to sell the Orange County Fairgrounds as well as enter into long-term leases on state property. The properties proposed for sale/leaseback consist of:

- Attorney General Building - Sacramento
- California Emergency Management Agency Building – Rancho Cordova
- Capitol Area East End Complex
- Elihu M. Harris Building - Oakland
- Franchise Tax Board Complex - Sacramento
- San Francisco Civic Center - San Francisco
- New Junipero Serra State Building - Los Angeles
- Department of Justice Building - Sacramento
- Public Utilities Commission Building - San Francisco

- Judge Joseph A. Ratigan Building - Santa Rosa
- Ronald Reagan State Building - Los Angeles

The Administration secured the services of CB Richard Ellis to market the above properties. On Friday, February 27, CB Richard Ellis released the marketing materials and by close of business had received sixty registrations (which is a required precursor to submitting a bid). The following are the important dates relative to the bids made on those properties:

April 14 – Deadline for potential buyers' initial offer submittal

April 19 –23 – State evaluation of all initial offers

April 23 – May 6 – At the State's discretion, potential buyers within the competitive range will be invited to participate in additional offer rounds

April 23 – May 20 – Best and Final round, for competitive bidders to provide draft lease agreements

May 24 – May 28 – State evaluation of all best and final offers

The sale of the Orange County Fairgrounds is proceeding. The top bid submitted was \$56.6 million which was lower than the original estimate (\$96-108 million). DGS is continuing its due diligence related to the sale of the property. The sale of this property is not included in the Governor's 2010-11 revenue assumptions.

With regard to long-term leases, DGS indicates the first pilot site has been identified at the California Institute for Men Chino. It is a proposed ground lease for 150 acres and a Request for Proposal has been released, due back by the end of April 2010. The state owned property in question abuts the Chino Airport and would likely have an industrial use. At present, the Administration indicates no other property is being considered under the long-term lease authority.

LAO Comment. As part of its 2010-11 Fiscal Estimate, the LAO scored \$200 million in revenue from the sale-lease back of state buildings in 2010-11. In 2011-12, the LAO revenue estimate drops to \$170 million due to new lease payments the state would be making on state buildings after they have been sold and leased back. The LAO also notes that the authorizing legislation requires the Administration to provide the financial terms of the sale-lease back 30 days prior to completing the transaction. The LAO recommends that the Legislature take advantage of this opportunity to evaluate whether the transaction is in the state's best interests. This evaluation would involve weighing the benefits of the one-time revenue from the sale against the obligation of paying ongoing lease costs to the new owners.

COMMENTS

At the time this agenda was drafted, staff was not able to receive an update on the outcome of the bids due by April 14th for the sale of specified state owned buildings. Given the poor result of the bid-process for the Orange County Fairgrounds, it would be appropriate for the Committee to request on update on the outcome of those bids, as well as an update on where the Department plans to go from here.

The Committee may also wish to ask the Department of Finance if it has done a long-term cost-benefit analysis of the proposed property sales based on such bids. Included in that analysis, the Committee should request information on how much time is left before the bonds for each building are fully paid off.

ISSUE 6: CAPITOL REPAIRS FUNDING

The Governor requests a reduction of \$5.4 million in DGS's budget to reflect that DGS would no longer fund the cost of Capitol repairs and maintenance. Rather, DGS would still coordinate these activities but the cost of Capitol repairs and maintenance would be funded by the Legislature's budget. The Legislature suspended \$6.6 million in funding for capitol repairs in last years budget.

In 2006, a comprehensive assessment was undertaken to determine the infrastructure needs of the State Capitol Building. At the conclusion of that assessment, the Capitol Infrastructure Report (Report) was published detailing a list of needed repairs to the building including fire/life/safety and other critical repair and maintenance. A very rough estimate of outstanding needed repairs is \$100 million.

Capitol repair expenses relate to building repairs and improvement, not day-to-day operations and utility costs of the building. Capitol repair and maintenance items generally are programmed after consultation between the Legislature's Joint Rules Committee and DGS.

COMMENTS

The proposal does not provide funding in the Legislature's budget to cover these costs, and as such, it is effectively a reduction to the Legislature's budget. This is proposed as a permanent change. Regardless of where the funding for these repairs is budgeted, it still comes from the General Fund. As such, it appears the Governor's goal with this proposal is to reduce the Legislature's budget without actually saying he is doing it.

Additionally, the State Capitol Building is not just home to the Legislature and its staff, it additionally houses the Governor's office, Lieutenant Governor's Office, Department of Finance, California Highway Patrol, State Library satellite office, State Museum, public gift shop, two public cafeteria's, and above all else is a public building, open to the public. The State Capitol is here to serve the public as the house of government, a civic center, a historical monument, and a place of education.

This Committee may wish to direct staff to work with the Department, Governor's office, and Joint Legislative Rules Committee to determine the minimum funding necessary to maintain the safety of the State Capitol, and reduce the funding level accordingly, rather than focus on the politics of this proposal.

ISSUE 7: DIVISION OF STATE ARCHITECT – PROVISIONAL LANGUAGE

The Governor requests provisional language in the 2010-11 budget act to provide the Director of DGS with the authority to make changes to the Division of the State Architect's (DSA) budget to address workload issues.

The Division of the State Architect provides design and construction oversight for K–12 schools and community colleges, and develops and maintains accessibility standards and codes utilized in public and private buildings throughout the State of California. Prior to this proposed budget, the DSA has been “off budget” and continuously appropriated from fee revenues collected from DSA customers. The Governor’s budget proposes total funding for the DSA in 2010-11 of \$60.5 million (Disability Access Account - \$7 million; Public School Planning, Design, and Construction Review Revolving Fund - \$53.3 million; and, Certified Access Specialist Fund - \$270,000) and adds provisional language, effectively putting DSA “on budget.” The provisional language is comprised of five sections:

Section 1. Permits the DGS Director to augment DSA’s budget by up to ten percent when existing resources are insufficient for DSA to provide statutorily required services to customers and DSA has identified sufficient revenue and requires any permanent augmentation be submitted for review as part of the normal budget development process. If this authority is exercised, it requires the DGS Director to notify the Department of Finance (DOF) within 30 days of the amount augmented and to provide a justification.

Section 2. If the ten percent augmentation permitted in Section 1 is exhausted and resources are insufficient and DSA has identified sufficient revenue, it authorizes the DGS Director to further augment DSA’s budget. This Section does not contain a cap, but similar to Section 1, requires DSA to submit any permanent augmentation as part of the normal budget process.

Section 3. States that, in the absence of a budget, DSA has access to the fee revenue and can continue to operate.

Section 4. Authorizes the DGS Director to administratively establish positions on the basis of work and program needs of DSA and requires any permanent positions be submitted for review as part of the normal budget process.

Section 5. Declares that DSA positions shall be considered hard-to-fill and are therefore exempt from existing statute that requires the State Controller to abolish any position that has been vacant for six months. For any positions that have been previously designated as vacant and abolished by the Controller, authorizes the DGS Director to reestablish those positions.

COMMENTS

Staff notes that there have been complaints from the field, particularly from K-12 schools, about delays in project review by the DSA. Therefore, adopting the provisional language permits the Legislature greater ability to oversee and monitor an important program. However, it is difficult to determine if the proposed funding of \$60.5 million is an appropriate baseline. With no program history, because the item was "off budget," it is difficult to analyze true program needs. Further, staff notes that the language does not require notification to the Joint Legislative Budget Committee if DSA's budget is augmented, nor does it require approval from the Director of Finance as is more typical for such an action. Based on these concerns, it is appropriate for the Committee to direct staff to work with the Department of Finance and the Department to find the appropriate balance between flexibility and accountability for the proposed language.

ISSUE 8: AMERICANS WITH DISABILITIES ACT

In 1990, the Federal Americans With Disabilities Act (ADA) was signed into law by President George H. W. Bush. The law prohibits discrimination against disabled persons and sets forth applicable structural accessibility requirements.

The enactment of the ADA added a complexity to access laws in California. In the 1970s, the state of California adopted its own access codes (Title 24). Since California already had access codes in place before the ADA was adopted at the federal level, the moment the ADA went into effect California was confronted with a choice: either adhere to the most protective elements of both laws, or have the state's access laws 'certified' by the US Department of Justice (US DOJ) creating one code that combines the most protective elements of the ADA and Title 24 into one code. However, 20 years after the enactment of ADA, California has yet to get its access laws certified.

In 2008, the California Legislature passed bi-partisan legislation SB 1608-Corbett (Chapter 549, Statutes of 2008) aimed at addressing the compliance with the Americans with Disabilities Act. Specifically SB 1608 made Federal certification a priority by directing the Division of the State Architect within the Department of General Services (DGS) to submit our codes to the US DOJ by December 31, 2010 [Government Code Section 4450 (d)].

COMMENTS

While DGS still has over 8 months to submit the codes, it is appropriate for the Committee to request an update on the Department's progress in these efforts and for an estimated submittal date.

ITEM 8790 COMMISSION ON DISABILITY ACCESS

This Commission was established in SB 1608 (Chapter 549, Statutes of 2008) to act as an information center on disability access compliance, conduct various studies, compile reports regarding compliance, inspection programs, training and continuing education requirements, create a master compliance checklist for use by building inspectors, and evaluate the success of code sections intended to reduce unnecessary civil actions.

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$0	\$80,000	\$500,000
Personnel Years	0	0	3

This Commission was only created as of January 1, 2009.

ISSUE 1: APRIL FINANCE LETTER

The Governor requests \$500,000 and three staff positions to begin meeting the requirements of SB 1608, outlined above. The proposal is a “phased in” approach that will allow the Commission to begin fulfilling the requirements, but does not fully fund the Commission, according to the Governor’s office.

The Commission is a 17 member independent commission consisting of 11 public members and six ex officio nonvoting members. The stated goal of the Commission is promoting better compliance with the Americans with Disability Act (ADA).

SB 1608 appropriated \$80,000 to the Commission for 2008-09, but due to delays in appointing the Commissioners, that funding was carried over to 2009-10. It is not clear if that funding will be fully utilized in the current year or not.

The proposed funding would allow the Commission to conduct the study required in SB 1608 relative to specific problem areas and provide recommendations. The report is due no later than January 1, 2011. The funding is also intended to allow the Commission to act as an information center on the status of compliance with the ADA and state laws.

COMMENTS

This proposal is in line with the cost estimates provided for the bill, which estimated annual General Fund costs around \$600,000 to 800,000 with a five person staff.