

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

Assemblymember Rudy Bermudez, Chair

WEDNESDAY, MAY 11, 2005, 1:30 PM
STATE CAPITOL, ROOM 437

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OPEN ITEMS

ITEM 0690 OFFICE OF EMERGENCY SERVICES

The Office of Emergency Services (OES) coordinates the emergency activities of the state in an effort to save lives and reduce property damage during a disaster. The Office also coordinates recovery efforts after local and state declared emergencies.

OES is also the Administration's lead agency with regards to the distribution of the state's public safety grants.

Within the OES is the Office of Homeland Security (OHS) that is responsible for the development and coordination of a statewide strategy to address threats from terrorism. As part of this effort, OES provides funding for the California Anti-Terrorism Information Center.

ISSUE 1: DISASTER NOTIFICATION

In the April 27, 2005 hearing, a concern was raised regarding the agency's procedures for providing notification to members of the Legislature of the occurrence of a natural disaster in California. OES was asked to verify its policy for providing such notification.

In response, OES has proposed the implementation of the following procedures (1):

Proposed notification thresholds:

- Tsunami Watch or Warnings.
- Earthquake 5.0 or greater or causing damage or injuries.
- Incident causing greater than 50 injuries, e.g., major traffic accident.
- Incident or potential incident causing greater than 200 evacuations and a shelter was opened.
- Fire that is threatening habitable structures requiring large-scale evacuations.
- Incident that impacts the populace of an entire region, such as a very large electrical outage.

Under these protocols, notification to members will be based on verified information only, so it is likely that in some cases local news media reports may precede our notifications. Notifications to the Legislature will be based upon county boundaries of the event.

OES personnel have indicated that they have worked on developing protocol notification to members of the Legislature and or their designee.

To date those steps include:

- A meeting with Assemblymember Spitzer's office and design a preliminary manual notification test with Assemblymember Spitzer's office, and a district back-up was completed on April 28, 2005.
- Requesting funding from the Office of Homeland Security to upgrade OES's Dialogic System (automated notification capability) in order to fully implement project. Expected approval/denial date of request by Mid-May 2005. If approval is obtained, OES will formulate a timeframe for the upgrade completion and then develop an implementation plan with timeframes, including training and education to all internal and external participants. If denial of requests is received, OES will research the impact of a manual notification process.
- Examining the expansion of the Pilot test to include the Public Safety Committee. It is anticipated that expansion would occur in June 2005, with testing of the notification process with the Committee to occur in July 2005.
- Making initial contact with the Sergeant at Arms to discuss the notification process. The Sergeant at Arms is fine with the process and supportive. OES will notify the Sergeant at Arms each time members are notified in an effort to keep them abreast of the situation.

Proposed notification by OES will be based on county boundaries, rather than district boundaries, and have multiple options in which the members can choose for events and notifications.

(1) Source: Office of Emergency Services

Possible Budget Control Language:

0690-001-0001

Provision XX

Of the funds appropriated in this item, the Office of Emergency Services in cooperation with the Office of Homeland Security will implement procedures for the prompt notification of legislative members of actual and potential natural and man-made disasters that include: tsunami watch or warnings; earthquake 5.0 or greater or causing damage or injuries; Incidents causing greater than 50 injuries, e.g., major traffic accident; Incidents or potential incidents causing greater than 200 evacuations and a shelter was opened; fires that are threatening habitable structures requiring large-scale evacuations; incidents that impacts the populace of an entire region, such as a very large electrical outage.

ISSUE 2: FIRE MANAGEMENT ASSISTANCE GRANT PROGRAM

Fire Management Assistance is available to States, local and tribal governments, for the mitigation, management, and control of fires on publicly or privately owned forests or grasslands, which threaten such destruction as would constitute a major disaster. The Fire Management Assistance declaration process operates on a real-time basis, under which a State submits a request for assistance to the FEMA Regional Director at the time a "threat of major disaster" exists. The entire process is accomplished on an expedited basis and a FEMA decision is rendered in a matter of hours. Local entities in California must request funds while a fire is burning in an uncontrolled manner.

In order to qualify, a number of criteria must be made that include:

- The threat to lives and improved property, including threats to critical facilities and infrastructure, and critical watershed areas.
- The availability of resources at the local, operational area, regional and state levels.
- The existence of high fire danger conditions as indicated by a nationally accepted indices such as the National Fire Danger Rating System.
- The potential for major economic impact.

The Fire Management Assistance Grant Program (FMAGP) provides a 75 percent Federal cost share and the State pays the remaining 25 percent for actual costs. Before a FMAGP, grant can be awarded to a State must demonstrate that total eligible costs for the declared fire meet or exceed either the individual fire cost threshold, which is applied to each fire, or the cumulative fire cost threshold, which recognizes numerous smaller fires burning throughout a State. Eligible firefighting costs covered under the may include expenses for field camps; equipment use, repair and replacement; tools, materials and supplies; and mobilization and demobilization activities. The Office of Emergency Services manage the program in California.

The subcommittee may want to ask the department to report on the status of funds received over the past three year period.

ITEM 1920 STATE TEACHERS' RETIREMENT SYSTEM

The State Teachers' Retirement System (STRS) provides retirement related benefits and services to 735,000 active and retired educators in public schools from kindergarten through the community college level. The System provides three types of benefits; services retirement benefits, determined on the basis of member's age, years of service and final compensation; survivor benefits; and disability benefits.

The STRS board has twelve members; four ex-officio members including the Superintendent of Public Instruction, State Treasurer, State Controller, and the Director of Finance; three public members; one retiree of STRS; one member that is either a school board member or community college trustee; and three representatives elected by STRS members.

The main objectives of STRS include: the maintenance of a financially sound retirement system; the maintenance of efficient administrative operations; continuous improvement of the delivery of benefits, products, and services to STRS members; and the development and improvement of the benefits and products to STRS members.

ISSUE 1: INVESTMENT OF FUNDS

STRS has created a Business Diversity and Inclusion Committee to formulate and recommend inclusion practices for underrepresented businesses. At its first meeting on August 24, 2004, the Committee outlined a plan to meet three goals: outreach and mentoring; information gathering; and policy review. Plans for the second year include structure, focus and activities.

The activities of STRS include:

- The committee proposes to direct \$5 to \$15 million of private capital investments as part of the CalSTRS/Banc of America Capital Access Fund partnership, to provide goods and services to underserved markets. The Committee hopes to obligate the funds by June 2005.
- In June 2005, a conference in San Francisco will be held as an educational forum to discuss investments in underserved markets.
- CalSTRS New and Next Generation Manager Program proposes to invest \$100 million to private equity managers raising their first or second fund.
- Developing Manager Program manages \$600 million through 28 emerging firms owned by minorities and women. STRS also has identified 3 core managers controlling \$2 billion.
- Contracting to develop a database of financial services providers that include basic information of emerging firms and the services they provide. This database would include the identification of businesses owned by minorities, women, and disabled veterans.
- Development of a pamphlet on partnerships between CalSTRS and new capital investment firms.
- Development of a college intern program.

April 27 Hearing: The subcommittee asked STRS to provide information on the current status of agency investments managed by minority owned firms.

ITEM 8550 CALIFORNIA HORSE RACING BOARD

The California Horse Racing Board regulates pari-mutuel wagering with the goals of: promoting horse racing and breeding industries; and protecting bettors.

The California Horse Racing Board was created in 1933 pursuant to a constitutional amendment. The measure gave complete jurisdiction and supervision over all racing activities to the board. Pursuant to these powers, the board passed rules establishing the authority of the stewards, but made the stewards strictly and completely responsible to the board for all their actions.

The board is a seven-member commission appointed by the Governor. It supervises all race meetings in the state where pari-mutuel wagering is conducted. Principal activities of the board include: protecting the betting public; licensing of racing associations; sanctioning of every person who participates in any phase of horse racing; designating racing days and charity days; acting as a quasi-judicial body in matters pertaining to horse racing meets; collecting the state's lawful share of revenue derived from horse racing meets; and enforcing laws, rules, and regulations pertaining to horse racing in California.

The state's revenue from horse racing is principally derived from fees based upon a percentage of the pari-mutuel wagering pools, breakage (the odds cents not paid to winning ticket holders), and unclaimed tickets. Additional revenue is derived from licenses issued to horse owners, trainers, jockeys, grooms and others, and from fines.

The Governor's Budget proposes expenditures of \$8.7 million in the budget year. This is similar to estimated expenditures in the current year.

ISSUE 1: EQUINE LAB TESTING

The California Horse Racing Board (CHRB) approved a contract with the Kenneth L. Maddy Laboratory (located on the University of California, Davis campus, as part of the California Animal Health and Food Safety Laboratory) to perform equine testing of all post race test samples collected from the state's race tracks. Under the current contract, the Maddy Laboratory performs laboratory tests on one third of the samples, and two thirds of samples being tested by Truesdail Laboratories.

Business and Professions (B&P) Code Section 19577 (g) directs the Board to "contract with the Regents of the University of California to have one-third of the routine equine drug testing required by this section performed by the California Animal Health and Food Safety Laboratory.

B&P Section 19578 (a) states that it is the intent of the Legislature that the board contract with the Regents of the University of California to provide equine drug testing. It is further the intent of the Legislature that to the extent that resources are available,

the California Animal Health and Food Safety Laboratory perform studies that may lead to the development of alternative or improved drug testing techniques.

In the April 27, 2005 hearing the subcommittee had questions regarding the circumstances surrounding the decision to move forward with a new contract between the Horse Racing Board and the Maddy Laboratories.

Response from the Board states that the contract was consistent the B&P Code and the State Administrative Manual. The Board also indicates that the recommendation to convert the contract was made by the staff, and not Dr. Ron Jensen, the Board's Medical Director.

ITEMS TO BE HEARD

ITEM 0820 DEPARTMENT OF JUSTICE

ISSUE 1: MANDATE CHILD ABDUCTION AND RECOVERY

Under provisions of Family Code Sections 3130 et. seq. (Chapter 1399, Statutes of 1976) the district attorney, on behalf of the court, is directed to take all actions necessary to locate a custodian of a child involved in a child custody determination. When the location of the custodian is not known or there is a reason to believe that the custodian may not appear with the child as ordered by the court. The district attorneys are also directed to take all actions necessary to locate and return a child and custodian acting in violation of custody or visitation order. The use of civil or criminal proceedings is authorized under this Act. Costs incurred by the district attorney are reimbursable by the state under Section 3134. Under the provisions of this Act, local district attorneys are reimbursed for investigative costs that are associated with child abduction cases in other states. In addition, local entities are able to provide reciprocal assistance in cases where the child is brought to the state from other states or even other countries.

According to the LAO, counties have submitted claims associated with the implementation of these statutes totaling \$13 million. It is their estimate that the total claims will total at least \$14 million for the current year.

The Administration proposes the repeal of this mandate for the budget year. This would result in savings of at least \$14 million. Current law precludes the State's ability to continue the mandate while deferring the costs of reimbursement.

ISSUE 2: SEXUAL PREDATOR PUBLIC INFORMATION ACCOUNT – TECHNICAL ADJUSTMENT

The Governor's Budget proposes expenditures of \$670,000 from the Sexual Predator Public Information Account in 2005-06. This is an increase of \$612,000 over the estimated current year expenditures of \$58,000 in the current year. Penal Code Section 290.4 currently limits expenditures to \$600,000.

The Administration proposes budget bill language to authorize the expenditure of additional funds notwithstanding the limitations identified in the Penal Code. The Administration has not chosen to pursue permanent repeal of this limit, as it has not agreed to support ongoing funding at a higher level. This would be prudent, as the estimated revenues to the fund are not expected to exceed \$600,000 for the budget year.

The proposed budget bill language:

Item 0820-001-0256***Provision XX***

Notwithstanding Section 290.4 (a) (5) (D) of the Penal Code, the Department of Justice may expend the amount appropriated in this item.

The proposed language was adopted by the Senate Budget Subcommittee.

**ISSUE 3: FORENSIC EQUIPMENT AUGMENTATION - GOVERNOR'S BUDGET /
FINANCE LETTER**

The Governor's Budget proposes the addition of \$1.5 million from the General Fund in support of the purchase of equipment for the Bureau of Forensic Services. The request will be used to purchase replacement equipment, however it is not clear if the Department intends to purchase new equipment with these funds.

The department has provided a listing of its high priority needs in the budget year, however it has not provided information on the total departmental needs nor has it provided the details of a multi-year plan for the purchase of needed equipment.

The April 1, 2005 Finance Letter proposes an additional one-time augmentation of \$1 million. The Finance Letter does not provide any detail on how those funds would be used.

ITEM 5240 DEPARTMENT OF CORRECTIONS

ISSUE 1: MEDICAL COSTS

The Administration proposes medical services costs of \$1.096 billion in the budget year. This cost is approximately \$18 per day per inmate. This compares with estimated costs of less than \$7 a day per inmate for the State of Texas.

In January 2000 the Bureau of State Audits recommended that the Department of Corrections report to the Legislature on its progress in adopting managed care techniques.

In April 2004, the Bureau of State Audits (BSA) recommended that the Department of Corrections improve its contracting procedures for seeking medical services. This audit targeted the high costs of providing inpatient and outpatient services to inmates by community hospitals. Between the 1998-99 and 2002-03 the cost of payments to community hospitals increased from \$53.2 million to \$112.6 million. The BSA had attributed most of the increase during that time period to higher costs per visit. During this review, the audit discovered that costs charged to the department by over half of the 15 hospitals studied ranged from twice to eight times the Medicare rate.

Also contributing to the cost of medical services to inmates is the need to provide guarding of the inmates to often remote providers of care. The ratio of guards to patients appears to be at least two guards to each inmate unless provisions are made to house the inmate in a secure (locked) medical treatment facility.

During a review of 1100 procedures provided at the California Medical Facility (Vacaville) during 1999 and 2000, a private vendor has projected the possibility of substantial savings using mobile services. These estimates have not yet been verified.

In the April 27th hearing, the subcommittee reduced the medical services budget by ten percent to reflect targeted savings associated with the implementation of a reorganization plan.

The subcommittee may want to seek additional savings from the department related to medical services currently provided by community hospitals possibly exploring the use of medical treatment options that are closer to the institution.

ITEM 5240 DEPARTMENT OF CORRECTIONS

ISSUE 2: MINISTERIAL WORKLOAD

In California's state prisons, the prisoner to clergy ratio ranges from 1200:1 to 2200:1. This ratio makes it difficult to adequately provide ministerial services to the inmates. This is substantially higher inmate to clergy ratio than is recommended by ministerial groups.

The American Federation of State County and Municipal Employees (AFSCME) contends that adequate staffing levels for ministers in prisons are an important component in the rehabilitation of inmates. This would ultimately contribute to lower recidivism rates and therefore lower costs to the State.

The addition of 47 chaplain positions would cost \$3.325 million

ITEM 8180 PAYMENT TO COUNTIES FOR COSTS OF HOMICIDE TRIALS

The Government Code provides for reimbursement to counties for the extraordinary costs associated with homicide trials. Costs that exceed .0125 percent of the county's property tax revenues are eligible for reimbursement from the State Controller. Costs under this provision do not include normal salaries and expenses or costs incurred by the trial courts.

ISSUE 1: AB 250 (MATTHEWS) COST INCURRED BY THE COUNTY OF MERCED

AB 250 seeks reimbursement of 100 percent of the costs incurred by the County of Merced related to the investigation and prosecution of Cuitlahuac Tahua Rivera, who has been accused of the homicide of a Merced Police Department Officer Stephan Grey. Reimbursement to Merced County would require an appropriation for this purpose in Item #8180 in the Budget Act. Under current law, the county would have to absorb \$732,235 in costs before being eligible for reimbursement by the State. The county estimates its total costs associated with this trial to be \$1.6 million. As a result of this bill, the county would save over \$700,000 in trial costs that would otherwise come from local resources. The county believes it will incur extraordinary costs for witness security and from a likely change of venue during the course of this trial. At this time, the actual trial date is not known so it is not clear how much of the total costs would be claimed by Merced County during 2005-06.