

AGENDA
SUBCOMMITTEE No. 1
ON HEALTH AND HUMAN SERVICES

PART 1

ASSEMBLYMEMBER PATTY BERG, CHAIR

WEDNESDAY, MAY 28, 2008
STATE CAPITOL, ROOM 4202
3:30 P.M. OR UPON CALL OF THE CHAIR

ITEMS TO BE HEARD

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4265 DEPARTMENT OF PUBLIC HEALTH

ISSUE 1: RESTORATION OF SELECTED BUDGET BALANCING REDUCTIONS

The following table lists the Governor's Budget Balancing Reductions Proposed for restoration. The restored BBRs include those that the Legislative Analyst's Office restored in their alternative budget proposal on the basis that they fund direct services. In addition, the restorations would include the Alzheimer's Disease Program (which provides diagnostic assistance in addition to research), a reduction in the Vector Control Program that should be replaced with fees, and a Veterinary Public Health Program reduction that is not feasible because it would result in the prohibition of the importation of all "wild" animals for zoos, motion pictures and TV, or any other purpose.

| Department of Public Health Governor's Budget-Balancing Reduction (BBR) Proposals Selected BBRs Proposed for Rejection May 28, 2008 (in thousands) | | | | |
|---|---|--|------------------------------|---|
| BBR page # | Department | Title | 2008-09 BBR Proposed Savings | Comments |
| Center for Chronic Disease Prevention and Health Promotion | | | | |
| 363 | 4265- Department of Public Health | Prostate Cancer Treatment Program (IMPACT) | \$ 365 | 10% cut to UCLA contract (\$277,220) and state oversight(\$87,780). Will result in fewer men receiving treatment in the program. LAO alternative budget. |
| 375 | 4265- Department of Public Health | Alzheimer's Disease Program | 692 | 10% cut to research center contracts and multiyear research grants, 5% cut to training and education funds, and 10% cut to program evaluation contract. Assists families by providing diagnostic services. |
| 377 | 4265- Department of Public Health | Children's Dental Disease Prevention Program | 326 | 10% cut to in for local school-based oral health programs, which receive \$10/child. Eliminates funding for 32,500 children. LAO alternative budget. |
| 379 | 4265- Department of Public Health | Preventive Health Care for Adults | 125 | 10% cut to grants to 11 local health departments for comprehensive health assessments of persons age 50 or older. BBR indicates that 4,000 fewer people would receive assessments. LAO alternative budget. |

| Center for Family Health | | | | |
|---------------------------------|---|---|---------|--|
| 418 | 4265- Department of Public Health | Information & Education Local Assistance | 159 | 10% cut to grants to 27 schools and CBOs for teen programs to promote responsible reproductive health and sexual behavior. LAO alternative budget. |
| 419 | 4265- Department of Public Health | Male Involvement Program | 115 | 10% cut to 21 grantees. BBR states that 2,400 fewer young men will be served. LAO alternative budget. |
| 420 | 4265- Department of Public Health | TeenSMART Outreach Grants | 91 | BBR estimates that cut will eliminate services to 30,000 of 154,000 teens currently served. LAO alternative budget. |
| 421 | 4265- Department of Public Health | Adolescent Family Life Program Local Assistance Contracts | 1194 | 6% reduction to 41 contractors in 37 counties. BBR indicates that the number of pregnant and parenting teens served will decline from the current 18,000 to 16,900. LAO alternative budget. |
| 422 | 4265- Department of Public Health | Black Infant Health Local Assistance Contracts | 390 | 4% cut to 17 contracts. BBR estimates that 556 fewer pregnant and parenting teens will be served (out of current 13,900). LAO alternative budget. |
| 427 | 4265- Department of Public Health | Domestic Violence Program--Local Assistance | 2,269 | 10% cut to grants to 94 shelters and to 4 technical assistance and training contracts. LAO alternative budget. |
| Office of AIDS | | | | |
| 434 | 4265- Department of Public Health | AIDS Education & Prevention | (1,600) | See Issue under Office of AIDS for specific action. |
| 440 | 4265- Department of Public Health | AIDS Therapeutic Monitoring Program | (300) | See Issue under Office of AIDS for specific action. |
| 443 | 4265- Department of Public Health | AIDS Drug Assistance Program (ADAP) | (7,000) | See Issue under Office of AIDS for specific action. |

| Division of Communicable Disease Control | | | | |
|--|---|--|-------------|---|
| 458 | 4265- Department of Public Health | Vector Control Program | (94) 141 | Eliminates 1 personnel-year of staff. eliminates DPH certification of local government vector control personal who use pesticides and results in closure of the Santa Rosa field office, significantly reducing surveillance for Lyme Disease in the North Coast region. Fund through certification fee adjustment (\$94,000) and \$141,00 GF restoration. |
| 460 | 4265- Department of Public Health | Veterinary Public Health Program | 61 | Eliminates one position. Would eliminate existing permit program for importation of wild animals and simply prohibit importation of all wild animals instead. Reduction is not practicable. |
| 471 | 4265- Department of Public Health | Tuberculosis Control - Housing - local assistance | 748 | 10% reduction to county base awards, food and shelter grants, and civil detention program funds. LAO alternative budget. |

STAFF COMMENTS

- The Subcommittee initially heard all of the BBR proposals during its January Special Session hearings. The Subcommittee also heard the LAO alternative budget approach at its hearing on April 7th.
- The total General Fund cost of the restorations listed in the table above is \$6,676,000. In addition, \$94,000 of additional fee revenue (from certification of local vector control personnel) is required.
- Other BBR proposals are (or have been) addressed in separate actions. In the absence of a specific Subcommittee action to reject or modify a BBR proposal, it remains unchanged in the budget.

Staff Recommendation: Approve the restorations listed in the table above.

ISSUE 2: OFFICE OF AIDS PROGRAMS

The Subcommittee discussed the Governor's proposed reductions to HIV/AIDS programs at its April 7th hearing and held them open. Since that hearing, the Office of AIDS (OA) has reviewed and revised its estimates of expenditures for the AIDS Drug Assistance Program (ADAP), the largest of these programs, and of the condition of the ADAP Drug Rebate Fund. These revisions are based on recent data showing higher program spending. As a result, the May Revision projects that ADAP expenditures in 2008-09 will be \$45.4 million higher than estimated in the Governor's Budget. The May Revision finances the increased ADAP cost from the ADAP Drug Rebate Fund. The Governor's Budget projected an \$80-million reserve in the ADAP Drug Rebate Fund in 2008-09. The May Revision now estimates that the reserve will be \$54.3 million resulting from a combination of higher spending partially offset by a larger amount of drug rebate revenues. These estimates, however, are subject to some uncertainty, however, because OA currently lacks a detailed model and a validated methodology for the ADAP estimate. Instead, OA has used some simple projections and assumptions to make the best estimate that it can at this point, pending the development of a more rigorous and detailed model over the summer and fall.

Proposed Restorations

- **ADAP—Restore \$7 million from the ADAP Drug Rebate Fund.** This restoration, which the LAO also recommends, will restore the \$7 million BBR reduction proposed by the Governor. That reduction would be achieved by reducing the ADAP formulary—drugs covered by ADAP—to eliminate some classes of drugs that do not treat HIV/AIDS itself or opportunistic infections that attack AIDS patients with compromised immune systems. The OA indicates, based on consultation with the ADAP Medical Advisory Committee (MAC), that it plans to implement the BBR by eliminating many of the drugs that treat conditions that often affect AIDS patients, such as drugs that treat wasting, blood disorders, and anti-convulsions.

This restoration would be accomplished by drawing an additional \$7 million from the drug rebate fund.

- **Therapeutic Monitoring—Restore \$4.3 million indirectly funded by the ADAP Drug Rebate Fund.** This restoration includes \$4 million to continue the level of funding provided in the current year and \$300,000 to eliminate an additional BBR cut. These reductions would total 53.8 percent. This program provides access to specific laboratory tests (viral load and resistance testing) through a voucher-based program for low income, HIV-infected Californians who are uninsured or underinsured. HIV therapeutic monitoring provides clinicians with the objective tools to measure the efficacy of a particular course of highly active antiretroviral therapy (HAART), thereby increasing successful outcomes, and ensuring the quality of life and longevity of HIV-infected persons. Based on surveys conducted last year, there is an annual need for approximately 60,000

testing vouchers. Reducing current funding by more than half would force LHJs to divert money from other existing programs to meet some of the unfunded need for testing and it will place many HIV/AIDS patients who are not able to access tests at risk of ineffective treatment.

This restoration involves two steps: First, a General Fund augmentation of \$4.3 million to restore funding for Therapeutic Monitoring. Second, a funding shift of \$4.3 million from the General Fund to the ADAP Drug Rebate Fund within ADAP. Overall, there is no impact on the General Fund. Together with the ADAP restoration above, these actions would still leave a balance of \$43 million in the ADAP Drug Rebate Fund at the end of 2008-09.

- ***Education and Prevention--Restore \$5.2 million partially offset by \$1.35 million savings in the Department of Mental Health***). The Governor's budget eliminates \$5.6 million of General Fund support that the Legislature has provided annually since 2005-06 in order to maintain existing ongoing funding levels for approximately 47 Local Health Jurisdictions (LHJs). In addition, the budget includes a BBR reduction of \$1.6 million. The overall funding reduction for this program would be 19.1 percent. The Education and Prevention Program provides funding to LHJs, community-based organizations (CBOs), service providers, advocacy organizations, universities, and other state and federal agencies to develop and implement focused HIV education and prevention programs. The program's primary goals are preventing HIV transmission, changing individual attitudes about HIV and risk behaviors, promoting the development of risk-reduction skills, and changing community norms that may sanction unsafe sexual and drug-taking behaviors.

This partial restoration involves three steps: First, add \$5.6 million to restore the ongoing level of funding. Second, extend the Governor's BBR cut to the restoration amount, increasing the BBR cut from \$1.6 million to \$1.958 million (a net restoration of \$5.242 million General Fund). Third, recognize \$1.35 million of savings from the action in the Department of Mental Health Budget to eliminate the AIDS Counseling Program.

STAFF COMMENTS

- Adoption of the following Budget Bill Language would make legislative intent explicit regarding the ADAP restoration:

The Office of AIDS and the Department of Public Health shall not adopt exclude any drugs from the AIDS Drug Assistance Program (ADAP) Formulary for the purpose of reducing ADAP spending to achieve the \$7 million savings proposed by the Governor on page 443 of the Budget Balancing Reduction Summaries included with the 2008-09 Governor's Budget. Funding shall be maintained using the AIDS Drug Assistance Program Drug Rebate Fund.

- Budget Bill language, consistent with Senate action, should be included in the DPH item to continue existing funding for the Hemophilia contract from the funding shifted from the Department of Mental Health budget.

Staff Recommendation: Approve the restorations proposed above and the proposed Budget Bill language.

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| ISSUE 3: LICENSING AND CERTIFICATION FEES |
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The Subcommittee discussed the Licensing and Certification (L&C) Program at its hearing on May 5th and heard testimony from a number of affected parties expressing concern over the substantial fee increases for the licensing and certification of health facilities that were being proposed by the Administration. As shown in Table 1, most of these increases exceeded 15 percent and a few exceeded 200 percent. Furthermore, these increases came on top of substantial fee increases in the current year that were necessary to begin the implementation of "right-sizing" to make the L&C Program essentially self-financing.

Table 1. Governor's Proposed Changes to Licensing and Certification Fees

| Facility Type | Fee Basis | 2007-08 Fee | Proposed 2008-09 Fee | Difference | Percent Change |
|------------------------------------|--------------|-------------|----------------------|------------|----------------|
| Referral Agencies | per facility | \$6,798.11 | \$6,216.49 | -\$582 | -8.6% |
| Adult Day Health Centers | per facility | \$4,383.14 | \$5,030.16 | \$647 | 14.7% |
| Home Health Agencies | per facility | \$3,867.14 | \$5,260.47 | \$1,393 | 36% |
| Community-Based Clinics | per facility | \$871.13 | \$1,349.93 | \$479 | 55% |
| Psychology Clinic | per facility | \$2,296.58 | \$3,565.26 | \$1,268 | 55% |
| Rehabilitation Clinic (for profit) | per facility | \$402.20 | \$1,103.60 | \$702 | 172% |
| Rehabilitation Clinic (non-profit) | per facility | \$402.20 | \$1,103.60 | \$702 | 172% |
| Surgical Clinic | per facility | \$2,842.08 | \$2,694.73 | -\$148 | -5.2% |
| Chronic Dialysis Clinic | per facility | \$3,238.98 | \$3,405.79 | \$166 | 5.1% |
| Pediatric Day Health/Respite | per bed | \$138.30 | \$195.89 | \$58 | 4.2% |
| Alternative Birthing Centers | per facility | \$1,710.20 | \$2,983.92 | \$1,274 | 74.5% |
| Hospice (2-year license) | per facility | \$723.86 | \$2,221.40 | \$1,497 | 206% |
| General Acute Care Hospitals | per bed | \$309.07 | \$255.46 | -\$54 | -17.5% |
| Acute Psychiatric Hospitals | per bed | \$309.07 | \$255.46 | -\$54 | -17.5% |
| Special Hospitals | per bed | \$309.07 | \$255.46 | -\$54 | -17.5% |
| Chemical Dependency Recovery | per bed | \$200.29 | \$177.49 | -\$23 | -11.5% |
| Congregate Living Facility | per bed | \$250.77 | \$292.20 | \$41 | 16.3% |
| Skilled Nursing | per bed | \$250.77 | \$292.20 | \$41 | 16.3% |
| Intermediate Care Facility (ICF) | per bed | \$250.77 | \$292.20 | \$41 | 16.3% |
| ICF-Developmentally Disabled | per bed | \$469.81 | \$1,307.72 | \$837 | 178% |
| ICF—DD Habilitative, DD Nursing | per bed | \$469.81 | \$1,307.72 | \$837 | 178% |
| Correctional Treatment Centers | per bed | \$806.53 | \$832.67 | \$26 | 3.3% |

Through a number of means, the Legislature has acted to mitigate the Administration's substantial fee increases, including requiring improved time keeping systems, the unbundling of facility types to more appropriately allocate costs, adjusting state staffing requirements, recognizing other revenues collected by the L&C Division to offset L&C Fees, and providing a small General Fund subsidy for certain non-profit community-based facilities.

Proposed Actions

The actions proposed below would conform with Senate subcommittee actions and they will result in significantly lower fees than those proposed by the Governor's Budget, as shown in Table 2 below. Fees will be reduced from their current level, except for a small increase for hospitals.

| Facility Type | Fee Category | Current 2007-08 Fee | Governor's 2008-09 Fee | Proposed 2008-09 Fee | Difference |
|------------------------------------|--------------|---------------------|------------------------|----------------------|-------------|
| Referral Agencies | per facility | \$6,798.11 | \$6,216.49 | \$3,564.16 | -\$2,652.33 |
| Adult Day Health Centers | per facility | \$4,383.14 | \$5,030.16 | \$3,995.61 | -\$1,034.55 |
| Home Health Agencies | per facility | \$3,867.14 | \$5,260.47 | \$4,159.42 | -\$1,101.05 |
| Community-Based Clinics | per facility | \$871.13 | \$1,349.93 | \$600.00 | -\$749.93 |
| Psychology Clinic | per facility | \$2,296.58 | \$3,565.26 | \$1,100.00 | -\$2,465.26 |
| Rehabilitation Clinic (for profit) | per facility | \$402.20 | \$1,103.60 | \$200.00 | -\$903.60 |
| Surgical Clinic | per facility | \$2,842.08 | \$2,694.73 | \$1,918.00 | -\$776.73 |
| Chronic Dialysis Clinic | per facility | \$3,238.98 | \$3,405.79 | \$2,932.86 | -\$472.93 |
| Pediatric Day Health/Respite | per bed | \$138.30 | \$195.89 | \$154.62 | -\$41.27 |
| Alternative Birthing Centers | per facility | \$1,710.20 | \$2,983.92 | \$2,430.90 | -\$553.02 |
| Hospice (2-year license) | per facility | \$723.86 | \$2,221.40 | \$1,875.47 | -\$345.93 |
| General Acute Care Hospitals | per bed | \$309.07 | \$255.46 | \$257.77 | +\$2.31 |
| Acute Psychiatric Hospitals | per bed | \$309.07 | \$255.46 | \$257.77 | +\$2.31 |
| Special Hospitals | per bed | \$309.07 | \$255.46 | \$257.77 | +\$2.31 |
| Chemical Dependency Recovery | per bed | \$200.29 | \$177.49 | \$144.59 | -\$32.90 |
| Congregate Living Facility | per bed | \$250.77 | \$292.20 | \$285.65 | -\$6.55 |
| Skilled Nursing | per bed | \$250.77 | \$292.20 | \$285.65 | -\$6.55 |
| Intermediate Care Facility (ICF) | per bed | \$250.77 | \$292.20 | \$285.65 | -\$6.55 |
| ICF-Developmentally Disabled | per bed | \$469.81 | \$1,307.72 | \$1,008.39 | -\$299.33 |
| ICF—DD Habilitative, DD Nursing | per bed | \$469.81 | \$1,307.72 | \$1,008.39 | -\$299.33 |
| Correctional Treatment Centers | per bed | \$806.53 | \$832.67 | \$274.03 | -\$558.64 |

Specifically, the actions required to achieve the revised fee structure (and to achieve \$2.3 million of General Fund savings) are as follows:

1. Eliminate the General Fund subsidy for L&C fees. This results in savings of \$2.3 million (General Fund) as compared to the Governor.
2. Finance \$431,000 of fee support budgeted for implementation of SB 739 (Speier) for hospital infection enforcement within the hospital categories only.
3. Delete the \$478,000 (L&C Fee) budgeted price increase funding.

4. Revises the funding credits for change of ownership, initial application fees, and late fees so that these additional revenues are applied towards reducing the L&C Fee (no increases were done to any of the credit categories). This updated revenue offset to the L&C Fees is \$3.9 million.
5. Applies a higher staffing productivity factor—the standard 1,800-hour annual staffing assumption per full-time employee in lieu of the 1,364 hour standard, which resulted in a lowering of the number of staff needed for conducting certain L&C work and thereby lowered the fee to be paid. This action also includes related Budget Bill language.
6. Applies \$7.7 million in salary savings relief which reduces the L&C Fees. These salary savings are spread across most of the health facility categories.
7. Adopt placeholder trailer bill legislation to require the DPH to provide a brief narrative of all baseline adjustments and dollar amounts assumed for calculation of the L&C Fees, including the basis for its workload assumptions and a comparison of the prior year's L&C Fees (i.e., 2007-08 in this case) with the baseline L&C Fees for the budget year (i.e., 2008-09). This information would be included in the annual L&C Fee Report.

Technical Adjustment. In addition to the above L&C Fee adjustments, the Department of Finance (DOF) is also requesting a technical adjustment to the L&C Division's baseline budget. Specifically they are proposing a reduction of \$2.273 million (L&C Fees) to the January baseline budget to align baseline expenditures. No concerns have been raised regarding this bottom line reduction. According to the Administration there is no affect on L&C Fees from this technical adjustment. It is therefore recommended to approve this adjustment too.

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| STAFF COMMENTS |
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Staff Recommendation: Approve the actions listed above to reduce fees substantially below those proposed by the Governor and to provide \$2.3 million of General Fund savings.

ISSUE 4: PROPOSITION 99 CIGARETTE & TOBACCO PRODUCT SURTAX FUNDS

The Governor's May Revision reflects a continued decline in Proposition 99 revenues for both 2007-08 and 2008-09. Specifically, the current year is estimated to be reduced further by \$7 million and 2008-09 is estimated to be reduced by \$15 million.

The DOF states that the projected decrease in revenues is primarily attributable to larger annual declines in cigarette consumption than had been assumed previously based on an analysis of historical consumption data. In addition, the forecast reflects a modest downward adjustment in the 18 to 64 population. The revised 2007-08 projection also incorporates updated data on cash collections.

Due to the decrease in revenues, the Governor's May Revision reflects decreases in funding for the California Healthcare for Indigents Program (CHIP) and the Rural Health Services Program totaling \$3 million in 2007-08 and \$9.8 million in 2008-09.

Key programs as proposed by the Governor's May Revision are as follows:

- **California Healthcare for the Indigent Program.** The Administration decreases this program from a total of \$31.4 million in January to a total of \$22.3 million at the May Revision. This is due to a decline in revenues and a need to maintain caseload adjustments in other programs, most notably the Access for Infants and Mothers (AIM) Program which provides pregnancy services under the Managed Risk Medical Insurance Board.

It should be noted that funding assistance for uncompensated physician emergency medical services within the California Healthcare for Indigent Persons Program and the Rural Health Services Program is maintained at \$24.8 million

- **Breast Cancer Early Detection.** No changes.
- **Expanded Access to Primary Care Clinics.** No changes from January 2008-09 budget are proposed. But the 2008-09 level is \$13.2 million (Proposition 99 Funds) less than provided in the current year. This is due to the revenue decline and caseload increases in the Access for Infants and Mothers Program (AIM), as well as funding the Managed Risk Medical Insurance Program (MRMIP).

- ***Asthma.*** No changes.
- ***Children's Hospitals.*** No changes.
- ***Orthopedic Hospital Settlement.*** No changes.
- ***Various Health Education Programs.*** No changes.

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| STAFF COMMENTS |
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Staff Recommendation—Modify the May Revision. As noted, Proposition 99 revenues continue to decline. As such, it is important to utilize these funds as efficiently and as effectively as possible. To this end, it is recommended to delete the \$339,000 (Proposition 99 Funds) provided to Children's Hospitals and to direct these funds to the Expanded Access to Primary Care Clinics (EAPC). This action would help backfill for the General Fund reduction to the EPAC Program, as identified in issue #17, above in the Agenda. These funds can provide almost 5,000 clinic visits. In the overall context of hospital funding, this amount is very minor.

ISSUE 5: BABY BIG SHORTFALL

This is a late request from the Administration.

On May 15, 2008, the Department of Public Health informed DOF that additional expenditure authority is needed in the current and budget years for the BabyBIG program. The program is fully fee supported and all expenditures are from the Infant Botulism Treatment and Prevention Fund. The increase requested is as follows:

2007-08:

Current authority: \$2,532,000
Total costs: \$4,004,000
Shortfall: (\$1,472,000)

2008-09:

May Revise approved level: \$3,949,000
Estimated costs: \$5,955,000
Additional need: (\$2,006,000)

The increase in expenditures is primarily due to new federal Food and Drug Administration requirements and additional manufacturing costs associated with the Lot 4 production of BabyBIG. Sufficient reserves are available in the special fund to cover these additional expenditures. Without an increase in expenditure authority in the current year, the completion of Lot 4 will be jeopardized. Additional resources also will be needed in the budget year. The Administration is requesting an increase to the 2008-09 budget for Item 4265-001-0272 of \$2,006,000.

The Administration will be working with the Legislature to identify an appropriate stand-alone vehicle to increase the current year authority.

STAFF COMMENTS

- It appears that DPH failed to notify DOF or the Legislature of the need for additional spending authority for production of the BabyBIG drug in a timely manner.
- Given the late date, DPH should explain why it needs a current-year increase rather than rolling all of the additional funding into 2008-09.

ISSUE 6: CLEAN DRINKING WATER RURAL GROUNDWATER PILOT PROGRAM

As part of the effort to address nitrate contamination of drinking water supplies in rural communities a pilot project has been developed by environmental justice advocates working in consultation with DPH, the State Water Resources Control Board, and legislative staff. The proposed action would place in conference a proposal to appropriate \$2 million (out of the total allocation of \$60 million) of Proposition 84 bond funds designated for loans and grants to prevent or reduce contamination of groundwater for drinking. The pilot project would focus on two areas—the Salinas Valley and Tulare County. Both have significant groundwater contamination problems. This action is being proposed in coordination with actions by Subcommittee 3.

Proposal: The specific actions proposed are as follows:

Appropriate \$2 million of Proposition 84 bond funds (Section 75025 of the Public Resources Code) to DPH to contract with the State Water Resources Control Board and add the following budget bill language designating that the funds shall be used for the following purposes:

Of the amount appropriated in this item, \$2 million shall be used to contract with the State Water Resources Control Board to carry out the following tasks regarding rural areas with contaminated groundwater supplies for drinking in Tulare County and the Salinas Valley:

1. Identify categories of dischargers of nitrates into groundwater and estimate the proportion of nitrates each category of discharger is responsible for contributing with a particular focus on areas in which the department is funding or considering funding remediation or prevention projects with bond funds.
2. Determine feasible solutions including remediation of groundwater aquifers and alternatives, such as regional treatment facilities, to ensure that communities impacted by nitrates have safe drinking water.
3. Estimate the cost of feasible solutions and potential financial plans that would be capable of financing those solutions in order to ensure the ongoing maintenance of bond fund projects and potentially to leverage bond funds by the use of revolving loans or supplemental financing for projects.

STAFF COMMENTS

Staff recommends adoption of the proposed bond fund appropriation and language in order to place this issue in Conference (in the context of overall expenditure planning for Proposition 84 bond funds).

ISSUE 7: RICHMOND LABORATORY MODIFICATIONS

The Administration is proposing an augmentation of \$2.5 million (General Fund) for the construction of modifications at the Viral and Rickettsial Disease Laboratory which is part of the DPH's Richmond Laboratory complex.

The DPH states that changes are desired for this laboratory to meet newly established guidelines for "enhanced" bio-safety Level III laboratories as determined by the U.S. Department of Agriculture, federal Centers for Disease Control and Prevention (CDC) and National Institutes for Health (NIH).

The DPH contends that compliance with these "enhanced" guidelines is essential for the safe growing, handling and examining of potentially high pathogenic influenza viral agents, thereby continuing the state's ability to respond quickly and control a potential outbreak of pandemic flu.

STAFF COMMENTS

Presently the Viral and Rickettsial Disease Laboratory meets bio-safety Level III preparedness but not the new "enhanced" level. As noted the "enhanced" guidelines are relatively new. According to the DPH, there presently are no states in the nation that meet "enhanced" guidelines.

The only laboratories certified to safely handle the Avian ("bird") Influenza viruses is the federal CDC laboratories located in Atlanta, Georgia; Ames, Iowa; and Fort Collins, Colorado. The DPH states that in the event a case of Avian Influenza is suspected here in California, the general protocol is to use the federal CDC laboratories to conduct confirmatory testing.

Further, the DPH states where there have been two known instances where potential Influenza samples were sent to the federal CDC by the DPH for confirmation. *In both instances, the initial testing was conducted at the Richmond Laboratory complex with the federal CDC conducting the confirmatory analysis.*

Finally, the Administration notes that no other funding sources—federal or special funds—can be identified to be expended for this purpose.

Staff Recommendation: In light of the state's severe fiscal crisis, and the availability of federal CDC "enhanced" bio-safety Level III laboratories to California for the specified purposes, it is recommended to defer this construction for one year.