

ACTION**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE**

Assembly Member Bonilla, Chair

TUESDAY, MAY 10, 2011
STATE CAPITOL, ROOM 444
9AM**ITEMS TO BE HEARD**

ITEM	DESCRIPTION	PAGE
6110	DEPARTMENT OF EDUCATION	
ISSUE 1	K-14 EDUCATION MANDATES WORKING GROUP REPORT (INFORMATION ONLY – NO ACTIONS)	
ISSUE 2	2010 SUPPLEMENTAL REPORT LANGUAGE: COUNTY COURT SCHOOL FUNDING (INFORMATION ONLY – NO ACTIONS)	
6120	CALIFORNIA STATE LIBRARY	
ISSUE 1	CALIFORNIA STATE LIBRARY RELOCATION FOR INFRASTRUCTURE RENOVATION, YEAR FOUR ACTION: APPROVE AS BUDGETED VOTE: 5-0	
ISSUE 2	SUTRO LIBRARY RELOCATION ACTION: APPROVE AS BUDGETED VOTE: 3-2	
ISSUE 3	FUNDING FOR CALIFORNIA CULTURAL AND HISTORICAL ENDOWMENT (CCHE) PROJECT MONITORING AND FISCAL OVERSIGHT APPROVE AS BUDGETED VOTE: 3-2	
	PUBLIC COMMENT	

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: K-14 EDUCATION MANDATES WORKING GROUP REPORT

The Legislative Analyst's Office (LAO) will present a report of the K-14 Mandates Working Group required by AB 1610 (Committee on Budget), Chapter 724, Statutes of 2010.

PANELISTS

- Jim Soland - Legislative Analyst's Office
- Department of Education
- Department of Finance

BACKGROUND:

AB 1610 (Committee on Budget), Chapter 724, Statutes of 2010 required the LAO to convene a work group to discuss the future of school district and community college mandates. The work group included representatives from the LAO, Department of Finance (DOF), California Department of Education (CDE), California Community College (CCC) Chancellor's Office, and staff of the fiscal and policy committees of the Legislature. The legislation also required the work group to consult with appropriate stakeholders and develop recommendations, including whether to preserve, modify, or eliminate particular K-14 mandates.

To carry out its directive, the work group divided into two subgroups: one to discuss the 35 mandates that affect K-12 education only and the other to discuss the ten CCC-only mandates. The subgroups met separately throughout late 2010 and early 2011.

The work group's findings and recommendations were compiled by the LAO in a "white paper" that does the following:

- 1) Identifies problems with the current mandate system,
- 2) Discusses three ways to improve the overall mandate system,
- 3) Lays out three options for addressing specific K-12 mandates as well as mandates affecting both school districts and community colleges, and
- 4) Provides a generally comprehensive reform package for addressing CCC-only mandates.

Problems with the current mandate system. The white paper identifies several problems with the current education mandate system. As reflected in Figure 1, the current system creates many problems for both the state and districts. Though the list of problems listed below is not exhaustive, the work group believed these problems generally encompassed the most pervasive system-wide shortcomings.

Figure 1

Problems With the Current Education Mandate System

- ✓ System not responsive to changing needs.
- ✓ State costs can be higher than anticipated.
- ✓ Regulations also can create mandates, further increasing state costs without legislative input.
- ✓ High percentage of audited district claims ultimately disallowed.
- ✓ Districts face considerable uncertainty regarding timing and amount of reimbursements.
- ✓ Reimbursement process ignores effectiveness.
- ✓ Reimbursement process can reward inefficiency.
- ✓ Reimbursement rates can vary greatly without justification.
- ✓ Claiming process creates significant administrative burden for districts.

Three ways to improve the overall system. The group generally believed these three goals should guide reform efforts and considered various options to achieve them, which are outlined below. However, despite broad agreement on these goals, there was not consensus on how exactly to achieve them or how to apply them to individual mandates.

1) ***Reduce Cost of Current Mandates to the Extent Appropriate Given Policy Implications.*** The group generally believed mandate costs could be further reduced without undermining important state policies. To this end, the group identified four basic options the Legislature has at its disposal to further reduce state mandate costs, though not all work group members supported each approach. These options are discussed below.

- Keep Mandate but Modify Funding Source.
- Eliminate Specific Mandated Activities but Retain Overarching Policy Objective.
- Suspend Mandate.
- Eliminate Mandate in Whole or Part.

- 2) ***Simplify K-14 Mandate Finance System.*** In general, the group also believed the K-14 mandates finance system should be simplified to the extent possible. Simplifying the finance system could help address many of the problems with the current system. For example, a more streamlined finance system, if designed effectively, could reduce the administrative burden for districts associated with claiming and auditing. For the state, such a system could also help contain costs and reduce the high variability in mandate claims from year to year. In addition, a new system could provide more opportunities for the state to monitor effectiveness by shifting the emphasis of the audit process from compliance to outcomes. To achieve these goals, the work group focused primarily on two specific options.
- **Pay for More Mandates Using RRM.** The first option, developing a formula-based approach to reimbursement called a “Reasonable Reimbursement Methodologies” (RRMs) for each mandate, would standardize reimbursement rates for districts on a case-by-case basis. This particular approach would yield relatively minor benefits because it would continue to fund mandates using the same overall reimbursement system and probably could not apply to all K-14 mandates (due partially to these factors, this option is now available but rarely used for K-14 mandates).
 - **Replace Existing Reimbursement System With Block Grant.** The second option, developing an education mandates block grant, would create a new system for funding mandates and has the potential to do even more to address the problems with the current system than an RRM, though a poorly designed block grant could undermine many of these benefits.
- 3) ***Create More Direct Process for Legislature to Consider Cost of New Mandates.*** As previously discussed, several aspects of the mandate finance system make it difficult for the Legislature to accurately estimate associated costs. Given this challenge, several members of the work group (and several representatives from constituency groups) recommended finding a way for the Legislature to reconsider mandates when associated costs become more certain. For example, the Legislature could have a process for reconsidering original authorizing legislation and attaching an appropriation to it once an associated cost estimate is available. That is, rather than have the Legislature only consider mandate costs on an ad-hoc basis (which often means the costs are never evaluated by the appropriate committees), the state would have an official trigger to re-open laws that create mandates when costs are established.

Three options for addressing specific K-12 mandates and shared K-14 mandates.

The group agreed that specific mandates should be maintained only if they serve a fundamental statewide interest. Group members disagreed, however, on how to define “statewide interest,” as well as which mandates fit a particular definition.

Given the group was not able to reach consensus on a single definition and associated mandates, the LAO provides three options that could be used to address specific K-12 and shared K-14 mandates. The group did not unanimously agree on which mandates should be identified under each definition of statewide interest and each option is merely an illustration of how a mandate reform package might look based on varying definitions.

Each option is ordered from the most to least restrictive definition of a statewide interest (rather than being ordered by priority or level of group support). Figure 2 provides cost estimates for each of the three illustrative packages.

Figure 2						
Cost Estimates for Three Potential K-14 Mandate Packages						
<i>(In Millions)</i>						
	Definition of “Statewide Interest:”					
	Narrow		Broader		Broadest	
	Number	Cost ^a	Number	Cost ^a	Number	Cost ^a
Fund without modification	6	\$18.3	10	\$14.3	13	\$24.2
Reduce costs and fund ^b	6	20.6	12	31.1	12	49.3
Eliminate	27	—	17	—	2	—
Review by policy committees	—	—	—	—	12	13.4
Totals	39	\$38.9	39	\$45.4	39	\$86.9

^a Cost estimates include community college claims for shared K-14 mandates.
^b Cost estimate assumes changes to the mandates reduce annual claims by 25 percent.

Figure 3 shows how each specific K-12 mandate might be treated under the three packages.

Figure 3

Three Potential Packages by Specific K-14 Mandate^a

Mandate	Definition of Statewide Interest:		
	Narrow	Broader	Broadest ^b
County Office of Education Fiscal Accountability Reporting	Fund	Fund	Fund
High School Exit Examination	Fund	Fund	Fund
Intradistrict Attendance	Fund	Fund	Review
Pupil Promotion and Retention	Fund	Fund	Fund
School District Fiscal Accountability Reporting	Fund	Fund	Fund
Annual Parent Notification	Reduce	Reduce	Reduce
Charter Schools I, II, III	Reduce	Reduce	Reduce
Criminal Background Checks	Reduce	Reduce	Reduce
Criminal Background Checks II	Reduce	Reduce	Reduce
Mandate Reimbursement Process ^a	Reduce	Reduce	Reduce
School Accountability Report Cards	Reduce	Reduce	Reduce
Agency Fee Arrangements ^a	Eliminate	Eliminate	Review
AIDS Prevention Instruction II	Eliminate	Reduce	Review
California State Teachers' Retirement System (CalSTRS) Service Credits	Eliminate	Reduce	Review
Caregiver Affidavits	Eliminate	Eliminate	Review
Collective Bargaining	Eliminate	Fund	Fund
Comprehensive School Safety Plans	Eliminate	Reduce	Reduce
Differential Pay and Reemployment	Eliminate	Fund	Fund
Expulsion of Pupils Transcript Cost for Appeals	Eliminate	Eliminate	Fund
Financial and Compliance Audits	Eliminate	Eliminate	Fund
Habitual Truant	Eliminate	Eliminate	Review
Immunization Records	Eliminate	Reduce	Reduce
Immunization Records—Hepatitis B	Eliminate	Reduce	Reduce
Juvenile Court Notices II	Eliminate	Fund	Fund
Law Enforcement Agency Notification	Eliminate	Eliminate	Review
Notification of Truancy	Eliminate	Eliminate	Review
Notification to Teachers: Pupils Subject to Suspension or Expulsion	Eliminate	Eliminate	Reduce
Physical Education Reports	Eliminate	Eliminate	Review
Physical Performance Tests	Eliminate	Eliminate	Review
Prevailing Wage Rate ^a	Eliminate	Eliminate	Review
Pupil Health Screenings	Eliminate	Reduce	Reduce
Pupil Residency Verification and Appeals	Eliminate	Eliminate	Eliminate
Pupil Safety Notices	Eliminate	Fund	Fund
Pupil Suspensions, Expulsions, and Expulsion Appeals	Eliminate	Eliminate	Fund
Removal of Chemicals	Eliminate	Eliminate	Review
School District Reorganization	Eliminate	Fund	Fund
Scoliosis Screening	Eliminate	Eliminate	Eliminate
The Stull Act	Eliminate	Eliminate	Review

^a Shared K-14 mandates.

^b Mandates designated as review would be sent to policy committees for deliberation. Mandates designated as "reduce" would have their costs reduced going forward.

- **Option 1: Eliminate All Mandates Except Those Related to Parental Notification.** One option is to define statewide interest very narrowly to include only those policies that give parents educational choices and provide them the information they need to make associated decisions. Under this option, school districts would still provide data through School Accountability Report Cards about their academic performance and environment, notify parents annually of certain school- or district-wide policies, and allow students to transfer within or across districts and attend charter schools. Otherwise, school districts would largely be relieved from performing the mandated activities now required of them. This approach would drastically reduce the workload that mandates create for school districts and eliminate much of the state's costs. We estimate a mandate package that used this approach would cost the state roughly \$30 million annually. (Current claims for K-12 mandates total just over \$100 million annually.)
- **Option 2: Preserve Only Mandates Related to Accountability, Health, and Safety.** Another option is to expand the definition of statewide interest to include the above mandates and add those mandates necessary for the state to oversee and hold schools accountable, as well as keep students safe. This approach would eliminate all but roughly a dozen mandates and reduce annual costs to roughly \$40 million. This approach has been laid out in detail in a 2008 report by the LAO, *Education Mandates: Overhauling a Broken System*.
- **Option 3: Reduce Costs for Many Mandates, Send the Rest to Policy Committees.** Another option is to reduce the cost of existing mandates to the extent possible, permanently eliminate a handful of mandates that are already suspended, and then allow policy committees to define which remaining mandates serve a statewide interest. One possible mandates package using this approach would fund roughly 12 mandates without modification, reduce costs for 11 mandates, eliminate 2 mandates, and address an additional 13 mandates through policy committees. Though the exact cost of this package would depend on its details, a rough estimate suggests costs could total over \$85 million annually and could be reduced further depending on the outcome of the policy committee process.

Despite Different Options, General Agreement That Some Specific Mandates Could Be Less Costly.

Despite the different definitions of statewide interest that various members of the group supported, there was general agreement among group members that certain mandates could be operated more cost effectively. As shown in Figure 3, all three options would reduce costs for six mandates. Another five mandates were identified in all three options either for cost reduction or outright elimination. By examining these 11 mandates more closely, the state could potentially reduce costs for over a quarter of existing K-12 and shared K-14 mandates.

Reform package for addressing Community College Mandates. Although the K-12 subgroup was unable to settle on one K-12 mandate package, the CCC subgroup achieved some notable agreement and developed a generally comprehensive CCC

mandate reform package. Attachment A summarizes each of the ten CCC-only mandates and indicates the subgroup's position (or positions) on each one. While some areas of disagreement remain, members of the CCC subgroup were able to reach general agreement on the potential treatment of several mandates.

Related Legislation. The following bills were introduced during the 2011-12 Legislative Session.

- **AB 202 (Brownley).** Requires a periodic review of statutes creating a reimbursable state mandate, and a determination by the Legislature whether they should be amended, repealed or remain unchanged. The bill intends to reduce administrative costs that the mandate process places on local educational agencies; streamline procedures and reduce workloads for everyone involved to shrink processing time for claims; and reduce long - term liability to the state for mandate reimbursements.

Status: Assembly Appropriations Committee

- **SB 64 (Liu).** Addresses the underlying need to reform the process for mandate evaluation and reimbursement and designed to make the mandates system simpler, timely, and equitable. More specifically, the bill would:
 - Create a collaborative process for educators and state agencies to resolve most mandate questions without litigation or excessive delays.
 - Require routine reviews of mandated cost guidelines so that inequities or excessive costs are avoided.
 - Require the Commission on State Mandates, for purposes of a school district test claim, to adopt parameters and guidelines reflecting reimbursement methodology preferences, as specified.

Status: Senate Appropriations

- **SB 887 (Emmerson).** Enacts the Streamlined Temporary Mandate Process Act of 2011 as a voluntary, temporary, streamlined alternative mandate reimbursement process for LEAs from 2011–12 through 2014–15. The bill would suspend, but fund 38 mandates currently applicable to local educational agencies during this timeframe. LEAs would annually self-certify they have complied with intent of statutes and regulations for each of the mandates, except for any requirements regarding compliance and claiming issues.

Funding would be based upon an equal amount per unit of prior-year enrollment for LEAs, determined by an appropriation made in the annual budget act, providing no less than an unspecified amount that would be adequate to encourage participation by eligible local educational agencies in the streamlined temporary mandate process. The Superintendent of Public Instruction would establish and convene a task force charged with developing a permanent state process for mandate

reimbursement that is cost effective for local educational agencies and responsive to state policy goals.

Status: Senate Education Committee

STAFF COMMENTS:

The LAO points out that while the work group is submitting a collective report to the Legislature, the options included in the report were not agreed upon unanimously and do not necessarily reflect the opinion of any given work group member. As such, the options should only be viewed as ideas for the Legislature to consider and may be modified or combined to best meet its objectives.

QUESTIONS:**K-12 Mandate Questions:**

Can the LAO provide an update on the full costs of funding K-14 mandates in 2011-12, as reflected by the final claims from the State Controller's Office for 2009-10?

Can the LAO provide some thoughts on the fiscal trade-offs of funding the existing system?

Can the LAO provide more background on the Reasonable Reimbursement Methodology (RRM), which is referenced in the working group report? How has RRM been utilized for K-14 mandates? What are the benefits and risks? Who is typically at the table negotiating RRM?

What opportunities exist for reducing the costs of mandates through school finance and categorical reform?

Community College Questions:

When the Controller's Office audits the CCC mandate claims, what is the error or disallowance rate that they find?

Enrollment Fee Collection and Waivers Mandate: Did the mandates working group suggest solutions for how to reduce the cost of the enrollment fee mandate (currently over \$23 million annually)? What would be the policy implication of eliminating the enrollment fee mandate? Would some students potentially lose their BOG waivers?

Health Fees and Services Mandate: This mandate only applies to those districts that provided health services in 1986-87. How many districts currently have to comply with this mandate? Is there any compelling policy reason to have a mandate that applies only to some community college districts and not to others?

ISSUE 2: 2010 SUPPLEMENTAL REPORT LANGUAGE: COUNTY COURT SCHOOL FUNDING

The Legislative Analyst's Office (LAO) will present their report on County Court School Funding and offer recommendations to the Subcommittee.

PANELISTS

- Jim Soland - Legislative Analyst's Office
- Department of Education
- Department of Finance

BACKGROUND:

County Court Schools. County boards of education are responsible for the administration and operation of juvenile court schools, which include juvenile halls, ranches, camps and other programs. Statewide, court schools serve roughly 13,500 youths. Any other background info that might be useful?

Court School Funding. County court schools are funded through Proposition 98 formulas that allocate dollars automatically based upon the number of students they serve. The largest share of formula funding is from court school revenue limits. Base revenue limit funds, as adjusted for annual COLAs, are allocated based upon student average daily attendance (ADA).

In 2010-11, court school revenue limits were budgeted at \$X per pupil or approximately \$115.3 million total. The Budget Act passed by the Legislature in March 2011 provided a total of \$X million in revenue limit funding for court schools for 2011-12.

In addition to revenue limits, court schools can earn certain state categorical funds based on student counts. The funds are allocated through the county office of education (COE).

COEs also receive State Lottery funds – including Lottery Instructional Materials funds as well as funds for several federal programs, most notably NCLB Title I, Special Education, and Nutrition (School Meals). The American Recovery and Reinvestment Act (ARRA) provided significant, one-time funding increases for federal Title I and Special Education programs in 2009-10. These ARRA funds are available for expenditure until September 30, 2011.

Court school access to existing categorical funding streams. Court schools generally earn state categorical funds for various student counts through the COE, which in turn allocates funds to court schools and other programs. COEs are not eligible to receive as many categorical funds as school districts. For example, during last year's Subcommittee hearings it was found that county court schools were not eligible to receive Economic Impact Aid (EIA) funds which provide important additional

resources for economically disadvantaged students and English learners. As a result of this finding, the 2010-11 Budget Act authorized court schools operated by a county superintendent of schools to receive EIA funding.

2010-11 Supplemental Report Language. Based on the finding that COEs were not eligible to receive as many categorical funds as school districts, the Subcommittee took action last year to adopt Supplemental Report Language that required the LAO to assess whether county court schools have access to an appropriate array of categorical funds, including access to Economic Impact Aid.

The Subcommittee also adopted Supplemental Report Language that asked the LAO to reexamine the funding levels for court schools and alternative school programs to make sure that formulas are aligned to programmatic need and reflect an effective local continuum of programs. In particular, court school rates, community school, and community day school rates should be harmonized.

The report was due April 1, 2011, however, at the time this agenda went to print the report had not yet been released. The LAO anticipates the report will be available May 10, 2011.

The Legislative Analyst's Office will present an overview of their report and provide recommendations for the Subcommittee at today's hearing.

RECOMMENDED QUESTIONS

Jim: Rachel provided questions related to her SRL consolidation report since she couldn't give me an advanced copy of the report to write my own questions. Are there any questions you'd like me to add that would help facilitate a discussion about your report?

ATTACHMENT A

Figure 4

Mandates Work Group—California Community Colleges (CCC)*(Dollars in Thousands)*

Mandate	2008-09 Claims ^a	Requirements	Work Group Members' Conclusions/Recommendations
Sex Offenders: Disclosure by Law Enforcement Officers	—	Campus police must register students who are sex offenders living on campus.	There was broad agreement to fund this mandate, which serves a compelling public-safety purpose with negligible, if any, costs to the state.
Cal Grant Grade Point Average	—	Districts must calculate students' grade point average (GPA) and submit information to the California Student Aid Commission to determine eligibility for Cal Grant awards.	The group came to a general understanding that leaving these two mandates on the books would not be particularly problematic because costs likely would be covered by a district's financial aid administration funding. Specifically, budget bill language specifies that the funding each district receives annually for financial aid administration must first be used to offset any costs associated with the Cal Grant GPA and Tuition Fee Waiver mandates.
Tuition Fee Waivers (Exemption from Nonresident Tuition)	\$637	Districts must determine students' residence status and charge specified fees to non-residents. Certain students (such as nonresident members of the military and AB 540 students) are entitled by law to pay the in-state resident fee. Districts must waive enrollment fees entirely for non-resident dependents of victims of the 9/11 attacks.	
Enrollment Fee Collection and Waivers	23,810	Districts must collect enrollment fees and waive fees for financially needy students.	The group did not reach consensus on this mandate. The CCC Chancellor's Office maintains that, to the extent the Legislature desires CCC to perform these duties, the mandate should be fully funded. The LAO recommended the state eliminate the mandate and instead create a strong incentive for districts to perform these duties by reducing their General Fund support by the amount of fee revenues they decline to collect. A third approach would be to retain the mandate but reduce claim costs by inserting new language into the annual budget act. Such language could specify that the funds districts receive for financial aid administration be counted as an offset to district costs for waiving enrollment fees—similar to how the Cal Grant GPA and Tuition Fee Waiver mandates are currently treated (see above). While the precise fiscal impact is unknown, this approach could reduce the cost of claims by millions of dollars.

Mandate	2008-09 Claims ^a	Requirements	Work Group Members' Conclusions/Recommendations
Health Fees/ Services	\$6,094	Each district is required to provide students at least the level of health services it provided in 1986-87. Fee that districts may charge for health services is capped.	Members of the work group did not reach consensus on whether to eliminate or fully fund this mandate. Instead, it was proposed that various options be considered. Among other things, the Legislature could consider whether to eliminate the mandate and health-fee cap, and instead authorize CCC students to hold campus-wide elections to determine whether they want to impose a health-center fee on themselves, and if so, (1) the level of the fee, (2) which types of students would be required to pay it, and (3) the level of service that would be provided. (Statute already permits such elections for purposes of determining whether a transit fee should be imposed on students.)
Sexual Assault Response Procedures	3	Districts must adopt policies and procedures on campus response if students are sexually assaulted.	The group generally agreed that these three mandates appear to be unnecessary. Federal law addresses each issue through the Clery Act, which establishes detailed activities and reporting requirements with regard to campus safety and law enforcement. Moreover, as a result of federal, state, and local policies, campuses have undertaken as standard operating procedures activities to prevent, mitigate, and report crimes on campus.
Student Records	—	Districts must inform the alleged victim of sexual assault or physical abuse whether the alleged perpetrator was subject to campus disciplinary actions.	
Law Enforcement College Jurisdiction Agreements	160	Campus police must develop and update (as needed) agreements with local law enforcement agencies concerning which agency has responsibility for investigating violent crimes occurring on campus.	
Integrated Waste Management	6,050	Districts must divert from landfills a specified percentage of their solid waste through reduction, recycling, and composting activities, and develop and report annually on their ability to meet solid-waste diversion goals.	There was broad agreement to eliminate this mandate. (It is currently suspended.) In so doing, CCC would be treated the same way as K-12 districts, which are encouraged—but not required—to comply with diversion goals. Like K-12 schools, it is likely that colleges would continue to participate in waste-diversion programs.
Reporting Improper Governmental Activities	5	Districts must pay for all costs of State Personnel Board hearings (as well as certain other related activities) if an employee files a complaint with the Board alleging retaliation by the district for whistleblowing.	The work group did not reach consensus on this mandate. The LAO and some others in the group recommend its elimination, arguing that state law already provides protections and legal recourses for whistleblowers. By eliminating this mandate, CCC would be treated the same as K-12 schools. Others in the group are inclined to retain and fully fund the mandate, reasoning that potential benefits of the requirement for district employees are worth the relatively small annual costs the state has incurred to date for this mandate.

^a Unaudited.

6120 CALIFORNIA STATE LIBRARY (CSL)**ISSUE 1: CALIFORNIA STATE LIBRARY RELOCATION FOR INFRASTRUCTURE RENOVATION, YEAR FOUR**

The issue before the Subcommittee is the Governor's budget change proposal requesting a continuation of funding of \$707,000 for the 2011-12 budget year to cover rental, utilities and other costs related to the temporary move offsite of the State Library's collection during the ongoing renovation of the historic Library and Courts Building. The funding requested for this project is based on the renovation project timeline as it currently exists.

Operating Expenses & Equipment	2011-12
Facilities Operations	501,000
Utilities	97,000
Consulting & Professional Services (External: DGS)	109,000
Total Expenditure	\$707,000

PANELISTS

- Stacie Aldrich, California State Library
- Debbie Newton, California State Library
- Steve Boilard, Legislative Analyst's Office
- Lisa Mierczynski, Department of Finance

BACKGROUND

The State Library was established under Education Code, Title 1, Division 1, Part 11, Chapter 7, Article 1-4, Sections 19300-10334, and is a public research institution with a five-fold mission:

- 1) serving the needs of elected officials and state agency employees;
- 2) preserving the State's cultural heritage by collecting historic materials on California and the West;
- 3) assisting public libraries through financial aid and consulting services;
- 4) offering special services to disadvantaged and disabled clients; and
- 5) ensuring that the general public has convenient and consistent access to its resources.

From 1928 to 2009 the State Library was housed in the Library and Courts Building at 914 Capitol Mall. The building was designed as a library with the necessary public reading rooms and stack space for the collection. The State Library and Court of Appeal

were tenants in this State building, which is operated and maintained by the Department of General Services (DGS).

The richly detailed and appointed building is a registered federal and state landmark. The building has received minimal updating, excluding a recent partial seismic retrofit in the late 1990s.

The Budget Act of 2005-06 appropriated Building Construction funds for the renovation of the historic Library and Courts Building in Sacramento as a Department of General Services (DGS) renovation and construction project. The project consists of fire, life safety, infrastructure improvement and rehabilitation of historically significant architectural elements of the circa 1928 Library and Courts Building.

The DGS determined that phasing construction to maintain occupancy of the building during construction was infeasible and instructed the State Library and the Court of Appeal that alternative space would be needed during the construction period. Both the State Library and Court requested and received funding in the 2008-09 through 2010-11 fiscal years for the temporary relocation of staff and files/collection materials out of the Library and Courts Building and the lease and operating costs of the remote space.

The temporary relocation of the contents of the State Library's six-story book storage core, the California Supreme Court, and the Court of Appeal from their historically significant venues was an enormous undertaking that began in January 2009 and completed in June 2009.

JUSTIFICATION

The DGS has extended the renovation timeline, which currently estimates that the construction phase will be complete and the State Library will begin its move back to the Library and Courts Building by the end of November 2012. Under this revised timeline, the State Library must continue operating at the West Sacramento facility during the 2010-11, 2011-12, and 2012-13 fiscal years. With this BCP, the State Library requests an additional year of temporary funding to maintain the lease for the West Sacramento facility and to pay for routine operating expenses including utilities and courier services during the 2011-12 fiscal year.

This budget year request is \$111,000 higher than the current year's budget because:

- PG&E and SMUD charges amounted to \$97,000 during the last 12 months period. Department of Finance has been monitoring utility charges at the West Sacramento facility after adjusting the climate controls in order to provide the book collections a safe storage and retrieval environment. DOF has finally obtained a full year of data to accurately estimate utility charges at the West Sacramento facility. In prior years, these charges were taken from other general fund sources. Since these fund sources are experiencing continual reductions, they can no longer be used to support a subsidy of the utility charges.

- This request also includes the anticipated \$12,000 increase in courier services and van rental, and \$2,000 increase in the lease consultant contract. The courier services contract is to provide books and library materials delivery services to and from the West Sacramento facility twice each day.

This project is consistent with Goal 3 of CSL's Strategic Plan: Promote an environment that ensures the effectiveness of California State Library operations and equips staff with the resources, processes and professional development to be successful.

TIMETABLE

The relocation of Library and Courts staff and materials from the historic Library and Courts Building began in January 2009 and completed in June 2009. Occupancy of the West Sacramento leased facility is anticipated to last approximately four years and six months. The full term of the facility occupancy will be driven by the renovation/construction timeline, but there is no doubt that the leased facility will be needed for the duration of the 2011-12 fiscal year.

This budget change proposal requests funding for Year 4 costs. The estimated five year total costs are:

Year 1	FY 2008-09	\$2,636,000
Year 2	FY 2009-10	\$595,000
Year 3	FY 2010-11	\$596,000
Year 4	FY 2011-12	\$707,000
Year 5	FY 2012-13	\$3,432,000

Estimated total CSL Project Costs: **\$7,966,000**

ACTION

**Action: Approve as Budgeted
Vote: 5-0**

ISSUE 2: SUTRO LIBRARY RELOCATION

The issue before the Subcommittee is the Governor's budget change proposal requesting a \$490,000 augmentation for the budget year and \$225,000 for each subsequent year to support the relocation of the Sutro Library Branch to the newly renovated J Paul Leonard and Sutro Library (JPLSL). This BCP requests funds for:

- \$320,000 to cover one-time costs to relocate Sutro Library from its current location to JPLSL during the budget year. This includes removing and reattaching industrial shelving; moving library collections and materials (including invaluable rare book collections), and relocating network and phone lines.
- Ongoing costs associated with Sutro Library's occupancy of the fifth and sixth floors of the JPLSL. An augmentation of \$170,000 is requested for the budget year (FY 2011-12) and \$225,000 for subsequent years.

PANELISTS

- Stacie Aldrich, California State Library
- Debbie Newton, California State Library
- Steve Boilard, Legislative Analyst's Office
- Lisa Mierczynski, Department of Finance

BACKGROUND

Sutro Library holds a distinguished collection of rare books and manuscripts and is viewed as one of the foremost collections in the country of family histories and U.S. local histories. Sutro Library was originally formed from the private library of former San Francisco mayor Adolph Sutro. Following his death, his heirs donated his library collections to the State in 1913 with the provision that these collections always remain within the city and county of San Francisco. (Statutes of 1915:822, Chapter 492). Since that date, Sutro Library has been housed in various facilities including the San Francisco Public Library and University of San Francisco. In 1983, Sutro Library moved to its present location at 480 Winston Drive into a modular structure placed on land owned by the University.

On February 22, 2005, understanding the need to create a diversified joint use library for Sutro Library and J Paul Leonard Library, whereby Sutro Library would obtain a homestead and J Paul Library would obtain much needed meeting and studying areas, Senator Migden introduced SB 682 to completely renovate the J Paul Leonard Library. This bill was signed into law by Governor Schwarzenegger on September 27, 2006. This statute appropriated \$12,421,000 to the CSL from the Public Buildings Construction Fund for preliminary plans, working drawings, construction, and equipment, and \$104,132,000 to CSU for preliminary plans, working drawings, and

construction of the J Paul Leonard Library and Sutro Library joint project on the University campus.

On February 8, 2007, the Trustees (on behalf of the University) and CSL (on behalf of the Sutro Library) entered into a Project Management Agreement for the expansion and renovation of a joint J Paul Leonard and Sutro Library of the University, an addition and renovation project. The University has undertaken the construction of the project with an estimated completion date of November 2011.

JUSTIFICATION

This budget change proposal is consistent with and necessary to the accomplishment of the State Library's mission as defined under Education Code Sections 19320 et. Seq. and the State Library's goals and objectives defined under the strategic plan framework adopted in July 2010.

Funding augmentation requests included in this BCP are calculated as follows:

Budget Year

One-time move-related costs	\$320,000
Projected annual operating	\$202,000
Expenses at JPLSL (8 months x \$25,250)	
Offset-redirected current operating costs	\$(32,500)
(5 months x \$6,500)	

Total Budget Year 2011-12 Request: \$489,500

Budget Year +1 and Subsequent Years (new baseline)

Projected annual operating expenses	\$303,000
@ JPLSL (12 months x \$25,250)	
Offset with redirected current operating	\$(78,000)
costs (12 months x \$6,500)	

Total Baseline Request (BY+1 and ongoing): \$225,000

ACTION

Action: Approve as Budgeted
Vote: 3-2

ISSUE 3: FUNDING FOR CALIFORNIA CULTURAL AND HISTORICAL ENDOWMENT (CCHE) PROJECT MONITORING AND FISCAL OVERSIGHT

The issue before the Subcommittee is the Governor's budget change proposal requesting an augmentation for State Operations of \$207,000 over the current year level of \$890,000, for a total of \$1.097 million in 2011-12. Funding is requested from the residual in the Historic and Cultural Resource Preservation Fund of Proposition 40.

This augmentation will fund activities that have been shifted to fiscal year 2011-12 and the survey mandated by the founding legislation (AB 716, Chapter 1126, Statutes of 2002).

PANELISTS

- Stacie Aldrich, California State Library
- Debbie Newton, California State Library
- Steve Boilard, Legislative Analyst's Office
- Lisa Mierczynski, Department of Finance

BACKGROUND

On March 5, 2002, voters approved Proposition 40 (The California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act), a \$2.6 billion bond to conserve natural resources, to acquire and improve state and local parks, and to preserve historical and cultural resources. In the Budget Act of 2003, the California Cultural and Historical Endowment received an appropriation of \$128.4 million from the Proposition 40 funds. That amount included \$122 million for grants and \$6.4 million for state operations, to be expedited through June 30, 2015.

AB 716 (Firebaugh, Chapter 1126, Statutes of 2002) established the California Cultural and Historical Endowment (CCHE), consisting of a specified membership, in the California State Library to administer the historical and cultural resources grants and loan program. This legislation required the CCHE to encourage development of a systematic and coordinated assemblage of buildings, sites, artifacts, museums, written materials, and displays to preserve and tell the stories of California as a unified society.

This bill further required that the CCHE undertake a comprehensive survey of the state of cultural and historical preservation and report to the Governor and Legislature by November 1, 2005. The CCHE was unable to complete the survey by the 2005 deadline due to both the consuming workload of CCHE's grant-making program and the complexity of the task.

The current Executive Officer came on board in a full-time capacity in March 2009 and began work in earnest on the survey requirement in 2009. The CCHE contracted with a vendor in 2009-10 to initiate work on the survey. Interviews with statewide thought-

leaders in the field of cultural heritage were conducted, along with two stakeholder meetings to discuss the progress of the CCHE and the approaches that could be taken to fulfill the survey requirements. The CCHE is currently recruiting to fill a survey coordinator position. The survey is now planned for completion by June 30, 2012.

The survey will result in the creation of a statewide cultural resource database and related policy recommendations. This information will produce a broader understanding of why and how the State should preserve its historical and cultural resources. This information should lead to new approaches, partnerships, and possibly new comprehensive state policies to efficiently preserve California's historic and cultural resources.

The CCHE plans to expend no more than \$300,000 over fiscal years 2010-11 and 2012-13 for survey costs that will include:

- Holding public hearings.
- Assessing the assemblage of existing building, sites, artifacts, etc. for their inclusion of the story of California.
- Evaluating the impact of such sites to local economies.
- Making recommendations on ways to encourage continued preservation, maintenance and restoration of historic properties, including financial incentives and government agency organization.

JUSTIFICATION

The Governor's request for fiscal year 2011-12 would provide an augmentation of \$207,000, for a total of \$1.097 million in order to enable the CCHE to finalize the statutorily required comprehensive cultural survey. This request does not have an impact to the state's General Fund.

Operating Expenses & Equipment	Budget Year
General Expense	\$69,000
Printing	\$5,000
Communications	\$15,000
Postage	\$2,000
Travel-in State	\$20,000
Consulting & Professional Services – External	\$96,000
Total	\$207,000

ACTION

Action: Approve as Budgeted

Vote: 3-2