

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
STATE ADMINISTRATION

ASSEMBLYMEMBER GEORGE NAKANO, CHAIR

WEDNESDAY, APRIL 10TH, 2002
STATE CAPITOL, ROOM 437
1:30 P.M.

CONSENT CALENDAR

ITEM	DESCRIPTION	PAGE
1880	STATE PERSONNEL BOARD	3
1900	PERS	3
1920	STRS	3
8300	AGRICULTURAL LABOR RELATIONS BOARD	3
8385	CALIFORNIA CITIZENS COMPENSATION COMMISSION	3
8420	WORKERS' COMPENSATION BENEFITS	4
8450	WORKERS' COMPENSATION BENEFITS: SUBSEQUENT INJURIES	4
8460	WORKERS' COMPENSATION BENEFITS: FOR DISASTER SERVICE WORKERS	4
8690	SEISMIC SAFETY COMMISSION	4
8780	MILTON MARKS "LITTLE HOOVER" COMMISSION	5
9625	INTEREST PAYMENTS TO THE FEDERAL GOVERNMENT	5
9670	EQUITY CLAIMS OF THE CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD AND SETTLEMENTS AND JUDGEMENTS BY DEPARTMENT OF JUSTICE	5
9840	AUGMENTATION FOR CONTINGENCIES OR EMERGENCIES	6
9860	UNALLOCATED CAPITOL OUTLAY	7

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
8350	DEPARTMENT OF INDUSTRIAL RELATIONS	8
Issue 1	GENERA FUND REDUCTION	8

Issue 2	LAO OPTIONS	10
Issue 3	CASE MANAGEMENT SYSTEM	11
Issue 4	WORKERS' COMPENSATION STUDIES	12
Issue 5	FINANCE LETTERS	13
Issue 6	FUND SWEEPS	14
Issue 7	INDUSTRIAL WELFARE COMMISSION	15
8380	DEPARTMENT OF PERSONNEL ADMINISTRATION	16
Issue 1	GENERAL FUND REDUCTION	16
Issue 2	GENERAL FUND AUGMENTATION	17
Issue 3	LAO OPTIONS	18
2920	TECHNOLOGY, TRADE, AND COMMERCE AGENCY	19
Issue 1	OFFICE OF MILITARY BASE RETENTION AND REUSE	19
Issue 2	SPACE INDUSTRY DEVELOPMENT PROGRAMS	20
Issue 3	GENERAL FUND REDUCTIONS AND TRANSFERS	21
Issue 4	FOREIGN TRADE OFFICES	22
Issue 5	LEGISLATIVE ANALYST'S OPTIONS	25
8260	CALIFORNIA ARTS COUNCIL	27
Issue 1	GENERAL FUND REDUCTIONS	27
Issue 2	LOCAL ARTS EDUCATION PARTNERSHIP PROGRAMS	28
Issue 3	APPLICATION AND REVIEW PROCESS- INFORMATIONAL ITEM	29
8700	CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD	30
9620	PAYMENT OF INTEREST ON GENERAL FUND LOANS	37
9650	HEALTH AND DENTAL BENEFITS FOR ANNUITANTS	38

CONSENT CALENDER

ITEM 1880 STATE PERSONNEL BOARD

The State Personnel Board (SPB) enforces civil service statutes, prescribes probationary periods and classifications, reviews disciplinary actions, and adopts other rules authorized by statute. Through its authority to adopt rules and promulgate policy, SPB administers a civil service system based upon merit ascertained through competitive examination.

ITEM 1900 PERS

The Public Employees' Retirement System (PERS) administers retirement and health benefit services to over 1 million people and more than 2,400 employers. Generally, retirement plans for state employees are of a defined benefit nature. Benefits are determined based upon members' years of service, age and a benefit formula. These benefits are generally funded by contributions from the employer and employee. Investment earnings on contributions provide additional funds that can offset the employer/employee contribution needs. Funding requirements are determined by the PERS and are based upon the actuarial needs of the members.

ITEM 1920 STRS

The State Teachers' Retirement System (STRS) is the largest teachers retirement system in the United States and administers retirement benefit services to 687,000 people and has assets of more than \$103,000 billion. STRS serves teachers from kindergarten through the community college level. Generally, retirement benefits from retirees are of a defined benefit nature. Benefits are determined based upon members' years of service, age and final compensation. These benefits are generally funded by contributions from the member, employee school district and an appropriation from the General Fund. Investment earnings on contributions from the member, employee school district and an appropriation from the General Fund. Investment earnings on contributions provide additional funds that can offset the contribution needs. Funding requirements are determined by the STRS board and are based upon the actuarial needs of the members.

ITEM 8300: AGRICULTURAL LABOR RELATIONS BOARD

The Agricultural Labor Relations Board (ALRB), was created by the Agricultural Labor Relations Act of 1975 and is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

ITEM 8385: CALIFORNIA CITIZENS COMPENSATION COMMISSION

The California Citizens Compensation Commission establishes the annual salary and the medical, dental, insurance, and other similar benefits for the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer, Controller, Superintendent of Public Instruction, Insurance Commissioner, Members of the Legislature, and Member of the Board of Equalization. The commission was established in June of 1990 by Proposition 112 and is composed of seven members appointed by the Governor.

ITEM 8420: WORKERS' COMPENSATION BENEFITS

8450 SUBSEQUENT INJURIES

8460 FOR DISASTER SERVICE WORKERS

The California State Compensation Fund is a self-supporting enterprise created to offer insurance protection to employers at the lowest possible cost. This fund operates in competition with other insurance carriers, and provides fair premium rates for employers and fair treatment for injured employees. The law requires that the fund use the same rates and classifications established by the State Insurance Commissioner for insurers generally, and provides that the rates shall be only sufficient to carry out the specific purposes stated in law.

ITEM 8690: SEISMIC SAFETY COMMISSION

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$1,252,000	-\$286,000	\$966,000

BACKGROUND:

The 17-member commission provides advice and expertise to the state and local governments on matters related to earthquake safety and hazard mitigation.

The Commission: (1) advises the Legislature and the Administration on seismic safety policies and issues; (2) maintains and encourages the implementation of the state's five-year Earthquake Loss Reduction Plan; (3) reviews the adequacy of earthquake safety policies and programs carried out by state and local agencies; (4) develops and publishes information to improve the performance of state-owned buildings; (5) prepares and disseminates guides to the public identifying earthquake weaknesses and other issues related to residential and commercial buildings; (6) implements the Unreinforced Masonry Building Law—which requires local governments to adopt a mitigation program for potentially hazardous buildings; (7) prepares a five-year earthquake research plan; and (8) seeks new information and insights from the scientific and engineering communities and from studies of damaging earthquakes and applying this information to reduce California's risk.

The budget requests \$966,000 (\$891,000 General Fund) and 9 positions for the commission in 2002-03.

COMMENTS:

The proposed funding reduction in 2002-03 reflects (1) one-time funding in the current year for workshops and (2) a 2.8 percent General Fund support reduction of \$26,000.

ITEM 8780: MILTON MARKS "LITTLE HOOVER" COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$865,000	-\$25,000	\$840,000

BACKGROUND:

The commission conducts studies and makes recommendations to the Governor and the Legislature concerning the operation and performance of state agencies and programs. It also has general direction over the Bureau of State Audits. The commission consists of 13 members—two senators, two assemblymembers, and nine public members appointed by the Governor and the Legislature. The budget requests \$840,000 and 8.8 personnel-years of staff for the commission in 2002-03. Proposed General Fund support of \$838,000 is the same as in the current year.

9620 INTEREST PAYMENTS TO THE FEDERAL GOVERNMENT

(Thousands)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$14,902	-\$2,500	\$12,502

BACKGROUND:

Under the federal Cash Management Improvement Act of 1990 (CMIA), the State will incur an interest liability to the federal government. This item appropriates funds for these interest payments. Under the CMIA, the federal government is entitled to interest from the State from the time federal funds are deposited in the state's accounts until the funds are paid out for program purposes. Interest earnings to the state from holding federal funds are included in state revenues.

The CMIA affects programs that spend \$87 million or more of federal funds. For the majority of these programs, state agencies request federal funds in advance of the warrant issuance. State

agencies use this funding technique because the State Constitution requires that the funds be deposited before the warrants are issued. The interest payments to the federal government are due no later than March 1 each year. The payment made by March 1, 2003 will be for interest liability incurred during the State's 2001-02 fiscal year.

COMMENTS:

The budget requests \$12.5 million for interest payments to the federal government in 2002-03—including \$12 million from the General Fund and \$500,000 from the State Highway Account. The Budget Bill also includes language allowing the Director of Finance to augment this amount by up to \$13 million (\$10 million General Fund) if necessary to pay interest charges, subject to legislative notification.

ITEM 9670: EQUITY CLAIMS OF THE CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD AND SETTLEMENTS AND JUDGEMENTS BY DEPARTMENT OF JUSTICE

This is a placeholder item for statewide expenditures for all equity claims against the state approved for payment by the California Victim Compensation and Government Claims Board and all settlements and judgments against the state sponsored by the Attorney General's Office. Payment of these claims is provided to claimants through the passage of special legislation. Each year, two equity claims bills are proposed by the California Victim Compensation and Government Claims Board and one or two settlements and judgments bills are proposed by the Attorney General's Office. In the current year, the budget estimates that these statewide costs will total \$13 million (\$11.8 million General Fund).

ITEM 9840: AUGMENTATION FOR CONTINGENCIES FOR EMERGENCIES

(Thousands)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$5,000	--	\$5,000

BACKGROUND:

Control Section 27.00 of the Budget Bill authorizes the Director of Finance to approve deficiency or emergency spending requests, subject to legislative notification. Deficiency spending is limited to "cases of actual necessity" for unanticipated expenses for the operation of existing programs. Emergency spending is limited to conditions of disaster or extreme peril. These special spending authorizations allow departments to spend at a rate which would result in a deficiency—that is, the additional spending would exhaust their existing appropriations before the end of the fiscal year.

The Budget Act annually provides nominal appropriations for unforeseen contingencies or emergencies. The Budget Bill includes \$2 million from the General Fund and \$3 million from special funds for these items in 2002-03. The Department of Finance allocates amounts, as

required. Because the amounts provided in the Budget Act are nominal, the Department of Finance annually sponsors a deficiency bill to provide additional funding. The Budget Bill also includes \$2.5 million of General Fund loan authority to meet the needs of programs which would be curtailed due to delayed receipt of reimbursements, revenues or other financing.

COMMENTS:

For the 2000–01, the Department of Finance approved General Fund deficiency requests totaling \$385.7 million. The Governor's Budget estimates that the 2001–02 deficiency bill will appropriate \$264.1 million from the General Fund.

ITEM 9860: UNALLOCATED CAPITAL OUTLAY

(Thousands)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$1,500	--	\$1,500

BACKGROUND:

The budget traditionally includes funding for "unallocated capital outlay." The purpose of this appropriation is to fund initial project design and cost development for new capital outlay proposals anticipated to be included in the 2003-04 or 2004-05 Governor's Budget or 2004-05 five-year capital outlay plans. The budget proposes \$1.5 million from the General Fund for this item, which is the same amount provided in the current year.

ITEMS TO BE HEARD

ITEM 8350 DEPARTMENT OF INDUSTRIAL RELATIONS

The objective of the Department of Industrial Relations (DIR) is to protect the workforce in California, improve working conditions, and advance opportunities for profitable employment. The Department works toward this objective by enforcing workers' compensation insurance laws and adjudicating workers' compensation insurance claims, working to prevent industrial injuries and deaths, promulgating and enforcing laws relating to wages, hours, and conditions of employment, promoting apprenticeship and other on-the-job training, assisting in negotiations with parties in dispute when a work stoppage is threatened, and by analyzing and disseminating statistics which measure the conditions of labor in the State.

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$174.69	-\$19.19	\$155.50

(Reflects General Fund Amounts)

ISSUE 1: \$16.4 MILLION GENERAL FUND REDUCTION AND ELIMINATION OF 141.7 POSITIONS

1. \$40,000 General Fund (GF) reduction & elimination of 1.0 position from the Office of Self-Insurance Plans (SIP). SIP regulates the certificates of consent to self-insure for an employer or group of employers that meet the statutory requirement of providing workers' compensation benefits for employees.
2. \$90,000 GF reduction & elimination of 1.0 position from the Conciliation of Employer-Employee Disputes (MED/CON). MED/CON is responsible for facilitating and promoting settlement of labor-management disputes in both the public and private sectors. This position was approved in the 2000-01 Budget but was not filled in anticipation of reductions.
3. \$7.3 million GF reduction & elimination of 90.5 positions in the Division of Workers' Compensation (DWC). DWC oversees the provision of workers' compensation benefits for employees and employers, including administration of the exclusive judicial system for resolution of work injury claims. This reduction will result in a reduced number of audits performed.
4. \$225,000 GF reduction & elimination of 2.3 vacant positions in the Industrial Medical Council (IMC). The IMC establishes standards for improving health care furnished to injured employees, developing protocols for medical-legal evaluations, developing guidelines for medical treatment of common industrial injuries, and conducting studies in the field of rehabilitation. This reduces the IMC's funding for contracts and medical studies.
5. \$3.5 million GF reduction in the Division of Occupational Safety and Health (DOSH). DOSH investigates high-risk businesses, worksite fatalities, serious injuries or illness, and complaints about workplace hazards.

6. \$366,000 GF reduction & 4.0 positions in the Division of Labor Statistics & Research (DLSR). DLSR provides information and statistics on economic and employment conditions in California. The Fatalities Program will be discontinued as a result of this reduction.
7. \$3.1 million GF reduction in the Uninsured Employers Fund (UEF), which is one of the funds in the Claims, Wages, and Contingencies Program. The UEF pays workers' compensation benefits to injured workers then illegally uninsured employers fail to pay the benefits awarded to their injured employees. This reduction is proposed to be offset by an increase of \$2.0 million from the UEF and results in a net reduction in expenditure authority of \$1.1 million for this program.
8. \$2.0 million GF in the Division of Administration (DA). The DA provides all support services for DIR.

COMMENTS:

DIR should comment on the following:

- The expected affect the reduction will have on the DWC.
- What affect will the signing of AB 749 (Calderon) have on DWC's budget? Should specific changes be expected in the Governor's May Revise?
- Will DOSH be missing out on federal funds in the Work Injuries Program due to a \$100,000 general fund reduction?

ISSUE 2: LAO OPTIONS

1. \$1.9 million GF reduction for the Division of Apprenticeship Standards (DAS). The DAS approves and certifies apprenticeship programs for various occupations and trades and investigates complaints related to these programs. This complete elimination of GF support for DAS would result in an elimination of its' complaint handling and investigation activities. The LAO states that these activities could be consolidated under the department's Division of Labor Standards Enforcement that currently handles all other workplace complaints.
2. \$2.0 million GF reduction in the Division of Labor Standards Enforcement (DLSE) and Division of Apprenticeship Standards (DAS). LAO states that due to increasing compliance by businesses with labor laws, a significant negative impact on overall enforcement should not be expected.

COMMENTS:

The Department and the LAO should comment on the following:

- Would a consolidation of enforcement duties within the Divisions undermine the Legislature's concentration on improving enforcement efforts by the DIR?

ISSUE 3: CASE MANAGEMENT SYSTEM

The Governor's Budget proposes \$960,000 for an automated Case Management System, which would replace the existing manual processes. According to the DIR, this new automated system would better suit the business needs of the Division of Labor Standards Enforcement (DLSE) and support DLSE's needs to provide public information to other regulatory and enforcement agencies, the public, the legislature and other stakeholders.

BACKGROUND:

In the Budget Act of 2001-02, the Legislature provided \$500,000 (General Fund) for the DLSE's case management system. The Governor vetoed the funding, stating in his veto message:

"I am deleting the \$500,000 legislative augmentation for the DIR to assess the information needs for managing and tracking the Department's workload. There is insufficient information to justify funding at this time."

The DIR argues that the databases that currently exist are only linked to each other on a very limited basis. The current system creates a cumbersome process when tracking the status of cases, responding to requests from the public or State and Federal agencies and accessing comprehensive data. The Department states that the manual processes in place undermine the effective enforcement of labor laws.

COMMENTS:

The DIR should explain the implementation timeline of this new system to the sub-committee.

The committee should consider the following Budget Bill Language to ensure public, web-based access to comprehensive information about labor law violators and violations:

The Case Management System adopted in budget item 8350-001-0001 will be made fully accessible to the public upon implementation. Technology will be utilized to provide free web-based access to all information collected by the Case Management System.

ISSUE 4: WORKERS' COMPENSATION STUDIES

The Commission on Health and Safety and Workers' Compensation is responsible for: 1) approving the revised schedule for determining standard disability ratings; 2) issuing an annual report on the state of the workers' compensation system, including recommendations for administrative or legislative modification which would improve the operation of the system; 3) conducting a continuing examination of the workers' compensation system and the State's activities to prevent industrial injuries and occupational diseases; 4) reviewing and approving applications from employer and employee organizations for grants to assist in establishing effective occupational injury and illness prevention; and 5) examining other states' workers' compensation programs and activities to prevent industrial injuries and occupational diseases.

BACKGROUND:

The Governor's budget proposes to spend \$1.2 million from the Workplace Health and Safety Revolving Fund to fund three new studies: 1) Analyze the use of social welfare programs by injured workers; 2) Determine the adequacy of future medical payments; and 3) measure the full employer cost associated with injuries.

Revenue generated by the Workplace and Safety Revolving Fund come from administrative penalties paid by insurance companies.

COMMENTS:

Notwithstanding the funding source for this purpose is coming from a special fund and not the General Fund, should the Commission start three new studies at a cost of \$1.2 million when the State is facing a budget deficit that is currently over \$15 billion?

What is the projected future savings that will result from spending \$1.2 million on the three studies?

ISSUE 5: FINANCE LETTERS**1. Permanent Amusement Ride Safety Inspection Program Loan Repayment**

The Department of Finance Letter requests provisional language extending repayment of the \$875,000 General Fund loan to the Permanent Amusement Ride Safety Inspection Fund to no later than June 30, 2003.

8350-001-3003

Provisions:

1. Notwithstanding Provision 1 of Item 8350-014 of the Budget Act of 2000 (Chapter 52, Statutes of 2000), the General Fund loan in the amount of \$875,000 provided to the Division of Occupational Safety and Health for initial startup of the Permanent Amusement Ride Safety Inspection Program shall be repaid to the General Fund no later than June 30, 2003. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

2. Garment Manufacturers Regulation Program Loan Repayment

The Department of Finance Letter requests provisional language extending repayment of \$1,097,000 of the General Fund loan to the Garment Industry Regulations Fund no later than June 30, 2003.

8350-001-3004

Provisions:

1. Notwithstanding Provision 1 of Item 8350-012-0001 of the Budget Act of 2000 (Chapter 52, Statutes of 2000), \$1,097,000 of the General Fund loan provided to the Division of Labor Standards Enforcement for initial startup of the Garment Manufacturers Inspection Program shall be repaid to the General Fund no later than June 30, 2003. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

COMMENTS:

The Department might want to explain details of delay with the Amusement Ride Safety Inspection Program and the Garment Manufacturers Regulation Program.

ISSUE 6: FUND SWEEPS

The following fund sweeps are included in the Governor's proposed budget for the DIR:

- Loss Control Certification Fund (0284) \$1.8 million
- Workplace Health and Safety Revolving Fund (0222) \$2.0 million
- Workers' Compensation Administration Revolving Fund (0223) \$2.0 million

COMMENTS:

The Department and/or Department of Finance should comment on the effect AB 749 (Calderon) will have and changes that could be expected in May with regards to these fund sweeps within the DIR.

ISSUE 7 INDUSTRIAL WELFARE COMMISSION

The Industrial Welfare Commission (IWC) confers on issues regarding wages, hours of work, and conditions of employment. Recently, the IWC has been accused of delaying a review and action regarding the minimum wage. According to the California Labor Federation, the IWC should have put out a call to establish a wage board, but did not, claiming it needed another public hearing before it could do so.

COMMENTS:

The Department should comment on the following:

- Why is there a delay in the establishment of a wage board to consider the adequacy of the minimum wage? Could the Department present a timeline regarding the establishment of the wage board?
- Could the Department explain the IWC's authority to index the minimum wage?

ITEM 8380: DEPARTMENT OF PERSONNEL ADMINISTRATION

The Department of Personnel Administration (DPA) manages the non-merit aspects of the State's personnel system. The goals of the DPA are to insure proper administration of existing terms and conditions of employment for the State's civil service employees, and to represent the Governor as the employer in all matters concerning State employer-employee relations.

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$50.69	-\$8.21	\$42.48

(Reflects General Fund Amounts)

ISSUE 1: GENERAL FUND REDUCTIONS

Department of Personnel Administration (DPA) proposes a 3% General Fund reduction of \$211,000 and 2.0 positions. According to the DPA, the breakdown of the reduction is as follows:

- \$144,000 and 1.0 position – Policy Operations
- \$25,000 – Labor Relations
- \$42,000 and 1.0 position – Legal Services

The Department states that this will result in a reduction of supervision and training for support staff in the Legal Program and shifts these duties to the Attorneys. Additionally, the Department claims that the loss of the Personnel Program Advisor position from the Classification and Compensation Division will result in untimely responses to departments regarding classification proposals, studies and projects and will result in a lack of consistency in administration of personnel management practices.

COMMENTS:

The DPA should comment on the following:

- Any additional results that could be expected with this reduction?
- What is the time delay that should be expected with classification proposals?

ISSUE 2: GENERAL FUND AUGMENTATION

The Governor's Budget proposes an augmentation of \$208,000 and 4.0 Staff Service Analyst positions to provide for increased workload resulting from collective bargaining negotiations and agreements.

BACKGROUND:

In the 2000-01 Budget, ten two year limited term positions were approved to act as notetakers at successor bargaining in the spring and summer of 2001. According to the DPA, these proposed permanent positions will participate in ongoing negotiations related to various evolving issues, such as budget reductions and potential layoffs, as well as finalizing and implementing negotiated agreements including the rural health program. The Department argues that approving the positions on a permanent basis will alleviate the burden on the Legislature, Department of Finance and the Legislative Analyst by one request every other year.

COMMENTS:

The DPA should explain the necessity of approving 4.0 permanent General Fund positions in a year the State is experiencing a budget shortfall?

ISSUE 3: LAO OPTIONS

The LAO has included two proposals that will save General Fund money under its "Options" publication relating to state employees. One option would establish a Personal Leave Program (PLP) which is intended to reduce either excluded employees' or all state employees' monthly pay by 5 percent in exchange for one additional day of per month. If applied to all state employees, the LAO estimates that this proposal would save the state \$285 million. The second option would be to temporarily suspend or eliminate a state holiday. The LAO estimates that this would save the state \$9.1 million.

COMMENTS:

The DPA should comment on the following:

- Have they considered either of these two options? Have they discussed these options with any state employee unions? If no, why not?

ITEM 2920: TECHNOLOGY, TRADE AND COMMERCE AGENCY**ISSUE 1: OFFICE OF MILITARY BASE RETENTION AND REUSE**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
2,129,000	100,000	1,693,000

BACKGROUND:

The Office of Military Base Retention and Reuse (OMBRR) was created by statute in 1998. The office's primary function is to retain the U.S. Department of Defense presence in California and facilitate the conversion or reuse of bases identified for closure.

COMMENTS:

The proposed one-time \$100,000 General Fund augmentation is for additional technical assistance to military bases to provide expertise on developing retention efforts.

According to the Department, the next round of base closures is scheduled for 2005 and this funding would give California bases ample time to prepare.

- Given the budget crisis the state is facing, what would the ramifications be for waiting another year before providing funding?

ISSUE 2: SPACE INDUSTRY DEVELOPMENT PROGRAMS

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
0	1,000,000	1,000,000

BACKGROUND:

The Consolidated Space Industry Development Programs were established in 2001 within the Technology, Trade and Commerce Agency's Division of Science, Technology and Innovation. The Consolidated Programs are made up of the Highway to Space Competitive Grant Program, the Space Flight Competitive Grant Program, and Reusable Launch Vehicles. A major component of the program is the grants it awards for development of space-related infrastructure, support services, and technologies.

In fiscal years 1997-98, 1998-99, and 1999-2000, the programs received \$3.35 million for grants and administration costs. In 2000-01, no funding was provided for grants.

COMMENTS:

This proposal requests an on-going augmentation of \$1,000,000 General Fund for the Consolidated Space Industry Programs.

Of this funding:

- \$675,000 is for grants for space related developments;
- \$248,000 is for a nonprofit organization to administer the grants; and
- \$77,000 is for agency support costs

The Agency should comment on the following:

- How is the \$248,000 for the administration of the grants budgeted?
- How many grants have been awarded during each fiscal year of the programs' existence?
- Are there tangible, proven results that demonstrate the effectiveness of this program?

ISSUE 3: GENERAL FUND REDUCTIONS AND TRANSFERS

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
68,863,000	-23,032,000	71,894,000

BACKGROUND:

In response to the current budget crisis, the Technology, Trade and Commerce Agency proposes to reduce its General Fund expenditures by \$7,032,000. This reduction is spread throughout the Agency as follows:

PROGRAM	CURRENT YEAR	CHANGE
Manufacturing Technology Program	\$6,039,000	-\$600,000
Next Generation Internet	\$2,000,000	-\$1,000,000
Rural E-Commerce	\$2,000,000	-\$1,000,000
Biomass-to-Energy Program	6,000,000	-\$2,000,000
Major Corporate Projects	\$223,000	-\$223,000
Small Business Development Centers	\$1,905,000	-\$150,000
CA Export Finance Office	\$1,192,000	-\$400,000
Environmental Technology Export Program	\$293,000	-\$293,000
International Trade and Investment Offices	\$1,196,000	-\$457,000
Contracts, Grants, and Loans Office	\$1,159,000	-\$71,000
Economic Research and Strategic Initiatives	\$1,592,000	-\$838,000

In addition to these cuts, the Governor's Budget also proposes two General Fund transfers:

CA Export Finance Fund	\$11,200,000	\$8,000,000
Small Business Expansion Fund	\$14,824,000	\$8,000,000

ISSUE 4: FOREIGN TRADE OFFICES

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
6,100,000	0	6,100,000

BACKGROUND:

The Foreign Trade Offices provide business outreach to other nations. Currently, there are seven state offices in South Africa, Germany, China-Hong Kong, Japan, United Kingdom, Mexico, and Taiwan. Additionally, the state has five contract offices in South Korea, China-Shanghai, Singapore, Argentina, and Israel.

COMMENTS:

Below are tables showing General Fund expenditures for all foreign trade offices during fiscal year 2000-01.

FOREIGN TRADE OFFICES

	So. Africa	Germany	Hong Kong	Japan	United Kingdom	Mexico	Taiwan
PERSONAL SERVICES:							
Salaries & Wages	\$53,883.14	\$180,117.08	\$276,068.50	\$429,714.75	\$256,467.79	\$480,615.93	\$117,500.69
Staff Benefits	8,491.65	67,210.28	16,849.61	80,844.63	51,408.80	86,879.48	11,264.82
SUB-TOTAL PERSONAL SERVICES	\$62,374.79	\$247,327.36	\$292,918.11	\$510,559.38	\$307,876.59	\$567,495.41	\$128,765.51
OPERATING EXPENSES:							
General Expense	\$17,847.82	\$14,956.40	\$48,622.17	\$56,130.19	\$38,290.17	\$58,969.26	\$14,459.63
Printing	570.76	5,905.93	16,187.86	21,078.55	13,083.23	32,929.90	7,609.92
Communications	19,717.60	17,503.81	44,287.98	17,850.54	18,219.08	52,209.07	14,307.09
Postage	2,435.23	3,638.74	4,500.70	11,545.04	8,060.93	4,294.82	1,250.34
Insurance			714.09		72.43	285.81	
Travel-In-State	7,356.16	35,776.00	15,959.00	14,949.89	13,345.71	8,972.11	3,799.31
Travel-Out-Of-State	9,483.02	2,338.02	16,458.05	10,294.62	15,958.79	29,437.29	20,141.58
Training	617.28				1,091.06	2,204.02	1,397.66
Facilities Operations	29,174.18	53,581.61	100,523.87	220,226.05	63,591.18	141,960.44	23,862.11
Consultant-External	20,994.58	25,163.37	183,975.29	118,206.59	37,151.01	36,740.40	26,194.03
Consultant-Internal	15.00	15.00	9,938.93	225.00	40.00	15.00	15.00
Consolidated Data Center							
Data Processing	3,986.42	2,916.75	8,932.83	4,503.98	5,980.60	33,834.40	244.95
Cent. Admin. Svs.	55,050.03	78,673.50	78,183.53	91,311.23	59,399.80	166,195.18	84,371.58
Equipment	11,073.97	3,277.53	21,475.72	30,141.11	2,521.18	7,311.41	2,016.94
Misc.							
Other Items of Expense	50,000.00				(50,000.00)		
SUB-TOTAL O E & E	\$228,322.05	\$243,746.66	\$549,760.02	\$596,462.79	\$226,805.17	\$575,359.11	\$199,670.14
Interest / VAT	(24,686.82)	(734.90)	(8,222.72)	(14,906.28)	(32,217.99)	(7,072.18)	(481.30)
TOTAL PS/O E & E	\$266,010.02	\$490,339.12	\$834,455.41	\$1,092,115.89	\$502,463.77	\$1,135,782.34	\$327,954.35
<i>Total Expenditures for Foreign Offices</i>		\$4,649,118					

CONTRACT OFFICES (ISRAEL DID NOT RECEIVE FUNDING UNTIL 2001-02)

	Korea	Shanghai	Singapore	Argentina
PERSONAL SERVICES:				
Salaries & Wages				
Staff Benefits				
SUB-TOTAL PERSONAL SERVICES	\$0.00	\$0.00	\$0.00	\$0.00
OPERATING EXPENSES:				
General Expense	\$5,476.98			\$90.00
Printing				
Communications				
Postage				
Insurance				
Travel-In-State	243.25	360.00	126.50	243.25
Travel-Out-Of-State				
Training				
Facilities Operations				
Consultant-External	215,057.95	253,400.32	186,581.58	189,691.04
Consultant-Internal	150.00			75.00
Consolidated Data Center				
Data Processing				
Cent. Admin. Svs.		20,000.00		
Equipment				
Misc.				
Other Items of Expense				
SUB-TOTAL O E & E	\$220,928.18	\$273,760.32	\$186,708.08	\$190,099.29
Interest / VAT				
TOTAL PS/O E & E	\$220,928.18	\$273,760.32	\$186,708.08	\$190,099.29
Total Expenditures for Contract Offices	\$871,495			

As of December 31, 2001, current year expenditures for all eleven offices (including the Israel contract office) totaled \$2,537,419.

The LAO comments that the agency has not shown that the offices have increased trade activity. Furthermore, a report submitted by TTCA in 1998-99 on the cost and benefits of the trade offices was flawed such that the effectiveness of the offices are still undetermined.

The Agency should comment on the following:

- Given the significant cost differences between the regular trade offices and the contract offices, is there a correlating performance difference between the offices' activities (i.e. Would the state receive the same tangible benefits if all the offices were contract offices?)
- Why are the external consulting expenses so significant for the state offices? If we are paying external consultants on top of regular staff, why aren't these offices contract offices instead?
- Why did the Germany office spend \$35,000 on in-state travel during 2000-01, which is significantly more than any other state offices travel expenses?

- Does the agency have tangible performance measures to demonstrate the effectiveness of these offices?

ISSUE 5: LEGISLATIVE ANALYST'S OPTIONS**BACKGROUND:**

In response to the budget crisis facing the state, the Legislative Analyst's Office has compiled a list of additional options for General Fund Relief. The Agency should comment and present a rebuttal to the following options:

Biomass to Energy Program-Eliminate: \$6.0 million

- No information on effectiveness of the program
- The Energy Commission already administers a renewable energy program that includes \$135 million for existing power plants and \$241 million for new facilities.

CA Film Commission - Eliminate GF support and make fee-supported: \$3.3 million

- One-stop permit assistance functions could be supported with a user fee since film companies are receiving a service
- Support costs for issuing about 3,000 film permits is \$3.3 million

Film Permit Subsidy- Eliminate: \$10.1 million

- No information is available as to whether this program has retained film productions or simply subsidized activity that would have occurred anyway
- Program expended about \$5 million in 2000-01 and less than \$1 million was expended through mid-December 2001.

Office of CA-Mexico Affairs - Eliminate the office & Commission of the Californias: \$600,000

- Primary function is to coordinate two conferences - the annual Border Governors' Conference and the Commission of the Californias, which has met twice in the 1990s.
- Workload can be absorbed within the agency and Governor's Office

Office of Military Base Reuse and Retention - Eliminate the Office: \$1.8 million

- The office does not have a strategic plan nor work plan to guide its activities
- The Agency has not demonstrated the effectiveness of the office's efforts
- Workload could be prioritized as part of the Division of Economic Development's workload

Regional Offices- Eliminate the Agency's four offices: \$2.6 million

- Agency has not demonstrated the added benefits and effectiveness of the regional offices

- Most services provided by the offices (site location assistance, directing business inquiries to appropriate agency divisions, and setting up training programs for businesses) could be provided through the agency's website or by phone.

Tourism Division- Eliminate General Fund support and rely on industry assessment to fund state and regional promotion: \$8.2 million

- In addition to General fund support for marketing, the Tourism division also receives support from an annual assessment of tourism businesses (i.e. hotels, theme parks, restaurants, and travel services) which generated \$6.3 million in 2000-01.
- The tourism industry can increase the self assessment to backfill the amount funded by the General Fund

California Technology Investment Partnership (CalTIP)- Eliminate or suspend state funding of program: \$6.0 million

- Effectiveness of the program and the state's contribution has not been demonstrated
- It is not clear that the absence of state funds would significantly reduce the availability of federal and private funds

Manufacturing Technology Program- Eliminate state support of the program: \$5.4 million

- Cutting state funding could reduce federal funding, but other nonstate funds can be used to match federal funds

Next Generation Internet Centers- Eliminate agency support for the centers: \$1.0 million

- Eliminating this funding would eliminate all federal and private funding under the current program funding agreement
- Centers could seek increased private sector funding or university funding

Rural E-Commerce Grant Program- Eliminate grant program: \$1.0 million

- Program results are not yet available because first year funding was awarded in June 2001 and second year funding was awarded in December 2001.
- Without state funding, potential projects may be scaled back or not considered

ITEM 8260: CALIFORNIA ARTS COUNCIL**ISSUE 1: GENERAL FUND REDUCTIONS**

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$51,485,000	-\$2,308,000	\$30,871,000

BACKGROUND:

Established in 1975 (Chapter 1192, Statutes of 1975), the California Arts Council consists of eleven members, nine appointed by the Governor and one each by the President pro Tempore of the Senate and the Speaker of the Assembly. The major statutory mandates to the council are:

- 1) To encourage artistic awareness, participation, and expression among California's citizens
- 2) To promote the employment of artists and those skilled in crafts in both the public and private sectors
- 3) To provide for the exhibition of art works in public buildings throughout the state
- 4) To help independent local groups develop their own arts programs
- 5) To enlist the aid of all state agencies in the task of ensuring the fullest expression of our artistic potential

COMMENTS:

In response to the budget crisis, the CAC proposes a total reduction of \$2,308,000. The proposal reduces the State Operations budget by \$130,000 and the Local Assistance Budget by \$2,178,000.

For State Operations, the items proposed for reduction are Training, Interagency Agreements, Travel, and Equipment.

For Local Assistance, the items proposed for reduction are the Arts in Education program, Artists in Residence Program, and Interagency partnerships.

ISSUE 2: LOCAL ARTS EDUCATION PARTNERSHIP PROGRAM

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$801,000	\$37,000	\$838,000

BACKGROUND:

Chapter 1286 (Statutes of 1992) requires the California Arts Council to annually propose a dollar amount for the Local Arts Education Partnership Program. The dollars for this program come from the Graphic Design License Plate Account, which is filled with revenues from sales of the Graphic Design License Plate.

The Local Arts Education Program was developed to improve arts education by using community arts resources and school personnel in a joint effort to strengthen basic arts skills and knowledge in public schools.

COMMENTS:

Of the \$838,000 requested by the Arts Council, \$575,000 would be for local assistance grants and \$263,000 would be allocated for marketing and administrative costs.

ISSUE 3: APPLICATION AND REVIEW PROCESS- INFORMATIONAL ITEM**BACKGROUND AND
COMMENTS:**

The Governor's budget includes \$32.8 million for the Arts Council to develop community-based cultural activities in rural areas as well as in major metropolitan cultural centers. The Council should comment on the following questions and issues raised:

- How are grantees and awardees determined? Is there a specific application and review process that each institution must go through?
- Is special consideration granted to those institutions that have never received funding? On the same token, if an institution has previously received funding, are they expected to defer to other institutions that have not?
- What steps are taken to ensure that the grants are not misused by the grantees? Are there contracts between the Council and grantees that expressly state how the dollars are to be spent?
- How is the Council ensuring that smaller cultural institutions, that may not have the resources necessary to complete a comprehensive application or to access grant information, are not being left out of this process?

ITEM 8700: CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

(Millions)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$149.0	\$6.4	\$155.4

Formerly known as the Board of Control, the primary objectives of the board are to:

- (1) compensate victims of violent crime and eligible family members for certain crime-related financial losses;
- (2) consider and settle all civil claims against the State;
- (3) provide equitable travel allowances to certain State government officials;
- (4) respond to bid protests against the state;
- (5) reimburse counties' expenditures for special elections to fill vacant seats in the Legislature and Congress. The three-member board consists of the Director of General Services (who serves as chair), the State Controller, and a public member appointed by the Governor.

The budget requests a total of \$155.4 million (\$1.8 million General Fund) for the board's programs in 2002-03, an increase of 4.3 percent. The bulk of the board's funding is from penalty and fine revenue in the Restitution Fund (\$129.1 million) used for victim compensation programs and from federal funds (\$24.4 million). The budget proposes 341.8 personnel-years of staff for the board in 2002-03, a slight decline from the current year.

ISSUE 1: EXTEND DEADLINE FOR PROCESSING CLAIMS AGAINST THE STATE

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$931,000	-\$94,000	\$837,000

BACKGROUND:

The budget proposes a General Fund reduction of \$94,000 (10 percent) and 1.0 position in the Government Claims Program. This program currently has 14 positions and processes a total of about 10,500 tort and equity claims annually. The proposed funding reduction is predicated on the adoption of Trailer Bill Language proposed by the Administration to (1) increase the delegation to CalTrans for claims approval from \$1,000 to \$5,000, (2) require all claims to be submitted on a standard form adopted by the board, and (3) start the claims processing clock five days after the postmark date.

COMMENTS:

The proposed language would *require* the board to return all claims materials to any claimant who does not use the proper form. It might be more reasonable to provide the board with flexibility to either return all claims materials or retain them, pending a valid resubmission of the claim. The language also requires a technical correction concerning its effective date.

ITEM: 8700 CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

ISSUE 2: VICTIMS OF CRIME PROGRAM BUDGET ADJUSTMENTS

(Millions)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$138.1	+\$7.6	\$145.7

The budget includes the following proposed adjustments for 2002-03:

- A redirection of \$468,000 from the Restitution Fund and 5.0 positions to implement the use of Hearing Officers for claims appeals.
- An increase of \$966,000 from the Restitution Fund to establish Claims Review Units within each local agency contracted to process claims for the Victims of Crime Program. This augmentation will provide separation of claims review and payment functions in the 22 local joint-powers agencies that contract with the board to administer the Victims of Crime Program. Separation of duties is necessary to comply with a federal audit finding.
- A reduction of \$473,000 Restitution Fund and 11.0 excess vacant positions.

COMMENTS:

No issues have been raised.

ITEM 8700: CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD**ISSUE 3: FINANCE LETTER—FEDERAL FUNDS****BACKGROUND:**

On March 29th, the Director of Finance requested a budget amendment to augment federal funds in the board's budget by \$4,888,000 for additional payments to victims of crime.

COMMENTS:

Staff of the board and of the Department of Finance indicate that they also anticipate notifying the Legislature of additional spending totaling \$16.5 million for the Victims Compensation claims in the current year. The anticipated increase will consist of \$11.5 million of additional federal funds (subject to notification under Section 28.00) and \$5 million from the Restitution Fund (continuously appropriated for claims payments).

- The board and the Department of Finance should update the subcommittee regarding the status of these spending increases in the current year and in 2002-03.

ITEM 8700: CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD**ISSUE 4: RESTITUTION FUND LOAN TO GENERAL FUND****BACKGROUND:**

The Governor's Budget proposes a total of \$579 million of loans to the General Fund from various special funds in 2002-03. This amount includes a \$20 million loan from the Restitution Fund to the General Fund. As with other proposed special fund loans, the Budget Bill includes language requiring repayment with interest at the rate earned by the Pooled Money Investment Account at the time of the loan transfer. However, no repayment date or schedule is specified. The Budget Bill language and proposed Trailer Bill language require repayment if (1) the lending fund has need of the money or (2) the General Fund no longer needs the money. The Director of Finance will report the outstanding balance of the special-fund loans in the annual Governor's Budget.

COMMENTS:

The budget estimates that the Restitution Fund balance will be only \$329,000 at the end of 2002-03, or 0.2 percent of total expenditures of \$133.2 million. Accordingly, the potential \$5 million increase in current-year spending discussed in Issue 3 above would place the fund in a deficit position. Furthermore, annual revenues to the Restitution Fund are about \$30 million less than annual expenditures from the fund, so that the loan may need to be repaid in 2003-04.

May Revision Issue. The Department of Finance now indicates that it is reevaluating the feasibility of the loan and will address the issue in the May Revision.

ITEM 8700: CALIFORNIA VICTIM COMPENSATION AND GOVERNMENT CLAIMS BOARD

ISSUE 5: PROPOSALS NEEDED TO MAINTAIN LONG-TERM VIABILITY OF THE RESTITUTION FUND

RESTITUTION FUND GOVERNOR'S BUDGET (MILLIONS)			
	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
BEGINNING BALANCE	\$86.6	\$79.2	\$51.6
REVENUES	\$107.3	\$103.5	\$101.9
<i>Expenditures</i>			
Victims' payments	\$69.3	\$79.0	\$84.0
Local Administration	9.1	14.8	15.8
State Administration and other costs	<u>32.3</u>	<u>37.3</u>	<u>33.4</u>
Total	\$110.7	\$131.1	\$133.2
Loan to General Fund			-\$20.0
Ending Balance	\$79.2	\$51.6	\$0.3

Note: Does not include anticipated current-year spending increase.

BACKGROUND:

Ongoing Imbalance. The table above shows the ongoing imbalance between Restitution Fund revenues and expenditures. Revenues are declining slightly, while spending has increased and is now exceeds annual revenues by about \$30 million. Most of the spending increase has been for additional victims' payments and for local administration of the Victims of Crime Program.

Federal Funds Provide Some Help. The federal government provides matching funds for victim's payments. The match is 60 percent of state spending on payments, provided two years in arrears. The budget estimates that the board will spend \$29.3 million of federal funds for the Victims of Crime Program in 2002-03 (including the Finance Letter request). For 2003-04, the board anticipates having a total of \$50 million of federal funds available. This may be sufficient to maintain the program through 2003-04, depending on the amount of any loan to the General Fund and when it is repaid. However, future growth of federal matching funds will be limited by growth in state spending from the Restitution Fund.

COMMENTS:

It is thought that a significant number of crime victims and their families currently are not served by the Victims of Crime Program. Additional outreach and local program operations may increase participation and consequently increase spending needs.

The board indicates that it is unable to determine how much penalty and fine revenue is owed to the Restitution Fund, but remains uncollected by the counties.

The Subcommittee may wish to have the board:

- Present an assessment of the fiscal outlook for the Victims of Crime Program.
- Comment as to whether the program can be maintained within its existing resources.

The Subcommittee also may wish to consider adopting Supplemental Report Language directing the board to report more fully on the fiscal outlook for the Victims of Crime Program and options for maintaining the ongoing fiscal integrity of the program.

ITEM 9620: PAYMENT OF INTEREST ON GENERAL FUND LOANS

(Millions)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$125.0	-\$19.0	\$106.0

This portion of the budget accounts for General Fund interest costs for short-term, cash-flow borrowing. The Budget Bill appropriates \$50 million for interest payments on *internal* borrowing from special funds within the State Treasury. Costs for *external* borrowing on the open market (by issuing Revenue Anticipation Notes, or RANs, for example) are continuously appropriated .

ISSUE 1: ESTIMATE MAY CHANGE IN MAY REVISION**BACKGROUND:**

The Governor's Budget assumes \$50 million of interest costs for internal borrowing and \$56 million for interest costs on external borrowing. The budget assumes that external borrowing in 2002-03 will consist of a \$2.5 billion RAN.

COMMENTS:

General Fund revenues are likely to be lower than the budget estimate, and the sale of bonds to reimburse the state for electricity purchasing costs is likely to be delayed into 2002-03. These factors will increase the need for cash-flow borrowing and are likely to increase interest costs (although the state ultimately will be reimbursed for additional interest costs due to the delay in electricity bond sales).

The Department of Finance will reevaluate the state's cash-flow borrowing needs and estimated interest costs for the May Revision.

ITEM 9650: HEALTH AND DENTAL BENEFITS FOR ANNUITANTS

(Millions)

CURRENT YEAR	PROPOSED CHANGE	PROPOSED BUDGET EXPENDITURES
\$485.8	\$67.8	\$553.6

This appropriation provides for the state's contribution toward health and dental insurance premiums for annuitants of the Judges', Legislators', District Agricultural Employees', and Public Employees' Retirement Systems, as well as specified annuitants of the State Teachers' Retirement System. The program provides annuitants the option of selecting from available state-approved health plans (depending on where an annuitant lives).

The state's contribution for individuals is the average premium for the four most popular plans. For couples and families, the state also contributes 90 percent of the additional cost over the single premium contribution (based on the average of the four plans). The budget requests \$553.6 million from the General Fund for these contributions in 2002-03. This amount is \$67.8 million above current-year estimated spending, based on estimated premium increases through calendar 2002 and projected growth in the number of retirees. The General Fund subsequently recovers almost half of this cost through pro-rata charges to special funds.

ISSUE 1: NEW HEALTH PREMIUMS WILL INCREASE COST**BACKGROUND:**

The CalPERS Board is in the process of approving new higher health plan premiums that will become effective on January 1, 2003. The higher premiums will increase the state's contribution over the amount budgeted.

COMMENTS:

The Department of Finance indicates that it will submit a revised estimate in the May Revision.

ISSUE 2: LAO OPTION TO REDUCE STATE SHARE OF PREMIUMS

BACKGROUND:

The LAO has identified an option to reduce state cost by reducing the state's contribution for premium costs.

COMMENTS:

The LAO will be available to present their option and identify potential savings.