

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

Assemblymember Rudy Bermudez, Chair

TUESDAY, MARCH 18, 2003
STATE CAPITOL, ROOM 447
1:30 P.M.

CONSENT CALENDAR

ITEM	DESCRIPTION
8855	BUREAU OF STATE AUDITS
9625	INTEREST PAYMENT TO THE FEDERAL GOVERNMENT
9818	FEDERAL LEVY OF STATE FUNDS

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ITEM 0250 SECRETARY OF STATE AND CONSUMER SERVICES

The State and Consumer Services Agency brings together a diverse array of State departments which include: the California Science Center, the California African American Museum, the Department of Consumer Affairs, the Department of Fair Employment and Housing, the Fair Employment and Housing Commission, the Franchise Tax Board, the Department of General Services, the State Personnel Board, the Public Employees' Retirement System, the State Teachers' Retirement System, and the Building Standards Commission. In addition, within the Agency is the Office of the Insurance Advisor that provides expertise to the Governor on insurance-related issues including legislative bill analysis, constituent services and the development of policy initiatives.

ISSUE 1: LAO OPTION: ELIMINATION OF GENERAL FUND SUPPORT FOR STATE AGENCIES

The LAO has provided to the Legislature the general fund savings option of eliminating general fund support for state agencies – citing a lack of a clear need for the agency level in state government.

COMMENTS

The Agency should be prepared to comment on the importance of their role in state government.

ITEM 1760 **DEPARTMENT OF GENERAL SERVICES**

The objectives of the Department of General Services (DGS) are to: (a) meet the varied responsibilities for management review, control, and support of state agencies as assigned by the Governor and specified in statute; (b) provide support services to operating departments with greater efficiency and economy than they can individually provide for themselves; and (c) increase effectiveness and economy in the administration of state government by establishing and improving statewide policies and guidelines.

ISSUE 2: LAO RECOMMENDATION: EMPLOYEE PARKING LOT LEASE

The budget proposes an increase in spending authority for DGS of \$233,000 for the lease costs of employee parking lots. DGS leases several parking lots on highway rights-of-way owned by Cal Trans. Federal regulations mandate that these be leased at fair market rates. However, according to the Department of Finance, DGS has been leasing these lands below fair market value. This increase will be pending the outcome of the administration's request for a federal waiver of leasing highway rights-of-way at fair market value.

The LAO withholds their support of this request, pending the outcome of the administration's waiver request.

COMMENTS

Finance should be prepared to respond to the status of the federal waiver request submitted by the administration.

ITEM 1760 DEPARTMENT OF GENERAL SERVICES**ISSUE 3: LAO RECOMMENDATION: STATE EMERGENCY TELEPHONE NUMBER (911) ACCOUNT**

The Budget proposes to increase the maximum 911 surcharge rate from .75 percent to 1 percent on interstate phone charges. It is estimated that the increase will generate an additional \$50 million annually which will be used to fund a variety of programs in different state agencies.

Current law allows government agencies and telephone companies to be reimbursed for equipment and related costs associated with California's 911 phone system. Following are the proposed funding amounts for the entities currently funded through the State Emergency Telephone Number (911) account:

- **Telephone Companies – (\$1.2 million)** - to maintain the 911 database and network.
- **Public Safety Answering Points (PSAPs) - (\$35.5 million)** – to upgrade or replace 911 phone equipment for police, sheriff, and fire departments.
- **Department of General Services (DGS) and the Board of Equalization (\$1.8 million)** to process and administer the claims submitted by participating agencies.
- **California Highway Patrol (CHP) - (\$12.9 million)** – to answer cellular 911 calls. Unlike noncellular calls, the CHP needs to ask a series of questions to pinpoint a caller's location.
- **Secondary PSAPs (those PSAPs which do not directly answer 911 calls) – (3.2 million)** – to replace and upgrade their 911 phone system.

With the increase in surcharge, the budget is proposing that the following activities also be funded by the 911 account:

- **CHP – (\$28.8 million)** - to fund personnel costs for response to 911 calls.
- **Department of Health Services, – (\$3.6million)** – to fund costs associated with 911 calls that are transferred to Poison Control Centers (PCCs).
- **California Department of Forestry and Fire Protection – (\$2.6 million)** – to install computer aided dispatch systems in 12 emergency command centers.

COMMENTS

The LAO has raised legal concerns regarding proposed activities to be funded by the 911 account. Current law stipulates that the 911 account is to pay for the equipment related expenses of the 911-telephone system. However, while current law specifies which activities are eligible for reimbursement, the LAO feels that the budget proposals are inconsistent with the broad intentions of the law.

ITEM 1760 DEPARTMENT OF GENERAL SERVICES

(Continued)

The LAO also has concerns that the proposal does not treat state and locals in a similar manner. Under the proposal:

- (1) CHP personnel costs related to 911 call responses are to be funded under the 911 account. However, the administration does not propose to fund these same personnel costs for any other PSAP;
- (2) the administration is proposing to fund the implementation of CAD technology for the California Department of Forestry, however the administration is not proposing to fund other PSAPs CAD implementations; and
- (3) some agencies, such as homeless shelters, receive transferred 911 calls. Because these agencies are neither primary nor secondary, they are not eligible for equipment reimbursements. The administration has proposed to fund their costs associated with transferred calls. However, the budget does not propose to fund other agencies for transferred calls.

Finance should be prepared to respond to the intended use of the increased surcharge funding by the: CHP; Department of Forestry and Fire Protection; and the Department of Health and Human Services.

ITEM 8690 SEISMIC SAFETY COMMISSION

The Seismic Safety Commission was established to improve earthquake preparedness and safety in California. Specifically, the 17 appointed Commissioners provide state government with policy guidance, topical expertise, and perspectives from the private sector, academia, and local government. 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; (4) develops and publish information to improve the performance of state-owned buildings; (5) publishes guides to identifying earthquake weaknesses and other issues related to residential and commercial buildings; (6) implements the Unreinforced Masonry Building Law; and (7) prepares a five-year earthquake research plan.

The budget proposes total expenditures of \$959,000 (entirely from fee revenue and reimbursements) for support of the commission in 2003-04-- a decrease of \$197,000 (17 percent) from estimated current-year spending. Proposed commission staffing of 7.9 personnel years is the same as in the current year

ISSUE 4: FEE PROPOSAL

The commission's primary source of support currently is the General Fund. The budget proposes trailer bill language to establish a new annual fee of \$1.00 on earthquake insurance policies in order to replace all of the commission's General Fund support. The budget requests \$884,000 for in 2003-04 from this fee revenue for the commission. The new fee revenue would be deposited in a new Seismic Safety Account within the Insurance Fund. The proposed language allocates 5 percent of the fee revenue to the Department of Insurance (DOI) for collection costs. On a full-year basis, the new fee would produce approximately \$1.2 million of revenue.

COMMENTS

Timing Problem. In order to generate the \$884,000 budgeted for the commission; the new fee would need to go into effect by about November 1, 2003. The current trailer bill language does not include an urgency clause, however. Either an urgency clause should be added or the fee should be increased to about \$1.50 per policy in order to generate the budgeted amount during from January through June of 2004.

Fee Amount and Administrative Percentage Lack Flexibility. The proposed language sets the fee at a fixed \$1.00 amount and the administrative percentage is fixed at 5 percent. On a full-year basis, the \$1.00 fee would generate more than the amount needed to support the commission at current spending levels. Furthermore, the DOI would be guaranteed 5 percent of revenues, even if actual administrative costs were less.

ITEM 8690 SEISMIC SAFETY COMMISSION

(continued)

Staff Option. The subcommittee may wish to consider the following modifications to the fee proposal:

- **\$1.50 Fee Cap.** Authorize the DOI to set the fee annually at the amount needed to fund the commission's approved budget plus a reasonable reserve (perhaps 10 percent), subject to a statutory cap of \$1.50 per policy. This would provide adequate revenue to fund the commission's budget in 2003-04. At the current spending level, the fee would be reduced to about 75 cents per policy in 2004-05. The \$1.50 cap would provide room to finance inflation or program increases approved by the Legislature in subsequent years.
- **Impose 5-percent Administrative Cost Cap.** Rather than receiving a flat 5 percent for administrative costs, the DOI should be reimbursed for its actual costs up to a cap of 5 percent of fee revenues.

Should Homeowners Pay Most of the Cost?

Earthquake insurance policies cover dwellings, but not business property. Consequently, the proposed fee would be paid entirely by homeowners.

- The commission should explain why homeowners are the appropriate source of its funding.

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

The Milton Marks "Little Hoover" Commission on California State Government Organization and Economy is composed of two members of the Senate, two members of the Assembly and nine citizen members—five appointed by the Governor and four appointed by the Legislature. The Commission conducts studies and makes recommendations to the Governor and the Legislature concerning the organization, operation and performance of state agencies. Chapter 12, Statutes of 1993 (SB 37), created the Bureau of State Audits and placed it under the general direction of the Commission.

The budget proposes \$867,000 (\$865,000 General Fund) for support of the commission in 2003-04. Both proposed funding and staffing (8.8 personnel-years) are essentially the same as in the current year.

ISSUE 5: OVERSIGHT QUESTIONS

In accordance with the subcommittee's oversight responsibilities, the commission should review its activities in the current year and discuss its plans for 2003-04.

The commission also should address the extent to which its activities and funding could be incorporated within the Bureau of State Audits.

ITEM 9860 CAPITAL OUTLAY PLANNING AND STUDIES FUNDING

The appropriation in this item is for project planning provide for allocations to agencies for the purpose of securing sound cost estimates for future projects. The budget proposes \$1 million from the General Fund in 2003-04. The 2002-03 Budget Act provided \$1.5 million for this purpose, which was reduced to \$1 million by the mid-year reductions. The 2001-02 Budget Act provided \$2 million, which was reduced to \$1.5 million by reversions.

The funds requested here are used for planning and studies for projects with future funding anticipated from the General Fund or from lease-revenue bonds that will be repaid from the General Fund.

ISSUE 6: JUSTIFICATION NEEDED

Although \$1.0 million for advance planning for capital outlay projects is a modest amount by past standards, the current budget crisis necessitates a high level of scrutiny. Given the current large budget gap and the prospect of constrained budgets for several additional years, the Department of Finance should provide a tentative list of projects that would require initial planning funds in 2003-04.

Infrastructure Plan Not Submitted. Existing law requires the Governor to annually submit a five-year infrastructure plan in conjunction with the budget. The first infrastructure plan was submitted in the spring of 2002. The Legislative Analyst's Office (LAO) notes that the second required plan—due January 10, 2003—has not yet been submitted. The plan update is needed to provide a context for this budget request.