

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

Assemblymember John Dutra, Chair

**TUESDAY, MARCH 23, 2004
STATE CAPITOL, ROOM 447**

CONSENT CALENDAR

| ITEM | DESCRIPTION |
|------|---|
| 1110 | Department of Consumer Affairs -Boards |
| 1111 | Department of Consumer Affairs -Bureaus, Programs, Divisions |
| 8500 | Board of Chiropractic Examiners |
| 8510 | Osteopathic Medical Board |
| 8530 | Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun |
| 8640 | Political Reform Act of 1974 |
| 8800 | Membership in Interstate Organizations |

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ITEM 0510 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

LAO Comments: The LAO feels that the need for the agency level of government is unclear. Most agency workload is legislative and budget document review, which are activities already conducted by departments and the Department of Finance (DOF). This option would result in a savings of \$700,000 General Fund.

ITEM 0520 SECRETARY FOR BUSINESS TRANSPORTATION AND HOUSING

The Secretary for Business Transportation and Housing (BTH) is a member of the Governor's Cabinet and oversees the activities of the following 14 departments: Department of Alcoholic Beverage Control, Department of Financial Institutions; Department of Corporations; Department of Real Estate; Office of Real Estate Appraisers; Department of Housing and Community Development; California Housing Finance Agency; Department of Managed Health Care; Office of Patient Advocate; Department of the California Highway Patrol; Department of Motor Vehicles; Department of Transportation; Office of Traffic Safety; and Stephen P. Teale Data Center.

ISSUE 1: LAO OPTION – ELIMINATE THE SMALL BUSINESS GUARANTEE PROGRAM

The Small Business Loan Guarantee program (SBLG) uses state funds to back bank loans to small business that otherwise may not be able to obtain a loan. The SBLG program also enables businesses to establish a favorable credit history with a lender. With that, the business may obtain further loans on its own, without the assistance of the program.

LAO Comments: The \$30 million reserve fund (from previous General Fund appropriations) backs bank loans to small businesses in the case of default. The Governor's budget proposes \$4 million (General Fund) for 11 financial development corporations to administer the program. Based on a 1998 program review, the LAO feels that the program results in little or no net tax revenue to the state. Eliminating the program would result in annual savings of \$4 million for administrative costs and three years of approximately \$10 million transfers to the General Fund from the reserve

ITEM 0520 SECRETARY FOR BUSINESS TRANSPORTATION AND HOUSING

(Continued)

Staff Comments: The Agency should be prepared to discuss current levels of activity within the Small Business Loan Guarantee Program. *What options exist for scaling down the SBLG program and would there be a resulting General Fund savings?*

ISSUE 2: LAO OPTION – GENERAL FUND SAVINGS FROM FILM ACTIVITIES

LAO Comments: The LAO has made the recommendation that the Film Commission use existing statutory authority to charge fees for its film permitting activities to cover its costs. This would provide General Fund savings of \$0.8 million. The LAO further recommends that the Legislature transfer the \$1.1 million fund balance from the inactive Film California First program, for an additional one-time General Fund benefit. (Delete Item 0520-001-0001 and increase reimbursements by \$832,000. Transfer \$1,073,000 to the General Fund.)

Staff Comments: The legislature acted to eliminate general fund support for Film California First program in the 2003-04 budget while maintaining the program in statute and moving it to BTH. *Would the transfer of the fund balance to the General Fund completely eliminate the Film California First program?*

0553 INSPECTOR GENERAL FOR VETERANS' AFFAIRS

Chapter 894, Statutes of 1999 created the Office of the Inspector General for Veterans Affairs. The Inspector General for Veterans Affairs has responsibility for reviewing the operations and financial conditions of State Veterans Homes, the State Farm and Home Purchase Program, State Veterans Services, and all other veterans programs supported by the State, including County Veterans Service Offices and Veterans Memorial Districts. The Inspector General also is required to operate a toll-free complaint hotline for veterans, conduct audits and investigations of State veterans programs, and to make recommendations for improving the operations of veterans programs.

ISSUE 1: ELIMINATION OF INSPECTOR GENERAL

The Governor's Budget is proposing the elimination of the Office of the Inspector General for Veterans Affairs (IGVA) effective July 1, 2004. Under this proposal, the current responsibilities of the Inspector General will not be absorbed by any other department. This proposal will result in a General Fund Savings of \$424,000.

ITEM 8620 FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission (FPPC) has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974 (PRA), as well as for the California Political Reform Act of 1996. The objectives of the Political Reform Act are to: (1) ensure that election campaign expenditure data is fully and accurately disclosed so that the voters may be fully informed and to inhibit improper financial practices; (2) regulate the activities of lobbyists and disclose their finances to prevent any improper influencing of public officials; (3) provide for the disclosure of assets and income of public officials which may affect their official actions, to avoid any conflicts of interest; (4) ensure that the state ballot pamphlet contains useful and adequate information so that the voters will not be entirely dependent upon paid advertising for information concerning state measures; (5) eliminate laws and practices that unfairly favor incumbents to provide for fair elections; and, (6) provide adequate mechanisms to public officials and to private citizens to ensure vigorous enforcement of the Acts. The California Political Reform Act of 1996, enforcement of which is currently enjoined by the Federal District Court, places specific limitations on campaign contributions and establishes voluntary spending limits on all state candidates.

To fulfill the responsibilities imposed by these Acts, the Commission adopts rules and regulations; establishes procedures to monitor compliance; issues opinions to persons who request them; prepares and publishes manuals and instructions to facilitate compliance with and enforcement of the Act; provides assistance to agencies and public officials in administering the Act; investigates possible violations; conducts hearings and applies sanctions provided by the Act; provides technical assistance to state and local agencies in the preparation of conflict of interest codes; and reviews and approves the codes of state agencies, county boards of supervisors, city councils, and all local government agencies with jurisdiction in more than one county.

ISSUE 1: PROPOSED REDUCTIONS

The Governor's budget proposes an \$809,000 reduction to the FPPC's non-statutory funding. This cut follows a \$363,000 reduction in the Commission's non-statutory funding in the fiscal year.

In the current fiscal year, the FPPC has a total budget of approximately \$6.5 million, of which \$3.8 million is from statutory funding approved by the voters in Propositions 9 (of the March 1974 statewide ballot) and 34 (of the November 2000 statewide ballot). Pursuant to the terms of those initiatives, a reduction of those amounts would require voter approval.

The Governor's proposed FPPC budget will have the following effects:

1. **Elimination of 1.5 legal council positions** – 1) Increase in FPPC response time to inquiries regarding application of the Political Reform Act; moderate increase to costs incurred by Department of Justice in representing FPPC in legal matters pursuant to subdivision (c) of Government Code section 83117 which guarantees their representation at no cost.
2. **Elimination of 1-2 Political Reform Consultants (AGPA – equivalent)** – Political Reform Consultants provide advice to the public via the telephone. This reduction would eliminate one day of telephone services to the public per week.

ITEM 8620 FAIR POLITICAL PRACTICES COMMISSION

(Continued)

3. **Elimination of Public Education Program** – Established as a result of the Bureau of State Audits (BSA) audit of 1998, the Public Education Program duties are to educate and assist the regulated community under the PRA. BY 2003 the FPPC provided 73 in person seminars/visits for over 1,000 attendees. The proposed budget would eliminate the program.
4. **Reduced Local Enforcement** – Local enforcement was set up through legislation to specifically focus on violations of the PRA at the local level. The reduction in positions will result in significant caseload enforcement reductions.
5. **Other Administrative reductions** – The proposed reductions will eliminate one of three IT support positions and would eliminate the Media Director position, transferring the duties to the executive director.

Staff comments: This proposal will have a significant impact upon non-statutory functions of the FPPC. The FPPC has raised the concern that they are being faced with a disproportionate level of funding reductions when compared to other state departments.

ITEM 8820 COMMISSION ON THE STATUS OF WOMEN

Chapter 541, Statutes of 1971, established the Commission on the Status of Women as a permanent state agency to eliminate inequities in laws, practices and conditions that affect women. The Commission implements its mandate by examining bills introduced in the Legislature which affect women's rights; maintaining and distributing information to the public on women's issues; developing and maintaining liaison with government agencies and advisory bodies; and providing technical and consultative assistance to organizations which assist women. Emphasis is on economic equity, employment, child and other dependent care, health, violence, and education. The Commission consists of a 17-member body: the Superintendent of Public Instruction, the Chief of the Division of Labor Standards Enforcement in the Department of Industrial Relations, three members of the Assembly and one public member appointed by the Speaker of the Assembly, three members of the Senate and one public member appointed by the Senate Committee on Rules, and seven public members appointed by the Governor. Public members are selected for staggered four-year terms and receive reimbursement for necessary

ISSUE 1: 2003-04 LAO OPTION – ELIMINATION OF COMMISSION

The LAO proposed in Budget year 2003-04 the option of eliminating various boards and commissions to achieve increased general fund savings. The Commission on the Status of Women has a proposed general fund budget of \$443,000. The Governor's Budget proposal does not propose a reduction of funding for the commission.

Staff Comments: The Commission should respond to whether they perform duplicative services of other public or private entities.

ITEM 8955 DEPARTMENT OF VETERANS' AFFAIRS

The Department of Veterans Affairs (CDVA) has three primary objectives: (1) to provide comprehensive assistance to veterans and dependents of veterans in obtaining benefits and rights to which they may be entitled under State and federal laws; (2) to afford California veterans the opportunity of becoming homeowners through the medium of loans available to them under the Cal-Vet farm and home loan program; and (3) provide support for California veterans homes where eligible veterans may live in a retirement community and where nursing care and hospitalization are provided.

Currently, there are three veterans homes located in Yountville, Barstow and Chula Vista. In 2002, the CDVA was legislatively mandated to establish five additional veterans homes for the care of aged and disabled veterans.

ISSUE 1: REDIRECTION OF SPECIAL FUNDS TO GENERAL FUND

The Governor's Budget proposes to redirect \$1.35 million from the Morale, Welfare, and Recreation Fund (funds collected from members' estates) to the General Fund to cover a portion of the state's costs.

CDVA depends on various funding sources to operate each home and to provide for member's needs of healthcare, food, activities and shelter. A portion of funding for these services comes from the General Fund, a portion comes from the Federal Trust Fund (VA Per Diem) and Reimbursements, (which includes Medicare, Medi-cal and private insurance carriers.). Upon admission into a Home, a veteran and/or their spouse are assessed charges for each day of care that they receive. These costs of care can vary greatly depending on the level of service they receive. Collections for these services are then received by the Home from Member Fees, Federal VA Per Diem, Medicare, Medi-Cal and private insurance companies.

If upon the passing of a resident, the home makes the assessment that collections did not fully cover the total cost of care the member received, the remaining balance would be considered an "Unreimbursed Cost of Care".

Under this proposal, the home would be given statutory authority to attempt to recover unreimbursed costs from the member's estates and transfer recovered funds to the Home's General Fund support budget.

Staff Comments: The Department currently has authority to seek unreimbursed costs of care from members' estates. However, recovered costs are prohibited from being reimbursed to the General Fund for costs of care provided. Instead, they are transferred to the Morale, Welfare, and Recreation Fund to support programs that provide for the "general welfare of the veterans".

ITEM 8955 DEPARTMENT OF VETERANS' AFFAIRS

(Continued)

ISSUE 2: REDIRECTION OF STAFF

The Governor's Budget proposes the redirection of a total of six positions (5.7 pys) from the Veterans Homes in Yountville, Barstow, and Chula Vista to the Veterans' Home Division. The Department feels this will enhance the headquarters organizational capabilities for the oversight and program direction at the three current Veterans' Homes and five future Veterans' Homes. Approval of the request will bring the total Division staff to nine positions (8.6 Pys). All of the positions included in the proposal are currently vacant.

The following positions will be redirected under the Governor's Budget Proposal:

1. **Two License Vocational Nurse** positions (1.9 Pys) from Yountville and permanently establish two Associate Governmental Program Analyst positions (1.9 Pys) to implement Health Insurance Portability and Accountability Act (HIPPA), oversee Veterans Homes' health and safety practices, quality assurance audits for plant operations, and complete special studies and projects.
2. **One Chief of Medicine** position from Yountville and permanently establish one Chief Medical Officer position (.9 PY) to provide medical oversight to all Veterans Homes.
3. **One Executive Secretary I** position (.9 PY) from Yountville and permanently establish one Executive Secretary I position to provide clerical support to the Deputy Secretary of Veterans Homes and Division staff.
4. **One Supervising Registered Nurse** position (.9 PY) from Chula Vista and permanently establish one Nursing Consultant, Program Review position (.9 PY) to implement and monitor a Quality Management Program for the Division and each of the Veterans Homes.
5. **One Pharmacist I** position (.9 PY) from Barstow and permanently establish one Associate Governmental Program Analyst position (.9 PY) as a billing specialist to implement and monitor business processes to maximize reimbursement potential.

Staff Comments: The Department has stated that it plans on adjusting the proposal to exclude the Chief of Medicine position reduction. The positions included in the proposal are currently vacant

- *How will these position transfers effect levels of care at the homes involved?*
- *What Benefits will the transfer of these positions provide to the overall level of care for all of the VHC homes?*

ITEM 8955 DEPARTMENT OF VETERANS' AFFAIRS

(Continued)

ISSUE 3: FISCAL CONSOLIDATION OF VETERANS HOME DISTRIBUTED ADMINISTRATION

The Governor's Budget proposes to transfer budgetary authority of 41 positions and \$3.4 million currently located within the individual Veteran Home's (VHC) Budgets to the CDVA headquarters. In order to centralize operations with the opening of VHC – Barstow and Chula Vista, these positions were moved to Headquarters, however their funding remained in the individual VHC line items. This proposal would align budgetary authority to the existing organizational and would incur no additional cost. Also, because these positions are currently located within headquarters, this proposal would not cause any significant programmatic changes. The Department feels that this fiscal adjustment is necessary to correct a structurally flawed funding methodology and will help centralize and bring efficiency to departmental operations.

Staff Comments: This proposal is part of a similar proposal introduced in the May Revision of 2003-04. In the prior year, there were concerns that the complete proposal would affect staffing levels at the individual VHC's. This portion of the proposal is a technical shift of funding sources and would not affect current levels of staffing or care at the Homes.

ISSUE 4: ELIMINATION OF THE ALCOHOL AND DRUG TREATMENT PROGRAM

The Governor's Budget proposed to close the VHC – Yountville Alcohol and Drug Treatment Program (ADTP). Currently utilization of the ADTP has been low, however census historically fluctuates. The proposal will result in a General Fund savings of \$450,000.

With passage of this proposal, members requiring detoxification activities will be managed in the Holderman Acute Hospital for an overnight stay. The Member will then resume use of the Home's out patient program through mental health staff.

Historically, VHC-Yountville's ADTP success rate has been high and under the current proposal members in need of treatment would be forced to seek outside assistance such as community based Twelve-Step Programs.

Staff Comments: The Department should be prepared to respond to:

- *What are the projected levels for admissions of Viet Nam era vets in the next five years?*
- *Are they expected to require increased Drug and Alcohol Dependency Treatment?*
- *If the department recognizes a need for ADTP inpatient programs, what would the ramp up time be to return services to the Homes?*

ITEM 8955 DEPARTMENT OF VETERANS' AFFAIRS

(Continued)

ISSUE 5: SECURITY CONTRACT REDUCTION

The Governor's budget proposes to downsize VHC – Chula Vista's security contract from two officers on 24hr patrol to one officer on patrol at all times.

Staff Comments: The Department should be prepared to respond to the effects that these position reductions would have on the home.

ISSUE 6: CONTRACT OUT FOR FOOD SERVICES AND SECURITY FUNCTIONS

The Governor's Budget proposes a reduction of \$569,000 General Fund and 120 positions (105.0 Personnel Years) that provide food services and security functions at the VHC - Yountville. Under the proposal, the state would instead contract with a private entity to provide these services. Currently, the home spends \$6.7 million on these services. Thus, the proposal assumes that contracting out would save 8 percent of current costs.

LAO CONCERNS

The LAO has raised the following concerns with this proposal:

Implementation Likely Depends on Constitutional Amendment. Both the Barstow and Chula Vista homes already contract out for these types of services. Unlike Yountville, they began using private contracts upon their opening. Seeking to contract out for services is easier under current constitutional provisions when not displacing state workers. Therefore, the department would face a number of hurdles under current law to now contract out for these services at the Yountville home. The administration is proposing a constitutional amendment that would expand the state's ability to contract out for such services. With such an amendment, the proposal would become more viable. Consequently, the LAO withholds their recommendation pending the outcome of the Legislature's deliberations on the constitutional amendment.

Budget-Year Savings at Risk. The department's savings projection depends on beginning to lay off staff in July 2004. The constitutional amendment, however, would not be considered by the voters until the November 2004 ballot at the earliest. Consequently, the savings projection for the budget year is likely overstated at least by about half.