

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

Assemblymember Julia Brownley, Chair

**WEDNESDAY, MAY 28, 2008
STATE CAPITOL, ROOM 444**

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PROPOSED CONSENT CALENDAR (Vote Only)

CAPITAL OUTLAY ISSUES

ITEM 6440 UNIVERSITY OF CALIFORNIA

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 1)

The issue for the Subcommittee to vote on is on the UC's proposed 2008-09 Capital Outlay Projects. The attachment includes issues from April 1st DOF letters and May 1st DOF letters.

COMMENTS

Staff recommends the following: Approve the attached proposal for capital outlay projects.

ITEM 6610 CALIFORNIA STATE UNIVERSITY

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 2)

The issue for the Subcommittee to vote on is on the CSU's proposed 2008-09 Capital Outlay Projects. The attachment includes issues from April 1st DOF letters and May 1st DOF letters.

COMMENTS

Staff recommends the following: Approve the attached proposal for capital outlay projects.

ITEM 6870 CALIFORNIA COMMUNITY COLLEGES (CCC)

ISSUE 1: CAPITAL OUTLAY PROJECTS (ATTACHMENT 3)

The issue for the Subcommittee to vote on is on the CCC's proposed 2008-09 Capital Outlay Projects. The attachment includes issues from April 1st DOF letters and May 1st DOF letters.

COMMENTS

Staff recommends the following: Approve the attached proposal for capital outlay projects.

VOTE ONLY

ITEM 6120 CALIFORNIA STATE LIBRARY

ISSUE 1: INTEGRATED LIBRARY SYSTEM PROJECT & MOVING EXPENSES

The Subcommittee is voting on the State Library's budget change proposals, which were heard April 30, 2008 and held open.

BACKGROUND

The Governor's budget includes funding for the following one-time expenses prior to implementing the proposed ten percent across-the-board reductions:

1. **Phase 2 of the Integrated Library System Replacement Project.** The Governor's budget provides \$1.4 million in funding for the second year of the three-year information technology project. According to the State Library, the Integrated Library System Replacement Project is necessary to keep the State's library records automated in the face of the current vendor's phase-out of the existing information technology system. The current system has been in operation since 1989 and while it has served the State Library well, the State Library indicates that the vendor who designed the supports the system will cease upgrading it or providing any maintenance or support.

The total cost for the project is \$2.5 million; however, the State Library intends to redirect approximately \$937,000, leaving the balance of the project to be funded from additional state resources. The state provided \$52,000 in the current year for procurement-related activities; in year three, the project would require an additional \$136,000. On an ongoing basis, the State Library will need \$250,000 annually to maintain the new system.

2. **Temporary Space and Moving expenses related to the renovation of the historic Library and Courts Building.** In 2008-09, the historic Library and Courts building will undergo a significant renovation aimed at providing for fire, life, safety, and infrastructure improvements, as well as the rehabilitation of historically-significant architectural elements of the 1928 Library and Courts building, which is registered federal and state landmark.

The Library is seeking \$2.6 million for the temporary relocation of both its staff and the contents of its collections (books, materials, historical artifacts, and artwork), which must be moved and in some cases, stored in special conditions due to their notable value (the historic artifacts that is, not the people). Costs include such items as: moving expenses, art storage facilities; modular office space; installation of telephone and data lines.

COMMENTS

Staff recommends the following: Approve the Budget Change Proposal.

ISSUE 2: APRIL 1ST DEPARTMENT OF FINANCE LETTER

The Subcommittee is voting on the State Library's April 1st DOF letter requesting that Item 6120-011-3085 be added in the amount of \$169,000 from Mental Health Services Act funds to fund 6 existing positions, which was heard and held open during the April 30, 2008 hearing.

BACKGROUND**Issue 488 – Items 6120-011-0001 and 6120-011-3085, Support, Mental Health Research Activities.**

It is requested that Item 6120-011-3085 be added to appropriate \$169,000 in Mental Health Services Act funds (Proposition 63 income tax for Mental Health Services) for the State Library to partially fund 6.0 existing positions and expenses to conduct mental health reference, research, and evaluation services on behalf of the State Department of Mental Health to enhance service delivery. The Department of Mental Health concurs with this proposal, and advises that it is an appropriate use of the special fund. It is also requested that Budget Bill Language be added as follows:

Provisions:

1. The funds in this item shall be used to support existing positions and related expenses to conduct mental health research activities on behalf of the Department of Mental Health.

COMMENTS

Staff recommends the following: Approve the April 1st DOF letter.

ITEM 6440 UNIVERSITY OF CALIFORNIA**ISSUE 1: APRIL 1ST DEPARTMENT OF FINANCE LETTER**

The Subcommittee is voting on the University of California's April 1st DOF letter on 2 items, which were discussed during the May 7, 2008 hearing and held open.

BACKGROUND

Statewide Telemedicine Services Expansion Project—Equipment. The University of California (UC) requests \$10,750,000 from the 2006 University Capital Outlay Bond Fund for equipment to expand telemedicine capabilities in community hospitals or clinics who want to expand telemedicine relationships with UC health care specialists. This request will include two components: (1) direct equipment investment in community clinical services (\$10.0 million) and (2) equipment to further develop a coordinated telemedicine training effort through the Telemedicine Resource Center at the Davis campus (\$750,000). The first component will place university-owned equipment (e.g., video conferencing system, computers, digital video screens, etc.) in community health facilities that lack resources necessary to support telemedicine services. The second component will provide the Davis campus, as systemwide coordinator, with additional training equipment for this effort. This funding will be consistent with the 2006 University Capital Outlay Bond which allocated \$200.0 million for capital improvements that expand and enhance medical education programs aimed at developing high-tech approaches to health care. With this request, approximately \$170.5 million of the \$200.0 million will have been allocated.

Therefore, it is requested to amend Item 6440-304-6048 to reflect the addition of a new Statewide Telemedicine Services Expansion—Equipment project and the expansion of the Davis Telemedicine Resource Center—Equipment project.

Amendment of Budget Bill Item 6440-001-0321: Increase Funding for the Oiled Wildlife Care Network (Issue 352)

It is requested that Item 6440-001-0321 be increased by \$200,000, to provide additional funding for the Oiled Wildlife Care Network managed by the University of California. This ongoing augmentation would conform to the increased appropriation level reflected in Assembly Bill 1220 (Chapter 373, Statutes of 2007). The source of the funding for this program is the Oil Spill Response Trust Fund, managed by the Department of Fish and Game.

COMMENTS

Staff recommends the following: Approve the April 1st DOF letter.

ITEM 7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)**ISSUE 1: CAL GRANT COMPETITIVE PROGRAM**

The Subcommittee is voting on the Cal Grant Competitive Program, which under the Governor's budget proposal is phased out to eliminate future awards, a proposed savings of \$57 million. This issue was heard during the April 30, 2008 hearing and held open.

COMMENTS

Staff recommends the following: Reject Governor's proposal to phase out the Cal Grant Competitive Program.

ISSUE 2: ASSUMPTION PROGRAM OF LOANS FOR EDUCATION (APLE)

The Subcommittee is voting on the APLE program, which the Governor's budget proposal reduces new APLE warrants by 800, for a total of 7,200 in 2008-09.

COMMENTS

Staff recommends the following: Reject Governor's proposal to reduce warrants, and restore to the Current Year level of 8,000. This reduction would not provide any savings in the Budget Year.

ITEMS TO BE HEARD AND VOTED ON

ITEM 7980 CALIFORNIA STUDENT AID COMMISSION (CSAC)

ISSUE 1: MAY REVISE – RESTORE THE FEDERAL POLICY AND PROGRAMS DIVISION

In a May Revise letter, Department of Finance (DOF) proposes the following amendment to the January 10th budget:

BACKGROUND

CSAC State Operations

Items 7980-001-0001 and 7980-001-0784 – Restore the Federal Policy and Programs Division (Issue 57)

It is requested that a new subsidiary item, 7980-001-0784, be added in the amount of \$1.0 million from the Student Loan Operating Fund and that 6.0 positions be reestablished for the Federal Policy and Programs Division. Due to delays in the sale or other authorized transaction of EdFund authorized by Chapter 182, Statutes of 2007 (Transaction), the Federal Policy and Programs Division will be necessary to continue oversight of EdFund for the Student Aid Commission (CSAC).

It is requested that the following item be added to conform to this action:

7980-001-0784 – For support of Student Aid Commission, Federal Policy and Program Division, for payment to item 7980-001-0001, payable from the Student Loan Operating Fund....\$1,000,000.

It is also requested that Provision 4 be amended to conform to this action as noted in language addressed under issue 080.

COMMENTS

Staff recommends the following: Approve the May Revise DOF letter.

ISSUE 2: MAY REVISE – REMOVE PROPOSED POSITIONS FOR RECLAIMED WORKLOAD (ATTACHMENT 4)

In a May Revise letter, Department of Finance (DOF) proposes the following amendment to the January 10th budget:

BACKGROUND**Item 7980-001-0001 – Remove Proposed Positions for Reclaimed Workload (Issue 080)**

It is requested that 11.0 new positions proposed in the Governor's budget for the purpose of re-establishing shared services to the CSAC that have been provided by EdFund be deleted. Due to the delay in the Transaction, the EdFund will continue to provide the same services in fiscal year 2008-09 under the terms of a recent Operating Agreement amendment approved by the CSAC.

Further, it is requested that Provision 4 be amended to redirect the \$1.8 million General Fund augmentation proposed in January for restoring shared services from the EdFund. Although the EdFund sale has been delayed, the CSAC must relocate to a new building due to termination of their current lease. Funding is needed to address necessary costs including ongoing additional leased space and telephone system costs, and one-time costs for moving and office furnishings.

COMMENTS

Staff recommends the following: Approve May Revision to: 1) Reduce 11 positions since EdFund is obligated to continue to provide support services under the extension of the Operating Agreement until sold. 2) Redirect funding to address relocation costs at a more reasonable augmentation of \$1,010,000, and lower the reduction in the Budget Balancing proposal for the state operations to \$789,000. Adopt Legislative change to the Budget Bill Language and general operations.

ISSUE 3: MAY REVISE – REAPPROPRIATE CURRENT YEAR SAVINGS

In a May Revise letter, Department of Finance (DOF) proposes the following amendment to the January 10th budget:

BACKGROUND**Item 7980-490 – Reappropriate Current Year Savings (Issue 052)**

It is requested that any current year General Fund savings be reappropriated for relocation costs or any other unforeseen needs associated with the sale or other authorized transaction of EdFund pursuant to Chapter 182, Statutes of 2007 in 2008-09.

It is further requested that the following item be added to conform to this action:

7890-490 – Reappropriation, Student Aid Commission. The unencumbered balances of the appropriations provided in the following citations are reappropriated for the purposes specified in Provision 1 and shall be available for encumbrance or expenditure until June 30, 2009.

Provisions:

1. These funds are available for relocation costs of the Student Aid Commission or for any expenses that may be necessary or convenient to further the intent of the sale or other authorized transaction of EdFund pursuant to Chapter 182, of the Statutes of 2007. These funds shall not be expended unless first approved by the Department of Finance.

COMMENTS

Staff recommends the following: Approve the May Revise DOF letter.

ISSUE 4: MAY REVISE – SHIFT PORTION OF CAL GRANT COSTS TO TANF REIMBURSEMENTS

In a May Revise letter, Department of Finance (DOF) proposes the following amendment to the January 10th budget:

BACKGROUND**Item 7980-101-0001 – Shift Portion of Cal Grant Costs to TANF Reimbursements (Issue 051)**

It is requested that this item be decreased by \$223.0 million General Fund and Reimbursements be increased by a like amount to reflect an interagency agreement with the Department of Social Services to fund grants from federal Temporary Assistance for Needy Families Program (TANF) funds. This proposal is necessary to address a significant shortfall in TANF Maintenance of Effort (MOE) expenditures by shifting General Fund in the Department of Social Services budget to replace costs that are no longer eligible to be counted as TANF MOE.

COMMENTS

Staff recommends the following: Reject May Revise proposal and conform to pending action in Subcommittee No. 1.

ISSUE 5: MAY REVISE – ELIMINATE BUDGET YEAR CAL GRANT PLACEHOLDER

In a May Revise letter, Department of Finance (DOF) proposes the following amendment to the January 10th budget:

BACKGROUND**Item 7980-101-0001 – Eliminate Budget Year Cal Grant Placeholder (Issue 064)**

It is requested that this item be decreased by \$80.0 million as a result of savings associated with the elimination of the \$80.0 million Cal Grant workload placeholder from the Governor's Budget. The placeholder was included in the event the University of California (UC) and the California State University (CSU) increased fees beyond the level anticipated for the workload budget; however additional fee increased by the UC and CSU are not anticipated.

COMMENTS

Staff recommends the following: Approve May Revise DOF letter.

ATTACHMENT # 4

7980-001-0001, Provision 4

4. (a) ~~This item reflects a reduction of \$1,019,000 and six positions to abolish the Federal Policy and Programs Unit of the Student Aid Commission (Commission) assuming the sale, or other authorized transaction, of EdFund is completed by June 30, 2008. This item reflects \$1.0 million payable from the Student Loan Operating Fund for the purpose of funding on a limited-term basis six positions in the Federal Policy and Programs Division. Those positions shall be continued until a sale or other authorized transaction is completed pursuant to Chapter 182, Statutes of 2007 which is anticipated in 2009-10.~~

(b) ~~Additionally, this item reflects an increase of \$1.8 million \$1,010,000 available on a one-time basis for necessary moving costs, furnishings, and equipment associated with relocation of the commission. No later than August 1, the commission shall detail and submit for approval to the Department of Finance, and for information to the Chairperson of the Joint Legislative Budget Committee, all one-time costs estimated to be necessary for relocation of the commission. Any funds remaining shall be available for any expenses that may be necessary or convenient to further the intent of the sale or other authorized transaction of EdFund pursuant to Chapter 182, Statutes of 2007, upon the written approval of the Department of Finance. and eleven positions for prospective activities necessary to reestablish essential core business and technology services, including equipment, software, and related operating expenses as necessary, which are currently provided through contracts and other arrangements with EdFund. The abolishment of positions for the Federal Policy and Programs Unit shall not be effective until the Department of Finance certifies that a sale or other arrangement has taken place pursuant to Chapter 182, Statutes of 2007. The \$1.8 million allocated in this item to replace shared services shall not be available for expenditure until a detailed transition plan has been provided to and approved by the Department of Finance. Upon certification of a sale of EdFund, the Commission, in cooperation with the purchasing entity, shall develop and provide to the Department of Finance at its earliest convenience a detailed plan for the reestablishment of shared services in accordance with proposed transition agreements with the purchasing entity. Notwithstanding this restriction, in the event the sale of EdFund does not occur by June 30, 2008, the Commission may utilize the funding in this provision for the purposes of continuing the Federal Policy and Programs Unit functions until the EdFund sale is completed up to a maximum of \$1,019,000 for the fiscal year. It is the intent of the Legislature that all efforts are taken to minimize the impact to the General Fund through the most cost effective arrangements for restoring shared services back to the Commission.~~