

AGENDA ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

Assemblymember Juan Arambula, Chair

**TUESDAY, MARCH 11, 2008, 1:30 PM
STATE CAPITOL, ROOM 447**

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CONSENT ITEMS

ITEM 1690 ALFRED E. ALQUIST SEISMIC SAFETY COMMISSION

The mission of the Alfred E. Alquist Seismic Safety Commission is to lower earthquake risk to life and property of Californians. The Commission works with federal, state, and local agencies as well as the private sector on a variety of activities that guide and stimulate earthquake risk reduction and management. There are 20 appointed Commissioners who provide policy guidance, topical expertise, and perspectives from the private sector, academia, and local government.

COMMENTS

The Governor's proposed budget includes expenditures of \$3.3 million (Special Funds) and 7.8 positions. This is nearly identical to last years approved budget.

ITEM 1880 STATE PERSONNEL BOARD

The State Personnel Board (SPB) is responsible for California's civil service system. The SPB provides a variety of recruitment, selection, classification, goal setting, training and consultation services to State departments and local agencies. The Board is composed of five members, who are appointed by the Governor, and serve 10-year terms.

COMMENTS

The Governor's proposed budget includes \$26.5 million (\$5.5 million General Fund) for SPB. This is an increase of \$3 million over last year's appropriations (no increase in general fund expenditures).

ISSUE 1: BUDGET BALANCING REDUCTION

The Governor's Budget Balancing Reduction (BBR) proposes to cut \$540,000 and 4.9 positions from the proposed workload budget for SPB. Savings are achieved by cutting one administrative support position, two merit appeals positions, one analyst position, \$80,000 in contracting dollars from the Bilingual Services Program, and the Assistant Division Chief Position.

COMMENTS

This is part of the Governor's 10 percent reductions as discussed during Special Session budget hearings.

ISSUE 2: INFORMATION TECHNOLOGY

This proposal requests 2.0 positions and \$234,000 reimbursement authority to provide for enhanced IT support for SPB. The largest reimbursable workload demand on IT is for Internet based exams and scheduling systems. SPB has over 50 exams and schedule systems currently on its' website.

COMMENTS

These online exams are a key part of upgrading the state civil service system, and current staffing levels are inadequate to keep up with demand.

ITEM 2310 OFFICE OF REAL ESTATE APPRAISAL

The mission of the Office of Real Estate Appraisers is to ensure the competency and integrity of real estate appraisers through a program of licensure and enforcement.

COMMENTS

The Governor's proposed budget includes expenditures of \$4.2 million (Special Fund). This is slight decrease from last years approved budget.

ITEM 8385 CALIFORNIA CITIZENS COMPENSATION COMMISSION

The California Citizens' Compensation Commission is responsible for setting the salaries and benefits for the State Legislators, Governor, Attorney General, Lieutenant Governor, Secretary of State, Controller, Treasurer, Superintendent of Public Instruction, Insurance Commissioner, and Board of Equalization members. The Commission consists of seven members appointed by the Governor.

COMMENTS

The Governor's proposed budget includes expenditures of \$14 thousand (General Fund).

ITEM 8420 STATE COMPENSATION INSURANCE FUND

The mission of the State Compensation Insurance Fund is to:

- Provide California employers with a permanent market for workers' compensation insurance protection at cost with no financial obligation to the public.
- Compete fairly with other insurers and, by example, set the standard for fair premium rates, financial integrity, excellence in customer service and impartial treatment of injured workers.
- Assist employers in providing safe places to work. When a worker is injured, it helps restore that person to a useful place in the economy.

COMMENTS

Pursuant to Insurance Code, Section 11871, claims against the uninsured state agencies are adjusted by State Compensation Insurance Fund under a Master agreement with the Department of Personnel Administration and are reflected in this item. The Governor's proposed budget includes expenditures of \$2.2 billion (Special Fund).

ITEM 8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

The Department of Personnel Administration (DPA) is the Governor's chief personnel policy advisor. The Department represents the Governor as the "employer" in all matters concerning State employer-employee relations. The Department handles issues related to salaries, benefits, positions classification, and training. Many of these duties are also shared with the State Personnel Board. For rank and file employees, these matters are determined through the collective bargaining process and for excluded employees, through a meet and confer process. The Department also administers the state employee deferred compensation programs.

The Governor's budget proposes total expenditures of \$108.5 million, with funding primarily from the General Fund (\$40 million) and the Flexelect Benefit Fund (\$27 million).

ISSUE 1: BUDGET BALANCING REDUCTION – CLASSIFICATION AND COMPENSATION

The Governor's Budget Balancing Reduction proposes cutting \$398,000 (General Fund) and 3.0 positions from the Classification and Compensation Division.

COMMENTS

The Department points out that this could result in the inability to hire qualified staff and meet statutory requirements. This is part of the Governor's proposed 10 percent reductions as discussed during Special Session budget hearings.

ISSUE 2: BUDGET BALANCING REDUCTION – LEGAL DIVISION

The Governor's Budget Balancing Reduction proposes cutting \$403,000 (General Fund) and 2.9 positions from the Legal Division. This cut includes a reduction in travel budget.

COMMENTS

Cuts to the travel budget could result in witnesses needing to drive to Sacramento instead of DPA staff traveling to them. This is part of the Governor's proposed 10 percent reductions as discussed during special session budget hearings.

ISSUE 3: BUDGET BALANCING REDUCTION – ADMINISTRATIVE SERVICES DIVISION

The Governor's Budget Balancing Reduction proposes cutting \$109,000 (General Fund) and .9 positions from the Administrative Services Division.

COMMENTS

This is part of the Governor's proposed 10 percent reductions as discussed during Special Session budget hearings.

ISSUE 4: BUDGET BALANCING REDUCTION – BENEFITS PROGRAM

The Governor's Budget Balancing Reduction proposes cutting \$226,000 (General Fund) and 1.9 positions from the Benefits Program.

COMMENTS

This is part of the Governor's proposed 10 percent reductions as discussed during Special Session budget hearings.

ISSUE 5: SAVINGS PLUS PROGRAM – INVESTMENT CONSULTING

The Governor's budget proposes an augmentation of \$260,000 (Special Fund) in the Savings Plus Program's (SPP) Deferred Compensation fund to fund additional ongoing external investment consulting services necessary to support the new investment portfolio structure.

COMMENTS

The SPP new investment lineup for 401(k) and 457 plan accounts will necessitate additional consulting services. The services provided by the investment consulting along with the new investment lineup provide a better service to participants in these plan accounts.

ISSUE 6: DRUG TESTING PROGRAM REIMBURSEMENT

The Governor's budget proposes an increase in reimbursement authority of \$263,000 (Special Fund) to cover increased costs associated with the drug testing contracts administered by DPA.

COMMENTS

The number of substance tests completed by DPA has nearly doubled since 2004-2005 while reimbursement authority has remained flat.

ISSUE 7: 21ST CENTURY PROJECT

The Governor's budget proposes increased reimbursement authority of \$623,000 to support the 21st Century HRMS Project.

COMMENTS

The DPA plays a key role in development of the new Human Resource Management System (HRMS). The positions allowed via this BCP will allow DPA to ensure system requirements meet the conditions of all laws, rules, and bargaining agreements administered by DPA. DPA staff will also work to prepare line departments and the unions for changes as a result of the new HRMS.

ITEMS TO BE HEARD

ITEM 0840 STATE CONTROLLER'S OFFICE

The State Controller is the Chief Financial Officer of the state, elected by the people.

The Controller's primary objectives are to:

- Provide sound fiscal control over both receipts and disbursements of public funds.
- Report periodically on the financial operations and condition of both state and local governments.
- Ensure money due to the state is collected through fair, equitable, and effective tax administration.
- Provide fiscal guidance to local government.
- Administer the Unclaimed Property and Property Tax Postponement Programs.
- Develop and establish policy for a significant number of boards and commissions, including all major tax boards.

The Governor's proposed budget includes expenditures of \$185 million (\$90 million General Fund) and 1,316 positions for the Controller's Office. This is approximately the same as last year with a General Fund decrease of \$27 million.

ISSUE 1: BUDGET BALANCING REDUCTION – 10 PERCENT CUT

The Governor proposed a 10 percent cut for the State Controllers office, but did not allocate how those cuts should be made. A 10 percent cut is equivalent to \$8.986 million. The Controller's Office has not yet provided details on how they would allocate such a cut if adopted.

COMMENTS

More details on how this cut would affect the operations of the State Controller's Office are needed to analyze the appropriateness of this proposed cut.

ISSUE 2: TRANSPORTATION AUDITS – PROP 1B FUNDS

The Controller's Office requests \$1,876,000 in reimbursement authority in order to provide the California Department of Transportation with audit services for Proposition 1B funds.

BACKGROUND

Proposition 1B of 2006 authorized \$19.5 billion in general obligation bonds for various transportation improvement projects. CalTRANS has primary responsibility over administration of the funds, and has requested the Controller's office provide audit services through an interagency agreement. The agreement is for at least seven years.

COMMENTS

Caltrans has agreed to fully fund, the cost of the audits through an interagency agreement.

ISSUE 3: CALIFORNIA STATE UNIVERSITY AUDITS

The Governor's budget proposes \$422,000 in reimbursement authority and four positions to allow the Controller's Office to perform its required audits of the California State University (CSU) system's student fee trust funds.

BACKGROUND

AB 1802 of 2006 allowed each CSU campus to deposit, into a local trust account, the monies they collect in tuition and fees from students. These funds are now continuously appropriated rather than annually appropriated in the budget act. These funds totaled approximately \$1.2 billion in 2007.

COMMENTS

With new procedures being used for collection, holding, and allocation of these funds, the Controller's office can help ensure that sufficient controls exist to ensure all accounting is legal and proper.

ISSUE 4: UNCLAIMED PROPERTY PROGRAM FUND SHIFT

The Governor's budget proposes to convert \$26.1 million in General Fund costs for the Unclaimed Property program to the Unclaimed Property Fund.

BACKGROUND

The intention of unclaimed property law is to allow the State to take temporary custody of property that had been abandoned by its owner, and hold that property until the rightful owner can be located.

The Controller's office claims that restrictions and reductions in funding for the Unclaimed Property program have "drastically reduced its effectiveness and ability to locate owners." They assert that changes regarding the policy of how the program was run were made based on concerns for general fund spending. They feel moving these costs out of the general fund will eliminate such occurrences in the future.

COMMENTS

Appropriation of the Unclaimed Property Funds will still be required in the annual budget, and it will be important to continue to monitor expenditure of these funds to ensure that they are used as efficiently as possible to locate the owners of the unclaimed property.

ISSUE 5: HUMAN RESOURCE MANAGEMENT SYSTEM (21ST CENTURY PROJECT)

The Governor's budget proposes the expenditure of \$38.3 million (\$21.8 General Fund) and 70.5 limited-term positions for implementation of the 21st Century Project.

BACKGROUND

The 21st Century Project will result in an integrated Human Resource Management System (HRMS) to replace the existing payroll, employment history, position management, and leave accounting systems. The Controller's Office is working closely with the Department of Finance, Department of Personnel Administration, and State Personnel Board to ensure it meets all the state's needs.

During the "blue print phase", the project team met with stakeholders to assess the needs of the state. Several potential issues were discovered with the project scope and plan through this process. These issues required changes to the plan that will affect the overall project timeline and staffing needs. A Special Project Report (SPR) has been prepared to reflect these changes.

The Controller's Office reimburses both DPA and SPB for positions provided in their budget for these efforts.

COMMENTS

The SPR pending for this project is expected soon.

ISSUE 6: 21ST CENTURY PROJECT – FEDERAL FUND REPAYMENT

The Governor's budget proposes \$969,000 for reimbursement of federal funds collected in 2005-2006 and 2006-2007.

BACKGROUND

In early 2007, the U.S. Department of Health and Human Services (USDHHS) notified the Department of Finance that only certain costs are chargeable to federal fund prior to system implementation. As such, an agreement was reached to refund the "over-collected" federal funds from 2005-2007. While this increases costs now, these funds will be recovered from the federal fund upon completion of the 21st Century Project.

COMMENTS

This proposal implements the agreement reached with the USDHHS.

ISSUE 7: LOCAL GOVERNMENT E-CLAIM SYSTEM

The Governor's budget proposes \$444,000 General Fund and 4.5 two-year limited-term positions to support the maintenance and operation of the Local Government E-Claims system.

BACKGROUND

The Local Government E-Claims system was fully implemented in November 2007 to enable claimants to securely submit mandated cost claims electronically into the Controller's system.

The Local Reimbursement program is responsible for annually receipting, reviewing, and paying 60,000 to 70,000 mandated cost claims received from school districts, local agencies, and community colleges. The total amount claimed by local governments from the State totals between \$500 and \$600 million annually.

This request funds the ongoing maintenance and operations for the E-Claim system.

ISSUE 8: BOND AND PMIA LOAN PROGRAM

The Governor's budget proposes \$277,000 in reimbursement authority and 3 positions to address the increased workload in the number of bonds and associated loans being processed in the State's Bond Polled Money Investment Account (PMIA) Loan Program.

BACKGROUND

Changes in law required the Controller's Office to work with the State Treasurer's Office to set up and close PMIA loans among other things. An interagency agreement was reached to complete these duties, and this BCP is in line with that agreement.

There are currently 108 bond funds, 431 Bond Loan Accounts, and 171 Polled Money Investment Loan Accounts (PMIA) all handled by the Controller's Office. Each of the 171 PMIA's must be closed out and set-up as a new loan at least once per year. Further, the multiple Bond Acts passed by voters in 2006 will include more than 100 new bond/loan accounts. The number of bonds/loans and associated accounts the Controller's Office must handle has tripled in the last 20 years.

COMMENTS

With billion's of dollars in currently approved bonds still being implemented, and tens of billions in new bonds proposed each year, the Controller's Office's role in these matters is not likely to decrease in the near future.

ISSUE 9: GASB STATEMENT NO. 45

The Governor's budget proposes two positions and \$399,000 (Special Funds) to continue performing work directly related to compliance with new requirements of Governmental Accounting Standards Board (GASB) Statement number 45 related to Post-Employment Benefits Other Than Pensions (OPEB).

BACKGROUND

OPEB includes things like post employment health care, disability, and long-term care, among other things. California previously reported OPEB costs as a current-period expenditure, with no disclosure of future or long-term liability. To comply with GASB 45, the state must account for those long-term liabilities, and the Controller's Office is working together with CalPERS, the Bureau of State Audits, and the Department of Finance to develop an implementation plan to do that.

In 2006-07, the Controller's Office received a two-year limited term position for these efforts. This proposal includes transitioning that position to a permanent position.

These positions will also work to assist local governments in meeting the requirements of GASB 45 by developing guidelines and assisting in the collection and reporting of OPEB data.

COMMENTS

The Department points out that while funding OPEB liabilities is not required, credit rating agencies are watching government's actions related to funding plans. The significant expenditures required to begin pre-funding the state's OPEB liabilities are prohibitive in the current budget climate. These efforts by the Controller's Office and other departments are a positive interim step towards addressing these liabilities.

ISSUE 10: CALIFORNIA CHILD SUPPORT AUTOMATION SYSTEM (CCSAS)

The Governor's budget proposes two limited-term positions and \$201,000 in reimbursement authority in order to implement and monitor the CCSAS.

BACKGROUND

This proposal depends on annual funding from the Department of Child Support Services (DCSS) and is directly tied to the BCP submitted by DCSS.

Since 1998, the State has paid substantial annual penalties to the federal government due to lack of a statewide child-support system that complies with federal requirements (Approximately \$1 billion since 1998). This program will alleviate that issue. Because child support collections will be deposited into the State Treasury, the Controller's Office must be involved in the CCSAS project.

This new system requires the Controller's Office to audit the 58 counties input controls to make sure that the counties have adequate and proper controls and systems in place. Current staffing levels are not adequate for this increased level of duties.

COMMENTS

The CCSAS project is necessary to bring California into compliance with Federal standards, and the Controller's Office will be reimbursed by the Department for all costs associated with the project.

ISSUE 11: REMITTANCE PROCESSING WORKLOAD

The Governor's budget proposes one position and \$93,000 in reimbursement authority to address increased workload related to revenues processed from counties and courts.

BACKGROUND

All courts and counties within California are required to submit revenue to the State, and these remittances are usually due within 45 days of the end of the month, quarter, or year in which they are required to be remitted. Before 2002, the fee title to court facilities was not required to be transferred to the State. It now is and creates an increased workload for the Controller's Office.

All remittances must be processed within the month in order to balance with the State Treasurer's Office. Approximately 600 remittance forms are sent to the Controller's Office each month for processing.

COMMENTS

Propositions such as "Jessica's Law" often create increased costs for the Controller's Office by increasing the amount of fines that need to be processed, but also changing how those funds are distributed by the Controller.

ITEM 1100 CALIFORNIA SCIENCE CENTER

The California Science Center is an educational, scientific, and technological center located in Exposition Park, a 160-acre tract in south Los Angeles. The California African American Museum (CAAM), also included in the park, provides exhibitions and programs on the history, art, and culture of African Americans.

The California Science Center is a public-private partnership between the State of California and the not-for-profit California Science Center Foundation. The Science Center is administered by a nine-member board of directors appointed by the Governor. The not-for-profit California Science Center Foundation provides support for Science Center exhibits and programs.

The Governor's proposed budget includes expenditures of \$26 million (\$20 million General Fund) and 191 positions for the Science Center. This is an increase of \$3 million.

ISSUE 1: BUDGET BALANCING REDUCTION – SCIENCE CENTER

The Governor proposed a cut of \$1.520 million (General Fund) through reduced custodial and maintenance staffing as well as a delay in filling positions approved as part of the operating ramp-up of Phase II expansion of the Science Center.

The proposed reductions will also include reducing support for exhibit development and eliminating education programming for science center school and teacher professional development.

BACKGROUND

The Science Center is currently in Phase II of an expansion. The largest part of the expansion, World of Ecology, is a complex project requiring the collaboration of a multifaceted group of professionals. The project, which will add 170,000 square feet to the Science Center, will double the amount of exhibit space available.

COMMENTS

As discussed during the Special Session hearing, delay in the hiring of operational staff for Phase II expansion will not delay construction or increase overall costs of Phase II of the expansion efforts.

ISSUE 2: SCIENCE CENTER – TRAILER BILL LANGUAGE

In the 2007-08 budget, Budget Bill Language (BBL) was adopted to allow the Science Center to enter into a contract with the California Science Center Foundation for services not currently provided for under the State's civil service system. This language is again included in the Governor's 2008-09 budget.

The language reads:

"The operation of the California Science Center may require individual skills not generally available in state civil service to support specialized functions, such as exhibit maintenance, and educational and guest services programs, including animal care and horticulture. Notwithstanding any other provision of law, the California Science Center may enter into a personnel service contract or contracts with the California Science Center Foundation without a competitive bidding process. Any such contract shall be subject to approval by the State and Consumer Services Agency and the Department of General Services and be subject to all state audit requirements."

BACKGROUND

The Science Center is currently in Phase II of an expansion. The largest part of the expansion, World of Ecology, is a complex project requiring the collaboration of a multifaceted group of professionals. The World of Ecology, a new exhibit pavilion that will become home for over 150 live animal species, live plants and recreated environments from the desert to the sea. The World of Ecology will contain over 175 new hands-on exhibits. This new exhibit will require staffing needs not currently available under the State civil service system.

COMMENTS

This language could be included each year as BBL, but with the need for such positions ongoing, it may be appropriate to include it in Trailer Bill Language to avoid addressing the issue each year.

ISSUE 3: BUDGET BALANCING REDUCTION – CALIFORNIA AFRICAN AMERICAN MUSEUM (CAAM)

The Governor proposes a reduction of \$249,000 (General Fund) to the CAAM budget. The majority of the reduction is set to come out of support for public exhibitions curators, shipping, and program professional services.

BACKGROUND

The Museum occupies a 44,000 square foot facility that includes 3 full-size exhibition galleries, a theater gallery, a 14,000 square foot Sculpture Court, a conference center/special events room, an archive and research library, administrative offices, exhibit design and artifact storage areas.

COMMENTS

CAAM is the only State agency mandated to collect, preserve, maintain, and interpret for the public the art, history, and culture of African Americans.

Additionally, entering into new fundraising efforts for another expansion, it is critical for CAAM to be able to show potential donors what it has to offer. Without curators they may lose the ability to bring in new funding.

ISSUE 4: CAAM RENOVATION AND EXPANSION PROJECT

The Governor's budget proposes \$2.1 million (General Fund) for working drawings for the planned renovation and expansion of CAAM. The State's \$2.1 million will be matched with over \$1 million from the Foundation of the California African American Museum.

BACKGROUND

In September 2001, following years of deterioration and risk to the collection, the California African American Museum temporarily closed its exhibition facilities for major infrastructure renovations. Valued at approximately \$4.1 million, improvements included automated remote monitoring HVAC system, CCTV security system, dry-pipe fire suppression system, hardwood floor installation, a new roof and skylights, electronic doors to comply with the American with Disabilities Act and an automated light dimmer system. The Museum reopened in March 2003. Exterior improvements in 2003 also included landscaping upgrades. Improved and visible signage has also been installed both outside and in the building.

During these renovations, however, it was recognized that they were a short-term fix, and to meet the long-term needs of CAAM, further renovation and expansion would be necessary.

This proposal will renovate 37,000 square feet of the existing facility (total of 45,911 square feet) and will expand and add another 77,000 square feet. The expansion will allow CAAM to conform to the Exposition Park Master plan, accommodate CAAM's education and programmatic service growth, as well as accommodate the immediate and long term capacity to collect, preserve and maintain art and historical artifacts and documents. Current facilities make it very difficult to adequately store artifacts and ensure safety and protection of them.

COMMENTS

Recent changes to the Exposition Park Master plans have significantly modified the orientation of the park in such a manner that the entrance to CAAM is on the opposite side it should be. Thus, visitors park in the back of the building, creating security concerns for the delivery and transport of valuable art, and have to travel to the opposite side of the building for entry.

The status of the HVAC and fire suppression systems are currently effecting the ability of spaces in the museum to be used to show art. Only 29 percent of the current facility is actually dedicated to gallery space. The industry standard is closer to 40 percent.

This years request is for \$2.1 million to complete working drawings for the expansion and renovation. Construction costs beginning as early as next year are projected at \$40 million with another \$20 million coming from the CAAM Friends Foundation. Funds will not be released until CAAM can show it has raised the private funding specified.

ITEM 1880 STATE PERSONNEL BOARD

The State Personnel Board (SPB) is responsible for California's civil service system. The SPB provides a variety of recruitment, selection, classification, goal setting, training and consultation services to State departments and local agencies. The Board is composed of five members, who are appointed by the Governor, and serve 10-year terms.

The Governor's proposed budget includes \$26.5 million (\$5.5 million General Fund) for SPB. This is an increase of \$3 million (no increase in general fund expenditures).

ISSUE 1: ADMINISTRATIVE LAW JUDGES AND PSYCHOLOGICAL MEDICAL WITHHOLDS

The Governor's budget proposes 2 additional Administrative Law Judges positions and \$331,000 reimbursement authority in order to respond to Whistleblower Retaliation Complaints.

Additionally, it proposes 5 new Associate Personnel Analysts and 2 Appeals Assistant positions with \$654,000 in reimbursement authority to respond to a projected increase of psychological and medical withhold appeals related to the substantial growth in the number of peace officer candidates being processed.

BACKGROUND

Changes to the California Whistleblower Protection Act over the past years have significantly increased the workload for SPB to administer it. Average annual complaints filed were below 20 in the 90's, but are hovering around 60 since 2004.

State law requires peace officer and correctional peace officer applicants to be psychologically screened prior to hire. SPB is mandated to provide these screenings. Along with providing the screenings, if an applicant is rejected due to the screening results, SPB must process the appeal of that decision.

COMMENTS

Appeals of screening decision have risen over the past 4 years, and appear to be continuing to rise. Recent pushes to increase recruits for California Department of Corrections and Rehabilitation (CDCR) have increased the demand placed on SPB. The California Highway Patrol (CHP) has also increased recruitment efforts, placing further demand on SPB's services.

ISSUE 2: ADMINISTRATIVE SERVICES DIVISION

The Governor's budget proposes 7.5 positions and \$679,000 in reimbursement authority for administrative support services.

BACKGROUND

In the early part of this decade, 12 percent of SPB's positions were for administrative support. That percent is now below 10 percent, while the percentage of their workload that is reimbursement based (requiring significant administrative time) has grown from 62 percent in 2002-03 to over 75 percent.

Several recent audits conducted have shown SPB's administrative services are not able to keep up with their demand, nor meet statutory requirements in some cases. Issues include reporting of taxable income, payment of invoices, and proper documentation of actions.

COMMENTS

Over 75 percent of SPB's workload is now on a reimbursable basis. As demand for their services continues to rise, they need reimbursement authority to continue to provide those services.

ISSUE 3: TECHNICAL TRAINING REIMBURSEMENT

The Governor's budget proposes \$242,000 in reimbursement authority and 3 positions for the Technical Training Program.

BACKGROUND

SPB's Technical Training Program offers training in areas ranging from sexual harassment prevention to workforce planning. These services are offered to state departments on a reimbursable basis.

The Department of Personnel Administration previously had the State Training Center to assist in training of state employee's, but that center has been closed.

COMMENTS

Requests for trainings have grown considerably the past several years. Providing reimbursement authority will allow the Program to continue to expand to meet the needs of state departments.

With large numbers of state employees expected to retire over the next five to ten years, adequate training programs are essential to ensure younger employees receive the training necessary to fill those vacant positions.

ISSUE 4: PSYCHOLOGICAL SCREENING REIMBURSEMENT

The Governor's budget proposes \$368,000 in reimbursement authority and 4 positions to meet the projected increases in need for psychological screening of CDCR and CHP applicants.

BACKGROUND

As mentioned in issue one, both CDCR and CHP have increased recruitment efforts, thereby increasing the number of individuals requiring psychological screenings. The average annual number of screenings over the last decade has been around 5,000 per year. For 2007-08, SPB appears to be on track to complete over 11,000 screenings.

SPB does expect this level to drop off slightly too around 9,500 screenings the next few years, but is still significantly higher than previous demand.

COMMENTS

These additional positions will allow SPB to process the increased screening needs of both CHP and CDCR in a timely fashion. Both CHP and CDCR have agreed to redo their interagency agreements to reflect the increased reimbursable costs associated with these positions.

ISSUE 5: MEDICAL OFFICE STAFFING

The Governor's budget proposes 2 positions and \$295,000 in reimbursement authority for the Medical Office to respond to increased fitness for duty evaluations.

BACKGROUND

Similar to the psychological screenings discussed in issue 4, the Medical Office completes fitness for duty evaluations for peace officer applicants, as well as some other positions requiring fitness for duty evaluations (such as Department of Transportation workers).

COMMENTS

SPB projects approximately 4,400 medical evaluations will be necessary next year. This is down from their original projection of 5,000.

ISSUE 6: 21ST CENTURY PROJECT – TEMPORARY HELP

The Governor's budget requests 1 position and \$116,000 in reimbursement authority for temporary help to allow the SPB to continue active participation in the 21st Century Project.

BACKGROUND

The State Controller's Office and Department of Personnel Administration have the primary role in developing and implementing the new Human Resource Management System (HRMS, or 21st Century Project), but there is a need for SPB to be actively involved.

Last year a position was approved to allow SPB to participate. SPB's required duties in regards to the state civil service system will be greatly affected by HRMS and by ensuring they are actively engaged in these efforts, SPB can ensure designs accommodate their needs.

COMMENTS

The State Controller's Office has agreed to reimburse SPB for this staff position in recognition of SPB's key role in this process.

ITEM 2320 DEPARTMENT OF REAL ESTATE

The mission of the Department of Real Estate is to protect the public in real estate transactions and provide related services to the real estate industry.

The Governor's proposed budget includes expenditures of \$45 million (General Fund) and 336 positions for the Department. This is a decrease of \$2.5 million (General Fund).

ISSUE 1: FISCAL AND BUSINESS SERVICES

The Governor's budget proposes 3 positions and \$139,000 (Real Estate Fund) to provide support services to the Sacramento Office.

BACKGROUND

While some e-licensing efforts have been implemented, much of DRE's duties require physical handling of mail from the 539,000 licensed individuals. E-licensing has cut incoming mail from approximately 351,000 pieces in 2004-05 to 252,000 in 2007-08 where it's projected to level out.

Despite this reduction in mail, the number of licensee's requiring services has remained fairly level. Additionally, the Department has not received increased staffing to help with these services in well over a decade, leaving a staff shortage even despite the decreased incoming mail.

COMMENTS

E-licensing has demonstrated the ability to significantly reduce the workload for the Department of Real Estate. Additional efforts on this front should be researched and pursued when possible to create greater efficiency in the Department.

ISSUE 2: REAL ESTATE FRAUD PROSECUTION TRUST FUND PROGRAM

The LAO's analysis points out that current law requires the Legislative Analyst's Office to report annually to the Legislature certain information related to real estate fraud cases in counties that participate in the Real Estate Fraud Prosecution Trust Fund Program.

No such reports were received until October of 2007. In October 2007, the LAO received reports from Sacramento and Santa Clara Counties. The LAO believes, however, that as many as 22 counties may be participating in the program. This suggests that many counties may not be aware of their obligation to report on the program.

COMMENTS

It is unclear who is best to coordinate better communication between the counties and the LAO. Does DRE have any role to play in these efforts to improve communication and reporting?

ITEM 8320 PUBLIC EMPLOYMENT RELATIONS BOARD

It is the mission of the Public Employment Relations Board to administer and enforce California public sector collective bargaining laws in an expert, fair and consistent manner, to promote improved public sector employer-employee relations, and to provide a timely and cost effective method through which employers, employee organizations, and employees can resolve their labor relations disputes.

The Governor's proposed budget includes expenditures of \$6.5 million (General Fund) and 47 positions.

ISSUE 1: BUDGET BALANCING REDUCTION

The Governor proposed a Budget Balancing Reduction in the amount of \$510,000 (General Fund) and 3 positions.

BACKGROUND

As discussed during the Special Session budget hearing, this BBR proposed to eliminate the Board's fact finding budget, close the Oakland office, eliminate two legal support staff positions (which would be offset by Issue #2), eliminate one HR position, and reduce its travel and library budgets.

Closing the Oakland Office will require much more travel by the public as that will leave only the Sacramento and LA offices. The Oakland Office would not be closed until January 1, 2009 for a savings of approximately \$140,000 with full savings of \$280,000 in 2009-10. Closing the Oakland office will also require a change to regulations, as several counties are currently required to report to that office. Similarly, cutting travel funds will make it difficult to accommodate bay area residents by coming closer to them.

The two legal support positions that would be eliminated are being added by the BCP discussed in Issue #2. As such, approving this piece of this BBR and the BCP will essentially leave the Board where it is at now.

Statute requires that specified parties participate in the fact finding process, and that PERB will pay for the fact finder. That statute would have to be changed in order to eliminate that piece of the budget.

COMMENTS

It is unclear the affect closing the Oakland office could have on those who utilize the Board's services in the area. It is also unclear how elimination of the fact finding budget will affect the use of fact finding in the process of hearing disputes.

ISSUE 2: LEGAL SUPPORT

The Governor's budget proposes two positions and \$145,000 (General Fund). As discussed in Issue 1, these two positions will be eliminated if the BBR is approved.

BACKGROUND

Since 2001, PERB's jurisdiction has been expanded several times, and has more than doubled the number of employees they are responsible for, now at over 2 million. PERB's staffing level have failed to keep up with the expanded jurisdiction, and has been compounded by increasing rates of disputes being filed as well.

COMMENTS

A recent court case also has the potential to further expand the jurisdiction of PERB, which could increase the workload of the Board in the near future as well.

ISSUE 3: HUMAN RESOURCES WORKLOAD

The Governor's budget proposes \$55,000 (General Fund) and one position to address HR workload.

BACKGROUND

In 1992-93, PERB eliminated its HR division and contracted with DGS for those services. Until 2006-07, these services were provided on an as needed basis, and charged as such. Costs varied between \$10,000 and \$20,000 depending on needs.

In March of 2007, DGS increased their costs to "per personnel year costs," meaning PERB would be charged for entire individuals annual salary, regardless of actual time used. This increased costs by \$45,000 in 2006-07.

COMMENTS

While the cost of this BCP is \$55,000, the Board would like to move their HR functions back to in-house to avoid future rate increases from DGS. Additionally, many HR and administrative tasks are being handled by other staff. Bringing on this position would consolidate those tasks, and allow existing staff to focus on their specified job duties.

ITEM 8380 DEPARTMENT OF PERSONNEL ADMINISTRATION

The Department of Personnel Administration is the Governor's chief personnel policy advisor. The Department represents the Governor as the "employer" in all matters concerning State employer-employee relations. The Department handles issues related to salaries, benefits, positions classification, and training. Many of these duties are also shared with the State Personnel Board. For rank and file employees, these matters are determined through the collective bargaining process and for excluded employees, through a meet and confer process. The Department also administers the state employee deferred compensation programs.

The Governor's budget proposes total expenditures of \$108.5 million, with funding primarily from the General Fund (\$40 million) and the Flexelect Benefit Fund (\$27 million).

ISSUE 1: BUDGET BALANCING REDUCTION – LABOR RELATIONS

The Governor proposed a Budget Balancing Reduction of \$239,000 (General Fund) and 2 positions, resulting in reduced salary survey's being completed.

BACKGROUND

The DPA represents the Governor in collective bargaining agreements with employee unions. In those negotiations, DPA uses salary survey's to compare salaries of those employees in the union with other employees in comparable positions elsewhere in state government, in local government, and in private jobs. The Salary Survey's enable DPA to more accurately determine when pay increases are necessary as well, as how they will affect recruitment and retention efforts.

COMMENTS

Eliminating or reducing the number of, and detail of, salary surveys available to DPA during collective bargaining could greatly hinder the state's ability to accurately determine appropriate pay levels.

With 19 of 21 bargaining units having expired contracts or contracts that will expire by the end of this fiscal year, it may not be the best time to eliminate detailed salary surveys.

ISSUE 2: BUDGET BALANCING REDUCTION – RURAL HEALTH CARE EQUITY PROGRAM (RHCEP)

The Governor proposed a Budget Balancing Reduction of \$515,000 (General Fund). This is a 10 percent cut made as part of the Governor's 10% across the board cuts.

BACKGROUND

The RHCEP provides reimbursements of certain health care expenses for State employees and annuitants who do not have access to an HMO.

Annuitants that are not Medicare participants would have their subsidies cut from \$500 to \$450 annually, and Medicare participants would go from \$75 to \$67.50.

COMMENTS

There is no policy rationale for these cuts; they were just made as part of the Governor's 10 percent across the board cut.

ISSUE 3: SAVINGS PLUS PROGRAM – THIRD PARTY ADMINISTRATOR

The Governor's budget proposes an increase of \$512,000 in deferred compensation to fund increased costs to the Third Part Administrator. The Governor's budget also proposes \$332,000 in reimbursement authority to fund increased costs to the Third Party Administrator.

BACKGROUND

The fee structure of the contract with the Third Party Administrator of the SPP retirement plans is based on a per participant account cost. Since entering into the current agreement on January 1, 2006, participation has increased by over 7 percent in the Main plan and nearly 4 percent per month for the Alternate Retirement Plan. Education and outreach efforts have been expanded for the Main Plan, and growth is expected to continue at the current rate.

COMMENTS

This BCP simply reflects actual costs of the existing contract and allows DPA to meet those obligations.

ISSUE 4: SAVINGS PLUS PROGRAM – REIMBURSEMENT FOR ARP PROGRAM COSTS

The Governor's budget proposes \$100,000 in reimbursement authority to fund expenses related to the implementation of the Payout Selection phase of the Alternate Retirement Program (ARP).

BACKGROUND

The ARP was established for specified employees hired after August 11, 2004. The intent is to provide two years of retirement savings in lieu of two years of retirement service credit under CalPERS.

Employees contribute to the ARP for two years. After two more years (during which the employee contributes to CalPERS, but their ARP funds must remain in the ARP account per IRS rules) the employee must choose a payout option for the funds paid during the first two years.

The first group of employees eligible to choose a payout option will occur in mid-2008. To complete these payouts, DPA must complete administrative tasks including ensuring participants are aware of all their options. These duties are required and must be completed.

ISSUE 5: PROJECTED STATEWIDE LAYOFF WORKLOAD

The Governor's budget proposes \$3 million (General Fund) and 30 two-year limited-term positions to support and manage the projected layoff workload resulting from the statewide across-the-board BBR's.

BACKGROUND

DPA estimates that approximately 7,200 layoffs will be necessary as a result of the Governor's proposed budget. They estimate a layoff of this size would take approximately 18-24 months.

DPA has many responsibilities in the layoff process. They will need to review departmental layoff plans, calculate seniority credits to determine layoff order, review and adjudicate layoff appeals, as well as ensure that collective bargaining agreements are followed.

COMMENTS

According to the LAO, the State last implemented large numbers of position reductions in 2003–04. According to DPA, 9,300 positions statewide—most of them vacant positions—were eliminated in 2003–04, but only 291 employees lost their job. Another 929 were demoted, transferred, or opted to retire in lieu of a layoff. In that year, DPA increased its staff by 14.5 limited–term positions to manage layoff–related workload. Given the long timeframe required to complete the layoff process, departments sometimes must initiate the formal steps of the layoff process—increasing DPA’s workload—even if, in the end, they are able to minimize or eliminate the need for layoffs through attrition or other means.

Taking all this into account, the exact amount necessary to be allocated for these purposes will not be known until decisions are made regarding actions in other areas of the budget.