AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

PART I

Assemblymember Rudy Bermudez, Chair

WEDNESDAY, MAY 18, 2005, 1:00 PM
STATE CAPITOL, ROOM 447

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ITEMS ON CONSENT

ITEM 1760  DEPARTMENT OF GENERAL SERVICES

ISSUE 1: MAY REVISION: ADDITIONAL PROPOSALS

The following were proposed by the Administration in the May Revise:

1) 3.0 positions and $239,000 in Item 1760-001-0666 for workload for the School Facilities Program

2) 1.0 position and $29,000 (2-yr limited-term) in Item 1760-002-0001 for workload associated with the Williams settlement.

ISSUE 2: PHARMACEUTICAL PROCUREMENT

In a prior action by the subcommittee, the following language was adopted. Due to some concerns regarding the language, the following changes are being proposed.

E. Direct DGS and CDC to Compare Potential Methods to Control Parolee Drug Costs
(Adopt budget bill language for Budget Item and 1760-001-0666. The Department of Corrections budget item 5240-001-0001 will be separately amended).

It is the intent of the Legislature that the state provide parolee medications in the most cost-effective manner. In deciding how to purchase parolee medications, the Department of Corrections, in consolidation with the Department of General Services, shall consider—but not be limited to, contracting with a pharmacy benefits manager and purchasing medications under pharmacy contracts used for prison inmates. The department shall compare the cost of such options and choose the lowest cost option(s).
ISSUE 3: CAPITAL OUTLAY

The following capital outlay proposals were presented by the administration in the May Revision and other Finance letters:

1. **Withdraw Reversion Item:** In an April Finance Letter, it was requested that Item 1760-495 be added to revert $500,000 authorized by Proposition 122. In a May Revision Letter, the Department of Finance is requesting that this item be withdrawn from consideration.

2. **Increase Reappropriation:** It is requested that the issue within the DGS Finance Letter adding Item 17492 to reappropriated funding authorized by Proposition 122 be revised to add the following schedule:

   (3) 4029-Alameda, Oakland Police Administration Retrofit.

3. **Various proposals from an April 29, 2005 Finance Letter:**

   1. Increase Item 1760-301-0660 by $35 million and add budget bill language to reflect the escalation of cost for materials and increased labor rates for the following projects:
      - $26.8 million for the Office Building 8 and 9 renovations – Construction.
      - $8.6 million for the Marysville Office Building – Construction.

   Add Item 1760-490 to reappropriated the following:

   3. California Correctional Institution, Tehachapi, Dormitory f5,f6,f7,f8.
   4. California Department of Corrections, California Correctional Institute, Tehachapi, Dorm E1-E4.
   5. California Department of Corrections, DVI, Tracy, Hospital Building – Structural Retrofit.
   6. Central Plant Renovation – Acquisition, preliminary plans, working drawings, and construction.

   Add Item 1760-491 to extend the liquidation period of working drawing funds appropriated in Item 1760-301-0768, Budget Act of 2002, for the California Department of Corrections, San Quentin, Building 22: Structural Retrofit.

ISSUE 4: MAY REVISION: PUBLIC WORKS BOARD

It is requested that trailer bill language be adopted that would: (1) clarify existing State Public Works Board (PWB) authority to issue bonds for any phase of a lease-revenue bond funded project that is appropriated by the Legislature, and (2) clarify that capitalized interest could be included in bond sales for PWB authorized capital outlay project prior to, during and for a period of six months after construction of the public building, facility, or equipment.
ITEMS TO BE HEARD

ITEM 0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

ISSUE 1: CHARTER SCHOOL FACILITIES—FEDERAL FUNDING

The May Revision proposes a total of $28.5 million for charter school facility needs to reimburse charters for facility costs incurred in 2004-05 and to provide additional funding for the 2005-06 fiscal year need. This funding includes $9 million in one-time Proposition 98 Reversion Account funding (in the Department of Education budget) for the Charter Schools Facilities Grant Program that will match a new federal Charter Schools Facilities Incentive Grants program administered by the California School Financing Authority (CSFA) which can be used for both construction of new facilities or for lease payments on existing facilities. The first two years of federal funding are provided in the amount of $19.475 million in the CSFA budget, with one-half proposed to be used with the state match to fully fund the need for reimbursements for 2004-05 facility costs estimated by the Department of Education at over $18 million per year. The remainder will be available to reimburse 2005-06 fiscal year costs. The CSFA request also includes $225,000 of federal funds for consultants to assist CSFA in the administration of the program.

The May Revision proposal also includes Budget Bill Language designating the use of these funds (half to reimburse 2004-05 costs and half to reimburse 2005-06 costs), limiting state and federal reimbursements to 75 percent of lease costs, and making funding contingent on the appropriation of the Education funding component and on adoption of Trailer Bill Language to "codify regulations consistent with this provision."

COMMENTS

1. Act Pending Subcommittee 2 Action. Subcommittee 2 will consider the Education funding component of this request on Thursday. Action could be taken to approve the funding in this item now with the understanding that the item would be reopened if Subcommittee 2's action requires a different action here. At this time, staff is not aware of any concerns with the Education funding component.

2. Lease Costs Only. It appears that the proposed language would only allow reimbursement of lease costs (not construction).

3. Revise Budget Bill Language. The proposed Budget Bill Language should be revised as follows:
   - Delete the language making this appropriation contingent on the Education funding item and on Trailer Bill Language that has not been specified. These provisions are unnecessary and inappropriate given that the budget is one package, and, in the case of the linkage to Trailer Bill Language, too vague to be enforceable.
   - Specify that "up to" $9.75 million may be used to reimburse 2004-05 facility costs rather than requiring this amount to be used for that purpose in order to allow flexibility in the event that a lesser amount of valid claims are filed.
ITEM 8660  PUBLIC UTILITIES COMMISSION

ISSUE 1: CONSUMER COMPLAINTS STAFFING

At its May 10th hearing, the subcommittee approved permanent continuation of 8 positions and $483,000 for informal resolution of complaints by utility customers, as proposed in the Governor's Budget. However, continuation of these positions will not reduce the current average time to close out these complaints, which is 105 days, according to the PUC. The active complaint caseload has been growing and now stands at about 17,000. The PUC has not been able to fill the 8 positions being made permanent in the Governor's Budget because they currently are limited-term. With the conversion to permanent positions, the PUC hopes to fill these positions and prevent further lengthening of the complaint processing time.

COMMENTS

The PUC estimates that an augmentation of $300,000 (ratepayer funds) for 5, 2-year limited term positions would provide sufficient staff (assuming that the PUC fills the positions) to work the complaint caseload down to about 8,000—or two months worth of complaints—and bring the average closure time down to about 60 days.

ISSUE 2: OFFICE OF RATEPAYER ADVOCATE (ORA)-TRAILER BILL LANGUAGE

At its May 10th hearing, the subcommittee adopted in concept Trailer Bill Language for ORA providing for ORA control over its legal staff and providing budget transparency for ORA, with direction to staff to bring back language for approval. The following language has been developed:

The Director of the Office of Ratepayer Advocate (ORA) shall develop an annual budget for the office which shall be subject to final approval of the Public Utilities Commission at a public hearing for inclusion the commission's annual budget request to the Department of Finance. In accordance with the enacted annual budget, the commission shall assign personnel to the office. The office may employ experts necessary to carry out its functions. Personnel and resources shall be provided, including attorneys and other legal support, by the commission to the office at a level sufficient to ensure that customer and subscriber interests are effectively represented in significant proceedings before the commission, within budgeted resources. The director may appoint a lead attorney. All attorneys assigned on a permanent basis by the commission to perform services for the office shall report to and be directed by the office's lead attorney, but shall retain their personnel status within the commission. The director of ORA also may request temporary assignment of, or assistance by, the commission's regular legal staff. In the assignment of staff to or from the ORA, the commission shall exercise diligence and care to avoid the creation of conflicts of interest that would be detrimental to the ORA.
ISSUE 3: MAY REVISION TECHNICAL ADJUSTMENTS

The May Revision proposes the following technical adjustments regarding building lease payment adjustments to the PUC's budget:

Technical Changes

It is requested that Item 8660-003-0412 be increased by $6,000 and Reimbursements be decreased by $5,000, Item 8660-003-0461 be increased by $22,000 and Reimbursements be decreased by $21,000, and Item 8660-003-0462 be increased by $185,000 and Reimbursements be decreased by $170,000. Funds for this purpose were set aside in the fall for the purpose of making lease revenue bond debt service adjustments through Control Section 4.30, thus this is a technical change only.

Spring Adjustments to Base Rental Payments, Fees, and Reimbursements

It is requested that Item 8660-003-0412 be decreased by $1,000 and Reimbursements be increased by $1,000, Item 8660-003-0461 be decreased by $4,000 and Reimbursements be increased by $4,000, and Item 8660-003-0462 be decreased by $28,000 and Reimbursements be increased by $28,000. This will offset lease rental debt payments accordingly.
ITEM 9840/9850  AUGMENTATION FOR CONTINGENCIES OR EMERGENCIES

The subcommittee heard this item on April 26th and held the following issue open with direction to staff, LAO, and Department of Finance to develop appropriate language.

ISSUE 1: SUPPLEMENTAL APPROPRIATION PROCESS

In prior budgets, the Administration was authorized to “spend at a rate that would result in a deficiency” by the authority provided under the former Budget Act language and Government Code Section 11006. Beginning with the 2004 Budget Act, the Administration no longer has this authority. Instead, a new process governing augmentations for contingencies and emergencies is in place to address departments’ unanticipated expenses. The primary intent in making this change was to provide the Legislature the opportunity to exercise its control over appropriations by being notified of any unanticipated expenses prior to them being incurred. This framework is intended to rely on “pay as you go” budgeting.

How Unanticipated Expenses Are Funded. Under this process, the Administration is required to notify the Legislature of any departmental requests to fund unanticipated expenses. Approved unanticipated expenses are funded with either a transfer of funds from Item 9840 or a supplemental appropriation sought through legislation.

The lack of a formalized process for supplemental appropriations has allowed the Administration to pursue supplemental appropriations for activities ultimately determined inappropriate by the Legislature.

A supplemental appropriation process could be established by the adoption of suitable language to require that the submittal of supplemental appropriation bills be governed by the restrictions similar to those that apply to Item 9840 funding transfers. This would make it more likely that the Administration would submit supplemental appropriations bills for unanticipated expenses consistent with Legislative intent. Previously, the subcommittee directed the LAO to work with staff to draft language that addresses these concerns.

Proposed revised Budget Bill language for this item has been developed that would do the following:

- Controls any supplemental appropriation augmenting the 9840 items—essentially this is a definition of a supplemental appropriation in this context.
- Apply all provisions of Item 9840 to any supplemental appropriation unless specifically waived in that legislation.
- Require the Director of Finance to request any supplemental appropriations via the Chair of the Joint Legislative Budget Committee with supporting documentation.
ITEM 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 1: NURSING EDUCATION INITIATIVE

The May Revision includes $10 million for a Nursing Education Initiative.

COMMENTS

The May Revision includes $10 million ($5 million General Fund) for a new Nursing Education Initiative. The proposal would fund grant programs aimed at increasing nurse education capacity and increasing the number of California Community College nursing students that complete their studies. These programs would include:

1. **Educational Loan Repayment For Students that Commit to Serve as Faculty.** Nursing schools lack the number of qualified faculty members necessary to teach the number of students interested in nursing. Without enough faculty members, nursing programs are forced to turn away thousands of applicants to nursing programs each year. One reason for the lack of faculty is that nurses can earn twice as much by working in a hospital than in an academic institution. This project offers loan forgiveness for Master’s prepared nursing students to make faculty positions more attractive. $2.5 million General Fund is proposed for loan forgiveness, up to $25,000 per recipient, to up to 100 Master’s of Science in Nursing students that are interested in teaching in nursing programs. These funds will be made available through a loan repayment agreement administered by EDD. California Education Code requires a 1 to 10 faculty to student ratio. Adding 100 additional faculty members in nursing programs would therefore open spaces for as many as 1,000 additional nursing students each year.

2. **Regional Clinical Simulator Grants.** Nursing programs lack the space and equipment to offer clinical training. Regional simulation laboratories can be created so that numerous nursing programs in one area can share lab space, which, in turn, opens up more clinical training slots for nursing students. A regional collaborative comprised of public educational institutions, health care providers, first responders and/or government entities can run each regional simulation lab. The Board of Registered Nursing would be in a consultative role as the collaborative develops and would serve as an oversight body relative to the curriculum and the use of the simulators. A total of $2.5 million General Fund is proposed to develop nine regional collaboratives that will allow for the expansion of existing nursing programs within the collaborative by 25 percent. The collaborative partners provide for the space and the on-going faculty for the laboratory and other expenses necessary for the operation. A total of nine grants, up to $275,000 each, will be awarded based on collaboration with other schools, development of a sustained business case, schools’ readiness to accept the simulation and ability to expand educational capacity. EDD is proposed to administer the grants.

3. **Nursing Pre-Apprenticeship Programs.** As many as 20 percent of nursing students drop out of programs due to inadequate preparation or personal circumstances. High school students and graduates should have more opportunities to participate in rigorous academic training that will prepare them to succeed in college nursing programs. Pre-apprenticeship programs can be created for high school students, incumbent workers, and recently unemployed workers interested in pursuing nursing careers. Students can...
take rigorous science and math coursework that would serve as pre-requisites to nursing programs. Schools partner with a local health care provider so that students can participate in internships and job shadowing opportunities. Under this proposal, pre-apprenticeship opportunities in nursing would be made available to underserved populations. Up to 1,000 individuals could participate in pre-apprenticeship programs, at a cost of $5,000 each to be allocated by the Employment Training Panel.

In addition to the three items above, the Administration has proposed to allocate $18 million annually for 5 years ($6 million of WIA 15 Percent Funds, $6 million CCC local Prop 98 funds, and $6 million private/nonprofit match requirement) to increase capacity in the state's nursing programs.

In addition to the funding, the May Revision includes Trailer Bill Language for the three proposed grant reductions.

ASSEMBLY NURSING EDUCATION INITIATIVE PACKAGE

The Subcommittee could take the following actions in lieu of the May Revision proposal:

- Reject proposed Employment Development Department May Revision letter.

AND INSTEAD

- Appropriate $5 million Employment Training Fund for "Assembly Nursing Educational Training Initiative".
- Appropriate $18.5 million General Fund for "Assembly Nursing Educational Training Initiative".
- Adopt Placeholder Trailer Bill Language for "Assembly Nursing Educational Training Initiative". The Trailer Bill Language will include the following provisions:
  - Establishes a loan forgiveness program for registered nurses.
  - Requires a collaborative to adopt prerequisites for registered nursing training programs at Community Colleges and the CSU system.
  - Allocates funding to promote build capacity and enrollment in registered nursing training programs.
  - Allows CalWORKs participants pursuing an education to become a registered nurse be exempted from certain programmatic time-limits.
  - Requires reporting of outcomes of Assembly Nursing Educational Training Initiative. This report shall include but not be limited to: (1) each initiative and its target population, (2) total proposed and expended funds for each initiative, (3) the number of participants who entered and completed each program, (4) any related data demonstrating the impact of the programs.
The Subcommittee will consider revising its previous action on Division of Labor Standards and Enforcement Positions.

BACKGROUND:

The Bureau of Field Enforcement is part of the Department of Industrial Relations' Division of Labor Standards Enforcement. The Bureau of Field Enforcement is responsible for investigation and enforcement of statutes covering workers' compensation insurance coverage, child labor, cash pay, unlicensed contractors, Industrial Welfare Commission orders, as well as group claims involving minimum wage and overtime claims. Bureau of Field Enforcement also handles criminal investigations involving these group claims. The Governor's Budget includes 407.1 positions costing $22 million to staff the entire Division of Labor Standards.

On May 10, 2005 the Subcommittee appropriated $5 million for additional field enforcement by the Department of Industrial Relations' Bureau of Field Enforcement. The Senate has not taken action on this issue.

STAFF COMMENT

The Subcommittee could attempt to reach compromise with the Senate by reducing the augmentation to $1.5 million.
ITEM 0520  BUSINESS TRANSPORTATION AND HOUSING AGENCY

ISSUE 1: HEXAVALENT CHROMIUM POLLUTION

Metal plating facilities, primarily engaged in electroplating, plating, anodizing, coloring and finishing metals and formed products, can have significant negative impacts on the environment. For example, chrome plating facilities use large volumes of hexavalent chromium, a known human carcinogen and a toxic air contaminant, in their plating processes. New environmental standards being developed by the Air Resources Board and the federal Occupational Safety and Health Administration may require the owners of chrome plating facilities to buy new pollution control equipment to continue to comply with the law.

In California, the majority of metal platers in California are small businesses (employing 500 or fewer employees) that often lack the financial resources to acquire the necessary equipment. The following proposal would provide loans for metal platers in California to buy new pollution control equipment.

Add new item 0520-001-0044. For support of Business Transportation and Housing Agency, for payment to Item 0520-001-0044, payable from the Chrome Plating Pollution Prevention Account $2,000,000

Provisions:
1. Funds appropriated from this item shall be expended to address the various environmental issues posed by the metal plating industry while preserving its economic vitality.
2. Funds shall not be available until January 1, 2006.

Amend item 0520-001-0044 to conform to the above item.

Add trailer bill language that creates the Chrome Plating Pollution Prevention Account and authorizes the transfer of remaining funds from the Hazardous Waste Reduction Loan Account (see attached).
ITEM 0890  SECRETARY OF STATE

ISSUE 1: MAY REVISION: HELP AMERICA VOTE ACT

The following reimbursement adjustments are being proposed in the May Revision:

It is requested that Item 0890-490 be added and the following budget bill language be approved to provide the Secretary of State (SOS) reappropriation authority to continue the implementation of the Help America Vote Act of 2002.

8260-490—Reappropriation, Secretary of State.

The balance of the appropriations provided in the following citations is reappropriated for the purposes provided for in the appropriations and shall be available for encumbrance or expenditure until June 30, 2006:

0890-Federal Trust Fund

(1) Item 0890-001-0890, Budget Act of 2004 (Ch. 208, Stats. 2004).
(2) Item 0890-101-0890, Budget Act of 2004 (Ch. 208, Stats. 2004).

LAO RECOMMENDATION

The following is the LAO concern's and recommendations for this proposal:

CONCERNS WITH APPROACH

Reappropriating Excessive Authority. The May Revision proposal would re-appropriate up to $264 million in HAVA funds. The spending plan, however, outlines a maximum of $210.5 million in authorized spending over the current and budget years ($200.7 million authorized in the current year, $1.2 million for source code review proposed for the current year but not authorized by DOF, and $8.7 million planned for the budget year).

No BCPs. During the March/April meetings related to the spending plan, the SOS and DOF agreed to provide BCPs for all future spending beginning in 2005-06. The administration, however, did not submit any BCPs with the May Revision. The SOS should have submitted 2005-06 BCPs totaling almost $10 million for:

1) County training grants ($4.5 million); 2) Statewide database ($1.6 million); 3) Voter education ($735,275); 4) Voting system reviews ($275,000); 5) Audits ($1.5 million); 6) Poll monitoring ($65,000); 7) Source code review ($1.2 million).

In many cases, the justification previously submitted on these activities is no more than a few sentences. For instance, it is not clear the requested level of auditors is necessary, given that the SOS contract with MGT already requires auditing of all HAVA components. In addition, it is not clear whether DOF has approved any spending for the items on which it initially withheld recommendation (source code review and voter database).

No Additional Detail on Administrative Costs. As we pointed out in the Analysis, the current HAVA administrative budget of $1.7 million for 2005-06 includes $445,000 for unidentified “contingencies.” The SOS has never provided additional information to justify this amount.
Statewide Database. Under the administration’s proposal, the SOS could have an FSR approved for a statewide database, proceed with the procurement, and commit the state to a contract (with potential General Fund implications)—all without additional legislative review or approval.

LAO RECOMMENDED APPROACH

As an alternative to the May Revision request, we recommend adoption of the following actions to allow the SOS to proceed in implementing HAVA while enhancing legislative oversight.

Limit Reappropriation to Match Approved Spending. There is no reason to authorize the reappropriation of funds in excess of the amounts approved in the spending plan. The recommended reappropriation language below, therefore, limits the authority to the $200.7 million that was authorized in April for current-year spending. In addition, the language restricts the use of the funds to those activities and amounts approved in the spending plan.

No Action Without BCPs. We recommend withholding action on the $10 million of new spending until BCPs are submitted. Upon review and approval of BCPs (presumably during conference committee), additional reappropriation authority could be added.

Reduce Administrative Budget. Given no justification has been provided regarding the $445,000 in administrative expenses, we recommend reducing the $1.7 million appropriation by a like amount.

Statewide Database. Assuming that $1.6 million is eventually approved for the procurement costs of the statewide database, we recommend adding the provisional language below to provide for legislative oversight. First, in order to evaluate the approach for the database, the Legislature should have a 30-day review period upon approval of the FSR and prior to the expenditure of funds for procurement costs. Second, the Legislature should have the opportunity to fully evaluate the costs, benefits, and risks of the project during next year’s budget process—prior to the administration committing the state to a development contract.

Recommended Budget Bill Language

REAPPROPRIATION LANGUAGE

0890-490—Reappropriation, Secretary of State.

Up to a maximum of $200,657,368 from the following appropriations may be, upon the order of the Director of Finance, reappropriated and shall be available for encumbrance or expenditure until June 30, 2006, subject to the provisions of this reappropriation:

0890-Federal Trust Fund

(1) Item 0890-001-0890, Budget Act of 2004 (Ch. 208, Stats. 2004).
(2) Item 0890-101-0890, Budget Act of 2004 (Ch. 208, Stats. 2004).

Provisions:
1. Funds shall be used consistent with the March 11, 2005 Help America Vote Act spending plan as approved by the Department of Finance. The amounts spent on each activity shall not exceed the following maximums:

   (a) County voting equipment grants … 195,000,000
   (b) voter registration cards .... 590,000
   (c) voting system review … 25,000
(d) punch card replacement … 2,684,657
(e) Disabilities grants … 2,357,711

2. Notwithstanding any other provision of law, any funds not needed for an activity authorized in Provision 1 shall not be redirected to other activities and are not authorized for expenditure.

3. The Secretary of State shall forward to the Chairperson of the Joint Legislative Budget Committee copies of quarterly reports sent to the Department of Finance.

4. At the time of authorizing any reappropriation under this item, the Department of Finance shall report to the Chairperson of the Joint Legislative Budget Committee the amount and the designated activities of the funds.

Note: Given Senate actions to date regarding funding additional voter registration card costs with HAVA funds, the reappropriation amount would be $521,000 higher, with a corresponding increase in provision 1 (d).

REDUCE ADMINISTRATIVE BUDGET

0890-001-0890--For support of Secretary of State, for payment to Item 0890-001-0001, payable from the Federal Trust Fund . . . 1,700,000 1,255,000

(conforming action in 0890-001-0001)

LEGISLATIVE OVERSIGHT OF DATABASE

To add to reappropriation provision:

5. Funds designated in provision 1 (f) for the statewide database shall be authorized for expenditure by the Department of Finance not sooner than 30 days after notification in writing by the Department of Finance to the Chairperson of the Joint Legislative Budget Committee of its approval of a feasibility study report. The notification shall include a copy of the approved report, any conditions of the approval, and detailed information regarding how the funds designated in provision 1 (f) shall be used.

6. Notwithstanding any other provision of law, the Secretary of State shall not enter into a contract for the development of a statewide voter registration database prior to July 1, 2006. During 2005-06, the Secretary of State may contract for assistance in the development of any necessary procurement documents.
ITEM 1760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: OFFICE OF STATE PUBLISHING

In an effort to align its operating expenses with its annual revenues, the Office of State Publishing (OSP) is proposing to reduce its workforce by 120.0 positions and $6.2 million in 2005-06. This proposal is in response to a $14.3 million loss over the last ten years and $5.5 million loss in 2003-04 alone. The department points to the OSP's production of a wide and unfocused array of products that ultimately forces OSP to carry high and non-competitive rates that drive state agencies to use outside vendors. Subsequently, the department has also expressed a need to modernize OSP and introduce increased digital capacity into their printing services in order to compete with private enterprises.

COMMENTS

Concerns have been raised regarding the relationship between the statutory authority allowing state agencies to contract out for printing services and the declining economic viability of OSP. Thus, one alternative proposal would be to reinstate the mandate requiring state agencies and departments to direct, when possible, their printing services towards OSP. It is unclear at this time if this approach will provide enough additional revenue to bring OSP back to an economically viable position.

ISSUE 2: PRISON INDUSTRIES AUTHORITY

In prior subcommittee hearings, concerns were raised regarding the procurement process with Prison Industries Authority. The subcommittee requested that staff develop trailer bill language that provides the following:

- Eliminate PIA's authority to grant waivers.
- Required DGS to conduct a sealed bid process
- Required that cost to the state be determined by price and quality.

Currently Government Code 14612 gives DGS authority, without a waiver process, to consider both goods from the private sector and from Prison Industries when conducting a procurement. Under this statute, the director of DGS is to make a determination of cost benefit to the state when considering products in a procurement. It is unclear in the language, however, what factors the director shall use to determine "cost beneficial."
COMMENTS

Under the subcommittee's direction, staff has developed the following trailer bill language that would designate "price" and "quality" as the determining factors evaluating cost benefit to the state.

**Government Code 14612**

>(a)Notwithstanding Section 2807 of the Penal Code, the director or his or her designee may procure goods from the private sector even though the goods may be available from the Prison Industry Authority, when in his or her discretion, it is cost beneficial to do so and if the director or his or her designee continues to include the authority in soliciting quotations for goods. Any cost analysis of goods referred to in this section shall only include cost and quality as determining factors.

With regards to the other concerns of the subcommittee, Government Code Section 1462 supplants PIA authority to require that procuring entities request a waiver from PIA to procure from the private sector. Additionally, DGS has informed staff that the current bidding process is a sealed bidding process and no changes in statute are necessary.