

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION Assemblymember Juan Arambula, Chair

MONDAY, MAY 21, 2007
STATE CAPITOL, ROOM 447
UPON CALL OF THE CHAIR

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CONSENT CALENDAR (VOTE ONLY)

ITEM	DEPARTMENT	SUMMARY
1110	Department of Consumer Affairs	Board of Accountancy BCP#1: The Board requests an augmentation of \$149,000 (Special Fund) in 2007-08 and ongoing to fund increased security guard services at their facility. The Department of Rehabilitation is vacating the shared premises leaving the department's cost of the security guard services unfunded. Consistent with the revised administration proposal, this consent item includes the adjustment to approve \$57,000 from the special fund and \$92,000 from reimbursements to reflect an agreement with the Department of Boating and Waterways to pay a portion of the increased security costs.
1110	Department of Consumer Affairs	Board of Accountancy BCP# 2: The Board requests an augmentation of \$345,000 (Special Fund) in 2007-08 and ongoing and 3.0 positions to establish a Southern California Enforcement Office. There are currently 7.0 investigative CPA's in Sacramento to respond to complaints throughout the state. Since 50 percent of the licensees are in Southern California, the Board feels it is efficient to locate an office in Los Angeles.
1110	Department of Consumer Affairs	Board of Accountancy BCP#3: The Board requests an augmentation of \$399,000 (Special Fund) in 2007-08 and \$357,000 in 2008-09 and 6.0 positions to address the growing number of CPA license applications the Board receives. Due to the workload increase, processing time has increased to 84 days exceeding the 30 day period preferred by the Board.
1110	Department of Consumer Affairs	Board of Accountancy BCP#4: The Board requests 1.0 positions to be funded within the existing budget to address the workload related to the Board's web site, IT security, and in-house network needs. The Board currently employs four IT staff.
1110	Department of Consumer Affairs	Board of Accountancy BCP#5: The Board requests an augmentation of \$160,000 (Special Fund) in 2007-08 and \$146,000 in 2008-09 and 2.0 positions to reinstate review and audit of licensees' mandatory continuing education requirement and to shorten the review time for course submission from professional conduct and ethics course providers.

ITEM	DEPARTMENT	SUMMARY
1110	Department of Consumer Affairs	Board of Accountancy BCP#6: The Board requests an augmentation of \$213,000 (Special Fund) in 2007-08 and \$193,000 in 2008-09 and 2009-10 to fund 3.0 three-year limited term positions for their Practice Privilege Unit (PPU). These additional positions are needed to address the influx of Practice Privilege Notifications from out-of-state/country CPA's who wish to practice accountancy in California. Consistent with the Senate Action, this subcommittee is requiring the Board to report to the subcommittee by March 1, 2008, on the actual number of notifications received in 2007, the Board's projection for 2008, and any resulting staffing or budget changes.
1110	Department of Consumer Affairs	Board of Accountancy BCP#7: The Board requests 2.0 positions to be funded within existing resources to address increased workload for its cashiering and mailroom functions.
1110	Department of Consumer Affairs	Board of Pharmacy BCP#18: The administration requests \$440,000 and 4.0 Investigator positions to address Enforcement Investigation caseload and have sufficient sworn personnel for Probation Monitors. This BCP was approved by this subcommittee on May 2 nd . However, the Senate adopted Supplemental Report Language (SRL) to require the Board to report by March 1, 2008, on their progress on hiring and training the 4.0 new positions, their most recent data on caseload per investigator and average time to close investigations, and their staffing plan for 2008-09 to fully achieve the Enforcement Coordinator's recommendations. Budget staff is recommending approval of Senate's SRL on this consent calendar.
1760	Department of General Services	Building Security Services BCP# 4: The Department requests \$1.1 million (Service Revolving Fund) to fund increased costs contained in the Master Security Services Agreement for 15 state buildings. This agreement and procurement of private security services is overseen by the California Highway Patrol, who had previously provided security services for these buildings.
1760	Department of General Services	CHP Enhanced Radio System BCP#24: The Office of Public Safety Radio Services requests an augmentation of positions and expenditure authority of \$4.9 million (Service Revolving Fund) and 14 Telecommunication Technician positions in 2007-08 and \$9.4 million in 2008-09 to meet the increased workload and service augmentations generated by the CHP Enhanced Radio System BCP approved in 2006-07.
1760	Department of General Services	April 1st DOF Letter: Prison Construction Inspection, San Quentin— Increase Item 1760-001-0602 by \$1,802,000 and 10.3 personnel years to reflect the revised construction schedule for the condemned inmate complex. (Source funding is from CDCR)

ITEM	DEPARTMENT	SUMMARY
1760	Department of General Services	April 1st DOF Letter: Office of State Publishing —Provide 18.1 personnel years to support additional printing and mailing workload from the Department of Health Care Services, and the Department of Child Support Services.
1760	Department of General Services	April 1st DOF Letter: Building Maintenance and Support —Increase Item 1760-001-0666 by \$1,377,000 for utility costs and recurring maintenance for the Board of Equalization building, which is a new Individual Rate Building owned by the state.
1760	Department of General Services	April 1st DOF Letter: Client Radio Replacement Program —Increase Item 1760-001-0666 by \$3,863,000 and 31.3 personnel years for the replacement and expansion of the public safety communications system. (Source funding is from CalTrans and CDCR).
1760	Department of General Services	May Revise DOF Letter: Fuel and Preventative Maintenance —Increase Item 1760-001-0666 by \$364,000 for fuel and preventative maintenance services of 168 new vehicles purchased for lease to the Department of Corrections and Rehabilitation, Department of Social Services, Department of Consumer Affairs, Department of Housing and Community Development, Department of Parks and Recreation, State Water Resources Control Board, and Department of Health Services.
1760	Department of General Services	May Revise DOF Letter: Custodial Services —Increase Item 1760-001-0666 by \$913,000 and 19.0 personnel years for custodial services provided to the Department of Motor Vehicles.
7100	Employment Development Department	May Revise DOF Letter: Unemployment Insurance Program and Benefit Adjustments —It is requested that Item 7100-001-0870 be increased by \$4,284,000 to reflect a projected increase in state operations for the Unemployment Insurance (UI) Program. All technical changes are included in the consent item.
7100	Employment Development Department	May Revise DOF Letter: Disability Insurance Program and Benefit Adjustments —It is requested that Item 7100-001-0588 be decreased by \$9,353,000, and that Item 7100-001-0870 be amended to reflect this change. It is also requested that Item 7100-101-0588 be decreased by \$60,303,000. All technical changes are included in the consent item.
7100	Employment Development Department	May Revise DOF Letter: School Employees Fund Adjustments —It is requested that Item 7100-101-0908 be decreased by \$4,077,000 to reflect a projected reduction in benefit payments from the School Employees Fund.

ITEM	DEPARTMENT	SUMMARY
7100	Employment Development Department	<p>May Revise DOF Letter: Workforce Investment Act Adjustments—It is requested that Item 7100-001-0869 be decreased by \$11,164,000 and 6.6 personnel years to reflect a projected decrease in state operations for the Consolidated Workers Program under the Workforce Investment Act (WIA). For technical conformity, it is requested that Item 7100-021-0890 also be decreased by the same amount.</p> <p>It is requested that Item 7100-101-0869 be decreased by \$23,734,000 to reflect a reduction in local assistance for the Consolidated Workers Program under the WIA. For technical conformity, it is also requested that Item 7100-101-0890 be decreased the same amount.</p>
7120	California Workforce Investment Board	<p>May Revise DOF Letter: WIA Adjustment. It is requested that Item 7120-001-0890 be decreased by \$126,000 to reflect a reduction in available Consolidated Workers Program funding under the Workforce Investment Act (WIA). This reduction represents the California Workforce Investment Board's portion of the \$5.3 million reduction to the state's projected WIA 15 Percent Discretionary Fund.</p>
7350	Department of Industrial Relations	<p>BCP#4: Shift for Workers' Compensation Enforcement. The Division of Labor Standards Enforcement requests to shift \$1.1 million in 2007-08 and 2008-09 and 8.8 positions from the General Fund to the Workers' Compensation Administration Revolving Fund. The department is proposing to use the General Fund savings to fund the following: 1) BCP#1, \$449,000 for the IWC (Issue 1 under DIR), 2) BCP#2, \$383,000 for staff at the Licensing and Registration Unit, and 3) BCP#3, \$158,000 for a position at the Occupational Safety and Health Standards Board.</p>

OPEN ITEMS (VOTE ONLY)

ITEM 0510 SECRETARY OF STATE AND CONSUMER AFFAIRS AGENCY

ISSUE 1: LEGISLATIVE UNIT STAFFING (BCP#1)

The issue for the subcommittee to vote on is the Agency's BCP requesting an augmentation of \$96,000 (reimbursements) in 2007-08 and \$88,000 in 2008-09 and ongoing and 1.0 positions to address the increasing legislative bill analysis and coordination workload.

VOTE:

ITEM 1110-1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)**ISSUE 1: STATE BOARD OF PHARMACY: INSPECTOR DIFFERENTIAL PAY
(BCP#33)**

The subcommittee is to reconsider the Board's BCP requesting an augmentation of \$576,000 (Special Fund) in 2007-08 and ongoing to fund a pay differential for the department-specific Inspector classifications.

BACKGROUND:

The administration requests \$576,000 to fund a \$2,000/month pay differential for the Board's 24.0 Inspector positions. The Board indicates incumbents are licensed pharmacists and the Department of Health Services has a similar classification, which pays a \$2,000/month differential. The Board indicates the disparity with the Department of Health Services and the private sector has caused a recruitment and retention problem. The BCP indicates that the maximum salary for a Board pharmacist in the Inspector position is about \$76,000, versus \$104,000 at the Department of Health Services (including their differential) and the mean annual salary for public and private pharmacists in California is \$100,000. Currently, 5 of 24 authorized positions are vacant.

COMMENTS:

Assembly Budget Staff agrees with comments made by Senate Budget Staff regarding this issue and would like to note that, although the Board of Pharmacy has made a compelling case before the subcommittee for the pay differential, there are many recruitment and retention problems across state government, and there are other departments (without BCP funding requests) that can make similarly compelling cases. If the Department of Finance and the Legislature start funding compensation increases independent of the Department of Personnel Administration (DPA) and the collective bargaining process, there is risk that inequities across classifications and departments may increase instead of decrease. Furthermore, DPA indicates that on May 8, 2007, Unit 19 waived their right to negotiate this pay differential and DPA approved the differential (pending legislative approval with this BCP or another vehicle).

VOTE:

**ISSUE 2: BUREAU OF PRIVATE POSTSECONDARY EDUCATION (BPPVE) AND
MAY REVISE LETTER REFLECTING FUNDING CHANGES**

The issue for the subcommittee to vote on is the Bureau's BCP requesting an augmentation of \$3.4 million and 20.3 positions to address additional workload at the Bureau. The request is contingent on policy legislation being enacted in 2007 to recreate the Bureau in statute after its July 1, 2007, sunset.

BACKGROUND:

Efforts to reform the Bureau and/or extend the sunset for the Bureau were unsuccessful in 2006. The Governor vetoed AB 2810, which would have extended the sunset to July 1, 2008, indicating that that measure did not include any reforms. The veto message indicated that the Governor would support reform legislation in 2007. Because the Bureau sunsets on July 1, 2007, and the Constitution prohibits the creation of a new office with urgency legislation (Article 4, Section 8), the Bureau cannot be extended, or recreated, until January 1, 2008.

Budget staff understands that two policy bills, SB 823 (Perata) and AB 1525 (Cook) would respectively recreate the Bureau on January 1, 2008, and provide for some student protections in the interim period of July 1, 2007, through December 31, 2007.

SB 823 is in Senate Appropriations and was placed in the Suspense File on May 7, 2007. AB 1525 has been referred to Senate Education and Senate Business, Professions and Economic Development.

MAY REVISE LETTER:**Amendment to Budget Bill Items 1111-002—3-5 and 1111-002-0960, Support,
Department of Consumer Affairs – BPPVE Adjustment**

It is requested that Item 1111-002-0305 be decreased by \$3,106,000 and that Item 1111-002-0960 be decreased by \$384,000. This change is necessary to reflect funding needed to support the Department of Consumer Affairs, Bureau for Private Postsecondary and Vocational Education's (Bureau) reauthorization not sooner than January 1, 2008. The Bureau sunsets on July 1, 2007.

VOTE:

ITEM 1760 DEPARTMENT OF GENERAL SERVICES (DGS)**ISSUE 1: GREEN BUILDING INITIATIVE IMPLEMENTATION (BCP#11 AND 25)**

The issues for the subcommittee to vote on are two BCP's related to the implementation of the Green Building Initiative.

Sustainability Program Staffing (BCP#11)

The department requests 5.0 positions and \$428,000 (Service Revolving Fund) to support the Bureau of Property Management's (BPM) implementation of Executive Orders S-12-04 and S-20-04, which requires DGS to reduce energy purchases for State-owned buildings and to design, build, and operate "greener" buildings.

Green Building Initiative (BCP#25)

The Department requests \$3.0 million (Service Revolving Fund) to secure private consultants to pursue Leadership in Energy and Environmental Design rating system for existing buildings (LEED-EB) goals for eleven state office buildings. This energy efficiency goal ties to Executive Order (EO) S-20-04. Consultants will conduct in-depth evaluations of building operations and train building managers on how to operate a more energy efficient building. The cost for this consulting service will be shared by the departments occupying the eleven affected buildings.

VOTE:

ISSUE 2: FLEET ANALYSIS AND REPORTING SYSTEM (BCP#12)

The issue for the subcommittee to consider is the Office of Fleet Administration (OFA) and the Office of Technology Resources (OTR) request of 2.0 positions and \$614,000 in 2007-08 (Service Revolving Fund) and 4.0 positions and \$1.3 million (Service Revolving Fund) in 2008-09 to continue the development of a Fleet Analysis and Reporting System (FARS) to improve tracking state vehicles. Once fully implemented, the department expects revenues in excess of \$2 million from surplus vehicle sales.

SENATE SUB 4: BUDGET BILL LANGUAGE (BBL)

Item 1760-001-0666, Provision X

The Department of General Services shall report to the Department of Finance and the appropriate fiscal committees of the Legislature on April 1, 2009 to provide an implementation progress report and on April 1, 2010 to provide the status of the following areas: (1) Progress on meeting statewide fleet utilization targets; (2) Disposal of vehicles not meeting minimum utilization standards; (3) Trend of statewide fleet size; (4) Trend of statewide fleet average fuel efficiency; (5) Timeframes associated with producing standard and ad hoc reports; and (6) Savings and cost avoidances achieved to date and potential for additional savings and cost avoidances.

VOTE:

ITEM 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)**ISSUE 1: TAX SHARING RATIO CHANGE (BCP#2) AND APRIL 1ST DOF LETTER**

The issue for the subcommittee to vote on is the Governor's proposal to increase EDD's budget by \$13.4 million General Fund to realign the shared costs of tax collection from special and federal funds to the General Fund.

BACKGROUND:

The department requests a funding shift for tax collection workload. The shift would result in a net-zero change in expenditures, but would increase General Fund expenditures by \$13.5 million and reduce Disability Insurance and Employment Training Fund expenditures by \$11.1 million and \$2.4 million respectively. EDD collects taxes in the following areas: Unemployment Insurance, Disability Insurance, Employment Training, and employer-withholdings for Personal Income Tax. This proposal would shift the funding for the tax-collections positions to reflect the pro rata workload for each tax. The April 1st DOF letter is a technical correction related to this proposal.

COMMENTS:

Given the current status of the General Fund, at the pre-hearing, the LAO raised the question of whether the \$13.5 million could be delayed for a year or longer. EDD staff responded that the funding shift would have to happen eventually.

VOTE:

ISSUE 2: JOB SERVICES PROGRAM REDUCTION (BCP#5)

The issue for the subcommittee to vote on is the Governor's proposed \$27.1 million (Contingent Fund) reduction and the elimination of 271 positions to EDD's Job Services Program and makes a corresponding transfer of this funding to the General Fund.

BACKGROUND:

The program would continue at a reduced level of activity using \$138.3 million in federal funds and \$14.8 million in reimbursements. This proposal represents a cut of about 16 percent to the program. In addition to the proposed cut, EDD did not receive an augmentation for the cost-of-living (COLA) salary increases related to recent bargaining unit contracts. EDD indicates they would need an additional \$5.0 million to fund these COLAs for the remaining positions. Without this funding, EDD will have to hold an additional 47 positions vacant (beyond the eliminated positions). Approximately 80 percent of the positions that would be eliminated will be positions in local offices that provide direct program services state-wide. The balance of eliminated positions will be indirectly funded support positions in program review, administration, and information technology classifications.

COMMENTS:

Aside from the impact of this proposal on job seekers, concerns have also been raised that this proposal would result in higher state costs in other budget areas due to fewer job services to CalWORKs recipients and parolees. The Subcommittee may want to consider adding the following budget bill language to prioritize CalWORKs and parolees services with the goal of reducing costs in the CalWORKs and corrections areas:

Add Provision 4 to Budget Bill, Item 7100-001-0185

4. It is the intent of the Legislature that the provision of employment and training services to CalWORKs clients and parolees be considered a priority by the Employment Development Department, the State Department of Social Services, local workforce investment areas, and other One-Stop Career Center partners. The EDD shall report to the Joint Legislative Budget Committee by April 1, 2008, on the employment services provided to CalWORKs recipients and parolees at the One-Stop Career Centers from July 1, 2007 through January 31, 2008.

VOTE:

ITEMS TO BE HEARD

ITEM 7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

ISSUE 1: MAY REVISE DOF LETTER: SPECIAL FUND LOAN

The issue for the subcommittee to consider is the administration's request for authority for a loan, not to exceed \$13.0 million, from the Workers' Compensation Administration Revolving Fund to the Targeted Inspection & Consultation Fund. Proposed budget bill language would require that the loan be repaid within one year.

BACKGROUND:

The Targeted Inspection and Consultation Fund (TICF) primarily supports the California Occupational Health and Safety Administration (Cal/OSHA) in its statutory requirement to target employers in high hazardous industries with the highest incidence of preventable occupational injuries and illnesses and workers' compensation losses. Revenue comes from a special assessment on those high-risk employers. Program revenues in 2006-07 have fallen from the anticipated level of about \$14 million to about \$9.0 million. If similar revenue losses continue into 2007-08, the fund balance would be fully exhausted sometime in 2007-08. The May Revision proposes to loan the TCIF \$13 million to address the 2007-08 decline in revenues while the department develops a long-term plan to address the situation.

COMMENTS:

The department realizes that this is a short-term fix to a likely long-term problem and indicates that they will develop a plan to be included in the 2008-09 Governor's Budget to address the long-term funding issue. Information provided by the department indicates that the Workers' Compensation Administration Revolving Fund has sufficient balances to support a loan of the requested size.

PROPOSED BUDGET BILL LANGUAGE FOR THE TRANSFER AUTHORITY:

Item 7350-011-0223

2. Notwithstanding Section 62.5 of the Labor Code, or any other provision of law, the Department of Finance may approve a loan from the Workers' Compensation Administration Revolving Fund (WCARF) to the Cal-OSHA Targeted Inspection and Consultation Fund (TICF) for the purposes of this item, in an amount not to exceed \$13,000,000 to meet cash flow needs until annual assessments are received. Any loan approved by the Department of Finance pursuant to this provision shall be repaid to the

WCARF as soon as possible, but not later than one year form the date of the loan. On and after a date of 90 days after the end of that year, TICF shall be charged interest at the rate earned in the Pooled Money Investment Fund, on any portion of the loan that has not been paid.

LAO RECOMMENDATION:

Because there is not sufficient time to develop a comprehensive solution to this problem, the Legislative Analyst recommends approving the loan and related budget bill language as an interim measure. However, the LAO recommends amending the proposed budget bill language to add the following:

The department shall, by January 10, 2008, provide the Legislature with (1) a long-term plan to address the growing imbalance between the TCIF's revenues and expenditures and (2) a detailed loan repayment schedule.

VOTE: