

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

Assemblymember Juan Arambula, Chair

THURSDAY, MAY 22, 2008, 1:30 PM
STATE CAPITOL, ROOM 447

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CONSENT ITEMS

ITEM 0690**OFFICE OF EMERGENCY SERVICES/HOMELAND SECURITY****ISSUE 1: RESIDENTIAL SUBSTANCE ABUSE TREATMENT**

This request would provide an increase of \$970,000 in Federal Trust Fund authority to utilize available funding from the Bureau of Justice Assistance.

COMMENTS

The Residential Substance Abuse Treatment Program was designed to assist states and locals with development and implementation of residential substance abuse treatment programs within correctional and detention facilities.

ISSUE 2: MITIGATION GRANT INCREASE

This request, an April 1 Finance Letter, would provide \$786,000 in Federal Trust Fund authority (\$772,000 in 2009-10) and 7 positions to offset the increased workload related to three new mitigation grants.

COMMENTS

California was approved as an Enhanced Plan State in November 2007, and that designation brought increased federal funding and increased reporting workload.

ISSUE 3: EMERGENCY MANAGEMENT PERFORMANCE GRANT

This request, an April 1 Finance Letter, would provide an increase of \$6.6 million in Federal Trust Fund authority to utilize the full amount of California's 2008-09 Emergency Management Performance Grant (EMPG).

COMMENTS

The Governor's Budget assumed California's 2008-09 EMPG award would be \$20.1 million. On January 10, 2008, the federal government announced that the actual award was \$23.1 million. Additionally, the OES received a one-time award of \$4 million.

ISSUE 4: SPECIAL FUND TRANSFER AND LOAN

The May Revision proposes to transfer \$2 million from the Victim Witness Assistance Fund to the General Fund and loan the General Fund \$2 million from the Antiterrorism Fund.

COMMENTS

Staff finds that these funds have balances capable of supporting the proposed transfer and loan.

ITEM 8940 MILITARY DEPARTMENT**ISSUE 1: ROSEVILLE ARMORY CUSTODIAN**

This request would provide \$66,000 General Fund for custodial services at the newly expanded Roseville Armory.

COMMENTS

A permanent full time custodial employee will ensure that minimum standards at the facility are maintained for Army National Guard Soldiers and the public who will utilize the facility.

ISSUE 2: ELIMINATE WILDLAND FIREFIGHTING INITIATIVE BCP

The Administration's May Revision proposes that the Military's Wildland Firefighting Initiative proposal be eliminated for a total reduction of \$9,192,000 to reflect that the Emergency Response Initiative proposed in the May Revision will not have sufficient resources to fund emergency response enhancements for the Military Department until fiscal year 2009-10.

ISSUE 3: CRITICAL INFRASTRUCTURE PROTECTION TEAMS

This request, an April 1 Finance Letter, would provide \$2.1 million in reimbursement authority to execute an interagency agreement with the Office of Homeland Security (OHS) to establish two Critical Infrastructure Protection Teams to assess designated critical infrastructure sites and develop recommendations to mitigate vulnerabilities (including assisting sites in the development of security plans).

COMMENTS

The reimbursements will be funded by the Homeland Security Grant Program managed by the OHS.

ISSUE 4: HOMELAND SECURITY STAFFING

This request, an April 1 Finance Letter, would provide \$800,000 in reimbursement authority and 6 limited-term positions to provide planning, training, and all-hazard emergency planning in support of the Governor's Office, Office of Emergency Services (OES), and OHS.

COMMENTS

This request would be supported by federal grant dollars awarded for the purpose of planning, training, and intelligence analysis associated with anti-terrorism and counter terrorism efforts.

ISSUE 5: SUNBURST YOUTH ACADEMY STAFF

This request, an April 1 Finance Letter, would provide \$280,000 in Federal Trust Fund authority and 3.0 positions for the Youth ChalleNGe Program at Los Alamitos Joint Forces Training Base.

COMMENTS

The Youth ChalleNGe Program was established in 1993 and utilizes a 22-week residential phase and a one-year post-residential follow-up phase to intervene in the lives of at-risk high school drop-outs.

ISSUE 6: BUDGET-BALANCING REDUCTION

The Governor's Budget Proposes a General Fund reduction of approximately \$4.6 million, a reduction in Federal Funds of approximately \$1 million, and a reduction of 19.1 PYs. These reductions are in the following areas:

Program 10 – Army National Guard Program

Under the Governor's Budget proposal, this program will take reductions of \$1.5 million General Fund, \$100,000 in Federal Funds and 2.9 PYs.

Program 20 – Air National Guard

Under the Governor's Budget proposal, this program will take reductions of \$400,000 General Fund and \$400,000 in Federal Funds.

Program 30 – Office of the Adjutant General

Under the Governor's Budget proposal, this program will take reductions of \$1.4 million General Fund and 8.6 PYs.

Program 35 – Military Support to Civil Authority

Under the Governor's Budget proposal, this program will take reductions of \$200,000 General Fund and 1.9 PYs.

Program 40 – Military Retirement

Under the Governor's Budget proposal, this program will take a reduction of \$200,000 General Fund.

Program 50 – California Cadet Corps

Under the Governor's Budget proposal, this program will take a reduction of \$119,000 General Fund.

Program 55 – State Military Reserve

Under the Governor's Budget proposal, this program will take a reduction of \$100,000 General Fund.

Program 65 – California National Guard Youth Program

Under the Governor's Budget proposal, this program will take reductions of \$700,000 General Fund, \$500,000 in Federal Funds and 5.7 PYs.

ITEM 8950 DEPARTMENT OF VETERANS AFFAIRS**ISSUE 1: PHARMACY STAFFING AUGMENTATION**

This request provides \$224,000 General Fund and 2 positions to address increased workload and regulatory requirements in the Chula Vista pharmacy.

COMMENTS

Originally, the Chula Vista pharmacy was to serve the prescription needs of the home's RCFE and DOM units—a total average daily census of approximately 165 residents requiring approximately 1,485 prescriptions per month. However, the home has grown and the pharmacy has been required to address not only the increasing number of Chula Vista residents, but the prescription needs of Barstow's residents as well. Today, the pharmacy fills an average of 5,100 prescriptions per month for 531 residents of the two homes. Over time, the original staff of 2 pharmacists and 2 pharmacy technicians was augmented to include an office technician, and in 2006 a pharmacist and pharmacy technician from Barstow along with an office technician and a half-time consultant (for a total of 7.5 positions); however, with the reopening of the Barstow SNF unit and the addition of its 40 new residents, the California Department of Veterans Affairs (CDVA) asserts that the pharmacy workload is no longer absorbable within existing resources.

ISSUE 2: MAY REVISION OE&E ADJUSTMENTS

This request provides for a reduction of \$855,000 General Fund to reflect standardized operating expenses and equipment costs for eight workload BCPs included in the Governor's Budget.

COMMENTS

The adjustments are as follows:

- GLAVC Veterans Homes Start Up Staffing, Phase II -\$52,000
- CDVA Fiscal Operations -\$66,000
- Capital Assets, Facilities Management & Construction -\$162,000
- Staffing to Meet Community Health Standards -\$18,000
- Licensed Vocational Nurses/RCFE -\$6,000
- Augmentation of Nursing Staff -\$114,000
- Pharmacy Staffing -\$10,000
- Alzheimer's Unit/Ward 1A/1B -\$427,000

ISSUE 3: MENTAL HEALTH NETWORK DEVELOPMENT AND FEDERAL REFERRALS

This request, an April 1 Finance Letter, provides \$496,000 in spending authority from Prop 63 funds (Mental Health Services Act) and 2 positions to begin development of a statewide veteran mental health referral network .

COMMENTS

The network will involve the development of resource directories and the training and development of a coordinated effort at the county level for all entities that may become access points for veterans and their families seeking mental health assistance.

ISSUE 4: DIETARY AND FOOD SERVICES STAFFING INCREASE

This request, an April 1 Finance Letter, provides \$380,000 General Fund and 7.5 positions to address unsafe conditions for frail residents using the main dining hall at Yountville.

COMMENTS

The Home has increased efforts to provide dining options to residents. As a result, there has been an increase in elderly members (average age or 79) that want a dining experience apart from having a tray of food brought to their bedside. Given their high level of need, they are more prone to having difficulty in the main dining hall, which has lead to increased incidents of falls and choking.

ISSUE 5: HOMELAND SECURITY GRANT

The May Revision proposes \$429,000 in Reimbursement authority to support security projects at CDVA's headquarters and the Barstow home.

COMMENTS

These projects are funding by Federal Homeland Security Funds administered by the state Office of Homeland Security. The headquarters project will upgrade the existing key card and badge access system. The Barstow project will provide support for catastrophic planning and disaster preparedness.

ISSUE 6: PATHWAY HOME PROGRAM

The May Revision proposes a reduction of \$370,000 in Reimbursement authority related to the Pathway Home program at Yountville.

COMMENTS

The CDVA negotiated an agreement with The Pathway Home Program (PHP), LLC to utilize private funding from the Iraq-Afghanistan Deployment Impact Fund to establish a specialized program in a currently unoccupied building to accommodate and rehabilitate physically and/or psychologically disabled veterans of service in Iraq and Afghanistan. These veterans are otherwise eligible for admission to the Home as “disabled veterans” and would be afforded the status of associate members under the agreement.

ISSUE 7: TECHNICAL ADJUSTMENT – NON-CDCR PLATA

This technical adjustment would reduce \$341,000 General Fund related to funding that was provided to the CDVA as part of the non-CDCR Plata equity adjustments.

COMMENTS

When DPA calculated the non-CDCR *Plata* equity adjustments, they under-funded DDS and over-funded DVA, requiring a re-allocation of needs before an executive order could be processed. Due to this re-allocation of needs, the DVA allocation for employee compensation was reduced by \$341,000 and the DDS allocation was increased by the same amount. Although the \$341,000 originally budgeted for DVA has now been re-allocated to DDS through an executive order for CY, it is still in DVAs budget for 2008-09. Therefore, the \$341,000 could be captured as General Fund savings for BY.

ITEM 0820 DEPARTMENT OF JUSTICE**ISSUE 1: BUDGET BALANCING REDUCTION AND GENERAL FUND BCPS**

The Governor's Budget Balancing Reduction proposed a decrease of \$41.6 million General Fund for the DOJ. The May Revision modified the reduction to \$41.3 million.

COMMENTS

Staff recommends that the Subcommittee take the action to reduce the DOJ's budget by the following amounts in relation to the DOJ's BBR and Governor's Budget General Fund BCPS:

<u>Budget Item</u>	<u>Amount</u>
1) Gang Suppression Enforcement Team BCP	\$5.3 mil
2) Class action Quality Improvement BCP	\$2.2 mil
3) Correctional Writs and Appeals BCP	\$4.3 mil
4) Lab facilities maintenance and repair BCP	\$0.6 mil
6) Eliminate Vacancies	\$13 mil
7) Underground Economy Statewide Investigation	\$0.5 mil
8) Radio Communication Equipment Replacement	\$0.6 mil
9) DLE Vehicle Replacement (baseline).	\$1.1 mil
10) Forensic equipment replacement	\$2.3 mil
11) DNA Identification Fund Backfill (baseline)	\$11.2 mil

ISSUE 2: UNDERWRITERS LITIGATION

The Governor's Budget proposes \$2.9 million General Fund to continue funding specialist counsel with expertise in insurance coverage litigation and to support 2.6 positions to continue the *Underwriters* litigation.

COMMENTS

Under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) the state was found liable for the clean-up of the Stringfellow toxic dumpsite. An investigation by the DOJ revealed that between 1963 and 1978 the state's activities involving the Stringfellow site were covered by three dozen insurance policies. In order to get some coverage from these policies, the state sued five of its largest insurers (*Underwriters* lawsuit), which collectively provided 70 percent of the state's insurance coverage. In 2002, the state filed a related case (Allstate lawsuit) against its 26 remaining insurers which provided the remaining 30 percent of the state's insurance coverage. The *Underwriters* case has recovered more than \$121 million from various insurance providers.

Last year, the Legislature approved \$4.2 million General Fund to continue with a class action lawsuit against insurance companies referred to as the *Underwriters* litigation. This litigation is against insurance companies that reneged on insurance coverage held by the state on the Stringfellow hazardous waste dump, thereby leaving the state with significant outstanding costs to clean up this site. The DOJ has recovered more than \$120 million from insurance companies in this lawsuit thus far.

ISSUE 3: BUREAU OF FIREARMS WORKLOAD INCREASE

The Governor's budget also proposes \$266,000 (\$235,000 ongoing) from the Dealers' Record of Sale (DROS) Account to support three new positions to address workload increases.

COMMENTS

The Bureau of Firearms provides oversight, enforcement and regulation of firearms in California by conducting firearms eligibility reviews, administering (1) the handgun safety certificate program, (2) a centralized list of firearms dealers, and (3) the gun show producer and assault weapon registration programs, conducting firearms dealer and manufacturer inspections and investigating violations. The Bureau also conducts investigations on armed and prohibited persons, in accordance with state and federal law, and administers the armed and prohibited persons database and the state handgun and firearms safety device programs.

The Bureau also maintains the Automated Firearms System (AFS). The AFS was developed by DOJ in the 1970s to house records containing handgun information, as required by Penal Code section 11106. There are two types of handgun records within the database: law enforcement records, which contain a description of a handgun and its status (e.g., lost, stolen, etc.) and historical records that contain information on handguns and the individuals who are recorded as having possession of them. The AFS is linked directly to a corollary gun file in the FBI National Crime Information Center (NCIC). Over the years the AFS has become neglected as DOJ became more reliant on the Bureau of Alcohol, Tobacco, and Firearms, and Explosives (ATF) gun tracing capabilities.

This request is to address workload increases related to the following three activities:

- Firearms eligibility reviews for peace officers, security guards, carry concealed weapon applicants, and dangerous weapon licensees;
- Firearms prohibition reporting; and
- Database updates/maintenance and timely dissemination of firearms information used by law enforcement agencies for criminal investigations and prosecutions.

**ISSUE 4: CARDROOMS – COMPLIANCE & ENFORCEMENT
INVESTIGATION WORKLOAD**

The Governor's Budget proposes \$1.7 million from the Gambling Control Fund to support 11 permanent positions to address increased compliance and enforcement workload in the State's 91 cardrooms.

COMMENTS

The Gambling Control Act establishes DOJ as the investigatory branch of the state's regulation of legal gambling. The Bureau of Gambling Control is responsible for investigations and inspections of gambling operations in the state. The Bureau is also responsible for conducting background checks on personnel and vendors associated with the gambling operations. The investigations done by the Bureau are the basis for suitability determinations and administrative actions by the Gambling Control Commission.

The DOJ indicates that the Bureau's investigatory resources have not been able to keep up with this growth and they now have a backlog of 145 cases related to the state's cardrooms. The DOJ reports that this augmentation will provide four additional agents for investigations, four additional agents for compliance investigations, and three agents to conduct additional background investigations.

ISSUE 5: ANTI-GANG VIOLENCE PARENTING CURRICULUM

The Governor's budget proposes \$102,000 General Fund to support the development of curriculum directed by recent legislation.

COMMENTS

Legislation enacted in 2007 (Chapter 457, Statutes of 2007 [AB 1291, Mendoza]) requires the DOJ to develop curriculum for anti-gang violence parenting classes. This legislation would allow the court to order the parent of a minor found guilty of commission of a gang related offense to attend anti-gang violence parenting classes.

ISSUE 6: SPECIAL FUND LOANS

The May Revision proposes to loan the General Fund \$1.0 million from the Department of Justice Sexual Habitual Offender Fund and \$6.0 million from the False Claims Act Fund.

It is also requested that the Legal Services Revolving Fund be increased by \$1.0 million and that the General Fund Item be amended to reflect this change. The funding will augment an interagency agreement with the Department of Toxic Substances Control to provide litigation support for cost recovery and enforcement cases.

COMMENTS

Fund balances are sufficient to support these actions.

ITEMS TO BE HEARD

ITEM 0690 OFFICE OF EMERGENCY SERVICES/HOMELAND SECURITY

The principal objective of the Office of Emergency Services (OES) is the coordination of emergency activities to save lives and reduce property losses during disasters and to expedite recovery from the effects of disasters.

On a day-to-day basis, the OES provides leadership, assistance, and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private sector resources in emergencies. This emergency planning is based upon a system of mutual aid in which a jurisdiction relies first on its own resources, and then requests assistance from its neighbors. The OES' plans and programs are coordinated with those of the federal government, other states, and state and local agencies within California.

During an emergency, the OES functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes. It also acts as the conduit for federal assistance through natural disaster grants and federal agency support.

Additionally, the Office of Homeland Security is responsible for the development and coordination of a comprehensive state strategy related to terrorism that includes prevention, preparedness, and response and recovery.

ISSUE 1: ALERT AND WARNING SYSTEM MAINTENANCE

The Governor's Budget proposes \$230,000 General Fund and 1 position on a two-year limited-term basis to support the Emergency Digital Information Service (EDIS) and the California State Warning Center's Law Enforcement and Weather Alert System.

BACKGROUND

The EDIS system provides emergency public information directly from authorized agencies to the news media, emergency personnel, and the general public. A major component of the EDIS system is the California State Warning Center's Law Enforcement and Weather System, which provides emergency alerts (including Amber Alerts) to local government agencies through the EDIS system.

Currently EDIS is maintained by an outside contractor at an annual rate of \$90,000, which the OES has redirected resources in the current fiscal year to cover. This request would fund the contract and 1 position to gain knowledge of and document the system so in the future the OES can directly oversee and maintain the system.

COMMENTS

EDIS system maintenance is essential to ensuring California has appropriate emergency response capabilities. Transferring ownership of EDIS maintenance from an outside contractor to the OES will also guard against the possibility of losing the knowledge base required to maintain the system if the outside contractor were to cease business with the state.

ISSUE 2: OPERATIONAL AREA SATELLITE INFORMATION SYSTEM

The Governor's Budget proposes \$2,000,000 General Fund for the Operational Area Satellite Information System (OASIS).

BACKGROUND

The OASIS system provides backup to the Public Switch Telephony Network in the event of failure or damage due to manmade or natural disasters. The system assures emergency redundant satellite phone and data communications directly to the 59 Operational Area's Emergency Operational Centers located in all 58 counties, the State Warning Center, the State Operational Center, Regional Emergency Operational Centers and other state agencies: California Department of Transportation and California National Guard.

The OASIS system provides satellite capabilities that are essential to California's emergency response efforts. During the 2007 Southern California Wildfires, OASIS was utilized to provide emergency communications to San Diego County for incident command posts and local fire departments.

COMMENTS

The main component of this request is to increase the bandwidth capacity of OASIS. Currently the OES has 7,616 kHz of bandwidth for the entire state system and estimates that it needs over four times that amount to provide ideal services. However, it does not appear that the current bandwidth capacity of OASIS has created any major operational impediments in response efforts to date. In addition, it is not clear why the OES cannot increase bandwidth availability during emergency situations through the utilization of mutual aid.

Staff notes that the OES has been awarded federal funding through the new Public Safety Interoperable Communications (PSIC) grant, which provides one-time funding to enhance interoperable communications with respect to voice, data, and/or video signals. The PSIC grant would qualify to offset 80% of the expenses for this project and require a 20% state match.

ISSUE 3: CRITICAL COMMUNICATIONS – EQUIPMENT REPLACEMENT

The Governor's Budget proposes \$3,030,000 General Fund for replacement of critical communications equipment.

BACKGROUND

Telecommunications equipment is critical to the ability of the OES and first responders to respond to an emergency and effectively plan, coordinate, allocate, and distribute resources. OES communication equipment, networks, vehicles and cache resources support local and state agencies in all 58 counties, as well as OES staff in responding to emergencies.

This proposal would provide for the following equipment replacement:

- | | |
|---|-------------|
| • CLERS, FIRE & Mobile Relays | \$2,375,000 |
| • UHF & 800 MHz Cache Portable Radios/Accessories | \$ 540,000 |
| • UHF & 800 MHz Mobile Radios | \$ 115,000 |

The communications equipment identified in this request are all more than five years old and should be replaced per industry standard. The purchase and installation costs for this equipment are to be completed per Federal Communications Commission regulations and Project 25 Standards. Project 25 defines federal technical standards for digital, wireless radio communications systems.

COMMENTS

The PSIC grant can be used to off-set \$2.2 million of this General Fund request for equipment replacement. OES requests \$546,000 GF for the match requirement, and \$300,000 toward ongoing maintenance of equipment, which is not covered by PSIC. The necessity of \$300,000 GF for ongoing maintenance in 2008-09 is unclear.

**ISSUE 4: ADDITIONAL PUBLIC SAFETY INTEROPERABLE
COMMUNICATIONS GRANT FUNDS**

The May Revision Proposes \$598,000 in Federal Fund authority for reflect additional PSIC funds that the OES expects to receive.

BACKGROUND

The PSIC is a one-time formula based grant program designed to assist public safety agencies in the acquisition of, deployment of, or training for the use of interoperable communications systems.

On April 23, 2008, the OES received formal award notification from the OHS, which awarded \$598,000 more in PSIC funding than previously anticipated. These additional funds will be used to hire a contractor to develop and implement Memorandums of Understanding with counties, research and create best practice standards, and create written Standard of Operating Procedures.

ISSUE 5: CALIFORNIA MULTI-JURISDICTIONAL METHAMPHETAMINE ENFORCEMENT TEAMS

The Governor's Budget proposes \$20,110,000 General Fund and 1 position to continue limited-term funding, provided for California Multi-Jurisdictional Methamphetamine Enforcement Teams (Cal-MMET), on a permanent basis.

BACKGROUND

The Cal-MMET program began on September 1, 2001, as authorized by the Budget Act of 2001. The goals of the program are:

- Target methamphetamine manufacturers and traffickers who produce or sell significant quantities of methamphetamine.
- To disrupt and dismantle clandestine labs and organizations (manufacturing and distribution). To incarcerate those responsible, and
- To use state or federal law to identify and seize assets related to the sale and distribution of methamphetamine.

Six Central Valley county sheriff departments received Cal-MMET funding of \$9.5 million General Fund from 2001-02 through 2005-06. In 2006-07, the Cal-MMET program was augmented with an appropriation of \$19,900,000 General Fund on a two-year limited-term basis and the number of counties increased to 41. Of the amount appropriated in 2006-07, the Department of Finance was authorized to transfer up to five percent (\$995,000) for the purpose of conducting an independent evaluation of the Cal-MMET Program. This report is expected to be finished in October of 2008.

COMMENTS

As part of its Budget Balancing Reductions the Administration proposes to reduce total funding provided for Cal-MMET (after limited-term funding is made ongoing) by 10%. This would result in a funding level of approximately \$26.5 million in 2008-09.

The LAO recommends that base funding for Cal-MMET of \$9.5 million be reduced by 25 percent, and that the Administration's proposal to continue permanently the limited-term funding be rejected. This would result in a funding level of \$7.1 million in 2008-09.

ISSUE 6: BUDGET-BALANCING REDUCTION

The Governor's Budget Proposes a General Fund reduction of approximately \$24 million, a reduction in Federal Funds of approximately \$23.7 million, and a reduction of 23.9 positions. A portion of the General Fund reduction (\$1.9 million) will be backed back-filled with funding from the Emergency Response Initiative as proposed in the Administration's May Revision. These reductions are in the following areas:

Program 15 - Mutual Aid Response

The Mutual Aid Response Program is split between several branches and will take a total General Fund reduction of \$2.2 million in 2008-09. The Fire and Rescue Branch and the Warning Center/Information Technology/Telecommunications Branches will take a General Fund reduction of \$1.9 million in 2008-09, which assumes a back-fill of funding from the Insurance Fund. The Law Enforcement Branch will take a General Fund reduction of \$209,000 in 2008-09.

Program 35 - Plans and Preparedness

The Plans and Preparedness Program will take a General Fund reduction of \$914,000 in 2008-09. The Governor's Budget also assumes a reduction of \$600,000 in Federal Funds due to the loss of matching General Fund. The OES has since indicated that it has identified matching funds that would prevent the loss of these Federal Funds.

Program 45 – Disaster Assistance

The Disaster assistance program will take a reduction of \$9.2 million General Fund in 2008-09. The Governor's Budget also reduces Federal Funds in this program by \$23 million in 2008-09. However, this reduction in Federal Funds appears to reconcile Federal Funds that are going away as opposed to resulting from a loss of matching General Funds.

Program 50 – Criminal Justice Projects

The Criminal Justice Projects Program will take a state operation General Fund reduction of \$626,000 and a local assistance General Fund reduction of \$7.5 million (\$435,000 for victim service program and \$7.1 million for public safety programs) in 2008-09.

Program 51 – State Terrorism Threat Assessment Center

The California Anti-Terrorism Information Center operates a state-level intelligence database to assist local law enforcement in combating terrorist activities in California, and coordinates those efforts with federal law enforcement. The OES administers these funds as a pass through to the Department of Justice (DOJ). The DOJ state operations will be reduced by \$708,000 in 2008-09. Since this is a pass-through, the funding reduction does not affect the OES.

ISSUE 7: EMERGENCY RESPONSE INITIATIVE

The May Revision proposes the Emergency Response Initiative, formerly known as the Wildland Firefighting Initiative, to enhance the emergency response capabilities of the California Department of Forestry and Fire Protection (CAL FIRE), the Office of Emergency Services (OES), and the Military Department.

The significant changes since the Governor's Budget are the following: The surcharge, paid by those who hold insurance on all residential and commercial property statewide, will be set at two levels based on differing risk: 1.40 percent on those structures in areas designated as high-hazard zones in terms of earthquake, fire, or flood, as determined by OES and CAL FIRE risk maps, and 0.75 percent on those structures in low-hazard zones. These zones will be designated by zip code. Since homeowners, on average, pay \$900 per year to insure their home, a 1.40-percent surcharge would result in an average cost of \$12.60 per household in a high-risk zip code, and a .75-percent surcharge would result in an average cost of \$6.75 per household in a low-risk zip code to fund this initiative.

- The OES, rather than the California Department of Insurance, will be the entity responsible for administering the Emergency Response Account.
- Due to delayed implementation, this surcharge is expected to generate approximately \$69.3 million in the Emergency Response Account in 2008-09 as compared to the \$104.9 million proposed in the Governor's Budget. In order to immediately enhance the state's firefighting capabilities, the May Revision proposes a \$30 million loan to the Emergency Response Account from the Restitution Fund, to be repaid in equal annual installments, by no later than June 30, 2012.

Additional enhancements proposed in the Governor's Budget will be phased in and fully funded in 2009-10. These investments will be phased-in due to the lower projected revenues in the budget year. The revenue generated, plus the borrowed resources from the Restitution Fund, will fund the following critical needs for CAL FIRE and the OES in 2008-09:

CAL FIRE

- \$28.9 million for 1,100 seasonal firefighters to staff all 336 state fire engines with full four member crews during peak and transition fire seasons.
- \$49.1 million to backfill CAL FIRE's General Fund budget-balancing reduction to its firefighting protection budget.

Office of Emergency Services

- \$1.9 million to backfill the OES' General Fund budget-balancing reduction to its Fire and Rescue Mutual Aid Response section and its Warning Center/Information Technology/Telecommunications section. Restoring these budget-balancing reductions will ensure the OES can respond to fires and use its Warning Center to notify emergency first responders.
- \$1.3 million to fund the OES' administrative costs to collect the Emergency Response Initiative surcharge from insurance companies statewide.
- \$480,000 to fund the increased maintenance and fuel costs of the OES' existing fleet of fire engines and vehicles.

ITEM 8940**MILITARY DEPARTMENT**

The Military Department is responsible for the command and management of the California Army and Air National Guard. To support the operations for a force of more than 20,000 personnel, the Department maintains a headquarters complex in Sacramento, more than 100 armories, maintenance facilities, training sites, and aviation centers throughout the state.

The mission of the National Guard is to (1) provide mission-ready forces to the federal government, (2) protect the public safety of the citizens of California by providing military support to civil authorities during natural disasters and other emergencies, and (3) provide service and support to local communities in California.

ISSUE 1: JOINT OPERATIONS CENTER STAFFING

The Governor's Budget proposes \$1,335,000 General Fund and 14 positions to staff the Joint Operations Center (JOC) in order to provide immediate response to the Governor's Office, Office of Emergency Services (OES), and the public during disasters and special security events.

BACKGROUND

The JOC serves California by providing command and control of CNG and State Military Reserve units assigned to emergency operations by the CMD. The JOC tracks the status of CNG units and equipment to ensure the CMD maintains appropriate capability to respond quickly and effectively to state emergency missions. JOC personnel work directly with OES and the Office of Homeland Security on a daily basis to monitor potential threats from natural or man-caused disasters that may require deployment of military units to support civilian authorities.

The CMD currently operates the JOC by diverting federal funding from the Southwest Border Security mission (Operation Jump Start) to hire temporary soldiers and airmen in a federal status as staff. This funding is ending in July 2008. Prior to the start of Operation Jump Start, the CMD resourced the JOC by re-directing federal funds intended for positions that would perform maintenance on CNG vehicles and aircraft, which affected their readiness rates during missions and training.

The resources requested in this proposal will enable the CMD to have 24/7 communications with, and provide support to, state and local emergency response agencies. Response time for CMD forces will remain under 12 hours from the time of request.

COMMENTS

While there is a benefit to California in having a full-time staff in the JOC 24/7, staff notes that this request backfills the loss of services provided through federal funding. As such, the Legislature should consider other funding sources for this program in lieu of General Fund resources.

ISSUE 2: CALIFORNIA NATIONAL GUARD EDUCATION BENEFIT PROGRAM

The Governor's Budget proposes \$1,818,500 General Fund in 2008-09, \$3,637,000 ongoing, for the establishment of a California National Guard Education Benefit Program.

BACKGROUND

This proposal would waive the cost of tuition, fees, books, and supplies for California National Guard (CNG) members through a program co-administered by the California Student Aid Commission (CSAC). The CMD believes this proposal would strengthen the CNG by promoting the pursuit of education among its members, which would increase the capability of the CNG to support California when needed.

From 2003 to 2007, CSAC was authorized to administer the National Guard Assumption Program for Loans for Education (NG-APLE). The NG-APLE pays off student loans for qualified students who fulfill terms of enlistment in the National Guard. Due to administrative difficulties, however, the program did not begin to make awards until 2006-07. The program was allowed to sunset on July 1, 2007.

COMMENTS

In its analysis, the LAO notes that the administration previously has made requests for tuition funding outside of the NG-APLE. For instance, the 2007-08 Governor's Budget included \$1.7 million from the General Fund for a tuition assistance program to be run by the Military Department. Similarly, the department has sponsored policy legislation to provide educational assistance in various forms. To date, the Legislature has rejected these proposals due to a variety of concerns. First, the proposed administrative mechanisms tend to be more complicated than the state's APLE programs. This is because programs which provide waivers or grants (such as this year's request), rather than loans, make it difficult for the state to recoup the funds if students fail to complete their military commitment. Second, the proposals have failed to fit within the state's overall financial aid approach, which targets assistance to those with demonstrated financial need. The Military's proposals have not provided for a financial needs assessment of recipients. For these reasons, reauthorizing the NG-APLE would be preferable to the administration's approach.

ITEM 8955 DEPARTMENT OF VETERANS AFFAIRS

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

The department operates veterans' homes in Yountville (Napa County), Barstow (San Bernardino County), and Chula Vista (San Diego County). The homes provide medical care, rehabilitation, and residential home services. With \$50 million in general obligation bonds available through Proposition 16 (2000), \$162 million in lease-revenue bonds (most recently amended by AB 1077 [Chapter 824, Statutes of 2004]), and federal funds, new homes will be constructed in West Los Angeles, Lancaster, Saticoy (Ventura County), Fresno, and Redding.

ISSUE 1: CAPITAL ASSETS, FACILITIES MANAGEMENT, & CONSTRUCTION

The Governor's Budget proposes \$3,190,000 General Fund and 19 positions (including \$1.1 million for deferred maintenance) to address increased workload in construction planning and implementation, capital outlay, and facilities management.

BACKGROUND

Last year the CDVA was provided with \$1.9 million General Fund and 8 one-year limited-term positions to address deferred repair and maintenance at the homes (primarily Yountville). This proposal reflects a request to make last year's limited-term positions permanent and to approve an additional 11 positions to create a new division of Capital Assets, Facilities Management, Maintenance, and Construction. According to the CDVA, the new staffing would finally provide the resources to develop and implement not only a long-term deferred maintenance plan, but also a facilities master plan (neither of which currently exists). Additionally, the CDVA notes that the proposed positions and organizational structure would enable the department to oversee its major capital outlay projects (in order to help avoid any repeats of the problems experienced in Chula Vista) and take more control of smaller public works projects that may be appropriately delegated to the department. The CDVA believes the proposed organizational structure and supporting positions will be sufficient to meet the current and out-year needs for the eight existing and proposed CDVA facilities.

COMMENTS

The significant maintenance needs of the aging facility at Yountville and the imminent construction of several new veterans' homes highlights the need for the CDVA to be proactive in managing its capital assets.

**ISSUE 2: ALZHEIMER'S UNIT AND WARD 1A/1B OPERATING EXPENSES
INCREASE - YOUNTVILLE**

The Governor's Budget proposes \$992,000 General Fund for Operating Expenses & Equipment (OE&E) costs associated with the Alzheimer's Dementia Unit and Wards 1A & 1B at Yountville.

BACKGROUND

The CDVA requested this funding in a May Revise letter in fiscal year 2007-08, but the proposal was denied without prejudice because legislative staff did not have ample time to review the cost calculator (formula) used to develop the funding estimates. The CDVA vetted the cost calculator with legislative staff during the fall budget-building process, but, due to poor communication and staff assignment changes, legislative staff concerns went unaddressed.

Those staff concerns have been revisited this spring, and the CDVA has indicated it will make a reduction to the training costs allocated to certain classifications.

COMMENTS

This request does not address the concerns of prior legislative staff and, as such, should not be considered until such concerns are met.

ISSUE 3: GLAVC VETERAN'S HOME START UP STAFFING, PHASE II

The CDVA requests \$9,442,000 General Fund and 107 positions, \$11,301,000 and 150 positions ongoing, to complete construction, pre-activation, and begin business operations of the Greater Los Angeles/Ventura Counties (GLAVC) Veterans Homes.

BACKGROUND

The GLAVC veterans homes were envisioned and enabled (along with the Redding and Fresno homes discussed below) by the Veterans Home Bond Act of 2000, AB 2559 (Wesson) of 2002, and AB 1077 (Wesson) of 2004, which made funds available to meet the matching requirement to receive a grant from the USDVA State Home Grant Program—which funds the majority of the project costs (the split is approximately 60 percent federal funds with the remainder consisting of General Obligation and Lease-Revenue Bonds).

The Legislature approved pre-activation and construction funding for Phase I of GLAVC last year, and ground-breaking for the three new homes took place on schedule in June and July of 2007. Construction at Ventura and Lancaster is scheduled for completion in December 2008, with the first residents to arrive in April. Under this proposal, Ventura and Lancaster would serve 18 veterans in the Adult Day Health Care (ADHC) program and house 30 Residential Care Facility for the Elderly residents by the close of fiscal year 2008-09. With West Los Angeles to be completed in December 2009, the new homes, when fully operational, would add approximately 616 total beds to the veterans' home system. According to the CDVA, 250 letters of intent to apply to GLAVC have been received to date.

COMMENTS

The Governor's proposed BBR would delay opening of the ADHC units at Ventura and Lancaster until FY 2009-10, but all other aspects of the homes would become operational according to the schedule laid out in this proposal.

ISSUE 4: REDDING AND FRESNO VETERANS HOMES PRE-ACTIVATION

The Governor's Budget proposes \$580,000 General Fund and 8 positions for the pre-activation phases of the Redding and Fresno Veterans Homes projects to ensure that all aspects of the construction and business operations of the homes are compliant with federal, state, and local laws and regulations.

BACKGROUND

The Redding and Fresno veterans homes were envisioned and enabled by the same legislation that produced GLAVC, and were provided authority to pursue a design-build project procurement process under AB 1725 (LaMalfa) of 2005. Construction of the Redding and Fresno homes, which are to be modeled after the GLAVC satellite facilities in Lancaster and Ventura County, is scheduled to begin in November 2008, with Redding to be completed in October 2010, and Fresno in February 2011.

COMMENTS

The Governor has proposed a BBR delaying the pre-activation phase for these new homes until FY 2009-10 (essentially placing this Budget Change Proposal on hold for a year). However, with or without the delay in pre-activation, the construction phase will go forward barring action by the Legislature to delay it.

ISSUE 5: AUGMENTATION OF NURSING STAFF – CHULA VISTA

The Governor's Budget proposes \$3,491,000 General Fund and 38 positions to implement staffing ratios set forth in emergency draft regulations recently issued by the California Department of Public Health (CDPH).

The May Revision proposes to reduce the Governor's Budget Proposal by \$1.4 million and 12.8 positions.

BACKGROUND

Staff-to-patient ratios were legislated in 2001 as part of AB 1075, but delay in implementing the statute led to a lawsuit against CDPH by a consumer advocate organization. In settling the suit, the CDPH agreed to implement emergency regulations, with a formula for calculating appropriate ratios, contingent upon a budget allocation in the annual budget or other statute. The Legislature subsequently authorized the CDPH to adopt emergency regulations to implement the provisions of AB 1075, and the CDPH issued draft regulations on October 16, 2007.

COMMENTS

The Governor's Budget BCP was overstated. The CDVA addressed concerns regarding the methodology used to determine the level of nurses needed. The May Revision reflects an appropriate level of nursing staff for the Chula Vista Veterans Home.

ISSUE 6: BUDGET-BALANCING REDUCTION

The Governor's Budget Proposes a General Fund reduction of approximately \$19.4 million and a reduction of 118.5 PYs. The General Fund reduction is offset by a loss of Federal Funds, resulting in a net General Fund reduction of approximately \$16 million. These reductions are in the following areas:

Reduction in Programs for Veterans

Under the Governor's Budget proposal, Programs for Veterans will take reductions of \$19.1 million General Fund, which is offset by the loss of 3 million in Federal Funds, resulting in a net General Fund reduction of approximately \$16 million.

ISSUE 7: EMERGENCY GENERATOR AND KITCHEN COOLING - BARSTOW

The May Revision proposes \$89,000 General Fund for working drawings for the Emergency Generator and Kitchen Cooling projects at Barstow.

BACKGROUND

Both of the projects, which are summarized below, were funded in the current year:

- The Kitchen Cooling System at Barstow was designed as an evaporative cooling system (swamp cooling). The system is inadequate for Barstow's hot climate, with kitchen temperatures often in the 90-degree range.
- The Emergency Generator is needed to ensure quality of care of residents. Currently, should there be a power failure of significant duration, it would necessitate the relocation of residents.

COMMENTS

The department indicates that funding for construction of \$933,000 will be sought in 2009-10.

ITEM 1870 VICTIMS COMP. AND GOVERNMENT CLAIMS BOARD

The California Victim Compensation and Government Claims Board's (VCGCB) primary functions are to compensate victims of violent crime and consider and settle civil claims against the state. The Board consists of three members: the Director of General Services who serves as the chair, the State Controller, and a public member appointed by the Governor.

The board also determines equitable travel allowances for certain government officials, responds to protests against the state alleging improper or unfair acts in the procurement process, and provides reimbursement of counties' special election expenses.

ISSUE 1: RESTITUTION FUND TRANSFER

The May Revision proposes a \$50.0 million transfer from the Restitution Fund to the General Fund.

BACKGROUND

The Governor's budget proposal projects \$123 million in revenues and \$151 million in expenditures to and from the Restitution Fund in 2008-09. This is similar to the level of revenues and expenditures estimated from the Restitution Fund in the current year.

The LAO estimates that the Restitution Fund will become insolvent in the next five years if actions are not taken to reduce expenditures and/or increase expenditures to the fund. Nevertheless, the LAO has recommended that the Legislature consider, as an option, a transfer of as much as \$45 million from the Restitution Fund to the General Fund as a one-time budget solution. The LAO finds that the Restitution Fund will face insolvency whether or not a portion of the fund's balance is transferred to the General Fund.

A defendant found guilty of a criminal offense is usually ordered by the court to pay various fines and penalties. The money collected is divided in accordance with state law as determined by a judge, among various recipients, and sometimes includes direct payments of restitution to the victim of the crime. In addition, both state and local government agencies finance a number of programs from the fine and penalty money that they receive. A portion of the money collected from defendants is deposited in the Restitution Fund, which was established to compensate those injured by crime.

The Restitution Fund is the primary source of funding for the Victims Compensation Program (VCP). These monies are continuously appropriated,

which means they are not subject to appropriation by the Legislature in the annual Budget Act. The Restitution Fund revenues are used as a match to draw down federal funds under the Victims of Crime Act (VOCA) grant program. The VCP receives 60 cents in federal VOCA grant funding for each dollar spent to provide victims with services.

The Restitution Fund was bailed out by the General Fund in 1993-94. The Governor and the Legislature agreed to appropriate \$44 million from the General Fund to eliminate a backlog of approved claims. The next year statute was enacted to impose a new diversion restitution fee to be charged to any person charged with a felony or misdemeanor whose case was diverted by the court. This statute change was estimated to generate \$20 million in additional revenues annually and helped to make the fund solvent.