AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

Assemblymember Rudy Bermudez, Chair

TUESDAY, MAY 2, 2006, 1:30 PM
STATE CAPITOL, ROOM 447

CONSENT CALENDAR

ITEMS TO BE HEARD

ITEMS ON CONSENT

ITEM 8910 OFFICE OF ADMINISTRATIVE LAW

The Office of Administrative Law (OAL) is responsible for reviewing administrative regulations proposed by over 200 state regulatory agencies for compliance with the Administrative Procedure Act, transmitting these regulations to the Secretary of State, and for publishing regulations in the California Code of Regulations. The Office also makes determinations as to whether a state agency rule meets the statutory definition of a "regulation" which must be adopted pursuant to the requirements of the Administrative Procedure Act. The Office oversees the publication and distribution, in print and on the Internet, of the California Code of Regulations and the California Regulatory Notice Register.

The Governor's Budget for 2006-07 proposes $2.7 million ($2.4 million General Fund) and 20.9 personnel-years of staff for the office, essentially the same as the estimates for the current year.

ITEM 9840 AUGMENTATION FOR CONTINGENCIES AND EMERGENCIES

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.

- **Transfer of Funds.** The Administration's use of the funds appropriated in Item 9840 ($49 million General Fund, $15 million each for special funds and nongovernmental cost funds, and $2.5 million of loan authority) are governed by the provisions of the item. The provisions prohibit the use of these funds in certain circumstances, including (1) any prior-year expenditure, (2) startup costs not yet authorized by the Legislature, (3) costs that the administration had knowledge of in time to include in the May Revision, and (4) costs that the administration has the discretion to incur or not to incur.

- **Supplemental Appropriations Bills.** Instead of a transfer of funds from Item 9840, the Administration may pursue an increase in an appropriation through a supplemental appropriation bill approved by the Legislature. The budget bill, however, does not specifically provide for such a process. Consequently, supplemental appropriations bills are not subject to restrictions that apply to 9840 fund transfers.

For the current year, the Governor's Budget estimates that $34.4 million ($30.2 million General Fund) will be spent from this item, and an additional $328.6 million ($301.1 million General fund) will be provided in supplemental appropriations bills. No issues have been raised concerning the proposed 2006-07 appropriation.

ITEMS TO BE HEARD

ITEM 0890 SECRETARY OF STATE

The Secretary of State (SOS), a constitutional office, is the chief election officer of the State and is responsible for the administration and enforcement of election laws and campaign disclosure requirements. The Office also has statutory responsible for managing the filing of financial statements and corporate-related documents for the public record. In addition, the Office is responsible for the appointment of public notaries, enforcement of notary laws and preservation of documents and records having historical significance (official state archives). All documents filed are a matter of public record and historical importance. They are available through prescribed procedures for public review and certification as to authenticity.

The Governor's budget proposes total expenditures of $77 million primarily funded through General Fund monies and the Secretary of State's Business Fees Fund which is primarily funded by fees collected for filing and/or receiving copies of documents on file with the Secretary of State.

ISSUE 1: HELP AMERICA VOTE ACT (HAVA)

In the fall of 2002, Congress passed and the President signed legislation to fund improvements to states' election systems. HAVA funds have been appropriated nationwide with the direction to implement broad election reforms and improve the accuracy and performance of each state's voting processes. For California, these activities include developing a statewide voter database, voter outreach, poll monitoring, replacing punch card voting machines with more modern equipment, and other related activities. Since establishment, California has received $361.6 million in federal funds to implement mandates affecting the administration of federal elections. The 2005-06 budget reappropriated $201.7 million in federal funds for these purposes.

The 2006-2007 Governor's budget did not include the spending plan for the remaining HAVA funds previously approved by the legislature in April 2005. The DOF approved a revised HAVA spending plan from the Secretary of State on January 27th, 2006 (notified on Jan. 30). Based on concerns from the LAO, the Join Legislative Budget Committee rejected this spending plan on March 1, 2006, and requested the Secretary of State and DOF revise the plan to address their concerns.

The revised spending plan, along with changes to the current year funding and a finance letter for the budget year, were provided April 18th, 2006.

The Administration requests additional current year federal fund expenditure authority of $4.313 million for costs associated with the statewide database interim solution (CalVoter upgrade) ($923,000), county costs associated with implementing that interim solution ($3.1 million), voting systems guidelines and procedures ($25,000), and parallel monitoring of polling machines ($265,000).

The Spring Finance Letter is proposing $5.5 million in budget year expenditures (including $1.745 million for Administration which is already included in the Governor's budget). This includes initial costs for the new statewide database ($2.1 million), interim solution, poll monitoring, parallel monitoring, voting system assessments, and voter education materials. Additionally, the request includes reappropriation requests for $45 million in HAVA funds.

The Secretary of State's revised spending plan addresses some of the concerns raised by the Joint Legislative Budget Committee regarding the appropriate expenditure of federal funds. The revised proposal reflects several changes relative to the current plan, including:

- Increases costs for the VoteCal statewide voter database (from $47 million to $67 million).
    - Eliminates the General Fund need to cover these costs by decreasing funding to other HAVA elements.
- Eliminates county training grants for training local officials and poll workers (reduction of $9.5 million).
- Eliminates source code review which would involve contracting with independent experts to review and analyze the source codes used in voting machines and associated devices (reduction of $1.2 million).
- Eliminates federal audit requirement (reduction of $1.5 million). This audit will be paid for by counties who are actually subject to the audit.

The spending plan does not include:

- An explanation of how they plan to complete the development of the VoteCal Statewide voter database or address the issues that have arisen in regards to the current interim solution.
- What liabilities they believe will be owed based on the previous administration misuse of HAVA funds, or how they will pay such liabilities.

COMMENTS

While the April 18th, 2006 revised spending plan is an improvement, there are still several outstanding issues.

The Secretary of State's office only proposes to spend $5.5 million in the budget year, but requests re-appropriation of $45 million for the broader plan. If this full amount were re-appropriated, what guarantee would the state have that funds would not be encumbered for unapproved purposes as has taken place in the past?

It is still unclear exactly how the statewide voter database (VoteCal) will be completed. $2.4 million is requested for the budget year, and another $6.4 in budget year 07-08, but no explanation of the ultimate plan on how those funds will be used to bring the state into compliance with HAVA. The SOS seems to plan for the Interim solution to hold us through 2009-2010, is that feasible? What is the ongoing cost of the interim solution and VoteCal for the counties?

After a year of hearing how important source code review is to the state, the new spending plan cuts that $1.2 million claiming it is no longer necessary for the state to do so. Is this true? Is this a safety concern for California? If source code review is passed on to vendors, what does a county do if the vendor does not complete the changes necessary to remain compliant?

Funding is provided for Poll Monitoring, but doesn't identify who will be doing this or where it will be done. What assurance is there that these individuals will be party neutral and not create a problem at the polls?

Voter Education is another funding area that led to issues under the previous administration. What are these funds being spent on, more specifically than provided in the spending plan? What assurance do we have the there will not be misuse as occurred under the previous administration?

While administrative costs are included in the Governor's budget, they are not included in future years in the spending plan. The SOS will have administrative needs in future budget years, but costs are unknown, so they have not been included. This will have an affect on the stated reserve amount. How is the SOS going to document who is working on HAVA issue for how much time to ensure HAVA funds are only paying for HAVA administration?

What happens to counties that are not HAVA compliant by June 6, 2006?

ISSUE 2: NOTARY PUBLIC SECTION OF THE BUSINESS PROGRAMS DIVISION

The Governor's budget proposes $3.1 million in Business Fees Fund and 30 positions (28.5 PY's) to address the increasing workload in the Notary Public Section of the Business Programs Division. This includes moving 12 positions from limited-term to permanent and adds 7 new 2-year limited positions. The Public Notary Section is responsible for all issues relating to public notaries, certifications, notary seals, enforcing laws related to the Child Support Enforcement Program, and investigating violations of notary law.

The Governor's budget assumes continued large growth in the number of applicants and individuals tested to become Notaries Public. Additionally, there is an assumed increase in collection of Business Fees Fund based on the increase in applicants. There is some question as to the continued growth in applicants following the decrease in activity in the real estate market.

In the current year, the SOS estimates 144,000 in applications. However, as of March 31, 2006, the department had received only 89,000 applications. Based on that the number actually received, it appears the department will receive 119,000 applications in the current year. SOS states there is a current application backlog that they will be able to process, and expect 123,000 applications for the current year. If we adopt the SOS growth rate of 18 percent growth rate in 2006-07, the number of applications should be 140,000 - 30,000 less than the 170,000 anticipated in the proposal.

Adopting the SOS's 18 percent growth rate, the appropriate level of staffing is 16, rather than the 20 additional notary application processing positions requested.

The SOS has included in the BCP a request for ten additional positions (more than double the existing staffing) to address their existing caseload, and an expected increase based on increased applications. The current backlog in the investigations and enforcement unit is unclear, and given the unknown economic and workload trends identified above, it is not clear the additional investigation positions are necessary at this time. It is difficult to know how much additional workload the department can absorb or accommodate by reorienting its current service delivery practices.

Operating Expense. Some components to the operating expense allocation (OE) accompanying these positions are unusually high. The department was not able to identify the basis for their OE calculations, other than to state that they have been at that level since 1999.

COMMENTS

The committee may wish to observe continued growth in applications, and associated growth in Business Fees Fund revenue which could allow the committee to review the need for additional funding at that time. Assumptions seem to suggest applications for the budget year will be in the range of 120,000 to 145,000, yet the SOS has budgeted for 170,000 applicants.

Additionally, the request for enforcement and investigation more than doubles the existing staffing levels. It should also be noted that the Secretary of State staff stated in committee that the Notary Investigations and Enforcement Unit does not play a role in enforcing Child Support. Its laws related to the Child Support Enforcement Program provides for the suspension or revocation of commissions for noncompliance with child or family support orders.

The large increase in staffing requested is supported only by speculation as to increased demand for these services. It may be prudent to wait and see how the market grows in the next year, and react appropriately to those changes instead of providing new positions based on approximations.

ISSUE 3: ONLINE DISCLOSURE

The Online Disclosure Act of 1997 (SB 49, Chapter 866, Statutes of 1997) required that certain campaign and lobbying reports be filed online with the Secretary of State starting in January of 2000. Online Disclosure filing would not be required if the committee or lobbyist had raised/spent less than $100,000. This amount was lowered to $50,000 starting July 1, 2000.

While some versions of the original bill included a requirement that software for compliance with the new requirements be available for $99 or less, the final version left the cost up to the free market. Shortly after the 2000 elections, the cost of these systems started to become an issue, raising calls for a free filing system. In 2001, AB 696 (Chapter 917) passed and required the Secretary of State to provide a method for filers to submit their required filings free of charge by Dec. 31, 2002.

The Secretary of State initially estimated a cost of $1.2 million to develop two types of free filing systems (one interactive where information could be entered online, and one for the development and distribution of software to filers), plus ongoing costs, but the legislature opted to request only one system. AB 696 in 2001 appropriated the Secretary of State their full request for one system, $600,000, to complete that system by Dec. 31, 2002.

Currently, only some forms are available online.

The Secretary of State's Task Force on Online Disclosure has met seven times during the last year to discuss progress on this issue. However, the Task Force has not yet been able to agree upon final report language, and no Final Report has been issued.

Recommendations from the task force do not affect the statutory requirement of the Secretary of State to complete the Online Disclosure system.

COMMENTS

Over 3 years after the initial deadline, the online disclosure system is still not completed.

Without a complete online disclosure system, it is impossible for the legislature to move forward with election reform in this area. There have been discussions in the legislature regarding changes to who is required to file and how often, but it is difficult to adopt such changes without a system for lobbyists and committees to utilize and comply with such changes. Several such bills have died in the past few years, including a veto from the Governor because the online disclosure system wasn't completed yet.

The Secretary of State's Office was funded their full request for this item, and they are over 3 years late in completing this statutorily required program.

ISSUE 4: FINANCE LETTER – BUSINESS PROGRAMS AUTOMATION – CONSENT ITEM

The Secretary of State requests $2.210 million (Business Fees Fund), including one time funding of $379,000 and $1.831 million ongoing to fund the maintenance and operation costs of data services and programming of the Uniform Commercial Code (UCC) automated system. The SOS is responsible for filing and sharing certain financing statements through this system. The SOS requests to offset this augmentation by $255,000 by reducing three IT positions that will no longer be needed. Fees collected for filing financing statements will fund this augmentation.

The SOS claims they must verify that copies of documents provided to the general public or other requestors are true and exact copies of documents on file within the SOS.

COMMENTS

Special fund fees paid into and appropriated out of the Business Fees Fund will support this augmentation. Fees are charged to filers to support UCC activities in The Business Programs Division. No General Fund effect.

ITEM 1110-1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

ISSUE 1: BUREAU OF SECURITY AND INVESTIGATIVE SERVICES (BSIS): ENFORCEMENT OF TRAINING REQUIREMENTS

The Bureau of Security and Investigative Services (BSIS) has jurisdiction over the following business entities and their employees: private patrol operators, private investigators, alarm companies, repossession agencies, locksmiths and training facilities that offer courses to private investigators, private patrol operators, guards, alarm company operators and their employees.

BACKGROUND:

Compliance With AB 2880 (Chavez, Chapter 886, Statutes of 2002). This bill requires that registered security guards complete a total of, depending on their classification, 32-40 hours of training within 30 days of the day their registration card is issued by the bureau. In prior subcommittee hearings, concern has been raised that the Bureau is not devoting adequate resources to ensure that security companies and their security officers are meeting the new standards set forth in statute. The Bureau has responded that it has been able to accommodate the increased workload using additional staff and savings accrued through an increase in online registration processes.

Bureau's Response. The Bureau, in partnership with industry experts, developed a Skills Training Course for Security Guards, (California Code of Regulations Article 9, Section 643) to provide the outline of mandated and elective training courses in compliance with AB 2880. The Bureau provides each business with an official approval letter for use of the particular training method they have chosen. A copy of the approval letter and the approved training course program adopted by the licensee is maintained in the Bureau's files. In July of 2004, a mass mailing was sent to all licensed Private Patrol Operators providing instructions on how to comply with the new training requirements. An additional mass mailing was sent out 12 months later to remind those businesses that had not yet submitted information on how their guard staff would meet the training requirements. Currently, through the Bureau's Outreach Program, and investigation site visits, the Bureau visits an average of 20 Private Patrol Operator businesses monthly. As a part of the visit, staff establishes compliance with existing business laws, including the requirements of the Skills Training Course for Security Guards. Further, as a part of each investigation into complaints concerning Private Patrol Businesses, the Bureau verifies that the business has training program information on file with the Bureau, that the program has been approved and that the training program has been implemented as approved.

COMMENTS:

BSIS staff recently provided the following information regarding their enforcement division:

- The Bureau's current enforcement staff consists of one manager, eight enforcement analysts, and two clerical support staff.

- The Bureau regularly assesses their enforcement needs and is considering the following measures to ensure continued effectiveness:

  - The Bureau is currently reviewing existing processes and looking for every opportunity to maximize resources and realize efficiencies.

  - The Bureau is seeking to improve enforcement effectiveness by focusing their efforts on preventive measures. As such, the Bureau has increased its Outreach Program to ensure that all new company licensees are knowledgeable of the law; have access to appropriate information; meet with Bureau representatives; and receive answers to all questions concerning legal operations.

  - The Bureau is considering ways to expand their presence in the Los Angeles region by hiring seasonal investigators such as retired annuitants. This would allow the Bureau to expedite local enforcement by being in the Los Angeles area. More expedient site visits would reduce waiting times for mailed documents and improve timeliness on documentation of current business operations.

  - The Bureau is seeking to focus resources toward increasing their utilization of the Department of Consumer Affairs' Division of Investigation (Division). The Bureau currently employs the Division's services for cases that require the expertise and/or status of a sworn peace officer.

Implementation of SB 194 (Maldonado, Chapter 655, Statutes of 2005). SB 194 enacts the Proprietary Security Services Act, affecting unarmed private security officers who are employed exclusively by any one employer and whose primary duty is to provide security services for his/her employer. A person who meets the definition of a proprietary private security officer will be required to register with the Bureau, comply with a background check, and pay an application fee and renewal fee. On April 25, 2006, the Subcommittee approved the Budget Change Proposal (BCP) submitted by the Bureau requesting funding for the implementation of this bill. The BCP included an augmentation request of $1.4 million in 2006-07 and $1.1 million in 2007-08 from the Special Fund to support the 20.0 positions needed to implement the provisions of SB 194.

BSIS has informed Budget staff that, before they can consider adding any additional positions to their enforcement division, they would need to assess the impact of the measures they are currently implementing to improve their enforcement responsibilities as well as the impact on staffing needs of the 20.0 positions included in SB 194.

Subcommittee Action on this Issue Last Year. The Subcommittee approved a $330,000 augmentation from the Special Fund to the Bureau to fund 6.0 positions for the Bureau to fully implement the training enforcement provisions included in AB 2880.

ITEM 1760 DEPARTMENT OF GENERAL SERVICE (DGS)

The objectives of the Department of General Services (DGS) are to: (a) Meet the varied responsibilities for management review, control and support of state agencies as assigned by the Governor and specified in statute; (b) Provide support services to operating departments with greater efficiency and economy than they can individually provide for themselves; and (c) Increase effectiveness and economy in the administration of state government by establishing and improving statewide policies and guidelines.

ISSUE 1: PHARMACEUTICAL PROCUREMENT

Last year, subcommittee members adopted the following budget bill language:

The Subcommittee directed DGS and CDC to Compare Potential Methods to Control Parolee Drug Costs

Budget Item in 1760-001-0666:

Provision 8. 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 coordination with the Department of General Services, shall consider, but not be limited to, contracting with a pharmacy benefits manager and purchasing medication under pharmacy contracts used for prison inmates. The Department shall compare the cost of those options and choose the lowest cost options.

COMMENTS:

Members of the subcommittee have requested that DGS staff provide them with an update on the progress and implementation of the language they adopted last year.

ITEM 8660 PUBLIC UTILITIES COMMISSION

The California Public Utilities Commission (PUC) regulates investor-owned natural gas and electricity utilities, telecommunications services, water companies, railroads, and certain passenger and household goods carriers. Specific activities include enforcement of safety regulations, regulation of rates for services, and promotion of energy and resource conservation. The PUC consists of five members appointed to 6-year terms by the Governor.

The Governor's Budget proposes $1.2 billion from special funds financed by utility ratepayers and 884.5 personnel-years (PYs) of staff for support of the PUC and its programs in 2006-07, including $861.4 million for Universal Service telecommunications subsidy programs and $258 million for the Gas Consumption Surcharge Program (low-income natural gas rate assistance programs, energy efficiency and conservation activities, and public interest research and development related to natural gas). This represents an increase of 33.7 PYs (4 percent) of staffing and an overall funding increase of $18.7 million (1.5 percent) from the revised 2005-06 budget.

Public Utilities Commission
Budgeted Expenditures
(in thousands)

Program	Actual 2004-05*	Estimated 2005-06*	Proposed 2006-07*
Regulation of Utilities	$414,998	$350,685	$364,956
Universal Service Telephone Programs	701,986	858,035	861,420
Regulation of Transportation	13,849	16,498	17,509
Administration	17,868	16,435	20,925
Distributed Administration	-17,868	-16,435	-20,925
Total Expenditures	**$1,130,833**	**$1,225,218**	**$1,243,885**

Note: The following budget proposals will be heard at a subsequent hearing:

1. **Telecommunications Bill of Rights.** Governor's Budget proposal for $9.9 million and April 21st Finance Letter request to augment that amount by an additional $2.8 million.

2. **Governor's Climate Action Plan**. Request for 12 additional positions.

ISSUE 1: STAFF REDIRECTIONS

The Governor's Budget proposes the following staff redirections:

- **Division of Ratepayer Advocates (DRA).** The budget proposes to redirect 6 positions within DRA—5 for water rate cases and 1 for telecommunications workload. These staff would be redirected from DRA workload related to electric and gas utilities.

- **Energy Division.**

  - 12 analyst positions to implement the Governor's Climate Action Strategies (these new activities will be discussed at a subsequent hearing). The redirections would come from other, often related, functions in the PUC's Energy Division and from elimination of 6 staff to inspect payphones throughout the state (which the PUC indicates may require legislation).

  - 3 technical positions (to assist with implementing the RPS, distributed generation policies, and the Governor's Million Solar Roofs initiative. Staff will be redirected from utility reliability functions and from support of the Low Income Oversight Board.

  - 4 positions to verify and evaluate utility energy efficiency programs and to implement advanced metering and demand response programs. Of the 4 positions, 3 also will come from the payphone program and 1 from support of the Low Income Oversight Board.

  - 2 positions to handle increased workload for General Rate Cases for the three major electric utilities. The redirection will reduce staff available to process other rate decisions, such as those affected smaller electric utilities.

  - 2 positions for workload needed to monitor utility procurement of energy resources. These positions also would be redirected from the Low Income Oversight Board, leaving the board without technical support.

- **Small Business Liaison.** One position redirected from commission outreach, communications, and public forums in the Inland Empire.

PUC Identifies Need for More Staff. The PUC, based on a detailed staff analysis of its programs estimates that it would need more than 50 additional positions to carry out its existing statutory mandates, Governor's directives and policies, and commission-adopted programs.

Redirections or Policy Changes? Most of the redirections proposed by the Governor's Budget are within the same general functional areas of the PUC, and thus represent a reallocation of workload within those areas. However, redirections from the Low Income Oversight Board and from the Payphone Program would essentially eliminate staffing for those functions, and the redirected positions would be used for unrelated purposes. Consequently, these redirections represent the following policy changes:

> ***Low-Income Oversight Board.*** The budget would redirect all 4 positions (and $351,000) currently assigned to provide technical support to the board, which advises the commission on the implementation of electricity and natural gas programs targeting at assisting low-income households. The redirected staff also provide staff analyses to the commission concerning utility funding proposals for

low-income proposals. Two positions would remain to continue clerical and administrative support.

Payphone Inspection and Enforcement Program. The budget would redirect all 9 positions (and $654,000) in the Consumer Protection and Safety Division currently assigned to inspect payphones throughout the state. The number of payphones is declining rapidly as cell phones proliferate. Furthermore, the PUC indicates that the current inspection program may not be the best approach to cost-effective consumer protection. As an alternative, the commission is considering an 800 number complaint line. The elimination of the payphone inspection function requires legislation, which has not yet been provided by the PUC.

COMMENTS

1. The PUC indicates that the provision of technical support for the Low Income Oversight Board and for analysis of utility low-income proposals is an ongoing workload with high priority. No justification has been presented for ending this support. The new positions that would be created through the redirection are in the Energy Division and unrelated to the payphone program, and they should be considered on their own merits.

2. Given the continuing reduction in payphones, and changes in the telecommunications industry, reducing payphone inspection staffing may be warranted. However, absent policy legislation, it would be premature to eliminate all staffing for oversight of payphones in California. Instead, it would be more appropriate to maintain a very small core staff (perhaps 3 positions) to enable the PUC to maintain some oversight of pay phones in 2006-07.

ISSUE 2: RAIL SAFETY

The Governor's budget proposes $1.4 million ($946,000 PUC Transportation Reimbursement Account, $252,000 State Highway Account, and $180,000 Public Transportation Account) and 14.2 positions to enhance rail safety through additional accident investigations, evaluations of quiet zone notices, railroad inspections, and oversight of rail transit agencies' homeland security programs. Specifically, this proposal includes the following:

- Continue on a permanent basis 10 limited-term positions for railroad safety inspections (6 positions) and rail safety analysis (3 positions, plus one supervisor) at a cost of $946,000. These positions were included in a legislative augmentation to the 2005-06 Budget. The Governor vetoed several additional legal and federal coordination positions and stated that he was approving the 10 positions on a one-time basis pending PUC action to correct deficiencies in accounting for program funds. The PUC indicates that it has corrected those deficiencies, and the budget now seeks to make the positions permanent.

- Add three staff at a cost of $252,000 for the Rail Crossing Engineering Section in order to increase safety at rail crossings, investigate crossing accidents, and carry out federal requirements, including approval of Quiet Zones.

- Add two staff at a cost of $180,000 for rail transit safety accident investigation and rail transit security oversight. The PUC indicates that these positions would backfill positions that it has diverted to address increased workload for oversight of rail transit construction projects.

COMMENTS

The 2005 Budget Act provided $100,000 from the PUC Transportation Reimbursement Account to fund a study of land use planning to promote rail safety, vandalism prevention, terrorism-related safety issues, and emergency response capabilities for rail accidents. The original due date specified for the study was April 1, 2006. However, work on the study has been deferred pending further elaboration of the specifics of the study, which would be accomplished by the Special Railroad Safety Task Force, which would be established by AB 158 (Bermudez). Work would begin in 2006-07 and extend into 2007-08. Accordingly, the $100,000 provided in the current year should be reappropriated for a two-year period for the purpose of funding the Special Railroad Safety Task Force.

ISSUE 3: CONSENT BUDGET CHANGE PROPOSALS AND FINANCE LETTER REQUESTS

- **Headquarters Building Improvements and Child Care Study.** The budget requests one-time funding of $1,122,000 of ratepayer funds for a variety of maintenance repairs and energy efficiency improvements at the PUC's San Francisco headquarters. The request also includes $500,000 for relocating the building's child care center from the basement to the first floor of the building.

- **Workstation Makeover.** The Governor's budget proposes $2.4 million in 2006-07 to be followed with an additional request for $2.4 million in 2007-08 to replace the PUC's modular workstations, which were purchased in 1986.

- **Division of Ratepayer Advocates (DRA) Lead Attorney.** The Governor's budget proposes $154,000 of ratepayer funds to establish a lead attorney position within the DRA, as provided for in SB 608 (Escutia).

- **Finance Letter Request to Adjust High-Cost A Expenditures.** A March 30th Finance Letter requests an increase of $14.3 million in spending authority for the High-Cost Fund A program to conform with the PUC's final approved resolution for program operation in 2006-07. This program is financed by a ratepayer surcharge and allocates money among the smaller telephone companies in order to subsidize their cost of serving high-cost areas.

ITEM 8690 SEISMIC SAFETY COMMISSION

The Seismic Safety Commission's goal is to improve earthquake preparedness and safety in California. The 17-member body performs policy studies, reviews programs, investigates earthquake occurrences, and conducts hearing on earthquake safety. The commission also advises the Legislature and the Governor on issues related to earthquake safety.

The Governor's Budget proposes total expenditures of $1.1 million (primarily from fees paid by property insurers) and 6.8 personnel-years of staff for the commission in 2006-07. Funding declines slightly (by $63,000) and staffing remains the same compared with the current year.

ISSUE 1: ACTION NEEDED TO PREVENT DISRUPTION OF FUNDING

The 2003-04 Budget shifted the commission's support from the General Fund to a fee assessed on property insurers and deposited in the Seismic Safety Account of the Insurance Fund. The fee sunsets on June 30, 2007—the conclusion of the budget year.

The commission has sought legislation to extend the fee. Specifically, the Legislature passed AB 1374 (Liu) last year to extend the fee sunset to June 2013. However, the Governor vetoed the bill citing a finding of the California Performance Review that the commission's functions might be duplicative of those of certain other state agencies. The veto message indicated that extending the fee would be premature until the administration completed a further review of the state's seismic safety programs. The Governor's Budget does not include any proposal to extend the fee or to reorganize seismic safety functions.

The commission points out that postponing a decision on extending the fee until next year would put the commission in the position of having to cease operations by January 2006 in order to meet state personnel requirements and because it could not sign a new lease without an assurance of future funding.

COMMENTS

The commission and the administration currently are engaged in discussions regarding a potential reorganization (such as moving the commission, which now is independent, under the State and Consumer Services Agency) and the commission's future source of funding. However, the administration has not put forward any proposal at this time and none is anticipated prior to the close of the subcommittee process.

Extension of Fee Sunset. Action at this time to provide a two-year extension of the existing fee authority would ensure that the commission can continue to make recommendations to improve earthquake safety and preparedness in California in 2006-07 and plan for the following year. This action would be without prejudice to any subsequent proposal from the administration, which should be considered on its merits at that time.