

SENATE BUDGET AND FISCAL REVIEW COMMITTEE

Governor's Budget:
A Compendium of the Subcommittee Analyses
March 2002 through May 2002

Volume 2

JUDICIARY
RESOURCES
CAL-EPA

TRANSPORTATION

ENERGY

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SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, March 14, 2002
Upon Adjournment of Session
Room 112

PART I

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8830 California Law Revision Commission

Background. The primary objective of the California Law Revision Commission (CLRC) is to make recommendations to the Governor and the Legislature for revision of the law. The CLRC assists the Governor and the Legislature in keeping the law up to date by studying complex subjects, identifying major policy questions for legislative attention, gathering the views of interested persons and organizations and drafting recommended legislation for legislative consideration. The CLRC may study only topics that the Legislature authorizes by concurrent resolution.

Current Commission Workplan. The CLRC plans to submit to the Legislature for the 2002 session recommendations for comprehensive revision of California's mechanics lien laws, eradication of statutes that are obsolete and should be repealed in the wake of trial court reform, correction of rules of construction for trusts and other estate planning instruments, issues in municipal bankruptcy, and evidentiary issues in electronic communications, among other matters. During 2002 the CLRC will continue its review of the law governing common interest developments, the law governing contractual attorney's fee awards, the statute of limitations for attorney malpractice, issues in administrative rulemaking, improvement of civil procedures under trial court unification, and the Uniform Unincorporated Nonprofit Association Act. The CLRC will also begin studies on discovery improvements from other jurisdictions, improvement of criminal procedures under trial court unification, and review of the California Trust Law in light of the Uniform Trust Code.

Budget Request. The budget proposes total expenditures of \$570,000, including \$555,000 from the General Fund and \$15,000 in reimbursements. The total request is a decrease of \$98,000, or 15 percent, and 1.5 positions from estimated expenditures in the current year. This would reduce the number of authorized positions at CLRC from 6.5 to 5 positions.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Action:

8840 Commission on Uniform State Laws

Background. In conjunction with other states, the Commission on Uniform State Laws drafts and presents to the Legislature uniform laws deemed desirable and practicable by the National Conference of Commissioners on Uniform State Laws for adoption by the various states. The commission is composed of six members appointed by the Governor, one member of each house of the Legislature appointed by the respective house, the Legislative Counsel, and two life members of the National Conference.

Budget Request. The budget proposes total expenditures of \$138,000 from the General Fund, which is a decrease of \$4,000 or 2.8 percent from anticipated current year expenditures.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Sub 2 Action:

8300 Agricultural Labor Relations Board

The Agricultural Labor Relations Board (ALRB), created by the Agricultural Labor Relations Act of 1975, is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes. The ALRB is patterned after the National Labor Relations Board and is divided into two major programs: Board Administration of the Agricultural Labor Relations Act; and (2) General Counsel Administration of the Agricultural Labor Relations Act.

Budget Request. The budget proposes fifty three positions and \$5.2 million from the General Fund, a decrease of \$158,000, or nearly 3 percent, from current year expenditures. The budget proposes a reduction of \$100,000 from the General Fund for operating expenses and equipment. The reductions represent an approximate 10 percent reduction in various OE&E categories and estimated savings from reduced rent for one field office.

Staff Comments. For the current year, the Legislature approved an increase of three positions to expand education and outreach programs as well as to address workload identified in a needs assessment. These positions have not been filled as a result of the hiring freeze. The position authority remains in the budget and the Board indicates that it will likely apply for an exemption from the freeze.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Sub 2 Action

8550 California Horse Racing Board

The seven member board supervises all race meetings in the state where pari-mutuel wagering is conducted. Principal activities of the board include: protecting the betting public; licensing of racing associations; sanctioning of every person who participates in any phase of horse racing; designating racing days and charity days; acting as a quasi-judicial body in matters pertaining to horse racing meets; collecting the state's lawful share of revenue derived from horse racing meets; and enforcing laws, rules, and regulations pertaining to horse racing in California. The state's revenue from horse racing is principally derived from fees based upon a percentage of the pari-mutuel wagering pools, breakage (the odds cents not paid to winning ticket holders), and unclaimed tickets. Additional revenue is derived from licenses issued to horse owners, trainers, jockeys, grooms and others, and from fines.

Budget Request. The budget proposes \$8.6 million from special funds, an increase of \$23,000, or less than 1 percent, from the current year.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Sub 2 Action.

8180 Payment to Counties for Costs of Homicide Trials

It is State policy that the cost of homicide trials should not unduly impact local government finances. Government Code Sections 15200 through 15204 implement this policy by allowing a county to apply to the Controller for reimbursement of specified costs of homicide trials and hearings. The reimbursement formulas vary by the population of the county and provide for reimbursement of a specified percentage of one percent of the full value of property assessed within the county.

Budget Request. The budget proposes total expenditures of \$7.5 million from the General Fund. This is the same amount as appropriated in the current year.

The table below shows funding and expenditures for this item for the last four fiscal years. Counties seek reimbursement for certain approved costs from the Controller's Office. Payments can be made for future anticipated costs. The amounts for the current year represent reported amounts through January 18, 2002.

Funding and Expenditures for Budget Item 8180 (dollars in millions)					
	1998-99	1999-00	2000-01	2001-02	2002-03
Budget	9,541	7,500	6,000	7,500	7,500
Payments ^a	5,002	2,735	1,395	3,910 ^b	
Difference	4,539	4,765	4,605	3,590	

^a Payments to counties as reported by the State Controller's Office

^b As of January 18, 2002

Analyst Recommendation. The LAO recommends a reduction of \$3 million for this item due to lack of justification for the proposed level of funding. The LAO notes that in the past three fiscal years, actual reimbursements have declined from 55 percent to 16 percent of the amount appropriated. In the current year, the Legislature appropriated \$7.5 million for this purpose. To date, the LAO notes that counties have applied for reimbursements totaling \$3.9 million including advance payments for trials that have yet to take place. The LAO indicates that the Department of Finance has not provided a justification for maintaining the higher level included in the proposed budget for 2002-03.

Staff Comments. Estimates for this item have been difficult to make for this item. Staff notes that the Budget Act of 2001 included language providing for 100 percent reimbursement for three trials. In addition, the Cary Anthony Stayner trial which has been relocated from Mariposa County to Santa Clara County will be eligible for funding in the current year and the budget year. For these reasons the DOF recommends approval of the entire proposed amount. The table on the next page shows current estimates from the Department of Finance for costs of certain trials that will likely seek reimbursement in the current and budget years. The Department of Finance is waiting on additional information from the counties for the cost estimates for some of the projected trials.

Estimated Costs for Certain Trials in 2001-02 and 2002-03

County	Trial	Estimated Trial Costs	Estimate for 2001-02	Estimate for 2002-03
Shasta	Benjamin Matthew Williams* and James Tyler Williams* trial date - 10/02. Estimated duration - 8 months	\$3 million	\$.5 million	\$2.5 million
	Todd Garton trial complete -- post conviction costs pending	Waiting for additional information from the county.	\$1 million	Unknown
	Dennis Michael Davis trial date - 3/02	Waiting for additional information from the county.	Unknown	Unknown
	Paul Smith trial date - 4/02. Estimated duration - 5 months	Waiting for additional information from the county.	Unknown	Unknown
	Klein, Sutherland, Taylor		Unknown	Unknown
Mariposa	Cary Anthony Stayner trial date - 6/02. Moved to Santa Clara Estimated duration - 1 to 2 yrs.	\$5 million	\$1 million	\$4 million
San Luis Obispo	Rex Allen Krebs* moved to Monterey trial and sentencing complete -- post conviction costs pending	\$1.5 million	\$1.5 to \$2 million	Unknown
Placer	Arturo Juarez Suarez* moved to Napa trial and sentencing complete -- post conviction costs pending	\$1 million	\$1.4 million	Unknown
Minimum Estimated Totals			\$5.4 to \$5.9 million	\$6.5 million

* 100 percent of the costs paid by the state.

Staff Recommendation. Staff recommends approval as budgeted. The Subcommittee may wish to have the Department of Finance provide an update of expenditures and estimated budget year costs at the time of the May Revision.

Sub 2 Action.

8120 Commission on Peace Officer Standards and Training (POST)

The Commission on Peace Officer Standards and Training (POST) is responsible for raising the competency level of law enforcement officers by establishing minimum selection and training standards, improving management practices, and providing financial assistance to local agencies relating to the training of their peace officers.

Budget Request. The budget proposes a total of \$65.1 million, which is a decrease of \$5.9 million, or 8.3 percent from the current year budget. This decrease is due primarily to a reduction in the state-mandated local programs within the POST budget and a reduction in reimbursements for peace officer training. Of the total proposed expenditures, \$28.8 million supports direct training of peace officers and \$23.0 million supports additional law enforcement training needs such as quality control of POST-certified courses, management and leadership training, and identifying emerging training needs. The budget proposes expenditures of \$56.9 million from the Peace Officer's Training Fund.

POST Funding Sources					
Funding Source	<i>(dollars in thousands)</i>			Change	% Change
	2000-01	2001-02	2002-03	01-02 to 02-03	01-02 to 02-03
General Fund	8,259	8,481	6,923	-\$1,558	-18.4%
Peace Officers' Training Fund	60,748	61,209	56,893	-4,316	-7.1%
Reimbursements	1,260	1,259	1,259	0	0.0%
Totals, All Funds	\$70,267	\$70,949	\$65,075	-\$5,874	-8.3%

The table below shows the proposed program expenditures for the POST.

POST Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				Percent Change
	2000-01	2001-02	2002-03	Change	
Standards	\$4,916	\$6,967	\$6,280	-\$687	-9.9%
Training	33,167	23,866	23,038	-828	-3.5%
Peace Officer Training	23,945	31,635	28,834	-2,801	-8.9%
Administration	4,818	4,486	5,143	657	14.6%
Distributed Administration	-4,818	-4,486	-5,143	-657	14.6%
State-Mandated Local Programs	8,239	8,481	6,923	-1,558	-18.4%
Totals, Programs	\$70,267	\$70,949	\$65,075	-\$5,874	-8.3%
Total Authorized Positions	126	128	129	1	0.7%

BUDGET ISSUES

Status of Peace Officers' Training Fund

Background. Nearly 90 percent of the expenditures for POST are funded by the Peace Officers' Training Fund (POTF). The POTF receives monies from the State Penalty Assessment Fund, which in turn receives monies from penalty assessments on criminal and traffic fines. Since 1997-98, the amount derived from these assessments has been between \$33 million and \$37 million annually. In addition, another \$14 million has been transferred annually from the Driver Training Penalty Assessment Fund through Control Section 25.10 of the Budget Act. In fiscal year 2000-01 the fund balance for the POTF was \$22.4 million. Due to the state's fiscal condition, funding was not transferred through Control Section 24.10 in the current year.

Issue. In the current year, the budget assumes a \$5 million loan from the General Fund in order ensure sufficient funds to cover expenditures from the POTF. The Commission has taken a number of measures to reduce expenditures in the current year to minimize the need for such a loan. The Subcommittee may wish to have the Commission report on measures taken in the current year to reduce expenditures from the POTF.

Informational Issue. No Subcommittee action necessary.

Control Section 5.25 – Payments for Litigation

Control Section 5.25 provides that payments for any attorney fee claims, settlements, or judgments arising from actions in state court against a state agency or officer shall be paid from appropriations in the Budget Act that support the affected agency.

The proposed language is identical to the language approved in previous years. Last year, Subcommittee No. 2 approved this item as budgeted.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Sub 2 Action.

Control Section 24.10 – Driver Training Fund Transfers

Using Control Section 24.10, specified portions of the Driver Training Fund have been transferred to the Victim/Witness Assistance Fund, the Peace Officers' Training Fund, and the Corrections Training Fund, with the remaining balance going to the General Fund. The Budget Act of 2001 directs the Controller to transfer an estimated \$40.7 million to the General Fund.

Proposed Language. Proposed budget bill language would transfer up \$18.7 million to the Peace Officers' Training Fund, \$6.9 million to the Corrections Training Fund, and an estimated \$13.9 million to the General Fund.

Staff Comments. The reserve for economic uncertainties for the Peace Officers' Training Fund and the Corrections Training Fund have been reduced significantly, in large part because transfers were not made to these funds through this control section in the current year. At the end of the fiscal year 2002-03, the budget estimates a \$2.5 million reserve for the Peace Officers' Training Fund and no reserve for the Corrections Training Fund. Without this transfer, there would not be sufficient funds to cover anticipated expenditures from these funds.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Action.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, March 14, 2002
Upon Adjournment of Session
Room 112

PART 2

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3360 Energy Resources Conservation & Development Commission

The commission, commonly referred to as the California Energy Commission (CEC), is responsible for:

- Siting power plants,
- Conducting energy-related research and development,
- Forecasting energy supply and demand, and
- Implementing conservation strategies.

As displayed in Table 1, the budget proposes expenditures of about \$247 million, a reduction of \$148 million (37 percent) relative to the current year.

The commission also expects to have loan repayments of \$3.6 million, up from \$2.9 million in the current year.

Table 1
California Energy Commission, Expenditures by Program
2002-03
(dollars in thousands)

	2000-01	2001-02	2002-03	Amount	Percent
Regulatory and Planning	\$35,155	\$35,638	\$30,059	-\$5,579	-16 %
Energy Resources Conservation	265,579	145,957	24,752	-121,205	-83
Development	306,678	213,356	192,413	-20,943	-10
Totals	\$607,412	\$394,951	\$247,224	-\$147,727	-37%

As displayed in Table 2, the commission is funded by a combination of special fund revenues, reimbursements and General Fund revenues. Specifically:

- *Special funds account* for about \$227 million (94 percent) of the commission's budget.
- *Reimbursements account* for over \$10 million (about 4 percent) of the total.
- *The General Fund accounts* for nearly \$6 million (about 2 percent) of the CEC's budget. General Fund revenues are allocated to the commission's siting and transportation programs.

Table 2
California Energy Commission, Funding Sources
2002-03
(dollars in thousands)

	Amount	Percent
General Fund	\$5,722	2%
Renewable Resource Trust Fund	93,800	38%
Public Interest Research, Development & Demonstration Program Fund	71,515	29%
Energy Resources Programs Account	40,550	17%
Other Special Funds	21,732	9%
Reimbursements	10,320	4%
Total	\$243,639	

Budget Issues

The Legislative Analyst's Office recommends the following:

1. Reduce the commission's General Fund appropriation and backfill with a higher appropriation from the Energy Resources Programs Account (ERPA).
2. Shift funding for the licensing program from the General Fund to special funds.

The recommendations are detailed below.

1. Reduce the General Fund Appropriation

As displayed in Table 2, the commission is almost exclusively funded with special fund revenue. The ERPA fund provides nearly 20 percent of the commission's budget. The charge is set at .0002 cents per kilowatt-hour of electricity consumed and generates \$46 million per year. The commission estimates that the average household pays \$5 per year for the charge.

The revenue estimates for ERPA funds are based on the commission's forecast for electricity usage. When it put the budget together, the CEC estimated that taxable electricity usage would remain at current-year levels. The Analyst's Office believes that energy use will rise by between 2 percent and 4 percent. For purposes of budget planning, it suggests assuming that ERPA revenues will rise by 2 percent (an increase of \$900,000). The Analyst's estimate accounts for the likely impact of conservation measures.

The Analyst recommends that the subcommittee: a) adopt the higher ERPA revenue estimate; b) delete General Fund support for the siting program by \$900,000; and c) increase the ERPA appropriation for the siting program by an equivalent amount.

Commission response. The CEC staff acknowledge that electricity consumption in California is expected to experience moderate growth in calendar year 2002 and beyond. However, it identifies two reasons for maintaining existing funding:

- *Revenue Volatility Makes Any Forecast Suspect.* Given the changing electricity market, it is hard for the CEC to be confident in its electricity forecast. Many factors could influence usage. For example, the California Power Authority recently announced its goal to offset all growth in electricity demand through additional energy conservation measures. Additional energy conservation measures could undermine the LAO's proposed increase in revenues.
- *The CEC Wants a Higher Reserve than Proposed by the Governor.* According to the CEC, "If revenues are higher than the Governor's Budget projection, then they should be maintained in the fund to provide a prudent reserve (as opposed to offsetting General Funds)... The Governor's Budget proposes only a \$929,000 or 2.1% reserve next fiscal year. If revenues increase 2 percent, the additional \$900,000 could be added to the reserve providing a \$1,829 balance or 4 percent reserve."

2. Siting Issues and General Fund Support

The commission must approve the siting of most power plant facilities. The number of applications received by the commission can vary significantly from year to year. For example, the commission received ten and 36 applications in the last two years, respectively. It expects to receive 15 for the year ending June 30, 2002. In the budget year, the commission assumes it will receive ten applications.

The commission expects to spend about \$19 million on siting issues in the budget year. Most of these costs are financed with special fund money. After accounting for the reduction recommended in the first discussion item, the General Fund would provide funding for over \$4.6 million.

Under current law, the CEC:

- Levies a fee on Notice of Intentions (NOI). The fee is on all persons applying for certification of a thermal power site or facility, and is set at one-cent per kilowatt of net electric capacity. The CEC has not received any NOI filings in many years and does not anticipate receiving any in the near future.
- May seek cost reimbursement for its actual CEQA-related costs from applicants who file for a Small Power Plant Exemption (SPPE). It does not anticipate receiving any SPPE filings in the near future.

The Governor proposes to repeal the existing fee structure and impose a flat fee of \$25,000 for each application for certification of a site or related facility. The budget assumes revenues of \$250,000 from the new fee structure. The revised fees would finance about one percent of the total cost of the siting program.

The Analyst recommends that generators or the ratepayers bear the full cost of the siting program, rather than the General Fund. To back out the General Fund, the LAO recommends raising the application fee on generators, or increasing the per-kilowatt charge levied on all utilities.

In evaluating this recommendation, the subcommittee may wish to consider whether the siting program ought to be financed with application fees. For example, given the volatility in the number of

applications, if one applicant delayed until July 2003, the commission would face a half-million dollar deficiency in its budget.

If the subcommittee were to increase the charge on utility users, the rate would increase by about 10 percent.

Staff recommend that the subcommittee: a) eliminate the General Fund appropriation for siting and b) direct subcommittee staff to prepare legislation authorizing the commission to adjust the user fee annually to a rate equal to expected costs for the coming fiscal year. This action would be *in lieu* of the Governor's proposal to impose the \$25,000 fee. The statutory legislation can be discussed at the Open Items hearing.

8660 Public Utilities Commission

The commission regulates privately owned utilities, such as gas, electric, telephone and railroad interests. It regulates some passenger and household goods carriers. The commission's primary objective is ensure adequate facilities and services for the public at equitable and reasonable rates.

Table 1
Public Utilities Commission, Expenditures by Program
2000-01 to 2003-03
(dollars in thousands)

	2000-01	2001-02	2002-03	Amt Change	% Change
Regulation of Utilities	\$105,165	\$392,544	\$206,940	-\$185,604	-47%
Universal Service Telephone Programs		1,234,968	1,091,726	-143,242	-12%
Regulation of Transportation	12,981	15,034	14,565	-469	-3%
Totals	\$118,146	\$1,642,546	\$1,313,231	-\$329,315	-20%

Consent Issue

Require a Report on the Commission's Payphone Programs. The PUC's Consumer Services Division administers three payphone programs: (1) the Public Policy Payphone Program places payphones in areas that would otherwise not be served; (2) the Payphone Service Providers Enforcement Program ensures payphones are in working order; and (3) the Telecommunications Devices for the Deaf Interim Placement Committee ensures the hearing impaired have access to communications devices in public places. In order to help the Legislature assess the effectiveness of these programs, the Analyst recommends that the Legislature adopt the following supplemental report language:

Proposed Supplemental Report Language:

Item 8660-001-0491—Payphone Program

On or before December 1, 2003: the California Public Utilities Commission shall submit, to the Chairs of the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature, a report that justifies its staffing needs for its public payphone programs based on actual workload data. In addition to the staffing levels of each program, this report should include the following information:

1. **Public Policy Payphone Program.** The number of applications received for new public policy payphones, the number of public policy payphones placed in California, the location of the public policy payphones, and the number of hours spent on each application and payphone placement case.
2. **Payphone Service Providers Enforcement.** The number of payphones inspected, the percentage of total phones inspected, the number of payphones not in compliance, the number of payphones disconnected, and the number of hours spent on each inspection and compliance case.
3. **Telecommunications Devices for the Deaf Interim Placement Committee.** The number of phones placed, the number of applications/requests for the placement of these phones, and the number of hours spent on each phone placement case.

Staff are not aware of any opposition.

Budget Issue

Reduce Funding for the “Green Team.” The budget proposes \$100,000 for funding a staff attorney dedicated to activities associated with the Green Team. The position is funded from special funds and is limited term. The Analyst believes that the workload associated with the Green Team does not warrant additional staff.

The commission staff indicate that although the Green Team’s workload may not warrant additional staff, the PUC’s overall legal workload has increased so significantly that it needs at least another attorney. The commission staff will provide detail to the subcommittee.

Staff recommend deletion of the position and funding, pending receipt of the commission’s justification.

8665 California Consumer Power and Conservation Financing Authority (PA)

Senate Bill 6x (Burton), Chapter 10, Statutes of 2001, First Extraordinary Session, established the Power Authority (PA). The authority, its powers and responsibilities are detailed in Sections 3300 through 3384 of the Public Utilities Code. Specifically, it:

1. Authorizes the PA to finance the following with revenue bonds:
 - The construction of generation facilities (Sections 3350 and 3351),
 - Loans for the purchase of equipment, improvements and appliances with energy efficiency or renewable energy characteristics (Sections 3365 through 3367.5),
2. Requires the PA's operating budget be included in the annual budget act (Section 3345).
3. Requires the PA to submit to the budget committee an annual report on its activities and expenditures (Section 3346). The report is due January 1.
4. Requires the PA to report on its plan for financing resources investments (Section 3369). The report, entitled *Clean Growth: Clean Energy for California's Economic Future*, was submitted on February 15, 2002.

Last year, the Legislature authorized a \$10 million "start up" loan for the PA. In the current year, the Administration allocated \$4.5 million to the PA. The budget proposes allocating the balance. The loan is to be repaid from proceeds of bonds.

Budget Issues

1. **Loan.** The authority expects to repay the \$4.5 million loan by June 30, 2003.

Staff recommend that the budget be amended to reflect the repayment.

2. **Budget.** The Public Utilities Code requires the authority to report its expenditures to the Legislature on or before January 1. Presumably, this report would help the Legislature evaluate current- and budget-year expenditures. The authority submitted this kind of information for the current year, as part of its November 19 letter on its start-up activities. However, the authority has provided no information about its intended spending in the budget year. Without justification for the budget appropriation, it is impossible for the Legislature to evaluate the budget proposal.

Staff recommend that the authority update its November 19 letter to reflect anticipated spending in 2002-03.

3. ***Department of Water Resources (DWR)***. Last year, the Legislature authorized the DWR to purchase power. This responsibility was considered a stop-gap response to the energy problem. Is it possible to shift DWR's electricity purchasing responsibilities to the authority?

Staff recommend that the subcommittee staff be directed to consider which state entity should be charged, on a permanent basis, with purchasing energy. If staff develop a recommendation for shifting responsibility, it should report to the subcommittee on: (a) Trailer bill language to shift the responsibility for purchasing power from DWR to the authority, (b) Budget amendments to make the shift, and (c) An analysis of problems associated with making the shift.

8770 Electricity Oversight Board

When created, the EOB had oversight responsibilities over the operations of the Independent System Operator (ISO) and the Power Exchange (PX). In January 2001, the PX suspended operation of its markets and is now in bankruptcy. As a consequence, according to the EOB, the board "does not oversee the administration of these markets."

Accordingly, the specific work projects and relative importance among the subjects, according to board staff, has varied as events in the markets and operation of the grid have unfolded. Specifically, the board lists these activities as priorities:

1. Operation of the grid and bulk electricity markets.
2. Market structure, rules and market ratemaking.
3. Market behavior and actions by market participants.
4. Procurement of reliability services and the costs thereof.
5. Reliability standards and rules.
6. Transmission planning and grid expansion.
7. Transmission rates, costs, and scheduling requirements.

Legislation chaptered in the last two years has given the EOB new responsibilities, including:

- ***Petition the Federal Energy Regulatory Commission (FERC) on Specific Transmission Matters.*** SB 1388 (Peace), Statutes of 2000, requires the EOB to petition FERC for the recovery of certain expenses associated with replacing and expanding the electricity grid. The EOB shares this responsibility with the Public Utilities Commission.
- ***Investigate the Wholesale Market.*** SB 47 (Bowen), Statutes of 2001, authorizes the EOB to investigate any matter related to the wholesale market for electricity.

Table 1
Energy Oversight Board by Funding Sources
(dollars in thousands)

Funding Source	2000-01	2001-02	2002-03	\$ Change	% Change
General Fund	233	\$997	\$730	-\$267	-27%
PUC Utilities Reimbursement Account	\$1,797	3,012	3,017	5	0%
Energy Resources Programs Account	491	437	473	36	8%
Reimbursements		35		-35	-100%
Totals	\$2,521	\$4,481	\$4,220	-\$261	59%

Budget Issue

The board's base budget assumes last year's workload. Given the evolution in the board's duties, it is not clear how the current-year budget should be modified to reflect the expected workload in the budget year. Committee staff have asked the board to justify the board's budget in light of anticipated workload. No information has been provided.

Staff recommend that the board's budget be deleted until the EOB submits a detailed budget reflecting the board's anticipated workload. If the budget justification is given to the committee by mid-April, the subcommittee could hear a proposal to reinstate funding at its Open Items hearing.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, March 21, 2002
Upon Adjournment of Session
Room 112

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2720 California Highway Patrol

The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for state employees and property.

Budget Overview - The Governor's Budget proposes a total of \$1.2 billion for the CHP, from special funds. This amount is an increase of \$112.8 million or 10.5 percent over estimated current year expenditures. The majority (91 percent) of the funding for support of the CHP is from the Motor Vehicle Account (MVA) which is proposed to increase by \$150 million to a total of \$1.1 billion. The majority of this increase results from an assumed increase in federal funds of \$89.6 million for terrorism security. Other changes include \$11.9 million for increased workers' compensation costs, an additional \$2.4 million for its telecommunications infrastructure, and a reduction of \$8.5 million from various sources to reduce funding pressures on the MVA.

CHP Funding Sources					
Funding Source	<i>(dollars in thousands)</i>			Change	% Change
	2000-01	2001-02	2002-03	01-02 to 02-03	01-02 to 02-03
General Fund	\$36,582	\$600	\$0	-\$600	-100.0%
State Highway Account	23,640	24,466	27,238	2,772	11.3%
Motor Vehicle Account	864,887	932,018	1,082,470	150,452	16.1%
Less funding provided by the General Fund	-33,546	0	0	0	N/A
Less funding provided by Federal Funds	0	0	-89,590	-89,590	N/A
Motor Carrier Permit Fund	1,233	1,720	1,738	18	1.0%
Motor Carrier Safety Imp. Fund	1,115	1,186	1,135	-51	-4.3%
California Motorcyclist Safety Fund	980	1,123	1,157	34	3.0%
Federal Trust fund	8,841	50,427	101,577	51,150	101.4%
Hazardous Substance Account	6	200	200	0	0.0%
Asset Forfeiture Account	782	2,002	2,002	0	0.0%
California Peace Officer Memorial Fund	0	221	400	179	81.0%
Reimbursements	60,884	64,595	63,012	-1,583	-2.5%
Totals, All Funds	\$965,404	\$1,078,558	\$1,191,339	\$112,781	10.5%

CHP Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				Percent Change
	2000-01	2001-02	2002-03	Change	
Traffic Management	\$849,889	\$945,031	\$1,032,652	\$87,621	9.3%
Regulation and Inspection	94,118	106,736	129,885	23,149	21.7%
Vehicle Ownership Security	21,397	26,791	28,802	2,011	7.5%
Administration	111,265	134,791	137,242	2,451	1.8%
Distributed Administration	-111,265	-134,791	-137,242	-2,451	1.8%
Totals, Programs	\$965,404	\$1,078,558	\$1,191,339	\$112,781	10.5%
Total Authorized Positions	9,989	10,205	10,435	230	2.3%
Uniformed Personnel	6,648	6,991	7,325	334	4.8%

BUDGET ISSUES -- SUPPORT

Infrastructure Protection.

Budget Request. The budget proposes \$89.6 million from federal funds and 236 new positions to maintain a higher level of security to protect portions of the state's infrastructure that are considered susceptible to attack by terrorists. The total amount of on-going funding is \$76 million. Specifically, the proposal includes augmentations for the following:

- 33 officers to provide enhanced security at the state Capitol and state office buildings and facilities.
- 40 officers to provide security at nine major bridges and the Trans Bay Terminal.
- 100 officers to operate the state's 18 commercial vehicle inspection facilities 24 hours a day.
- 50 officers assigned to inspect carriers of hazardous materials.
- 24 officers to serve on various joint-terrorism task forces and to staff a new Emergency Notification and Tactical Alert Center.
- 24 pilots and flight officers to operate five additional helicopters for expanded air operations.
- 18 officers to provide security for nuclear power plants and state health laboratories.
- \$32.5 million for overtime costs in the event of tactical alerts.
- \$2.5 million for equipment to protect officers against chemical weapons.

State Role and Responsibilities. The LAO notes that this proposal assigns state personnel to protect private facilities, such as nuclear power plants, and non-state facilities such as the Golden Gate Bridge. The LAO recommends that the Legislature consider the following issues when evaluating proposals for enhanced security against terrorism:

- What are the appropriate areas and levels of responsibility for the state, federal, and local governments and private entities to assume for protecting citizens and facilities against terrorism? For instance, should the state be responsible, in whole or in part, for the protection of all areas or facilities with statewide importance, even if these are not state facilities? What should be the role of local law enforcement agencies?
- Who should pay for ongoing security services at the local level? Who should pay for the security of private facilities and nonstate facilities that have statewide importance? How should these services be funded?
- Of the security services the state is responsible for providing, which should be under the jurisdiction of CHP, and which should be provided by other agencies?
- What is the appropriate allocation of resources between programs to prevent terrorism and those that respond to terrorist incidents?

Staff Comments. The budget proposes that the \$89.6 million in federal funds be transferred to the MVA and includes budget bill language allowing any additional funds received from the federal government for this purpose to also be transferred to the MVA. The president's proposed federal budget includes \$37.7 billion for security funding for the federal fiscal year beginning October 2002. Of this amount a total of \$3.5 billion is proposed for supporting first responders. At this time, there are no specifics regarding how this money will be allocated, whether this funding is one-time or on-going, or what types of expenditures will be eligible. The Department of Finance indicates that a portion of this funding, or additional funding will be available from the federal government. However, at this time no funding from the federal government has been specifically dedicated for these expenditures.

In the budget year, there are sufficient funds in the MVA to cover these expenditures should federal funds not be forthcoming. However, absent funding from the federal government, there will not be sufficient funds in the MVA to cover these expenditures in 2003-04. The status of the MVA is discussed in the DMV portion of this agenda.

Analyst's Recommendation. The LAO withholds recommendation on this proposal, pending additional information regarding the availability of federal funds for state antiterrorism programs. Should funding be approved, the LAO recommends adoption of budget bill language to restrict the CHP from using the funds requested for overtime during tactical alerts to pay for regular overtime costs. The LAO notes that the CHP that the base level of overtime support for CHP is \$55 million and that this funding is specifically requested for new overtime resulting from tactical alerts.

Of the funds appropriated in this item, \$32.5 million is allocated for overtime costs for security tactical alerts. If the amount used for overtime for tactical alerts is less than \$32.5 million, the remainder of that sum shall revert to the Motor Vehicle Account.

Staff Recommendation. The CHP has indicated that in the current year it has redirected staff to provide the enhanced security proposed for the budget year. At this time, CHP is performing these tasks within existing resources. Staff recommends holding this issue open, pending further information on the availability of federal funds and an analysis by staff of the amount of ongoing funding from the MVA that will be available for this purpose. Should the Subcommittee approve the funding, staff recommends adoption of the LAO recommended budget bill language regarding overtime expenditures.

Action.

Protective Services.

Background. Until 1995, the California State Police (CSP) provided protective services for state property and employees. The CSP allocated its costs to other departments, which funded CSP through reimbursements. When the CHP absorbed CSP and its protective services mission in 1995, it continued this reimbursement-based funding mechanism. The system of charging reimbursements grew increasingly complex and inefficient. In 2000-01, the Legislature funded CHP's protective services directly, with funding divided between the General Fund and MVA. In 2001-02, with the state facing increasing pressure on the General Fund, MVA became the sole funding source for CHP protective services activities.

Issue. The LAO notes that not all of CHP's protective service and security activities are related to transportation and the enforcement of vehicle laws and that the MVA may not be an appropriate source to provide ongoing support for non-transportation activities. The LAO further notes that security services that are non-transportation-related, including the patrol and security of state buildings and state employees in general should be funded from the General Fund. The LAO also notes that where security activities are enhanced for particular departments or programs, those services should be reimbursed.

Analyst's Recommendation. The LAO recommends that on an ongoing basis beyond 2002-03, CHP protective and security services be funded from a combination of General Fund, MVA funds, and

reimbursements. In order to establish a baseline for this funding split, the LAO recommends the adoption of the following supplemental report language directing CHP, in cooperation with the Department of Finance, to prepare a cost-allocation study based on budget-year allocation of resources to transportation versus non-transportation-related security activities and associated expenditures.

The California Highway Patrol (CHP), in cooperation with the Department of Finance, shall prepare a cost-allocation study to provide the baseline for determining the appropriate mix of General Fund money, Motor Vehicle Account funds, and reimbursements to support CHP's protective and security activities. The study shall be based on the 2002-03 allocation of resources to transportation versus non-transportation-related security activities. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and the chairs of the appropriations and budget committees of each house no later than January 10, 2003 as part of the 2003-04 budget proposal.

Staff Comments. The LAO indicates that there are sufficient funds not subject to Article XIX of the state constitution to cover non-transportation related security costs in the budget year. However, LAO indicates that it may not be true on an ongoing basis. The Department of Finance indicates that this language may reduce the flexibility of the Legislature and the administration in providing funding for protective services, and may release sensitive security information.

Action.

2700 Office of Traffic Safety

The Office of Traffic Safety (OTS) was established for the purpose of administering the California Traffic Safety Program. The OTS carries out a wide range of activities: (1) developing the California Highway Safety Plan which identifies major traffic safety problems, appropriate countermeasure programs, and available state and Federal funds; (2) administering funds to state and local governmental entities; and (3) coordinating statewide traffic safety programs and activities.

Under the Federal State and Community Highway Safety Grant Program, OTS receives federal funds each year to administer grants for the purpose of improving traffic safety. OTS administers the available funds by awarding grants to state departments and local political subdivisions of the state. The grant projects are designed to address traffic safety priorities designated by the U.S. Department of Transportation. The grants support planning to identify and quantify highway safety problems, provide start up funds for new programs, and give direction to existing safety programs.

OTS Funding Sources					
Funding Source	<i>(dollars in thousands)</i>			Change	% Change
	2000-01	2001-02	2002-03	01-02 to 02-03	01-02 to 02-03
Motor Vehicle Account	\$348	\$377	\$365	-\$12	-3.2%
Federal Trust fund	72,883	84,239	84,199	-40	0.0%
Totals, All Funds	\$73,231	\$84,616	\$84,564	-\$52	-0.1%

Budget Request. The budget proposes \$84.6 million (\$84.2 million from Federal funds), which is an increase of \$52,000, or less than 1 percent above current year expenditures.

The first table on the next page shows the national priority program areas as designated by the U.S. Department of Transportation and identifies the purpose for each area. The second table shows the number of grants and the amounts of funding administered by the OTS and broken into priority areas.

National Priority Program Areas	
Priority Area	Purpose
Alcohol and Drug Countermeasures	To remove alcohol and other drug-impaired drivers from the roads.
Emergency Medical Services	To ensure appropriate treatment through a coordinated system of emergency medical care for persons injured in highway accidents.
Motorcycle Safety	To improve motorcycle safety through training and educating on the effectiveness and need for safety equipment.
Occupant Protection	To increase safety belt and child safety seat use, and promote the benefits of automatic protection devices, such as air bags.
Pedestrian & Bicycle Safety	To increase safety awareness for pedestrians and bicyclists
Police Traffic Services	To encourage local community traffic enforcement programs.
Roadway Safety	To improve the roadways with special emphasis on identification and surveillance of the location of traffic accidents; to evaluate highway design, construction and maintenance; and to conduct traffic engineering services.
Safe Communities	To help communities come together to improve traffic safety neighborhoods,

	and overall quality of life.
Speed Control	Through education and enforcement, assure drivers travel at safe speeds and comply with posted speed limits.
Traffic Records	To support record systems that aid in identifying existing traffic safety problems.

OTS - Number and Funding for Grants by Priority Area						
(dollars in thousands)						
Program Area	2000		2001*		2002*	
	Grants	Amount	Grants	Amount	Grants	Amount
Alcohol & Other Drugs	63	\$16,637	66	\$11,486	80	17,178
Emergency Medical Services	88	3,769	96	4,787	81	3,499
Motorcycle Safety	1	0	0	0	0	0
Occupant Protection	34	4,961	45	8,534	36	8,080
Pedestrian and Bicycle Safety	79	5,507	77	7,780	63	10,034
Police Traffic Services	159	18,617	142	19,217	124	29,086
Roadway Safety	54	6,297	54	2,665	62	9,596
Safe Communities	17	2,774	16	3,809	11	2,882
Traffic Records	38	2,678	17	5,866	28	7,724
Community Based Orgn.			11	4,481	21	6,582
Total*	533	\$61,355	525	\$69,905	506	94,661

* Anticipated expenditures due to the timing and availability of federal funds.

OTS Budget

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval of OTS as budgeted.

Sub 2 Action:

2600 California Transportation Commission

The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail and transit improvements throughout California. The CTC also advises and assists the Secretary of Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs.

The budget proposes total expenditures of \$127.8 million, an increase of \$664,000 (0.5 percent) from the current-year budget.

California Transportation Commission Fund Source and Expenditures					
	<i>(dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
Funding Source					
State Highway Account, State Transportation Fund	322	475	1506	1,31	42.5%
Public Transportation Account, State Transportation Fund	1,397	1,442	1,347	-95	0.5%
Clean Air and Transportation Improvement Fund	104,566	125,272	125,000	-272	8.0%
Total	\$106,285	\$127,189	\$127,853	\$664	0.5%
Program Expenditures					
Administration of California Transportation Commission	1,719	1,917	2,853	936	48.8
Clean Air and Transportation Improvement	104,566	125,272	125,000	-272	-.02
Total	\$106,285	\$127,189	\$127,853	\$664	0.5

Budget Requests:

Staff Recommendation: No issues have been raised with the CTC's budget proposals. Staff recommends the subcommittee approve as budgeted.

Vote:

2640 Special Transportation Programs

The Special Transportation Programs budget reflects mass transit program funding that is appropriated to the State Controller for allocation to regional transportation planning agencies. Administration of the State Transportation Assistance program is performed by the State Controller and the Department of Transportation.

The budget proposes \$115.3 million from the Public Transportation Account (PTA), a decrease of \$55.6 million (32.5 percent) from the current-year budget.

Special Transportation Program Fund Source and Expenditures					
	<i>(dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
Fund Source					
Public Transportation Account, State Transportation Fund	\$115,912	\$171,000	\$115,358	-55,642	-32.5%
Program Expenditures					
State Transportation Assistance	\$115,912	\$171,000	\$115,358	-55,642	-32.5%

Issue

Five-Year Low Projected for Transit Assistance Program

Background: The State Transit Assistance (STA) Program is one of the state's primary sources of financial support for public transportation, and provides funding to over 100 transit operators statewide to support public transportation operating costs.

Established by the Transportation Development Act (TDA), the purpose of the State Transit Assistance Program is to provide financial assistance for public transportation service, including funding for transit planning, operations, and capital acquisition projects. The TDA also identified four priorities for the use of STA funds, which include:

- Offsetting reductions in federal operating assistance.
- Assisting with increases in the cost of fuel.
- Enhancing existing public transportation services.
- Meeting high-priority regional public transportation needs.

HOW STA IS FUNDED AND DISTRIBUTED-The State Transit Assistance Program is funded through the Public Transportation Account. Program funds are disbursed to transportation planning agencies by statutory formulas based on population and locally-generated transit revenues. Transportation planning agencies in turn allocate funds to transit operators to support operating costs and capital acquisition projects. Funds from the STA Program are the most flexible transit funds available; they can be used by transit operators on either capital or operations.

The STA Program provides a direct subvention to local transit operators — as allocated by regional transportation planning agencies (RTPA) — on a formula basis, as follows:

- 50% based on the ratio of the population in the RTPA's jurisdiction to the total population of the state (Public Utilities Code §99313)
- 50% based on the ratio of the total revenue of the transit operators in the RTPA's jurisdiction to the total revenue of all the transit operators in the state (PUC §99314) [NOTE: "Total revenue" means fare revenues and any other funds used by the transit operator for its operations, except federal and state funds. For instance, Transportation Development Act funds are not counted, but local option half-cent sales taxes are counted.]

USE OF STA FUNDS-Transportation planning agencies (TPA) allocate STA to transit operators. The TPAs in turn allocate STA funds to eligible public transit operators under their jurisdiction. For the revenue-based portion, the TPAs allocate the funds to individual transit agencies based on the ratio of a transit agency's revenues to all transit agency revenues in the TPA's area for the prior fiscal year. As for the population-based portion, however, TPAs generally have more discretion over how these STA funds are allocated. Depending on the TPA's adopted allocation policy, in some cases a portion may be retained for regional public transportation purposes.

STA funds may be used for both operating costs and for transit capital projects, such as the purchase of vehicles or improvements to passenger rail facilities. Because the STA program is the only source of state transportation funds that may be used for transit operating support, STA funds are valuable because they are not restricted in their use.

The STA Program also supports small paratransit service providers. The 58 smallest transit providers that utilize 5 percent of STA funds largely provide community transit services in addition to traditional public transportation. Community transit services include primarily paratransit services for those, such as the elderly and disabled, who cannot use conventional transit services. Even though these are small operations, transporting only one-half percent of the state's overall public transportation ridership in 1998-99, they carried a disproportionate number (over 19 percent) of the state's paratransit riders.

The majority of STA funds are utilized for operations. Of the \$94 million allocated in 1998-99, about \$79 million (or 84 percent) was used to cover operating expenses. These expenses include staff salaries, maintenance expenses, as well as vehicle fuel and insurance costs. The remaining funds were used for capital projects, such as vehicle acquisition and facilities improvements. Generally, the largest transit operators use their STA allocations to support operating costs.

Issue: The budget proposes \$115.4 million for the STA program. Although this represents a decrease of \$55.6 million from the current-year budget, the proposed budget does not factor the additional loss of revenue resulting from the Board of Equalization's ruling on the provisions of AB 426 (Chapter 156, Statutes of 2001). The bill provides a sales tax exemption for diesel fuel used in the transportation of farm products to the marketplace and for use in food processing. The Board of Equalization (BOE) recently adopted regulations that will provide food processors an exemption not only for diesel fuel used in their plant, but also to transport their product from the processing plant to market. This would result in an additional revenue loss of \$50 million to the Public Transportation Account because all of the fuel from the expanded regulation would be for diesel fuel used on public roads. Thus the STA will receive \$90.4 million in the budget-year, which results in a net reduction of \$79.6 million to the program.

Without further action, the STA is scheduled to receive its lowest level of program funding since the 1997-1998 budget-year. It is also important to note that prior to the Administration's proposal to cap the spillover, the STA was originally scheduled to receive \$189 million in the budget-year. As a result of re-financing the Traffic Congestion Relief Program, the agricultural diesel tax exemption, and a decline in gas prices, STA funding has been reduced by nearly \$100 million in less than a year.

Staff Recommendation: Please see issue "PTA projected shortfall", under item 2660- Department of Transportation for staff's recommendation.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The state highway system comprises approximately nine percent of the total roadway mileage in California but handles approximately 54 percent of the miles traveled. The department also has responsibilities for congestion relief, transportation technology, environmental and worker protection, airport safety, and land use and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

The budget proposes total expenditures of \$8.9 billion (\$0 General Fund), an increase of \$1.2 billion (14.9 percent) from the current-year budget.

Department of Transportation Program Expenditures					
Program Expenditures	<i>(dollars in thousands)</i>			Change	Percent Change
	2000-01	2001-02	2002-03		
Aeronautics	8,675	11,426	11,426	0	0.0
Highway Transportation	6,828,168	6,262,961	7,457,255	1,194,294	19.1
<i>Capital Outlay Support</i>	(4,075,684)	(3,309,926)	(4,620,904)	(1,310,978)	39.6
<i>Local Assistance</i>	(1,589,811)	(1,809,204)	(1,739,843)	69,361	-3.8
<i>Program Development</i>	(71,936)	(93,639)	(76,426)	17,213	-18.4
<i>Legal</i>	(87,123)	(63,615)	(64,169)	(554)	0.9
<i>Operations</i>	(200,194)	(164,362)	(145,856)	18,506	-11.3
<i>Maintenance</i>	(803,420)	(822,215)	(810,057)	12,158	-1.5
Mass Transportation	493,474	843,678	848,273	4,595	0.5
Transportation Planning	157,682	208,312	189,001	(19,311)	-9.3
Administration	280,582	321,545	325,568	4,023	1.3
Equipment Service Center	171,096	170,190	154,986	(15,204)	-8.9
State-Mandated Local Programs	1,979	585	555	(30)	-5.1
Total	\$7,941,656	\$7,818,697	\$8,987,064	\$1,168,367	14.9

ISSUES

Public Transportation Account Projected Shortfall

Background: The Public Transportation Account (PTA) was established by the Transportation Development Act of 1971, to provide a source of state funds primarily for transit (including bus and rail) purposes. The PTA has also funded various state and local agency support costs (such as the California Transportation Commission, Public Utilities Commission, High Speed Rail Authority, etc.).

The PTA's primary revenues are sales-tax-based. The largest source is a 4.75 percent sales tax on diesel fuel. The second major source is a 4.75 percent sales tax on 9 cents of the state excise tax on gasoline. In

addition, the PTA receives any "excess revenue" generated from a 4.75 percent sales tax on all taxable goods, including gasoline, as compared to a 5 percent rate on all taxable goods, excluding gasoline. This mechanism, known as the "spillover," does not effect General Fund revenues, but provides additional revenues to PTA.

PTA Program Expenditures: The three largest expenditures from the PTA have been for the State Transit Assistance (STA) program, intercity rail services, and transit capital improvements. Under current law, the STA program receives at least 50 percent of annual PTA revenues. The remaining PTA funds support various other public transportation purposes, including intercity rail service, capital improvements for transit systems as programmed through the State Transportation Improvement program (STIP) process, the state's rail and mass transportation planning and support services, and high-speed rail development.

PTA dollars are the most flexible, and impose fewer administrative hurdles than federal transit dollars. PTA dollars are the only state funds that can be used to purchase transit rolling stock, including rail cars and buses. Also PTA dollars do not require the lengthy environmental processes that delay delivery on projects that involve federal funds.

Issue: The Governor's budget projects a reserve of \$26 million for the PTA. However the projection does not factor the Board of Equalization's ruling on the provisions of AB 426. As previously stated under item 2640-Special Transportation Programs, the BOE's ruling will result in a \$50 million reduction to the PTA. When AB 426 was enacted, the Board of Equalization estimated the revenue loss at \$22.7 million (\$6 million from the Public Transportation Account and \$16.7 million from the General Fund). The loss from the Public Transportation Account is attributable to the use of diesel fuel on public roads and the General Fund loss is attributable to off-road use. That estimate assumed delivery only to the first destination from the farm. The BOE's recently adopted regulations will provide food processors an exemption not only for diesel fuel used in their plant, but also to transport their product from the processing plant to market. This would result in an additional revenue loss of \$50 million to the Public Transportation Account because all of the fuel from the expanded regulation would be for diesel fuel used on public roads.

LAO Options: The Legislative Analyst has identified the following options to address the PTA Shortfall:

- Eliminate budget-year expenditures on capital improvements for intercity rail service.
- Fund track improvements for intercity rail service out of the State Highway Account.
- Reduce STA funding to less than the amount called for under current law.

The LAO also recommends a \$24 million reduction from the PTA budget-year loan to the Traffic Congestion Relief Plan (TCRP). The TCRP refinancing plan called for a \$100 million loan from the PTA in 2002-03 in order to meet the cash-flow needs of TCRP projects. However the LAO estimates that TCRP expenditures are likely to be much lower than projected. If approved, the LAO's options/recommendation would provide short-term relief to the PTA. However the identified options do not provide ongoing relief. The options do not address the reductions to the STA program as well.

Caltrans' response: Discussed in the following issue is the department's proposal to manage the Public Transportation Account from a cash-flow basis. The premise behind the proposal is to allow the department to program expenditures based on cash on hand, as opposed to programming expenditures based on accrual. The department believes that it can avoid program reductions to the PTA as a result of the cash-flow proposal.

Staff Recommendation: Senate Bill 10XXX has been introduced in the third extraordinary session to address the issues surrounding BOE's ruling on AB 426. Prior to completing the subcommittee report, the subcommittee wish to consider adopting similar trailer bill language to SB 10XXX if the bill is not approved by the Legislature. For purposes of addressing the budget-year effects on the PTA and STA, the subcommittee may also wish to consider reducing the PTA loan to Traffic Congestion Relief Fund by \$24 million, and appropriating a portion of the funds to the STA.

Vote:

General Fund Relief Provided Through Loans from State Highway Account and Transportation Congestion Relief Fund

Background: As part of the Governor's solution to the address the General Fund's condition, the budget proposes a \$672 million loan from the Traffic Congestion Relief Fund (TCRF) to the General Fund, and a \$474 million loan from the State Highway Account (SHA) to the TCRF. The loan from the SHA to the TCRP is intended to ensure that no TCRP projects are delayed or cancelled.

Last year the Legislature approved the re-financing of the Traffic Congestion Relief Plan to provide \$2.5 billion in General Fund relief for the 2001-02, and 2002-03 budget-years. Due to declining revenues, the Administration is proposing an additional General Fund loan. The proposal maintains the loan repayment dates established in the original TCRP refinancing plan, and all funds will be repaid by June 30, 2008. (Please turn to page 21 of the agenda for a more detailed description)

Issue: Due to the loans from the highway account, Caltrans projects a balance of \$83 million in the SHA by the end of the 2002-03 budget year. To ensure sustainability of the SHA, the Governor's proposal authorizes Caltrans to borrow up to \$360 million from the General Fund to maintain a sufficient cash balance in the SHA.

Caltrans and the Department of Finance are also proposing trailer bill language to administer the SHA, TCRF, and PTA on a cash management basis. The advantage of using the cash management approach is that Caltrans and Finance will be able to program expenditures based on "cash-on-hand", as opposed to programming based on accrual.

Staff Recommendation: Given the condition of the General Fund, staff recommends the subcommittee approve the department's request, and the associated trailer bill language. The subcommittee may also wish to direct the LAO and Caltrans to develop budget bill language that provides the legislature at least twice during the budget year the actual cash on hand, revenues, and expenditures for the SHA, PTA, and TCRF

Vote:

Fleet Greening Initiative

Background: The budget proposes \$10 million (State Highway Account) to continue the “fleet greening” of Caltrans’ mobile fleet. Last year the Legislature approved \$20 million (SHA) to begin this program.

The proposal calls for the retrofit of Caltrans’ green diesel fleet, increasing the number of bi-fuel and electric/solar vehicles, purchasing more hybrid vehicles, and purchasing liquefied petroleum gas dedicated vehicles. The department will focus its efforts in those regions that have the highest levels of nitrogen oxide (NOx) emissions from Caltrans’ mobile fleet.

Issue: When the subcommittee approved this item last year, the Caltrans stated that it was working with the Air Resources Board to develop the fleet baseline emission standards. At the time this analysis was prepared, staff could not verify with the Air Board if the baseline emission standards have been finalized. Caltrans has clearly identified this proposal as a priority. The department has taken the initiative to improve air quality, and the merits of this proposal deserve approval. However, the department has not been able to proceed with the retrofit of its mobile fleet because the emission standards are not available. Since the program is still in its beginning stages, the subcommittee should take this opportunity to ensure that the department is pursuing the most effective measures to reduce nitrogen oxide emissions and particulate matter.

LAO Recommendation: The LAO states that the Air Board is unlikely to verify the proposed technology before 2003. If the verification does not occur before the end of the budget-year, Caltrans will not be unable to retrofit the mobile fleet. To ensure that the proposed funds are not redirected to other purposes, the LAO recommends the following budget bill language:

Any portion of the \$5,494,000 appropriated in this item for diesel engine retrofit and staff overtime that is unexpended for the approved emission reduction purposes at the end of the fiscal year shall revert to the fund from which it was appropriated

Staff Recommendation: Staff recommends the subcommittee withhold approval for the item pending further information from the department and the ARB on the development of the baseline emission standards.

Vote:

Information Technology Integration Plan

Background: The budget proposes \$77.4 million (State Highway Account) with three year appropriation authority to develop an IT Enterprise Integration Plan (\$2.4 million), and to develop and implement four IT projects (\$75 million). The projects include:

- A financial management system.
- A construction management system.
- A land management system.
- A contract payment system.

Issue: Last year the LAO made recommendations for the department to conduct an IT reorganization plan, develop a clear definition of IT, and to establish a strategy for more efficient use of traffic information systems. The LAO argued that IT implementation in the department was fragmented and lacked standardization and coordination. Upon reviewing the department's budget proposal, the LAO believes proposed integration plan would be useful to avoid any gaps and lack of coordination among the four areas that the department is proposing to implement.

LAO Recommendation: The LAO recommends approval of the IT integration plan, but recommends the Legislature withhold approval for the four automation projects (\$75 million) because the integration plan will not be completed until August 2003. The LAO states that the integration plan must be completed before beginning the proposed department-wide projects. The Analyst believes funding the projects is unwarranted because the final scopes, costs, and time-lines for the projects would not be known for another 18 months, and the projects would not begin until 2003-04.

Caltrans' Response: The department argues that it can begin the construction management system project in the budget year, however the department indicates that it will likely not begin work on the other IT projects in the budget-year.

Staff Recommendation: Since the budget proposal allows for three-year appropriation authority, staff recommends the subcommittee approve the department's request.

Vote:

Stormwater Management Plan

Background: The budget \$23.4 million (\$22.4 million ongoing) and 167.5 personnel-years to implement the stormwater management plan. The proposal would increase the department's prevention and cleanup of stormwater pollution from \$62 million and 168 personnel-years to \$85 million and 336 personnel-years. The proposal augments the following programs:

<u>Capital Outlay Support</u>	<u>\$ (dollars in thousands)</u>
Training, reporting, compliance reviews	9,300
<u>Legal</u>	
Legal defense, permit compliance	6
<u>Traffic Operations</u>	
Encroachment permit review	9
<u>Maintenance</u>	
Mitigation activities	12,600
Total	23,400

Issue: The LAO recommends the Legislature delete \$600,000 for Caltrans' review of highway rights-of-way. The LAO states that Caltrans has already completed its review as required by the Water Resources Control Board. The department concurs with the analysis, thus the additional funds are not needed.

Staff Recommendation: A component of this proposal authorizes the Department of Finance to review and evaluate the long-term cost implications of Caltrans' compliance with the Clean Water Act. Staff recommends the subcommittee approve the budget request (minus \$600,000) and adopt the following supplemental report language:

Item 2660-007-0042

The Department of Finance shall provide to the Joint Legislative Budget Committee an implementation review of the Department of Transportation's stormwater management practices. The Department of Finance shall provide a preliminary report of its findings to the Joint Legislative Budget Committee by January 10, 2003 and a final report by July 1, 2003.

Vote:

Informational Item

Department Vacancies

Background: The Bureau of State Audits (BSA) recently released its report on vacant positions in state government. In the report, the Auditor provides vacant position data for Caltrans in the 2000-01 fiscal year. The Auditor reports that Caltrans had 405 excess vacancies (1.6 percent of authorized positions); meaning these vacancies were above the number of vacant positions budgeted for salary savings. The audit report also identified \$19.8 million (special fund) associated with the 405 excess vacancies. It is important to note that these funds do not necessarily represent the funds remaining in the department's budget. The auditor acknowledges that many departments use these funds to pay for overtime costs and contracts.

Last year the subcommittee heard testimony from Caltrans and the Department of Finance on ways the Administration was addressing excess vacancies and abuse of personnel transactions. The subcommittee may wish to have the department of Finance respond to the BSA audit, and report on the progress it has made in reducing vacant positions at Caltrans.

Action:

Other Budget Requests:

Staff recommends the subcommittee approve all other budget requests, and trailer bill language pertaining to the Freeway Service Patrol and Seismic Safety Retrofit Account.

Vote:

2665 High-Speed Rail Authority

The California High-Speed Rail Authority (HSRA) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The HSRA is required to prepare a plan for the financing, construction, and operation of a high-speed network for the state that would be capable of achieving speeds of at least 200 miles per hour. Assembly bill 1703, Chapter 796, Statutes of 2000, extends the HSRA's sunset date until December 31, 2003.

The budget proposes \$8.47 million in expenditures, an increase of \$4.9 million (136.8 percent) from the current-year budget.

High Speed Rail Authority Fund Source					
	<i>(dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
State Highway Account, State Transportation Fund	-	-	7,000	7,000	100%
Public Transportation Account, State Transportation Fund	1,026	1,057	971	(86)	8.1%
Traffic Congestion Relief Fund	5,000	-	-	-	-
Reimbursements	-	2,519	498	(2,021)	80.2
Totals	\$6,026	\$3,576	\$8,469	\$4,893	136.8%

Budget Requests:

The budget proposes \$7 million to complete the preliminary environmental impact report/environmental impact statement (EIR/EIS).

Staff Recommendation: Staff recommends the subcommittee approve the HSRA's as budgeted.

Vote:

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale and disposal of vehicles. Over 50 percent of the proposed budget is for the Vessel/Vehicle Identification and Compliance Program, which establishes identification and ownership of vehicles of California residents and assures compliance with various laws and programs. DMV also issues personal identification cards, administers driver safety and control programs, and provides consumer protection services.

The budget proposes total expenditures of \$666.7 million (\$1.6 million, General Fund), a decrease of \$20.5 million (3.5 percent) from the current-year budget.

Department of Motor Vehicles Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Vehicle/Vessel Identification and Compliance	385,424	387,967	375,329	(12,638)	-3.3
Driver Licensing and Personal Identification	166,992	175,523	168,717	(6,806)	-3.9
Driver Safety	82,868	85,876	85,090	(786)	-0.9
Occupational Licensing and Investigative Services	34,224	36,256	35,932	(324)	
New Motor Vehicle Board	1,270	1,640	1,655	15	0.9
Administration	78,479	82,490	79,582	(2,908)	-3.5
Distributed Administration	(78,479)	(82,490)	(79,582)	(2,908)	-3.5
Total	\$670,778	\$687,262	\$666,723	-20,539	-3.0

Issue

Motor Vehicle Account Projected Shortfall

Background: The budget proposes revising several penalties and fees that generate revenue to the Motor Vehicle Account, raising additional revenues by \$67 million in the budget year and \$96 million in 2003-04. Specifically, the proposed changes include:

- An increase of \$25 million in revenues from penalty increases for late payments on the \$30 vehicle registration fee. The minimum late fee would be raised to \$10 from \$3. Full-year implementation is projected to increase annual revenues from this source to \$50 million.
- An increase of \$40 million in revenues from increasing fees to \$4 per record for information provided to insurers and others that request driver record information. Currently no fee is assessed.
- An increase of \$2 million in revenues from charging filing fees of \$120 to cover the cost of DUI hearings for offenders that appeal suspensions, and for increasing the costs for reissuing suspended

licenses from \$100 to \$125. Full-year implementation is projected to increase annual revenues from this source to \$4 million.

- An increase of \$4 million in revenue beginning in 2003-04 from the imposition of a \$5 fee to retake a driving test.

The budget also proposes to reduce MVA-funded expenditures at the department by \$10.8 million, \$10.5 million at the Air Resources Board, and \$8.5 million at the California Highway Patrol,

Staff Recommendations: The Legislative Analyst estimates a \$7 million shortfall by the end of the budget year, and a \$230 million shortfall in 2003-04 if the department's proposals are not approved. Staff recommends the subcommittee approve as budgeted, and approve any associated trailer bill language with the proposals.

Vote:

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, April 4, 2002
Upon Adjournment of Session
Room 112

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0555 Secretary for Environmental Protection

The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The Secretary is located in Sacramento and is responsible for overseeing and coordinating the environmental regulatory activities of the following boards, departments, and offices (BDOs):

Air Resources Board	State Water Resources Control Board
Integrated Waste Management Board	Department of Toxic Substances Control
Department of Pesticide Regulation	Office of Environmental Health Hazard Assessment

The budget proposes total expenditures of \$7.5 million (\$2.9 million, General Fund), a decrease of \$1.9 million (20.5 percent) from the current-year budget.

Secretary for Environmental Protection Program Expenditures					
Program Expenditures	<i>(dollars in thousands)</i>			Change	Percent Change
	2000-01	2001-02	2002-03		
Environmental Protection Programs	3,748	5,454	5,184	(270)	5.0
Special Environmental Programs	4,886	4,004	2,337	(1,667)	41.6
Total	8,634	9,458	7,521	(1,937)	20.5%

Issue

State Hiring Freeze

Background: The Governor issued executive order D-48-01 on October 24, 2001. The executive order prohibits all state agencies from filling vacant positions that constitute a new hire to state government. Public health personnel, safety and security personnel, and personnel directly involved in producing state revenues are exempt from the hiring freeze. The executive establishes the hiring freeze until June 30, 2003.

Issue: Throughout the boards, departments, and offices (BDOs) of CalEPA there are many budget requests to re-establish vacant positions that were abolished in the current year. During pre-hearing discussions with the agency, minority fiscal staff raised the question of why the Department of Finance approved the budget proposals to re-establish vacant positions in light of the Governor's executive order.

Staff Recommendation: The subcommittee may wish to have the agency and the Department of Finance explain why the budget requests were approved. Since the executive order was issued in October, and the budget requests were approved in December, staff believe that the Administration intends to authorize the reestablishment of the positions in the budget-year. Staff recommends the subcommittee take no action regarding this item.

Action:

Environmental Justice Initiative

Background: Environmental Justice is a term used to refer to the fair treatment of people of all races, cultures, and income with respect to the development, implementation, and enforcement of environmental protection laws, regulations, and policies. In the mid-1990's, after finding that communities of color and low-income populations experience higher than average exposures to selected air pollutants, hazardous waste facilities, and other forms of environmental pollution, the US EPA began implementing Executive Order 12898 which directs federal agencies to address human health and environmental issues in low-income communities and minority communities. Chapters 690/99, Statutes of 1999 (SB 115 Solis) directed CAL-EPA to develop an environmental justice mission statement for adoption by the boards, departments and offices within the agency.

Issue: Last year, the subcommittee and the Legislature approved a \$100,000 augmentation to develop an interagency environmental justice strategy at CalEPA, pursuant to Chapter 728, Statutes of 2000 (SB 89 Escutia). The subcommittee also approved the agency's request to establish the Environmental Justice Program and approved budget bill language which required the agency to establish an assistant secretary for environmental protection. The assistant secretary is required to do the following:

- Review the environmental and public health-related regulatory activities of each board, department and office within the agency to ensure that those activities take into account and address environmental justice considerations.
- Establish a program to educate and inform the public of the agency's environmental justice activities and programs.
- Coordinate and oversee the environmental justice activities of the agency.
- Identify shortcomings in the environmental justice activities of boards, departments, or offices in the agency which may impede the achievement of environmental justice.
- Develop and coordinate the adoption of, the model environmental justice mission statement.
- Evaluate and report to the Governor and the Legislature on the need for a statewide program of competitive grants to community-based organizations intended to increase community awareness of environmental justice.

Staff Recommendation: The subcommittee may wish to have the Agency Secretary report on CalEPA's ongoing actions to implement the environmental justice program, as well as the provisions of SB 115 and SB 89. The Secretary should also report on the following issues:

- Has the Agency taken actions to implement SB 115 and SB 89?
- Has the Agency completed all tasks to implement an environmental justice program that were identified in the 2000-01 budget bill language?
- What actions has the agency taken to address issues of environmental justice in the siting of power plants (a concern raised by the subcommittee last year)?
- What specific actions are the boards, departments, and offices within the agency implementing to address environmental justice?

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised by the LAO or staff. Staff recommends the subcommittee approve as budgeted.

Vote:

3900 Air Resources Board

This Board is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the Board to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, develop and oversee implementation plans for the attainment and maintenance of both state and federal air quality standards and oversee the regulation of sources of pollution by air pollution control districts.

The budget proposes total expenditures of \$133.6 million (\$31 million, General Fund) a decrease of \$83.5 million (38.5 percent) from the current-year budget.

Air Resources Board Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>			Change	Change
	2000-01	2001-02	2002-03		
Mobile Source	241,839	150,333	80,357	(69,976)	46.5
Stationary Source	42,508	51,631	43,137	(8,494)	16.5
Program Direction and Support	9,932	10,127	10,127	0	0.0
Distributed Program Direction and Subvention	(9,932)	(10,127)	(10,127)	0	0.0
	15,111	15,186	10,111	(5,075)	33.4
Total	299,458	217,150	133,605	(83,545)	38.5

Issues

Funding the Stationary Source Program

Issue: The budget proposes \$43.1 million (\$24.9 million, General Fund) for the stationary source program. The Legislative Analyst recommends applying the “Polluter Pays” principle and reassessing the fee structure of the program. The effect of this proposal would shift \$18.7 million from the General Fund to fees.

Background: The stationary source program works with the air pollution control districts to reduce emissions from stationary sources to comply with state and federal laws. The program is responsible for the following:

- Develop measures for reducing emissions from stationary and other sources as required by the California Clean Air Act, and work with local air pollution control districts to achieve and maintain State and federal ambient air quality standards.
- Identify substances which are toxic air contaminants and develop measures to control such emissions.
- Provide guidance on control technology for stationary sources.
- Review and comment on environmental impact reports relating to general projects, as required by the Public Resources Code and the National Environmental Policy Act, and provide technical assistance to local and regional agencies.
- Assist industries wishing to locate or expand in California and provide comments to lead agencies and districts on applications for permits to construct or modify facilities that are major sources of air pollution.

- Develop and implement, in conjunction with local air pollution control districts, a new source siting program for California that meets Federal Clean Air Act and State requirements.
- Provide technical assistance to districts on source-specific toxic (or potentially toxic) air contaminant exposure assessments.

Of the \$43.1 proposed for the stationary source program, \$24.9 million (58 percent) is from the General Fund. The program is also funded with federal funds (\$9.5 million), special funds (\$4.9 million) and reimbursements (\$3.9 million). The special funds/fees comprise 11 percent of the program's revenue sources. The California Clean Air Act establishes a \$3 million cap on the total amount of fees that may be levied on stationary sources. The Clean Air Act also limits the stationary source fees to facilities emitting over 500 tons of pollution per year. The Legislative Analyst argues less than 250 facilities (out of approximately 20,000 point stationary sources statewide) pay the fee. The fee is currently \$25.56 per ton of emissions.

LAO Recommendation: The Legislative Analyst argues that funding for the stationary source program should be governed by the polluter pays principle. The LAO believes the relationship between private degradation of resources and public costs is particularly strong in the case of stationary source pollution. Of the \$24.9 million General Fund proposed, the LAO recommends shifting \$18.7 million of program support to fees. The fee supported activities, including data collection, planning, and monitoring, are critical steps to develop air quality standards that form the basis of air quality permitting and enforcement activities statewide. These activities provide a basis in science and technology for permits, and prevent the permit requirements from being arbitrary or unduly burdensome. As such, they provide a benefit to the permit holder and should be funded through fees.

Staff Recommendation: Given the status of the General Fund, it seems appropriate to increase the fee-based support of the program. Staff recommends the subcommittee approve the LAO proposal to develop trailer bill language to reassess the stationary source fee structure.

Action:

General Fund and Motor Vehicle Account Reductions

Background: The budget proposes \$14.1 million in reductions to Motor Vehicle Account and General Fund program expenditures (\$3.8 million and \$14.3 million respectively). The budget proposal includes the following reductions:

Program	General Fund	Motor Vehicle Account
Computer replacement	\$263,000	\$240,000
Air Quality Education Program	\$200,000	-
Air Quality and Emissions Inventory Program	\$1,100,000	\$1,116,000
Engineering and Quality Management Programs	\$500,000	-
Community Health Program	\$600,000	\$1,465,000
Health Effects, Emissions Control, and Air Quality Research Programs	\$1,113,000	\$2,095,000

Compliance Assistance	-	\$65,000
In-Use Compliance Program	-	\$500,00
Local District Subventions	-	\$5,000,000
Total	3,776,000	10,481,000

Issue: The budget proposal will require some programs to receive both General Fund and Motor Vehicle Account reductions. For example, the Air Quality and Emissions Inventory Program will receive a total reduction of \$2.216 million in the budget-year. Staff from the Air Board indicate that the proposed reductions will effect contracts only. However given that some of the effected programs rely on external data collection and contracts, it appears these reductions will significantly hinder these programs.

The proposal also includes a \$5 million reduction for the Local District Subvention program. Subvention funds have been provided to the local air districts since 1972 to support air quality programs. The 2001-2002 budget act augmented the subvention program by \$7.6 million for enforcement and compliance activities. The local air districts use their subvention funds for various programs including: air monitoring, small business and compliance assistance, CEQA response, complaint response, environmental justice, and emergency response. Subvention funds provide a vital source of funding to the districts because some of the programs cannot be fully funded through stationary source fees or motor vehicle registration surcharge funds. The California Air Pollution Control Officers Association (CAPCOA) indicate that some districts may potentially have to layoff staff if the \$5 million reduction is approved.

Staff Recommendation: Staff recommends the subcommittee transfer \$6.8 million from the Zero Emission Vehicle program (Item 3900-001-0044), and restore funding for the local air district subventions (\$5 million). Staff also recommends the subcommittee distribute the remaining \$1.8 between the community health program, the air quality and emissions inventory program and the health effects, emissions control, and air quality research programs.

The LAO projects a shortfall in the Motor Vehicle Account in the budget-year if the Administration's MVA relief proposals are not approved. Subcommittee staff have raised an issue regarding the programmatic effects identified in the budget request. However, given the condition of both the General Fund and the Motor Vehicle Account, staff recommends the subcommittee approve the General Fund and MVA reductions.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the Air Board's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3910 Integrated Waste Management Board

The mission of the Board is to promote source reduction, recycling, composting, and environmentally safe transformation (in that priority order) as alternatives to the disposal of solid waste at landfills. The Board also protects the public health and safety through the regulation of existing and new solid waste land disposal sites.

The budget proposes total expenditures of \$117.2 million (\$116,000, General Fund), a decrease of \$7.1 million (5.7 percent) from the current-year budget.

Integrated Waste Management Board Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>			Change	<i>Percent Change</i>
	2000-01	2001-02	2002-03		
Waste Reduction and Management	109,406	129,248	121,607	(7,641)	5.9
Solid Waste Disposal Site Cleanup Loan	-70	-70	-70	0	0.0
Recycling Market Development Loan	(4,290)	(4,816)	(4,324)	492	10.2
Administration	8,597	9,030	9,030	0	0.0
Distributed Administration	-8,597	-9,030	-9,030	0	0.0
Total	105,046	124,362	117,213	(7,149)	5.7

Issue

Conversion Technologies

Background: The budget proposes \$1.5 million (Integrated Waste Management Account) to establish grant programs, conduct workshops, facilitate working groups, and begin an analysis of the environmental and economic benefits of conversion technologies. The proposal is intended to focus on non-burn technologies, and non-recyclable types of waste including: yard trimmings, wood debris, and low-value paper. The board argues that conversion technologies could convert these materials in to energy, ethanol, and other products but certain barriers prevent their commercialization in California. The proposal seeks to address these barriers and continue the effort to turn waste in to energy.

Staff Recommendation: No issues have been raised with the proposal, however staff recommends the subcommittee direct the board and the Legislative Analyst to develop supplemental report language to provide the Legislature with the results and findings from this new program. The report should be provided by the 2003-04 budget year.

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised with the board's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3930 Department of Pesticide Regulation

The department was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. This function previously was carried out by the Department of Food and Agriculture. The department (1) evaluates the public health and environmental effects of pesticides, (2) regulates, monitors, and controls the use of pesticides in the state, (3) tests produce for pesticide residue levels, and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund.

The budget proposes total expenditures of \$59.7 million (\$16.9 million, General Fund), a decrease of \$3.3 million (5.3 percent) from the current-year budget.

Department of Pesticide Regulation Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>			Change	<i>Percent Change</i>
	2000-01	2001-02	2002-03		
Registration and Health Evaluation	13,948	17,279	16,406	(873)	5.1
Pest Management, Environmental Monitoring, Enforcement, and Licensing	45,739	45,505	43,064	(2,441)	5.4
Executive and Administrative Services	5,204	7,877	7,730	(147)	1.9
Distributed Executive and Administrative Services	(5,204)	(7,877)	(7,730)	147	1.9
State-Mandated Local Programs	274	232	237	5	2.2
Total	59,961	63,016	59,707	(3,309)	5.3

Issues

Pesticide Use Enforcement Activities

Background: The Legislative Analyst Office has identified issues regarding the department's oversight and enforcement of pesticide use.

The department is responsible for ensuring compliance with state pesticide laws, however enforcement activities are shared by the department and the County Agriculture Commissioners. The state is responsible for overseeing the counties' enforcement efforts. The state provides counties with program information and guidance to facilitate enforcement, while the counties monitor pesticide application, conduct field inspections, investigate complaints, and assess penalties for violations. The state monitors the counties' enforcement efforts and effectiveness by conducting program overview inspections. However the LAO reports that state overview inspections occur on less than 1 percent of all county inspections.

The department also reviews local data regarding various county activities. The state reviews the data to ensure that counties are applying enforcement standards. The following chart summarizes the duties and responsibilities for the department and the counties. (Chart provided by the Legislative Analyst Office)

Counties	Department of Pesticide Regulation
Provide industry outreach and training	Provide guidance and direction to counties
Certify private applicators	Conduct overview inspections
Inspect pesticide handlers	Provide program support
Evaluate restricted material permits	
Conduct scheduled and unannounced inspections	
Investigate complaints and worker illnesses	
Assess penalties	

LAO Analysis: The Legislative Analyst Office reports that the department completed an assessment of how individual pesticide users comply with the law. The department surveyed 20 counties with high pesticide use and high agricultural activity to help determine the effectiveness of compliance programs. From June 1997 through March 2001, the department participated in extensive field inspections and reviews of county level data, and monitored local pesticide applications. The department has defined 80 percent compliance with inspection criteria as an acceptable compliance level, and any compliance lower than that as needing improvement. The LAO says the report found lower-than-acceptable levels of compliance throughout the state, and that compliance levels for agricultural growers was below that for pest control businesses. The report indicates a low level of compliance for agricultural workers that handle pesticides and for hazard posting in agricultural areas. However, the report did not find a distinction for worker safety between those who worked directly for growers and those who worked for labor contractors. Overall, the department concluded that compliance statewide "needs improvement."

The compliance assessment report grouped all county compliance data together to gain a statewide perspective. To obtain a more detailed look of compliance by counties, the LAO requested the 20 individual county reports for further analysis. The LAO states that county-level data contained information on specific inspections, as well as summary data for each county. The goal of the LAO analysis was to determine the range of compliance across the counties in the sample. Upon review of the county reports, the LAO has identified the following issues:

- *A Small Number of Counties Have a Significant Amount of Noncompliance*
- *Significant Noncompliance with Protective Equipment Requirement*
- *High Level of Noncompliance Raises Questions of Effectiveness of Local Inspections*
- *Negotiated Work Plans Used to Set Enforcement Goals*
- *Funding for Local Enforcement Should Be Tied to Attainment of Negotiated Work Plan Goals*

LAO Recommendation: The Legislative Analyst recommends legislation that holds counties accountable for enforcing and improving the compliance of local pesticide users. The legislation should direct the department to report annually on local compliance as measured by the department using appropriate performance measures.

The Analyst also argues that the department's oversight of county enforcement programs lacks performance measures and goals. The LAO recommends legislation that directs the department to develop clear goals for its enforcement program and measurable performance criteria to monitor the progress of the counties toward those goals.

Department's Response: The department acknowledges the LAO findings and has stated its willingness to compile the data and develop the necessary performance criteria. However the department points out that additional resources and staff will be needed to complete the tasks recommended by the LAO.

Staff Recommendation: Given the status of the General Fund and the Department of Pesticide Regulation Fund, it is very unlikely additional funds will be available for this proposal. Staff recommends the subcommittee direct the LAO, the department, and the Department of Finance to develop a proposal for the subcommittee to consider before the May revise hearing on May 23.

Action:

General Fund Augmentation

Issue: The budget proposes a \$3.35 General Fund augmentation to address a shortfall in the Department of Pesticide Regulation Fund. Last year the subcommittee heard testimony on the status of the DPR fund, and the department's potential operating deficit. In response to the projected shortfall in the DPR fund, the Legislature approved AB 780, which extends the mill rate at 17.5 mill through the 2003-04 budget year. The bill also contained a \$7 million (General Fund) augmentation which was vetoed by the Governor. The budget proposal is intended to provide short-term relief as a result of the Governor's veto.

LAO Recommendation: The Analyst has withheld a recommendation until the department provides accurate information detailing the program impacts if these funds are not provided.

Staff Recommendation: Staff concurs with the department's argument that the proposal is intended to backfill the \$7 million that was vetoed from AB 780. However, staff recommends the department explain why it has this proposal along with a \$3.5 million (General Fund) reduction proposal in the budget-year. If the two proposal are viewed as two separate and distinct items, staff recommends approve as budgeted.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3940 State Water Resources Control Board

The Board regulates water quality in the state and administers water rights. The Board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control Boards establish water discharge requirements and carry out water pollution control programs in accordance with state Board policies. The Board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

The budget proposes total expenditures of \$663.6 million (\$87.3 million, General Fund), a decrease of \$394.6 million (37.3 percent) from the current-year budget. The reduction in spending is attributable to \$404.7 million in bond and special fund reductions for the local assistance program.

Water Resources Control Board Program Expenditures					
Program	Expenditures (dollars in thousands)			Change	Percent Change
	2000-01	2001-02	2002-03		
Water Quality	539,531	1,043,993	650,858	(393,135)	37.7
Water Rights	11,213	14,249	12,789	(1,460)	10.2
Administration	15,230	17,320	17,448	128	0.7
Distributed Administration	(15,230)	(17,320)	(17,448)	(128)	0.7
Total	550,744	1,058,242	663,647	(394,595)	37.3

Issues

Core Regulatory Program

Background: The budget proposes \$68.3 million for the core regulatory program. The budget proposes to shift \$15 million from the General Fund to the Waste Discharge Permit Fund (WDPF). To accomplish the fund shift, the Administration has introduced trailer bill language to increase the statutory cap on fees from \$10,000 to \$20,000.

The core regulatory program is responsible for permitting, inspection, monitoring, and enforcement of waste discharge into the state's waters. Waste discharge into the state's surface waters and groundwater is regulated by the state and regional boards. The state board assesses the state's water quality, sets standards, and develops statewide plans to control water pollution. The core regulatory program refers to the board's five programs that issue and enforce permits for point source pollution, including the stormwater program.

LAO Recommendation: The LAO argues that the proposed fund shift does not go far enough. The analyst believes the relationship between private degradation of resources is particularly strong in the case of point source water pollution, thereby justifying a full fee-based recovery of the core regulatory

program. To apply the polluter pays principle to funding the board's core regulatory program, the LAO recommends an additional \$22.1 million reduction from the General Fund, and increase the WDPF by a similar amount.

The Analyst estimates that the board's waste discharge permit fees generate about \$15 million annually from approximately 17,000 dischargers, less than 2 percent of which pay a \$10,000 annual fee. About 70 percent of these fee payers are stormwater dischargers who pay an annual fee of up to \$500 to operate under a statewide stormwater permit. Based on a survey of other states' waste discharge fees conducted in 1998, the LAO believes that California's maximum fee (\$10,000) is significantly lower than the maximum fee in several other states. For example, the survey found a maximum fee of \$400,000 in New Jersey, \$100,000 in South Dakota, and \$54,000 in Ohio. In reference to the proposed fee legislation, the Analyst recommends the Legislature address the following two issues with the existing fee structure.

Annual Fee Exemption for Dairy Operations

Under current law, confined animal feeding operations (such as dairy farms) are exempt from paying the annual permit fee, but they may be subject to a one-time \$2,000 fee. The LAO states that the fee exemption was established in the late 1980s because it was assumed waste from these operations were not a significant source of water pollution. However, the LAO estimates that the board plans expenditures of \$883,000 to regulate dairies in 2002-03, while it expects to collect only about \$60,000 in one-time fees from dairies. The LAO recommends the Legislature consider removing the current exemption from paying the annual waste discharge permit fee that is granted to confined animal feeding operations.

One Permit, One Fee Rule.

The board has interpreted statute as authorizing the assessment of only one permit fee per permit. Currently, municipalities are required to implement plans for controlling stormwater runoff. These plans are regulated under municipal stormwater permits issued by the regional boards. Rather than issue a separate permit to every city, regional boards generally issue a municipal stormwater permit to a county, with individual cities as "copermittees." The LAO argues that the workload generally associated with these areawide permits greatly exceeds \$10,000 annually, especially in larger municipalities such as Los Angeles County which has over 80 cities as copermittees. The LAO believes that a change in the statutory fee structure that explicitly allows for an assessment of fees on copermittees is warranted. The LAO recommends the Legislature consider authorizing fees to be assessed on copermittees in general to cover these other cases as well.

Issue: The Administration and water board are proposing to increase the statutory cap on the waste discharge fees. In so doing, the water board acknowledges the need to increase the fee based support of the program. The LAO argues that the proposal is not comprehensive enough to implement the polluter pays principle. The Analyst believes a more thorough assessment of the fee structure is warranted, including the dairy and copermittees exemption.

Staff Recommendation: Staff agrees with the LAO recommendation to go beyond the water board's fee proposal. Staff recommends the subcommittee hold the item open, and direct the LAO, the water board, and staff to develop trailer bill language by the open issues hearing on May 9.

Action:

Newport Beach Illegal Dumping of Sewage

Background: The February 12, 2002 edition of the Orange County Register reported that the City of Newport Beach admitted to illegally dumping raw sewage in an Orange County landfill. In the article, the executive director of the Santa Ana Regional Water Quality Control Board indicated that the city was not wrong for dumping the untested sewage.

Issue: During pre-hearing discussions, the water board provided staff with an update on the city's sewage dumping. The board says the city has stopped dumping the untested sewage at the landfill. The Santa Ana Regional Water Board has provided the board and the subcommittee with a summary of its findings.

The regional board states that on February 1, 2002, Regional Board staff was contacted by the Assistant City Manager and Director of Utilities for the City of Newport Beach, reporting that the city had a practice of disposing of sewage collection system, storm drain, and street sweeping wastes to a local landfill. The wastes in question were a mixture of sewage pump station cleanings, storm drain catch basin debris, and street sweeping waste.

The city discontinued its practice of hauling sewage collection system waste to the landfill, and now disposes of that material at a sewage treatment plant. Regional Board staff has investigated this disposal practice. Analyses of the subject waste confirmed that it satisfies the definition of non-hazardous solid waste, which is allowed to be disposed of at the landfill pursuant to waste discharge requirements. The regional board found no violations of waste discharge requirements, regulations, or law associated with this disposal. The regional board believes the city's disposal practice is consistent with industry standard practices for similar wastes, and does not believe there's a potential for environmental harm associated with the city's past practice of disposal of this waste at the landfill.

Staff Recommendation: The subcommittee may wish to have the board report on its involvement and findings with regional water board's report. The subcommittee may also wish to have the board explain how the dumping does not violate the Porter-Cologne act.

Action:

System for Water Information Management (SWIM II)

Background: The budget proposes \$4.3 million (General Fund) and 5 positions to continue the development of SWIM II. The SWIM II program is intended to improve the board's automated systems and provide information on discharger violations.

Issue: During pre-hearing discussions, staff raised the question of why the board was continuing with the SWIM II proposal and not a "Geo-Tracker" system.

Staff Recommendation: The subcommittee may wish to have the board explain why SWIM II is the preferred system to use over Geo-Tracker.

Action:

3960 Department of Toxic Substances Control

The department's mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes.

The budget proposes total expenditures of \$156.3 million (\$31.4 million, General Fund), a decrease of \$151.4 million (49.2 percent) from the current-year budget. The spending reductions are attributable to the \$114.5 million settlement of the Stringfellow and Casmalia lawsuits in the 2001-02 budget, and the \$33 million reversion from the Cleanup Loans and Environmental Assistance to Neighborhoods Program (CLEAN).

Department of Toxic Substance Control Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Site Mitigation	88,750	243,434	88,753	(154,681)	63.5
Hazardous Waste Management	41,197	45,944	51,186	5,242	11.4
Statewide Support	3,714	3,945	3,945	-	0.0
Administration	26,909	30,696	38,491	7,795	25.4
Distributed Administration	(26,909)	(30,696)	(38,491)	(7,795)	25.4
Science, Pollution Prevention and Technology	9,623	14,388	12,452	(1,936)	13.5
Total	143,284	307,711	156,336	(151,375)	49.2

Issues

Cleanup Loan and Environmental Assistance to Neighborhoods Assistance Program (C.L.E.A.N)

Issue: The Legislative Analyst argues that the department and the California Pollution Control Financing Authority (CPCFA) have overlapping statutory authority to operate similar programs to promote the redevelopment of brownfields. The LAO recommends legislation to reduce the potential for programmatic overlap between the department and CPCFA, and supplemental report language requiring CPCFA and the department to report on their efforts to coordinate their activities.

The CLEAN program provides grants and low-interest loans to property owners, developers, community groups, and local governments to assess the level of contamination at abandoned and underutilized properties and clean up the contamination at these sites.

The CPCFA issues bonds on behalf of private borrowers for the acquisition, construction, or installation of pollution control facilities. The authority charges fees to borrowers for its services and has built up a

fund balance from these fees since the mid-1980s. Additionally, the CPCFA is authorized to establish a program to provide grants and loans for the identification, assessment, and mitigation of brownfield sites.

LAO Recommendation: The LAO argues that the department and CPCFA have the authority to provide financial assistance through loans and grants to identify, assess, and clean up sites with real or potential environmental hazards. The Analyst believes the overlap in authority--if exercised by DTSC and CPCFA in practice--could compromise the effectiveness of the state's overall effort to facilitate brownfield redevelopment. The LAO recommends legislation that would divide authority for brownfields programs between the two agencies based on their respective expertise. The proposed legislation should require CPCFA to give priority to providing loans and grants for predevelopment site assessment, and allow the department to provide cleanup loans and grants.

The LAO also recommends supplemental report language requiring CPCFA and DTSC to submit a report to the Legislature, by January 1, 2003, on their efforts to reduce overlap and streamline the process for providing financial assistance for brownfield redevelopment.

Staff Recommendation: Staff recommends the subcommittee take no action on the LAO recommendation. Since the Treasurer's office and the CPCFA are under the jurisdiction of Subcommittee 4, this subcommittee cannot adopt the LAO proposal without an affirmative vote in the other subcommittee

Action:

Infrastructure Augmentation

Issue: The budget proposes \$9.3 million (Hazardous Waste Control Account and Toxic Substances Control Account) for various infrastructure improvement projects. Included in the proposal is \$500,000 for ergonomic modular systems office furniture at the new Glendale regional office. The department indicates that approximately 130 people are housed in the office. The need for ergonomically correct furniture is clear, however \$500,000 for an office of 130 people is an exorbitant request.

Staff Recommendation: Staff recommends the subcommittee approve the budget request, but withhold approval for the \$500,000. Staff also recommends the subcommittee ask the department to provide a cost assessment of the office furniture, and provide the information to the subcommittee by the "open-issues" hearing in May.

Action:

Other Budget Requests

Staff Recommendation: No other have been raised with the department's other budget requests. Staff recommends approve as budgeted.

Action:

3980 Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. The office (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

The budget proposes total expenditures of \$16.8 million (\$13.6 million, General Fund), a decrease of \$1.5 million (8 percent) below the current-year budget.

OEHHA Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Health Risk Assessment	14,599	18,316	16,832	(1,484)	8.1
Administration	3,319	3,398	3,373	(25)	0.7
Distributed Administration	(3,319)	(3,398)	(3,373)	25	0.7
Total	14,599	18,316	16,832	(1,484)	8.1

Issues

Perchlorate Public Health Goal

Background: Last year the subcommittee approved two limited term permanent positions for 3 years to develop public health goals (PHGs) for chemicals in drinking water, established under Chapter 777, Statutes of 1999 (SB 635 Sher). OEHHA originally estimated that all 75 PHGs would be developed by December 31, 2001, but as a result of unanticipated workload increases resulting from chromium-6 and other chemicals, OEHHA was not able to meet the December 31 deadline.

Issue: OEHHA published 27 PHGs in 1997, 20 in 1998, and 6 in 2000. OEHHA states that 63 PHGs have been completed, with 25 still pending. The office informed the subcommittee last year that the PHG work plan will complete 15 PHGs by June 2002, and 15 PHGs by June 2003. The subcommittee stated its desire to have the perchlorate PHG completed by June, 2002. The office has indicated to staff that a public meeting is scheduled in April of this year for public comment regarding the perchlorate PHG. The office anticipates completing the perchlorate PHG by June 2002.

Staff Recommendation: The subcommittee may wish to have the department report on the perchlorate PHG, and the 25 remaining PHGs. The subcommittee may also wish to have the office explain how the proposed General Fund reduction (discussed on page 14) will effect the completion of the PHGs.

Action:

General Fund Reduction

Background: The budget proposes a \$1.5 million reduction in General Fund expenditures. The proposal calls for a reduction of 8.9 positions and \$753,000 in contract funds. The budget proposes the following reductions:

Reduction	Amount (\$ in thousands)	Positions
Research of scientific literature concerning exposure assessment, chemistry, toxicology, and epidemiology of complex mixtures associated with fuel components.	140	1.0
Technical services via contracts for development, review, and evaluation of the school site risk assessment guidelines	50	-
Technical services via contracts for the development, review, and evaluation of the multimedia risk assessment guidance model.	162	1.5
Evaluations of toxic air contaminants under the children's environmental health protection act.	183	-
Limit the development of cancer risk assessment guidance for health based standards of infants and children.	179	-
Contract reduction in PHG development.	204	-
Technical Services for the development, review, and evaluation of the environmental protection indicators program.	50	-
Reduce efforts in the area of worker safety.	65	1.0
Reduction in facilities operation costs.	109	-
Reduce technical output in fish advisories, development of water quality plans, and fish sampling and evaluation.	29	0.4
Review and evaluation of human exposure to pesticides, and review of risk assessments prepared by DPR.	74	1.0
Reduce technical output of the reproductive and cancer assessment section.	152	2.0
Reduction of administrative support for the pesticide and environmental toxicology section.	54	1.0
Developing reference exposure levels for indoor air and support to the interagency indoor air quality working group.	62	1.0

Issue: OEHHA staff indicate the proposed reductions will not have a crippling effect on programs, and the office anticipates meeting the June 2003 deadline for completion of the remaining Public Health Goals.

Staff Recommendation: Although the General Fund reductions are for \$1.5 million, the effect is a 8 percent reduction to OEHHA's total budget. Some of the proposed reductions may hinder programs that the Legislature has identified as priorities, including PHG development and the Children's Health Program. Staff recommends the subcommittee hold the item open, and direct staff to work with the LAO,

OEHHA, and the Department of Finance to identify additional revenues to use in lieu of the proposed General Fund reductions.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the office's other budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

8570 Department of Food and Agriculture

This department promotes and regulates the state's agricultural industry through:

- Eradication and control of harmful plant and animal pests and diseases
- Marketing, exporting and other related assistance for various agricultural commodities
- Assurance of true weights and measures in commerce
- Financial and administrative assistance to the state's 80 district, county and citrus fairs

The budget proposes total expenditures of \$259.5 million (\$102.6 million, General Fund), a decrease of \$72.9 million (22 percent) below the current-year budget.

Department of Food and Agriculture Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	\$ Change	
Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	126,586	138,925	136,502	-2,423	1.7
Marketing; Commodities and Agricultural Services	55,622	132,748	66,944	-65,804	49.6
Assistance to Fairs and County Agricultural Activities	59,473	59,473	54,847	-4,626	7.7
Executive, Management and Administrative Services	11,387	11,559	11,664	105	0.9
Distributed Executive, Management and Administrative Services	-10,172	-10,351	-10,476	125	1.2
Total	246,582	332,354	259,481	-72,873	21.9

Issues

Medfly Preventative Release Program

Background: The budget proposes \$9.2 million from the General Fund and 138 positions to provide funding for Mediterranean Fruit Fly (medfly) control on an ongoing basis. The department began efforts to control the impact of the medfly on California's agricultural industry in 1975. Since 1980, the state has spent around \$140 million from the General Fund to support this effort, with a similar amount provided by the federal government.

The current Preventative Release Program (PRP) began in 1996 and involves raising sterile medflies and releasing them throughout a 2,100 square mile area of the Los Angeles Basin. Total program costs are \$18 million annually, shared equally between the state and the federal government. The Legislature approved this as a five-year program with a June 30, 2001 sunset date. The *2001-02 Budget Act* extended the program for an additional year.

Last year the Legislature directed the department to provide information detailing how the funding source for the PRP could be shifted in whole, or in part from the General Fund to the Agriculture Fund. The report was due January 10, 2002, however the department has not submitted the report to the Legislature.

LAO Recommendation: The LAO recommends legislation to develop an assessment program that will equitably distribute half the cost of the PRP across those industries that most benefit from the absence of the medfly. The LAO recommends the General Fund provide half the amount requested for the program--\$4.6 million--and the other half be structured as a General Fund loan, to be repaid from the program assessments no later than June 30, 2004.

The department estimates that in the absence of such a program the direct crop losses as a result of medfly damage could range between approximately \$150 million to \$300 million annually with a like amount lost to urban gardeners. The LAO agrees that General Fund support of the program is warranted. However the Analyst also believes that specific agricultural industries benefit from the state-run program. The LAO recommends that agricultural industries who benefit from the program should contribute equally to the program.

Issue: Until the Legislature receives the report from the department, it is difficult to consider the assessment proposal. However, it was the intent of the Legislature to approve the assessment proposal based on recommendations from the department. The report must be submitted in time for staff to review the recommendations and work with the policy committees and the LAO to develop a fair and comprehensive proposal.

Staff Recommendation: Staff recommends the subcommittee approve \$9.2 million (General Fund) for the Medfly Preventative Release Program, for one year only. To fund the program, the subcommittee may wish to consider having staff, the LAO, and the department identify existing funds in CDFA's budget to offset the \$4.6 million the LAO recommended come from industry. Staff also recommends the subcommittee adopt supplemental report language that requires the LAO and the department to develop an assessment proposal by March 1, 2003. The proposal should allow for an equitable distribution in program support between the state and industry. It is the intent of the subcommittee that the department and the LAO work cooperatively on this proposal.

Action:

New Mexico, Florida, Arizona, California, Texas (NFACT) Program

Background: The budget proposes \$130,000 (General Fund) to coordinate efforts with four other states in order to influence national agricultural policy.

In February 1999, the department established a coalition to influence national agricultural policy in specific areas of concern to the five states. This coalition was established at a meeting of the National Association of State Departments of Agriculture (NASDA) and to date the coalition has been scheduling meetings to coincide with NASDA meetings to save on travel and other costs. Since 1999, CDFA has funded coalition-related activities from its base budget.

LAO Recommendation: The LAO believes the augmentation is not warranted because the department has resources in its base budget to participate in a number of multi-state groups to influence national

agricultural policy. On an annual basis, it is up to the department to assess the priority of the various policy areas and allocate funding to participate in these meetings and conferences accordingly. The LAO argues that coalition-related activities should be funded from the department's base budget, as it has been thus far.

Issue: The department argues that the program is necessary to protect California interest in Washington D.C. The department also believes that the program is necessary to ensure federal funding and support of agriculture in the state. Staff agree with the department's rationale for the program, however the issue for the subcommittee to consider is how to fund the program.

Staff Recommendation: Staff recommends the subcommittee approve as budgeted.

Action:

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, April 11, 2002
Upon Adjournment of Session
Room 112

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0855 California Gambling Control Commission

The California Gambling Control Commission was established by Chapter 867, Statutes of 1997 (SB 8, Lockyer). The five-member commission is to be appointed by the Governor subject to Senate confirmation. The commission (1) is responsible for licensing card rooms, card room owners, and certain card room employees; and (2) assesses fines for violations of the act.

Budget Request. The budget proposes total expenditures of \$51 million for the commission, which is an increase of \$47 million above current year expenditures. This increase is due to the fact that at the time the Governor's budget was released, there had not been expenditures from the Indian Gaming Revenue Sharing Trust Fund. In January, the GCC reported that two partial distributions, totaling \$15.6 million were made. The budget year will be the first year of full funding for the GCC.

California Gambling Control Commission – Source of Funding					
Fund	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
Indian Gaming Revenue Sharing Trust Fund	\$24,901	1	46,000	45,999	n/a
Indian Gaming Special Distribution Fund	1,111	2,533	2,941	408	16.1%
Gambling Control Fund	793	1,481	2,017	536	36.2%
Totals, Programs	\$26,805	\$4,015	\$50,958	\$46,943	1,169.1%
Authorized Positions	4	38	41	3	7.9%

License Approval Process

Background. The Gambling Control Act makes the GCC responsible for licensing and imposing fines on persons involved in controlled gambling activities, such as card rooms. With respect to Indian gaming, the GCC is charged with reviewing licenses and permits to recommend to tribal gaming authorities that no unqualified or disqualified person is issued or allowed to hold a license. Individuals who must apply for gambling licenses include: (1) those who have a financial interest in the gambling establishment; (2) key employees of the gambling establishment, primarily management and those who handle money; (3) other employees of the gambling establishment; and (4) suppliers of gambling equipment and resources. The Division of Gambling within the Department of Justice (DOJ) is responsible for performing the background check on individuals.

Issue. The LAO raised an issue with respect to the DOJ's Division of Gambling and the license approval process. To-date, the DOJ's Division of Gambling has forwarded about 60 license applications for key tribal employees. There may be as many as 10,000 individuals who would apply for gambling licenses.

Staff Comments. The Subcommittee may wish to ask the GCC about the status of the license approval process and steps that the GCC is taking with the DOJ's Division of Gambling to expedite the process.

Action. Information Issue.

No Action Taken.

License 2000

Budget Request. The budget includes \$73,000 from special funds to provide equipment and software that will allow the GCC to access the License 2000 database being created at the DOJ. License 2000 is a proposed database management system that will aid the DOJ's Division of Gambling and the GCC to track gaming license information. The budget includes \$1.3 million in the DOJ budget for this project.

Analyst's Recommendation. The project feasibility study report (FSR) is being reviewed by the Department of Information Technology and has not been released to the Legislature. The LAO recommends holding this issue open pending receipt and review of the approved project FSR.

Staff Recommendation. Staff concurs with the Analyst's recommendation. Staff recommends holding the issue open the issue without prejudice, pending receipt and review of the approved FSR.

Action

Without objection, approved as budgeted.

Revenue Sharing Trust Fund

Background. Funds from the Indian Gaming Revenue Sharing Trust Fund are to be distributed quarterly to non-compact tribes, with an annual maximum of \$1.1 million, or an equal share of the fund should there be insufficient funds to provide the full \$1.1 million to each non-compact tribe. Quarterly payments to the Revenue Sharing Trust Fund are made by compact tribes, dependent on the number of machines licensed to the compact tribe. In addition, a tribe must pay a one-time fee of \$1,250 per machine to obtain a license for the machine.

Distributions. The GCC has made two partial distributions covering five fiscal quarters from July 1, 2000 through September 30, 2001. These distributions total \$40.4 million and represent \$100,000 per quarter per eligible tribe. The GCC estimates that it may have make distribution at the end of May.

Staff Comments. The Subcommittee may wish to ask the GCC to give an update on the Revenue Sharing Trust Fund, including information on the next anticipated distribution, when the GCC anticipates being able to make full distributions from the fund, and when the GCC is likely to reach an agreement with the tribes concerning the rules for the quarterly payments into the Trust Fund.

Action. Information Item.

Information item. No action taken.

Budget for GCC approved.

0690 Office of Emergency Services

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. 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 resources in emergencies. This emergency planning is based on a system of mutual aid in which a jurisdiction first relies on its own resources and then calls for assistance from its neighbors.

Office of Emergency Services -- Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
Mutual Aid Response	\$21,294	\$17,721	\$15,910	-\$1,811	-10.2%
Plans and Preparedness	23,164	36,486	35,581	-905	-2.5%
Disaster Assistance	565,520	814,252	591,849	-222,403	-27.3%
Administration and Executive	5,110	5,830	5,880	50	0.9%
Distributed Administration and Executive	-5,110	-4,935	-4,985	-50	1.0%
Totals, Programs	\$609,978	\$869,354	\$644,235	-\$225,119	-25.9%
Total Authorized Positions	487	508	511	3	0.6%

Office of Emergency Services – Source of Funding					
Fund	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
General Fund	\$85,476	\$107,530	\$63,012	-\$44,518	-41.4%
Unified Program Account	578	593	613	20	3.4%
Nuclear Planning Assessment Special Account	2,218	3,449	2,958	-491	-14.2%
Disaster Relief Fund	0	101	0	-101	-100.0%
State Assistance for Fire Equipment Account	4	100	100	0	0.0%
Federal Trust Fund	519,761	755,468	575,439	-180,029	-23.8%
Reimbursements	1,941	2,113	2,113	0	0.0%
Totals, Programs	\$609,978	\$869,354	\$644,235	-\$225,119	-25.9%

Budget Request. The budget proposes total expenditures of \$644.2 million, which is a decrease of \$225.1 million, or 25.9 percent, below anticipated current year expenditures. Of this amount \$63 million is from the General Fund and \$575 million is from federal funds. The majority of the reduction in the budget for OES is due to a decrease in federal funds.

Major changes in the budget include:

- An increase of \$562,000 from the General Fund to provide dedicated support to the State Strategic Committee on Terrorism (SSCOT), a multi-agency advisory group established to help develop strategies for threats, risk assessments, and response capabilities.
- A reduction of \$1.2 million General Fund for delay in the California Integrated Seismic Network until fiscal year 2003-04 and various operating expenses.

State Strategic Committee On Terrorism Funding

Budget Request. The budget proposes \$562,000 from the General Fund to provide dedicated support to the State Strategic Committee on Terrorism (SSCOT), a multi-agency advisory group established to help develop strategies for threats, risk assessments, and response capabilities.

Staff Comments. The Subcommittee may wish to ask how the how the activities performed by SSCOT differ from the activities performed by other task forces and agencies.

Action.

Without objection, approved as budgeted.

Federal Anti-Terrorism Funds

Background. The President's proposed budget includes \$38 billion for antiterrorism efforts, of which approximately \$3.5 billion may make available to state and local government nationwide for antiterrorism efforts. OES indicates that the intent is to provide 75 percent to locals and 25 percent to the state for efforts including training, equipment, planning, and exercises.

Staff Comments. The Subcommittee may wish to get an update from the OES regarding discussions with the federal agencies, and any additional information on the amount of funding that may be available to California, and what types of activities may be eligible for this funding.

Action. Information Issue.

Information item. No action taken.

Budget for OES approved.

3780 Native American Heritage Commission

The nine-member Native American Heritage Commission (NAHC) preserves and protects California Native American cultures. The commission's powers and duties include: identifying, cataloging, and preserving geographic sites of importance to Native Americans; helping Native Americans obtain access to these sites when necessary; protecting Native American burial and sacred sites; and ensuring that remains are treated appropriately when burial sites are discovered.

Budget Request. The budget proposes four positions and \$327,000 from the General Fund, which is \$3,000 less than the current year appropriation.

Support Budget

Staff Recommendation. No issues have been raised with respect to the NAHC support budget. Staff recommends approval as budgeted.

Action

Without objection approved as budgeted.

8690 Seismic Safety Commission

The Seismic Safety Commission was established to improve earthquake preparedness and safety in California. Specifically, the commission is responsible for providing a consistent framework for earthquake-related programs and coordinating the administration of these programs throughout state government. The 17 member commission performs policy studies, reviews programs, investigates earthquake incidents, and conducts hearings on earthquake safety. The commission advises the Legislature and the Governor on legislative proposals, the state budget, and grant proposals related to earthquake safety.

Budget Request. The budget proposes \$966,000 from the General Fund (\$891,000) and from reimbursements (\$75,000) for 9 positions at the commission. This amount is \$361,000, or 29 percent below estimated current year expenditures.

Staff Recommendation. No issues have been raised by Members, staff, or the LAO. Staff recommends approval as budgeted.

Sub 2 Action.

Without objection approved as budgeted.

8140 State Public Defender

The Office of the State Public Defender (OSPD) was established in 1976 to provide indigent representation. Chapter 869, Statutes of 1997, revised the mission of the State Public Defender. The OSPD is now required to concentrate on post-conviction proceedings following a judgment of death. Specifically, the OSPD is limited to representing capital appellants only for the purpose of the direct appeal for all cases to which the OSPD was appointed after January 1, 1998.

State Public Defender -- Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
TOTAL, State Public Defender	\$11,444	\$11,794	\$11,041	-\$753	-6.4%
Total Positions	102	119	107	12	-9.8%

Budget Request. The budget proposes \$11 million from the General Fund, a decrease of \$753,000 or 6.4 percent below current year expenditures. The reduction is achieved by the proposed elimination of 11 positions and .6 temp help positions.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Without objection approved as budgeted.

8700 California Victim Compensation and Government Claims Board

The California Victim Compensation and Government Claims Board, formerly known as the Board of Control, 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 primary functions of the Board of Control are to: (1) compensate victims of violent crime and eligible family members for certain crime-related financial losses, (2) consider and settle all civil claims against the state, (3) provide equitable travel allowances to certain government officials, (4) respond to bid protests against the state alleging improper or unfair acts of agencies in the procurement of supplies and equipment, and (5) provide reimbursement of counties' expenditures for special elections.

Budget Request. The budget proposes \$155.4 million (\$1.8 million from the General Fund), which is an increase of \$6.4 million, or 4.3 percent from anticipated current year expenditures. Of the total proposed expenditures, \$145.7 million is proposed for the Citizens Indemnification Program, which indemnifies those citizens who are injured and suffer financial hardship as a direct result of a violent crime. This represents an increase of \$7.6 million for this program above estimated current year expenditures. The Claims Board is primarily funded from the Restitution Fund. Total expenditures of \$129.1 million are proposed from the Restitution Fund. Included in budget is a proposal to eliminate 1 positions and \$47,000 in operating expenses from the Government Claims Program.

California Victim Compensation and Government Claims Board -- Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
Citizens Indemnification	\$127,668	\$138,139	\$145,702	\$7,563	5.5%
Quality Assurance & Revenue Recovery	0	8,807	7,829	-978	-11.1%
Disaster Relief Claim Program	19	19	19	0	0.0%
Civil Claims Against the State	940	931	837	-94	-10.1%
Citizens Benefiting the Public (Good Samaritans)	10	20	20	0	0.0%
Administration	9,775	7,315	7,563	248	3.4%
Distributed Administration	-9,775	-7,315	-7,563	-248	3.4%
Counties' Special Election Reimbursements	1,104	1,104	1,000	-104	-9.4%
Totals, Programs	\$129,741	\$149,020	\$155,407	\$6,387	4.3%
Total Authorized Positions	326	354	342	-12	-3.4%

California Victim Compensation and Government Claims Board – Source of Funding					
Fund	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
General Fund	\$2,434	\$2,035	\$1,837	-\$198	-9.7%
Missing Children Reward Fund	0	2	2	0	0.0%
Restitution Fund	109,232	127,338	129,110	1,772	1.4%
Federal Trust Fund	18,046	19,626	24,439	4,813	24.5%
Reimbursements	29	19	19	0	0.0%
Totals, Programs	\$129,741	\$149,020	\$155,407	\$6,387	4.3%

Restitution Fund

Issue. The budget estimates that current year claim payments from the Restitution Fund will total \$79 million, or an increase of 14 percent from the prior year. For the budget year, estimated growth in claims payments are projected to grow by 6.3 percent to \$84 million. In both the current year and in the budget year, expenditures from the Restitution Fund are approximately \$30 million greater than revenues, and are financed by drawing down the reserve. In addition, the budget proposes a \$20 million loan from the Restitution Fund to the General Fund. Together, the effect of the growing revenues and the General Fund loan draw down the reserve for the Restitution Fund from \$79.2 million to an estimated \$329,000 in the budget year.

Restitution Fund – Revenues, Expenditures, and Reserve					
	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Prior Year Balance	\$82,625	\$79,220	\$51,604	-\$27,616	-34.9%
Revenues	107,267	103,459	101,938	-1,521	-1.5%
Transfers, General Fund Loan	0	0	-20,000	N/a	N/a
<i>Total Resources</i>	<i>\$189,892</i>	<i>\$182,679</i>	<i>\$133,542</i>	<i>-\$49,137</i>	<i>-26.9%</i>
Payments of Claims for Victims/Citizens	69,333	79,000	83,980	4,980	6.3%
<i>Total Expenditures</i>	<i>110,672</i>	<i>131,075</i>	<i>133,213</i>	<i>2,138</i>	<i>1.6%</i>
Reserve	79,220	51,604	329	-51,275	-99.4%

Staff Comments. Staff notes that it there appears to be a structural problem with the Restitution Fund, and that even without the General Fund loan, there would not be sufficient funds to cover expenditures in 2003-04 if the expenditure and revenue trends continue.

Staff Recommendation. Staff recommends adoption of Supplemental Report Language, directing the Board to report on options for addressing the structural imbalance in the Restitution Fund.

Action.

The Subcommittee held open the \$20 million loan issue and adopted the Supplemental Report Language directing the report on the Restitution Fund.

Budget Reduction Proposal

The budget proposes a reduction of \$94,000 and one position from the Claims Board budget. In order to implement this reduction, the board is proposing the following statutory changes to the program's mandates in a trailer bill:

- **Require claims to be submitted using a standard Claim Form.** This is proposed to allow less staff review time.
- **Increase Caltrans delegation to \$5,000 from \$1,000.** The board notes that this would reduce workload by 700 claims annually. Additionally, the board notes that historical data reveals that the

board seldom, if ever, disagrees the department's recommendation to either approve or reject tort claims.

- **Amend language to allow processing time to commence “upon receipt” or five days after the postmark and to extend notification of incomplete claims from 20 to 30 days.** The board indicates that these changes will provide more flexibility in meeting processing timeframes and will endure that legal defenses by the state are not waived because of a failure to respond in a timely manner.

Staff Recommendation. Staff recommends approval of the proposal and adoption of the trailer bill with some technical changes related to effective date and procedures for returning claims materials when the proper form is not used.

Below is one section of the trailer bill language proposed by the administration:

Amend Government Code Section to read

910.4 The board ~~may~~ *shall* provide forms specifying the information to be contained in claims against the public entity. ~~If the board provides forms pursuant to this section, the~~ The Person presenting a claim need not *must* use such form if he presents his claim *to be deemed in conformity* with Sections 910 and 910.2. ~~A claim presented on a form provided pursuant to this section shall be deemed to be in conformity with Sections 910 and 910.2 if the claim complies substantially with the requirements of the form or with the requirements of Section 910 and 910.2.~~ *Failure to do so shall result in return of the claim materials. The claim must then be resubmitted on the form provided by the board in order to be considered. The requirements of this section shall take effect six months after passage of this statutory change.*

The proposed language requires the board to return claims and claim information not submitted with the proper form. Staff recommends permissive language giving the board discretion to not return all the claim information pending receipt of the proper form. The Department of Finance does not object to the proposed technical changes.

Action

Without objection, approved the reduction and the Trailer Bill language, with technical changes. The board will meet with Senator Kuehl and her staff on accessibility of the forms and the process.

Claims Review Units

Budget Request. The budget proposes \$966,000 from the Restitution Fund to establish a Claims Review Unit within each Joint Power county. The establishment of a Claims Unit is in response to a federal audit which criticized the board for not employing adequate separation of duties between the processing/verifying of a claim and the approval for payment.

Staff Recommendation. Staff recommends approval as budgeted.

Action

Without objection approved as budgeted.

Redirection of Resources and Elimination of Surplus Positions

Budget Request. The budget proposes elimination of 11 positions greater than identified business needs, and redirection of 5 vacant positions to become hearing officer positions, for a net reduction of \$473,000.

Staff Recommendation. Staff recommends approval as budgeted.

Action

Without objection approved as budgeted.

Finance Letter

Victim of Crime Funds.

Finance Letter Request. The board has submitted a Finance Letter requesting an increase of \$4.9 million in federal funds available for expenditure by the Victims of Crime Program.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action

Without objection approved Finance letter.

9670 Equity Claims of the California Victim Compensation and Government Claims Board and Settlements and Judgments by the Department of Justice

The budget for this item reflects: (1) statewide expenditures for certain equity claims against the state approved for payment by the California Victim Compensation and Government Claims Board and referred to the Legislature in the omnibus claims bills for payment, (2) certain settlements and judgments against the state paid through judgment and settlement bills sponsored by the Department of Justice, and (3) administration and payment of tort and liability claims.

Background. The Department of Justice (DOJ) currently has the delegated authority to approve and pay General Fund tort claims against the State that do not exceed \$35,000. Item 9670-001-0001 of the Budget Act provides up to \$1.2 million General Fund for this purpose. The approved claims are paid from this appropriation and the remainder of the \$1.2 million reverts back to the General Fund. Over the past four years, an average of \$517,000 has been expended for tort claims from this General Fund item.

Budget Request. The budget does not propose any General Fund appropriation for this purpose. Claims under \$35,000 from General Fund agencies would be paid from the base budget of affected agency. Special Fund departments (such as the Department of Transportation) would also have the authority under this item to pay claims up to \$35,000 with DOF approval. To enable these departments to continue to pay special fund claims pursuant to this authority, the DOF is proposing to leave Item 9670 in the Budget Bill, with the provisional language addressing special funds, minus the General Fund appropriation.

Staff Recommendation. Staff recommends approval of this item as budgeted.

Action.

Without objection approved as budgeted.

8100 Office of Criminal Justice Planning

The goal of the Office of Criminal Planning (OCJP) is to improve the criminal justice system by providing financial and technical assistance to local jurisdictions, state agencies, and the private sector, providing education and training for citizens, and providing technical support to the Administration.

The OCJP is the lead executive branch agency with respect to crime prevention, crime suppression, and criminal justice planning. In order to fulfill its goals, the OCJP is responsible for; (1) developing effective approaches for crime prevention and victim services programs, (2) providing technical assistance, (3) disseminating information on successful program models, (4) conducting training conferences and seminars on programs and issues, (5) conducting research, crime analysis, and program evaluations, (6) developing publications on crime prevention, victimology, and victim services for statewide distribution, and (7) providing financial assistance for victim services and criminal justice programs.

Budget Request. The OCJP is organized into two programs: Administration and Criminal Justice Projects, the table below summarizes expenditures for these programs. Funding for the Criminal Justice Projects Program is budgeted at \$265.9 million, a decrease of \$51.8 million, or 16.3 percent, below the current year budget. The primary reason for the decrease is that the current year budget includes \$15 million in one-time expenditures for the War on Methamphetamine program, and \$25 million in one-time expenditures for local crime labs.

Proposed Reductions. Due to uncertain economic conditions, the budget proposes total reductions of \$719,000, including elimination of 5 positions and reductions in various OE&E expenditures.

Office of Criminal Justice Planning -- Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Administration	\$3,241	\$3,433	\$3,173	-\$260	-7.6%
Distributed Administration	-3,241	-3,433	-3,173	260	-7.6%
Criminal Justice Projects	302,380	317,639	265,864	-51,775	-16.3%
Totals, Programs	\$302,380	\$317,639	\$265,864	-\$51,775	-16.3%
Total Authorized Positions	140	158	155	-3	-1.8%

Authorized Positions. The number of authorized positions is proposed to increase by 3 to 155 positions in the budget year.

The table on the following page summarizes the funding sources for OCJP programs. The majority of funding for OCJP is provided from federal funds -- the budget proposes \$169.6 million, or 53.3 percent from the Federal Trust Fund, while \$127.9 million (40.2 percent) is from the General Fund. Of the total budgeted amount for OCJP, \$15.8 million is for State Operations, and \$302.7 million is for Local Assistance.

Office of Criminal Justice Planning – Source of Funding					
Fund	<i>Expenditures (dollars in thousands)</i>				<i>Percent</i>
	2000-01	2001-02	2002-03	Change	Change
<i>State Operations</i>					
General Fund	\$4,367	\$5,390	\$4,508	-\$882	-16.4%
Local Public Prosecutors/Defenders Training Fund	64	68	67	-1	-1.5%
Victim/Witness Assistance Fund	1,475	1,529	1,487	-42	-2.7%
High Technology Theft Apprehension/ Prosecution Program Trust Fund	100	968	913	-55	-5.7%
Less funding provided by General Fund	-66	-932	-877	55	-5.9%
Less funding provided by Federal Funds	-36	-36	-36	0	0.0%
Federal Trust Fund	7,321	8,915	8,772	-143	-1.6%
Reimbursements	68	310	310	0	0.0%
<i>Totals, State Operations</i>	<i>\$13,293</i>	<i>\$16,212</i>	<i>\$15,144</i>	<i>-\$1,068</i>	<i>-6.6%</i>
<i>Local Assistance</i>					
General Fund	\$111,822	\$113,400	\$67,899	-\$45,501	-40.1%
Local Public Prosecutors/Defenders Training Fund	727	792	792	0	0.0%
Peace Officer Training Fund	0	5,000	0	-5,000	-100.0%
Victim/Witness Assistance Fund	15,519	15,519	15,519	0	0.0%
High Technology Theft Apprehension/ Prosecution Program Trust Fund	3,433	13,518	13,518	0	0.0%
Less funding provided by General Fund	-3,215	-13,300	-13,300	0	0.0%
Less funding provided by Federal Funds	-218	-218	-218	0	0.0%
Federal Trust Fund	158,533	163,942	163,736	-206	-0.1%
Reimbursements	2,486	2,774	2,774	0	0.0%
<i>Totals, Local Assistance</i>	<i>\$289,087</i>	<i>\$301,427</i>	<i>\$250,720</i>	<i>-\$50,707</i>	<i>-16.8%</i>
Totals, Programs	\$302,380	\$317,639	\$265,864	-\$51,775	-16.3%

The table on the next page summarizes the OCJP's funding by program. The budget proposes funding for 37 programs, generally divided between victim services programs, and public safety programs.

OCJP Summary of Program Budget Amounts by Fund – Local Assistance					2002-03	
<i>(Dollars in Thousands)</i>						
Program	Total	Fund Source				
		General Fund	Federal Fund	Special Fund	Reimb.	
<i>Victim Services</i>						
Victim Witness Assistance	\$ 10,871			\$ 10,871		
Victim's Legal Resource Center	173	173				
Domestic Violence	10,211	1,460	8,751			
Family Violence Prevention	194	194				
Violence Against Women Act (VAWA)	12,990		12,990			
Rape Crisis	3,771	101		3,670		
Rape Prevention (DHS)	5,571		5,571			
Homeless Youth	883	883				
Youth Emergency Telephone Referral	338	338				
Child Sex Abuse & Exploitation	981	3		978		
Child Sex Abuse Prevention & Training	672	672				
Child Abuse/Abduction Prevention	495					
Victims of Crime Act (VOCA)	39,267		39,267			
Mandates Claims Bill	851	851				
<i>Subtotals- Victims Services</i>	<i>\$87,344</i>	<i>\$4,675</i>	<i>\$67,150</i>	<i>\$15,519</i>		<i>\$0</i>
<i>Public Safety</i>						
Community Crime Resistance	\$923	\$923				
War on Methamphetamine	15,000	15,000				
Career Criminal Apprehension	2,308	2,308				
Career Criminal Prosecution	3,987	3,987				
Major Narcotics Vendors Prosecution	2,641	2,641				
Serious Habitual Offender	547	547				
Vertical Prosecution of Statutory Rape	8,361	8,361				
Elder Abuse Vertical Prosecution	2,000	2,000				
Child Sex Assault Prosecution	1,304	1,304				
Evidentiary Medical Training	1,364	1,364				
Children's Justice Act (CJA)	1,770		1,695			75
Vertical Defense of Indigents	692	692				
California Innocence Protection Program	800	800				
Public Prosecutors/Defenders Training	821	29		792		
Byrne Fund	52,118		52,118			
Residential Substance Abuse Treatment	6,545		6,545			
Local Law Enforcement	882		882			
Peace Officer Protective Equipment	178		178			
High Tech Theft Apprehension/Prosecution	13,518			13,518		
Suppression of Drug Abuse in Schools	3,263	1,451				1,812
Gang Violence Suppression	6,620	4,728	1,005			887
Multi Agency Gang Enforcement Consortium	248	248				
Juvenile Justice & Delinquency Prevention	6,060		6,060			
Community Delinquency Prevention	5,002		5,002			
Juvenile Accountability Incentive	21,769		21,769			
Juvenile Justice—Project Challenge	1,114		1,114			
Rural Crime Prevention	3,541	3,541				
<i>Subtotals – Public Safety</i>	<i>\$163,376</i>	<i>\$49,924</i>	<i>\$96,368</i>	<i>\$14,310</i>		<i>\$2,774</i>
Totals, Local Assistance	\$250,720	\$54,599	\$163,518	\$29,829		\$2,774

Budget Issues

Reestablishment of Vacant Positions

Budget Request. The budget proposes to re-establish two positions that were eliminated pursuant to Government Code Section 12439, which requires the State Controller's Office to abolish civil service positions that remain vacant for six consecutive monthly pay periods during the previous fiscal year. Specifically, OCJP proposes to re-establish a Staff Services Manager II (SSMII) position and an Office Services Supervisor (Typing) position. The positions were abolished on June 20, 2001.

SSMII Position. OCJP indicates that the SSMII position remained vacant because it was reclassified from a supervisory position to a managerial position upon becoming vacant. Subsequently a decision was made to use the position to establish an exempt Public Information Officer. OCJP indicates that this position is critical for ensuring effective development and distribution of information concerning OCJP's local assistance and other programs.

OSS (Typing) Position. OCJP indicates that two recruitment efforts were made to fill the position. Each time OCJP received applications (55 applications and 41 applications), but by the time hiring decisions were made none of the approved candidates were still seeking employment.

Staff Comments. The subcommittee may wish to ask whether these positions are necessary or could be redirected from other vacant positions.

Action

Held Open.

Discretionary Use of Federal Funds

Background. At a Subcommittee #4 budget hearing on April 3, there was testimony indicating that the administration had found \$800,000 in federal funds in the current year that were redistributed to fund LA CLEAR, a gang prevention program. Specifically, OCJP indicates that \$692,000 from the Juvenile Accountability Incentive Block Grant (includes \$300,000 allocated to CYA) and \$108,000 from Byrne funds were redistributed.

OCJP indicates that these funds are from grantees that were unable to spend down their allotted funds during the grant period. In order to avoid reverting these funds to the federal government, OCJP redistributed them to projects that are able to expend the funds within the allotted period. LA Clear was the recipient of funds that other grantees were unable to spend.

Staff Comments. In the case of CLEAR, the Legislature appropriated \$1 million for the program in the current year. The administration has subsequently redistributed \$800,000 in federal funds for the program. The Subcommittee may wish to ask what discretion the OCJP has with respect to changing grantees who are receiving federal funds, how such changes would be made with no Legislative notification or approval, how often such changes of grantees occur, and approximately how much funding is redistributed among grantees each year by OCJP.

Action

The Subcommittee discussed issues related to the process for approving federal funds redistributions, the amount and type of assistance that OCJP offers grantees, the overlap of programs among different agencies, and evaluation of the gang violence suppression program. The Subcommittee held open OCJP and asked LAO and staff to develop further analysis of the issues and potential options for the Subcommittee.

Finance Letters

Redirection of Federal Child Justice Act Funding

Finance Letter Request. This Finance Letter requests a redirection of \$80,000 in Federal Funds from state operations to local assistance to more effectively utilize the federal funding received from the Child Justice Act program.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action

Without objection, approved Finance Letter.

Peace Officer Protective Equipment

Finance Letter Request. This Finance letter proposes an increase of \$1.1 million in federal funds for local assistance expenditure authority to reflect the increased award that California receives from the U.S. Department of Justice, Office of Justice Programs' Bulletproof Vest Partnership Act program.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action

Without objection, approved Finance Letter.

Victims of Crime Act

Finance Letter Request. This Finance Letter proposes an increase of \$1.4 million for local assistance in federal funds due to an increase in the amount of California's Victims of Crime Act (VOCA) award.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action

Without objection, approved Finance Letter.

Domestic Violence Redirection.

Finance Letter Request. This Finance Letter proposes a redirection of \$4 million from the General Fund appropriated in the 2000 Budget Act for the DNA-Cold Hit Program to the Domestic Violence Program. This funding would provide continued funding for the remaining two years of the grant cycle to the ten domestic violence programs identified pursuant to Chapter 707, Statutes of 2001, which were defunded in the current year.

The OCJP indicates that the \$4 million is available from the Cold Hit program due to an adjusted count of the viable rape kits available to be tested under that program.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action

Without objection, approved Finance Letter.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Monday, April 15, 2002
Upon Adjournment of Session
Room 112

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0250 Judiciary

The California Supreme Court and the Courts of Appeal exercise the judicial power of the state at the appellate level. The Judicial Council of California, including the Administrative Office of the Courts (AOC), administers the state's judicial system. There are 105 Appellate Court justices and 7 Supreme Court justices. of any other state agency or court. Chapter 869, Statutes of 1997, created the California Habeas Corpus Resource Center to represent any person financially unable to employ appellate counsel in capital cases.

Budget Request. The Judicial budget includes support for the Supreme Court, the Courts of Appeal, the Judicial Council, and the California Habeas Resource Center. The budget proposes total appropriations of \$353.8 million for support of these judicial functions in 2002-03. This is an increase of \$2.8 million, or less than 1 percent, above estimated current-year expenditures. Total General Fund expenditures are proposed at \$294.6 million, an increase of \$3 million, or 1 percent above current-year expenditures. The proposed budget also includes a one-time \$3.9 million reduction related to maintaining vacant positions in the courts of appeal (\$2.9 million), and reductions in the workload projections for the Court Appointed Counsel Program in the Supreme Court (\$1 million). The table below shows the program expenditures for this item. Of the total expenditures proposed, \$36.5 million is for the Supreme Court, \$165.2 million is for the operation of the Courts of Appeal, \$138 million is for the Judicial Council, and \$10.1 million is for the California Habeas Corpus Resource Center.

Judiciary Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Supreme Court	\$30,149	\$35,706	\$36,504	\$798	2.2%
Courts of Appeal	151,042	162,280	165,214	2,934	1.8%
Judicial Council	121,223	138,782	138,038	-744	-0.5%
CHRC	8,000	10,229	10,084	-145	-1.4%
TOTALS, Programs	\$310,414	\$346,997	\$349,840	\$2,843	0.8%
Authorized Positions	1,253	1,537	1,522	-15	-1.0%

Budget Issues – Action Items

Regional Office Staffing – Legal Services

Budget Request. The budget proposes a General Fund augmentation of \$286,000 and the permanent establishment of two full-time attorney positions to provide direct legal services to the trial courts on a timely basis. The new positions would be assigned to the two new regional services offices. The Judicial Council has indicated that every effort has been made to first identify existing staff resources which could be redirected for this task. The AOC has redirected some manager positions and audit positions for functions from its San Francisco offices to the regional offices.

These positions would provide direct legal service to the local trial courts in the following areas:

- Legal issues affecting trial court operations including court administration, county-court relations, labor/personnel matters, and contract-related procurement issues;
- Issuing legal opinions dealing with court administration issues;
- Providing training for court staff on issues including compliance with legal requirements, dispute resolution, and litigation avoidance.

The Judicial Council notes that the number of legal advice requests by the trial courts has increased by 150 percent from 1999 to 2000 and another 12 percent between 2000 and 2001. The AOC indicates that its Office of General Counsel can no longer handle this number of requests in a timely manner.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Human Resources Staffing

Budget Request. The budget proposes \$211,000 and 2 human resource positions to provide the trial courts with professional and technical expertise in the areas of labor and employee relations.

Staff Comments. The AOC notes that approximately 71 trial court labor agreements would expire during the budget year. In addition to contract negotiation responsibilities, these positions will aid the AOC in providing advice on grievance investigation and response, notification to the unions on policy changes, and interpretation of the language of the contracts in order to comply with negotiated provisions. Prior to the passage of Trial Court Funding, counties generally provided these services to the courts.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Court Security

Budget Request. The budget proposes \$122,000 from the General Fund for an increase in the interagency agreement between the AOC and the CHP's, Office of Judicial Protection. This increase will enable the CHP to increase protection in the courts of appeal by hiring a permanent uniformed officer who will act as backfill officer for the Office of Judicial Protection.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Finance Letter**CASA Grant Program**

The Judiciary has submitted a Finance Letter requesting a transfer of \$101,000 from local assistance to state operations. The Department of Finance indicates that this adjustment would properly budget for the existing practice of using these funds for an annual program evaluation of the Court Appointed Special Advocate (CASA) grant program under an agreement with the grantees. This amount is 5 percent of the total \$2 million appropriation for the program. Judicial Council indicates that the annual evaluation of CASA program activities is necessary to ensure the efficacy of services provided to children under this program.

Staff Recommendation. No issues have been raised by the LAO or other Legislative staff. Staff recommends approval of the Finance Letter.

Action.

0450 State Trial Court Funding

The trial court jurisdiction in California rests with the superior and municipal courts. There is a superior court in each of California's 58 counties. The passage of Proposition 220 on the June 1998 ballot allows for the unification of the superior and municipal courts in a county. All 58 county court systems have unified. Chapter 850, Statutes of 1997, enacted the Lockyer-Isenberg Trial Court Funding Act of 1997 to provide a stable funding source for the trial courts. Beginning with the 1997-98 fiscal year, consolidation of the costs of operation of the trial courts was implemented at the state level, with the exception of facility, revenue collection, and local judicial benefit costs. This implementation capped the counties' general purpose revenue contributions to trial court costs at a revised 1994-95 level. The county contributions become part of the Trial Court Trust Fund, which supports all trial court operations. Fine and penalty revenue collected by each county is retained, and each county makes quarterly payments to the Trial Court Trust Fund equal to the revenue received by the state General Fund in 1994-95.

The proposed trial court budget is \$2.2 billion. This is a decrease of \$20.2 million, or less than 1 percent, below current year levels. Total General Fund support would increase \$1.2 billion in 2002-03, an increase of \$43.7 million or 3.7 percent. The major changes in the budget include:

- \$14.4 million for increased charges in county provides services and benefits.
- \$13.4 million for increased costs for court security.
- \$2.3 million for estimated court interpreter workload growth.
- \$51.7 million for various needs of the trial courts, including negotiated salary increases for court employees.
- A reduction of \$7.2 million due to a delay in the implementation of jury reform programs.
- Transfer of \$7.4 million in one-time costs for technology asset management from the General Fund to the Trial Court Improvement Fund.
- An unallocated reduction of \$23.2 million to the operating budgets of the trial courts.
- A one-time reversion of \$28.1 million from the Trial Court Improvement Fund to the General Fund

The table below shows proposed expenditures in the trial courts in the current and budget years.

Trial Court Funding -- Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Trial Court Operations	\$1,694,938	\$1,948,113	\$1,954,822	\$6,709	0.3%
Salaries of Superior Court Judges	188,235	206,000	214,576	8,576	4.2%
Assigned Judges Program	18,063	19,767	19,767	0	0.0%
Court Interpreters	54,472	57,350	59,674	2,324	4.1%
<i>One-time Reductions</i>			-37,835		
TOTALS, Trial Court Funding	\$1,955,708	\$2,231,230	\$2,211,004	-\$20,226	-0.9%

Budget Issues

Increased Charges for County-Provided Services and Benefits

Budget Request. The budget proposes a General Fund augmentation of \$14.4 million to pay for increases in the costs of providing for county provided services and benefits, including workers' compensation insurance and benefit adjustments, janitorial services, communications, and auditor/controller services.

Staff Comments. The AOC indicates that \$1.6 million is requested due to an increase in the counties' costs of providing services. The cost increases that are being passed on to the courts are due to routine cost increases resulting from salary increases afforded to county employees and imposed cost increases associated with county mandates. \$12.8 million is requested due to increased costs incurred by the courts that have elected to provide benefits and workers' compensation insurance to court employees through the counties. AOC reports that these increases total an estimated \$17 million, however, due to the current economic situation, only the most critical items are being requested.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Court Facilities Update

Background. The Trial Court Funding Act of 1997 established the Task Force on Court Facilities to identify and provide options for funding court facility maintenance, improvements, and expansion for all the trial courts. The legislation also directed the task force to recommend an appropriate assignment of state and local funding responsibilities for these facilities as well as a transition plan for any changes. The final task force report recommended that the state assume full responsibility for all existing court facilities within three years by either obtaining title to the property or leasing the property. The task force recommended enactment of legislation to formally transfer responsibility for trial court facilities to the state.

The Task Force estimates that the annual capital needs of the trial courts range from \$384.6 million to \$442.1 million. This is based on total capital budget estimates of \$2.8 billion to \$3.4 billion to meet current need, depending on the level of reuse of existing facilities, and \$2.1 billion to meet projected growth through 2020.

Analyst's Recommendation. Given the fiscal implications of state assumption of responsibilities for court facilities, the LAO recommended that the Judicial Council report at budget hearings on the status of the plan to transfer trial court facilities to the state.

Action. Information Issue. No action necessary.

Filing Fee and Assessment Revenue

Budget Request. The budget proposes an increase \$61 million in revenues to the General Fund. Specifically, the budget assumes a 20 percent surcharge on criminal fines, with the revenues (\$45.8 million) to be deposited in the General Fund, and a 10 percent surcharge on civil filing fees (\$15.2 million). The additional filing fee revenue would be deposited in the Trail Court Trust Fund (TCTF) with a \$15.2 million reduction from General Fund. This request requires the adoption of Trailer bill language.

Filing Fees. Under the proposal, the civil filing fee increase would increase from \$185 to \$203.50. Other fees that would increase include the change of venue fee, filing fee for motions requiring a hearing, and various certification fees. Staff notes that the increase in fees does not affect the procedures which courts use to determine the ability of litigants to pay all or a portion of court filing fees.

Criminal Penalties. The proposal would place a 20 percent surcharge in criminal penalties. Currently, roughly 70 –80 percent of the assessments collected from these criminal fines are related to Vehicle Code violations. The proposal would require that the full amount of the surcharge be transmitted to the General Fund prior to the disbursing the remaining amount of the fine.

Analyst's Recommendation. The LAO cautions that the amount of increased revenue may be overstated. The LAO notes that in projecting the General Fund revenue that would be generated by the surcharges, the Department of Finance (DOF) assumed that state revenues would increase by 10 percent for filing fees and 20 percent for criminal fines.

For fines, the LAO indicates that counties retain full discretion in setting the actual fine levied for criminal violations. In addition, in cases where a judge levies the fine for a criminal violation, the amount levied is often based upon the individuals ability to pay. Further, the revenue totals assume that the collection rate on criminal fines will remain unchanged. The LAO believes that the collection rate on criminal fines may go down slightly due to the magnitude of the 20 percent increase.

For filing fees, the LAO notes that there has been a trend of declining civil fees, and that previous projections from new filing fees have overestimated revenues.

Staff Comments. The Task Force on Court Facilities recommended several revenue streams to fund the trial court facilities if responsibility is transferred to the state. Among the recommendations is the establishment of a civil filing fee surcharge of \$50 statewide, similar to current collections in San Francisco. Staff notes that these increases are included in SB 1732 (Escutia).

Staff Recommendation. Staff recommends approval of the proposal. The Subcommittee may wish to consider inserting language into the trailer bill language which would sunset the proposed increases in two years.

Action.

Court Interpreter Workload Growth

Budget Request. The budget proposes \$2.3 million for court interpreter services workload growth. The Judicial Council points to recent program expenditure growth and Census data as justification for the increase. The LAO notes that recent spending growth in the program may be related to increased reimbursement rates.

Staff Comments. The AOC indicates that the expenditures have been approximately \$2.8 million greater than the budget for interpreter services in both 1999-00 and 2000-01. The LAO raised concerns with this proposal in their Analysis, concerning the justification provided in the Budget Change Proposal. LAO indicates that AOC has provided additional caseload information. The LAO indicates that they no longer have concerns with the issue.

Staff Recommendation. Staff recommends approval as budgeted.

Sub 2 Action.

Negotiated Salary Increases for Court Security Staff

Budget Request. The budget proposes \$13.4 million from the General Fund for ongoing courthouse security costs. This amount includes increases in the contractual costs of negotiated salary increases for security personnel, and increases in retirement costs for security personnel.

Staff Comments. Staff notes that this proposal does not provide additional security for the courts, but allows the courts to pay for increases in the contracts for current security personnel. The AOC notes that if this proposal is not approved, courts will have to reduce the level of security provided or redirect funds from other court operations.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Trial Court Employee Negotiated Salary Increases

Budget Request. The budget proposes \$51.7 million to meet the various needs of the trial courts, including negotiated salary increases (NSIs). The budget bill proposes the following language regarding these funds:

In addition to funding approved and appropriated through the program budget process, on an annual basis, it is the intent of the Legislature that the state shall provide, upon the order of the Director of Finance, to the Judicial Council an amount of discretionary funding that is deemed to be fair, reasonable, and fiscally responsible and meets specific criteria established and agreed upon by the Director of Personnel Administration, Director of Finance, and the Administration Director of the Courts. The level of funding shall be based upon factors such as workload, population growth, agreed-upon policy goals, changes in local geographical circumstances and other agreed-upon criteria, which shall include the average percentage salary and benefit increase provided to state employees.

The Judicial Council shall allocate these funds to meet the various needs of the trial courts. This includes the need to negotiate local memoranda of understanding with recognized bargaining units and to meet other salary and benefit needs of the trial courts.

Staff Comments. The amount requested represents the full-year costs salaries and benefit increases in the current year, and a 2.5 percent increase for salaries in 2002-03. Staff notes that state employees received a reduction in the retirement plan deduction for employees from 5 percent to 2.5 percent of monthly earning effective August 31, 2001; a reduction in the retirement plan deduction for employees from 2.5 percent to zero percent of monthly earnings effective July 1, 2002; an increase in the employer contribution to state health plan premiums effective July 1, 2001, with further increases in 2002.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Family and Children County/State Transition

Budget Request. The budget proposes \$802,000 from the General Fund for Family and Children county/state transition costs for six court systems, encompassing juvenile, family, probate/guardianship, and mental health proceedings. The requested funding will provide funding for 12 positions. The counties have informed the court systems that they will no longer provide certain Family and Children certain Family and Children services. The AOC notes that by assuming responsibility for the provision of these services, the court will have more control over the delivery and quality of services provided. The requested positions will work in the following areas: Family Court Evaluation Services, Family Court Mediation Services, Juvenile Court Services, and Mediators/Evaluators/Investigators for Combined Court Services.

Staff Recommendation. Staff recommends approval as budgeted.

Action.

Trial Court Improvement Fund

Background. Chapter 1211, Statutes of 1987, created the Trial Court Improvement Fund (TCIF) as a depository for appropriated funds to be disbursed to option counties through grants administered by the Judicial Council to improve court management and efficiency, case processing, and timeliness of trials. Pursuant to Government Code (GC) section 77209, the Legislature intends that the Judicial Council allocate or reallocate the TCIF as follows:

One percent of the annual appropriation for the trial courts in the Trial Court Trust Fund is transferred to the TCIF. At least one-half of one percent is to remain unallocated prior to March 15 of each year unless allocated to a court or courts for urgent needs. Up to one-quarter of one percent may be allocated for trial courts that have fully unified and/or meet any additional criteria established by the Judicial Council. Up to one-quarter of one percent may be allocated for statewide projects or programs for the benefit of the trial courts.

The remaining annual TCIF budget approved by the Judicial Council may be allocated for the following purposes: 1) automated record keeping system improvements pursuant to section 68090.8 of the Government Code and otherwise known as the 2% automation fund; and 2) to implement trial court projects approved by the Judicial Council either in accordance with these guidelines or by specific approval.

Budget Request. The budget proposes a one-time reversion of \$28.1 million from the Trial Court Improvement Fund (TCIF) to the General Fund. The TCIF was established by Chapter 850, and receives funds from fine and penalty revenues. The fund balance at the end of 2002-03 is estimated to be \$17.2 million.

Staff Recommendation. Staff recommends approval as budgeted.

Action

0280 Commission on Judicial Performance

The Commission on Judicial Performance investigates and adjudicates complaints against judges. A constitutional amendment, Proposition 221, was passed by the voters and became effective June 3, 1998. Proposition 221 placed all California court commissioners and referees under the commission's discretionary jurisdiction. This jurisdiction was previously vested exclusively in the presiding judges.

Budget Request. The budget proposes total expenditures of \$4 million from the General Fund, which is the same as estimated expenditures for the current year.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Sub 2 Action:

0390 Judges' Retirement System

The Judges' Retirement System (JRS I) provides retirement benefit funding for judges of the Supreme Court, Courts of Appeal, Superior and Municipal Courts. Retirement benefits are based on age, years of service, compensation of active judges, and eligibility as determined by specific sections of the Judge's Retirement Law. The JRS is funded by the Judge's Retirement Fund, which receives revenue from the General Fund and certain filing fees, as well as employee contributions equal to 8 percent of the judges' salaries.

Chapter 879 of the Statutes of 1994 established the Judges' Retirement System II (JRS II). Unlike its predecessor, JRS II is designed to be fully funded from employer and employee contributions on a prospective basis. The major differences in JRS II include increased retirement age and a cap of 3 percent annually for COLAs for retirement benefits. All judges elevated to the bench on or after November 9, 1994, are required to participate in JRS II. There are currently 1,610 authorized judges and justices in the State of California. The majority of these judges participate in the JRS I plan.

Budget Request. Proposed expenditures are \$231.4 million for 2002-03, an increase of \$40.7 million, or 21 percent, above the current year.

Staff Recommendation. No issues have been raised by LAO or other Legislative staff. Staff recommends approval as budgeted.

Action:

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, April 18, 2002
10:00 AM
Room 112

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3340 California Conservation Corps

The corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. The corps is headquartered in Sacramento and operates 13 residential base centers, 1 nonresidential service district, and more than 30 nonresidential satellite centers in urban and rural areas. The corps also develops and provides funding for eleven community conservation corps in neighborhoods with large concentrations of minority youth and high youth unemployment.

The budget proposes total expenditures of \$83.8 million (\$53.5 million , General Fund), a decrease of \$9.3 million (10 percent) from the current-year budget.

Conservation Corps Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Training and Work Program	92,555	93,147	83,826	(9,321)	10.0
Administration	8,027	7,939	8,139	200	2.5
Distributed Administration	-8,027	-7,939	-8,139	(200)	2.5
Total	92,555	93,147	83,826	(9,321)	10.0

Budget Requests

Staff Recommendation: No issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3480 Department of Conservation

This department protects public health and safety, ensures environmental quality, and supports the State's long-term viability in the use of California's earth resources. The department provides education and dissemination of information concerning agricultural and open space lands and soils, beverage container recycling, geology and seismology, and mineral, geothermal, and petroleum resources.

The budget proposes total expenditures of \$529.4 million (\$21.8 million, General Fund), a decrease of \$18.6 million (3.4 percent) from the current-year budget.

Department of Conservation Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Geologic Hazards and Mineral Resources Conservation	22,240	25,913	25,363	(550)	2.1
Oil, Gas, and Geothermal Resources	12,438	13,098	13,805	707	5.4
Land Resource Protection	15,111	14,099	8,872	(5,227)	37.1
Administration	7,440	11,940	9,389	(2,551)	21.4
Distributed Administration	(7,440)	(11,940)	(9,389)	2,551	21.4
Beverage Container Recycling and Litter Reduction Program	481,732	494,970	481,412	(13,558)	2.7
Total	531,521	548,080	529,452	(18,628)	3.4

Issues

Abandoned Mine Remediation

Background: The budget proposes \$250,000 for the department's continuing efforts to map and identify abandoned mines. Over the past 6 six years the Department has spent \$2 million to map abandoned mines. The Department has identified approximately 1,000 mines, and estimates there are 40,000 abandoned mines in the state. Senate Bill 666 (Sher), Chapter 713, Statutes of 2000, authorizes the Department to establish an abandoned mine reclamation program. There are no proposals for abandoned mine remediation efforts in the budget-year.

Issue: Last year the Legislature approved \$200,000 (General Fund) for abandoned mine remediation, however the item was vetoed from the budget act. The Governor states in his veto message that it is premature to begin remediation efforts until the department completes its inventory of abandoned mines. Additionally, the department and the Department of Finance indicate the Administration's reluctance to pursue remediation efforts due to the lack of resources to begin cleanup efforts across the state.

Staff Recommendation: The subcommittee may wish to consider deleting \$250,000 (Surface Mining and Reclamation Account) for abandoned mine mapping, and appropriating these funds for abandoned mine remediation efforts.

Action:

Beverage Container Recycling Fund

Background: The Beverage Container Recycling Program seeks to encourage the voluntary recycling of beverage containers by guaranteeing a minimum payment (California Redemption Value, or CRV) for each container returned to certified recycling centers. Distributors of beverages subject to the program pay the CRV (currently 2.5 cents for most containers) into the Beverage Container Recycling Fund (BCRF), which is maintained by the department. Distributors typically pass the cost of the CRV along to retailers who in turn charge the CRV to consumers. Consumers can recoup the CRV at any certified recycling center when they return their empty containers.

In addition to maintaining the BCRF, the department enforces program requirements, certifies and audits recyclers and processors, calculates recycling costs and associated fees, encourages the development of markets for recycled materials, and awards grants to public and private groups that promote recycling.

Issue: The budget proposes a \$218 million loan to the General Fund from the Beverage Container Recycling Fund. The BCRF is projected to have a fund balance of \$25 million, a reduction of \$165.7 million from the current-year. The Administration has proposed budget bill language to repay the loan with interest, however a repayment date has not been specified. Earlier this year the subcommittee approved the Administration's proposal to loan \$672 million to the General Fund from the Traffic Congestion Relief Fund (TCRF), and loan \$474 million from the State Highway Account to the TCRF. For both proposals the Administration provided date-certain repayment of the loans. The Department of Finance argues that a repayment date may limit the flexibility to the General Fund.

Staff Recommendation: The subcommittee may wish to consider the following options:

1. Withhold action on the Administration's proposal.
2. Approve the \$218 million loan from the BCRF, and the following budget bill language:

3480-011-0133

The transfer made by this item is a loan to the General Fund. This loan shall be repaid with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer. It is the intent of the Legislature that the repayment be made so as to ensure that the programs supported by this fund are not adversely affected by the loan.

All loans from the Beverage Container Recycling Fund shall be repaid no later than June 30, 2009.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3540 Department of Forestry and Fire Protection

The department, under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by the state or local agencies. In addition, the department (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

The Office of the State Marshal was consolidated into the department in September 1995. The office is responsible for protecting life and property from fire through the development and application of fire prevention engineering, enforcement and education regulations.

The budget proposes total expenditures of \$498.2 million (\$311 million, General Fund), a decrease of \$150 million (23.1 percent) from the current-year budget.

Department of Forestry and Fire Protection Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Office of the State Fire Marshal	11,879	14,401	15,316	915	6.4
Fire Protection	542,911	583,756	438,501	(145,255)	24.9
Resources Management	40,143	49,661	44,046	(5,615)	11.3
Administration	47,357	49,368	48,547	(821)	1.7
Distributed Administration	(47,050)	(49,061)	(48,240)	821	1.7
Total	595,240	648,125	498,170	(149,955)	23.1

Issues

State Responsibility Area Cost Shift with Local Government

Issue: The budget proposes \$20 million in reimbursement authority for state responsibility area (SRA) fire suppression costs. At the time this analysis was prepared, the department had not provided a budget change proposal for this item. The Administration has requested the subcommittee withhold action pending the completion of the proposal.

LAO Recommendation: The LAO recommends the Legislature withhold approval for this item until the department provides a detailed proposal.

Staff Recommendation: Although the proposal will provide \$20 million in ongoing relief for the General Fund, staff recommends the subcommittee take no action on the SRA proposal until the Administration provides a detailed plan for increasing reimbursements.

Action:

Elimination of Emergency Fire Suppression Fund (E-Fund)

Background: The department proposes budget bill language that authorizes the Director of Finance to appropriate additional revenues for emergency fire suppression costs. The proposal requires the department to provide quarterly reports on fire suppression activities to the Legislature.

Issue: The department is proposing to eliminate General Fund support for emergency fire suppression activities in the budget act. The department acknowledges additional funds will be needed for emergency fire suppression, however the budget proposal will technically not appropriate funding for the program. Instead of providing funds in the budget act, the proposal will allow the department and the Department of Finance to budget on a cash flow basis. Under the current structure, the department receives an annual appropriation (\$45 million in the current-year) for emergency fires suppression costs. The LAO estimates that the annual costs over the past ten years is \$70.5 million. When the costs are greater than the funding provided in the department's budget, the department is forced to pursue a deficiency request via the Section 27.0 process. The department argues that the Section 27.0 process creates cash-flow problems and hinders the department's ability to pay its vendors.

LAO Recommendation: The LAO recommends the Legislature provide a more realistic budget for emergency fire suppression. The LAO has identified various options to help generate additional revenues to help pay for fire suppression costs. Staff recommends the subcommittee take no action on the LAO options until the department provides its SRA proposal in May.

The LAO also recommends the Legislature not approve the department's proposed budget bill language allowing the Director of Finance to approve deficiency expenditures because the proposal weakens Legislative oversight. In response the department's concerns over cash-flow problems and on-time payment to vendors, the Analyst recommends authorizing short-term loans from the General Fund.

Staff Recommendation: Although the department will provide quarterly reports to the Legislature on program activities, Legislative oversight will be significantly weakened through this proposal. Staff recommends the subcommittee not approve the department's proposed budget bill language.

Action:

Timber Harvest Plan Review

Issues: The budget proposes \$22.1 million (\$21.5 million, General Fund) for review and enforcement of timber harvest plans (THPs). The LAO recommends imposing fees on timber operators to cover the costs incurred by state agencies in their review and enforcement of timber harvest plans.

Background: Timber harvest plans are reviewed by the Department of Forestry and Fire Protection, the Department of Fish and Game, the Department of Conservation, and the Water Resources Control Board. The Department of Forestry and Fire Protection is ultimately responsible for approving THPs.

LAO Recommendation: The LAO argues that fees levied on timber operators should cover the costs to review and enforce THPs. The LAO believes there is a direct link between THP review, and businesses who benefit through harvesting of timber. The LAO recommends the Legislature adopt the "polluter pays" principle. In this case timber harvesters who benefit from using public resources should be responsible for paying the costs imposed on society to regulate such activities.

Staff Recommendation: The subcommittee may wish to direct staff to develop a timber harvest fee proposal in time for the subcommittee hearing on May 23.

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised with the department's other budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3600 Department of Fish and Game

The department administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission sets policies to guide the department in its activities, and regulates the sport taking of fish and game. The department manages approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The budget proposes total expenditures of \$253.1 million (\$56.8 million, General Fund), a decrease of \$19.1 million (7 percent) from the current-year budget.

Department of Fish and Game Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Biodiversity Conservation Program	118,646	101,707	93,763	(7,944)	7.8
Hunting, Fishing, and Public Use	36,523	47,521	43,676	(3,845)	8.1
Management of Department Lands and Facilities	50,470	45,320	40,938	(4,382)	9.7
Conservation Education and Enforcement	48,829	52,144	50,021	(2,123)	4.1
Spill Prevention and Response	23,518	25,424	24,705	(719)	2.8
Administration	34,279	33,898	31,474	(2,424)	7.2
Distributed Administration	(34,279)	(33,898)	(31,474)	2,424	7.2
Total	277,986	272,116	253,103	(19,013)	7.0

Issue

California Environmental Quality Act Review (CEQA)

Issue: The budget proposes a \$2.1 million reduction for the department's review of CEQA documents.

Background: The Department of Fish and Game holds the state's fish and wildlife resources in trust for the people of California. The California Environmental Quality Act requires agencies approving projects to notify and consult with the department, and requires agencies to send their environmental documents to the department for review and comment.

Due to years of chronic underfunding, the department reviewed only 10 percent of the CEQA documents it received. During subcommittee hearings on the 2000-01 proposed budget, the subcommittee approved 14 positions and \$1.5 million for CEQA review. As part of the Legislature's efforts to improve the department's ability to fulfill its statutory mandates, the Legislature ultimately approved \$2.1 million (ongoing) and redirected 25 positions for CEQA review efforts. The intent of the augmentation was to achieve a 40 percent review rate of CEQA documents.

Issue: Since the Legislature's augmentation in the 2000-01 budget-year, the department estimates it reviews 38 percent of all CEQA documents received. However, the department states in its budget proposal that it will revert back to the 10 percent review rate as a result of the General Fund reduction.

LAO Recommendation: The Legislative Analyst does not have a recommendation on the budget request, but the analyst identifies potential funding sources for the Legislature to consider to maintain the current level of funding for CEQA review.

Chapter 1706, Statutes of 1990 requires the department to collect environmental filing fees for projects subject to CEQA. Statute establishes the amount of the fee paid to DFG (either \$850 or \$1,250) based on the type of CEQA document prepared for the project (Fees are paid to the locals at the time of filing the final CEQA documents).

The LAO argues that additional revenue could be generated for CEQA review by improving the structure and administration of the environmental filing fees. The LAO believes that the current fee structure is not equitable because project proponents are required to pay the same fee regardless of the project's size and environmental impact. The discrepancy in the fee structure may result in lead agencies trying to fit a project within the fee exemption, despite the project requiring a fee as defined by statute. To the extent that lead agencies are granting exemptions when they should not, the department is not collecting the fees required by statute. The LAO believes a more equitable fee structure may result in fewer exemptions and more revenue for the department.

Staff Recommendation: Staff recommends the subcommittee deny the department's \$2.1 million reduction for CEQA review, and direct staff to provide an alternative funding option at the subcommittee hearing on May 9.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3680 Department of Boating and Waterways

This department seeks to develop and improve boating facilities in California, to promote boating safety, and to conduct a statewide beach erosion control program. The department primarily (1) constructs boating facilities for the state park system and State Water Project reservoirs, (2) makes loans to marina operators to finance the development of small craft harbors and marinas, and (3) makes grants to local agencies to finance boat launching facilities, boating safety and enforcement programs, and beach erosion control projects.

The Budget proposes total expenditures of \$78.9 million (\$0, General Fund), a decrease of \$10.4 million (11.7 percent) from the current-year budget.

Department of Boating and Waterways Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
Boating Facilities	49,234	72,874	56,517	(16,357)	22.4
Boating Operations	14,945	15,554	15,613	59	0.4
Beach Erosion Control	11,106	832	6,730	5,898	708.9
Administration	1,968	2,109	2,168	59	2.8
Distributed Administration	(1,968)	(2,109)	(2,168)	(59)	2.8
Total	75,285	89,260	78,860	(10,400)	11.7

Issue

Harbors and Watercraft Fund Transfer

Issue: The budget proposes a \$26.6 million transfer to the State Parks and Recreation Fund from revenues generated by the Motor Vehicle Fuel Account-Transportation Tax Fund that are deposited in the Harbors and Watercraft Fund. The current-year budget provides an \$11.6 million transfer from the Harbors and Watercraft Fund, and the budget proposes an additional \$15 million.

The Department of Parks and Recreation has not provided the Legislature with a needs assessment for the additional \$15 million from the Harbors and Watercraft Fund. Additionally, staff have not had the opportunity to determine the effects of the proposal on programs/projects funded by the Harbors & Watercraft fund.

Staff Recommendation: Staff recommends the subcommittee hold the item open pending further information from the Department of Boating and Waterways on the affects this proposal will have on the boating public.

Action:

Other Budget Requests

Staff Recommendation: No issues have been raised with the department's budget request. Staff recommends the subcommittee approve as budgeted.

3790 Department of Parks and Recreation

The department acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system. In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

The budget proposes total expenditures of \$316.4 million (\$112.3 million, General Fund), a decrease of \$832.1 million (72.5 percent) from the current-year budget. The decrease in spending is attributable to reductions in Proposition 12 bond funds (\$679.5 million) and the General Fund (\$123.1 million).

Department of Parks and Recreation Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				<i>Percent Change</i>
	2000-01	2001-02	2002-03	Change	
State Operations					
Resource Protection	30,807	36,444	35,002	(1,442)	4.0
Education/Interpretation	24,784	29,320	28,160	(1,160)	4.0
Facilities	148,820	183,454	110,796	(72,658)	39.6
Public Safety	50,263	59,462	57,109	(2,353)	4.0
Recreation	32,660	38,636	37,107	(1,529)	4.0
<i>Subtotal</i>	<i>287,334</i>	<i>347,316</i>	<i>268,174</i>	<i>(79,142)</i>	<i>22.8</i>
Local Assistance					
OHV Grants	12,613	28,709	17,600	(11,109)	38.7
Recreational Grants	134,710	754,219	29,707	(724,512)	96.1
Historic Preservation Grants	595	18,172	875	(17,297)	95.2
<i>Subtotal</i>	<i>147,918</i>	<i>801,100</i>	<i>48,182</i>	<i>(752,918)</i>	<i>94.0</i>
Total	435,252	1,148,416	316,356	(832,060)	72.5

Issue

Land Acquisitions and Operating Costs

Background: The department acquires land for the purposes of expanding state parks or acquiring new state parks. Since the 2000-01 budget-year, the LAO estimates the department has increased its land holdings by more than 75,000 acres and will spend approximately \$328 million on land acquisitions. The increase is attributable to land acquisition funding provided in Proposition 12 (approximately \$502 million).

As part of LAO's review of the department's recent acquisitions, the Analyst argues that many acquisitions will require additional development to (1) provide reasonable access to the acquisition and/or (2) develop the acquisition to achieve its intended purpose for use. As part of their report, the LAO determines the following:

- Development costs are mostly unfunded

- Operating costs of expanded and new parks have not been provided, nor identified
- The existing planning process does not provide for sufficient fiscal oversight of future costs

LAO Recommendation: The Analyst recommends the following supplemental report language requiring the department to prepare a funding plan for its recent land acquisitions.

The Department of Parks and Recreation shall submit a report to the Legislature by March 1, 2003 that includes the following:

1. *An assessment of the potential costs to develop each land acquisition acquired in 2000-01 and 2001-02 to its intended use and an estimate of the ongoing operations and maintenance costs of each acquisition.*
2. *An identification of potential funding sources to pay for the development and operating costs, and the department's plan for which funding sources it will seek.*

The LAO also proposes policy changes for the Legislature to consider, including:

- Require DPR to Submit Funding Plan for Future Costs With Budget Proposal
- Require DPR to Set Aside Bond Funds for Future Development of Bond-Funded Acquisitions
- Require DPR to Submit Funding Plan for Discretionary Acquisitions
- Require General Plans for Parks to Be Approved by DOF
- Set Limits in Future Bond Measures on New Acquisitions

Although these recommendations have merit, they may be premature until the Legislature has the department's needs assessment.

Staff Recommendation: Staff recommends the subcommittee approve the LAO's proposed supplemental report language.

Action:

Other Budget Requests

Staff Recommendation: No other issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

3860 Department of Water Resources

The department is responsible for developing and managing California's water through the implementation of the State Water Resources Development System, including the State Water Project. It also maintains the public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

The budget proposes total expenditures of \$5.93 billion (\$107.5 million, General Fund), a decrease of \$2.5 billion (30.1 percent) from the current-year budget. The reduction in spending is attributable to a reduction for the DWR Electric Power Fund (\$2.5 billion)

Department of Water Resources Program Expenditures					
Program	<i>Expenditures (dollars in thousands)</i>				Percent Change
	2000-01	2001-02	2002-03	Change	
Continuing Formulation of the California Water Plan	260,657	345,725	318,090	(27,635)	8.0
CALFED Bay-Delta Program	147,918	94,008	153,596	59,588	63.4
Implementation of the State Water Resources Development System	890,741	243,024	245,610	2,586	1.1
Public Safety and Prevention of Damage	209,158	139,774	56,428	(83,346)	59.6
Services	2,889	4,957	4,985	28	0.6
California Energy Resources Scheduling	7,292,994	7,656,770	5,155,309	(2,501,461)	32.7
Management and Administration	92,437	78,627	77,403	(1,224)	1.6
Distributed Management and Administration	-92,437	-78,166	-77,403	763	1.0
Loan Repayment Program	-4,880	-4,013	-4,013	0	0.0
Total	8,799,477	8,480,706	5,930,005	(2,550,701)	30.1

Issues

Budget Requests

Staff recommendation: No issues have been raised with the department's budget requests. Staff recommends the subcommittee approve as budgeted, but withhold approval for the California Energy Resources Scheduling (CERS) request pending the subcommittee's energy hearing later this month.

Action:

3870 CALFED Bay-Delta Program

On August 28, 2000, with the signing of the Record of Decision (ROD) for the Final Programmatic Environmental Impact Statement/ Report (EIS/ EIR), California and the federal government announced a commitment to move forward with implementation of the CALFED Bay- Delta Program. The ROD and Final EIS/ EIR established the framework for implementation of a thirty year program which includes eleven elements: ecosystem restoration, water quality, Delta levees, watershed management, water storage, water transfers, water use efficiency, Delta water conveyance, a science element and an Environmental Water Account for water purchases. Year 1 of implementation began in FY 2000– 01 with the signing of the ROD. Oversight and coordination of the CALFED Program will continue to be provided by State and federal staff which are currently funded in the Department of Water Resources and the U. S. Bureau of Reclamation.

CALFED Agencies

<i>State</i>	<i>Federal</i>
Department of Fish and Game	US Environmental Protection Agency
Department of Water Resources	US Army Corps of Engineers
State Reclamation Board	Bureau of Reclamation
State Water Resources Control Board	US Geological Survey
Secretary for Environmental Protection	Fish and Wildlife Service
Secretary for Resources	National Marine Fisheries Service
Delta Protection Commission	Bureau of Land Management
Department of Food and Agriculture	Natural Resources Conservation Service
San Francisco Bay Conservation and Development Commission	US Forest Service
	Western Area Power Administration

The budget proposes total expenditures of \$519.2 million for the CALFED Bay-Delta program, an decrease of \$148.1 million (22.2 percent) from the current-year budget.

CALFED Funding Sources					
Funding Source	<i>(dollars in thousands)</i>				Percent Change
	2000-01	2001-02	2002-03	Change	
General Fund	167,398	57,375	\$58,862	1,487	2.6%
Prop 204	10,808	179,470	154,746	-24,724	13.8%
Prop 13	180,042	226,777	161,185	-65,592	-28.9%
Other State Funds	23,714	93,458	43,358	-50,100	53.6%
Federal Funds	59,665	110,306	-	-	-
Prop 40	-	-	101,000	101,000	100%
Total	\$441,627	\$667,386	\$519,251	-\$148,135	-22.2%

Issue

Environmental Water Account (EWA)

Background: The environmental water account (EWA) is a water management strategy designed to address two problems--declining fish and wildlife populations and unreliable water supplies. The purpose of the EWA is to increase the reliability of water supplies to urban and agricultural users while assuring that sufficient water will be available for the protection and recovery of endangered and threatened species in the Bay-Delta. The EWA would accomplish this by making available a supply of water that can be used for fish protection, on an as needed basis. The EWA's goal is to reduce the potential for additional restrictions on state and federal water projects in future years that might curtail water deliveries to agricultural and urban users. CALFED estimates costs of \$200 million for the EWA for the first four years of implementation.

The budget proposes \$29.2 million for the EWA program. Of this amount, approximately \$29 million is for DWR and \$160,000 is for the Department of Fish and Game.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$163
DWR	Prop 204 & General Fund	\$28,233 (Prop 204) \$623 (GF)
DFG	General Fund	\$160
Total		\$29,179

Issues: The Supplemental Report of the 2001 Budget Act requires CALFED to submit the following two reports to the Legislature:

1. By December 15, 2001, the results of the CALFED Science Advisory Panel's review of the Environmental Water Account. The review shall include an evaluation of existing purchases to assure that the EWA does not undermine needed regulatory protections or result in significant degradation of natural resources in the area of origin.
2. By December 15, 2001, CALFED's efforts to provide "Tier3" water for the EWA, as described in the Record of Decision (ROD), should that water be required in future years.

The Budget Committee did not receive the reports at the time this analysis was prepared.

LAO Recommendation: The LAO believes the Legislature should "sign off" on the concept of the EWA and determine the appropriate state role in EWA, particularly in terms of funding. The LAO argues that water users should pay for at least some of the program's costs because they benefit from EWA to the extent that it makes water supplies more reliable. The LAO recommends the Legislature consider operational issues for the EWA, including governance, scientific review, and acquisition and use of water.

Since the EWA is a new and untested concept, the LAO recommends the Legislature obtain the following information to assess whether the program is working as intended and meeting its goals.

- The amount, source, and cost of water acquired for EWA.
- The movement and use of the acquired water.

- The impact of EWA on (1) endangered species protection and recovery and (2) preventing additional endangered species-related restrictions that would have otherwise resulted in reduced water deliveries from state and federal water projects.

The LAO recommends legislation to establish the EWA and to specify how the program will be governed, funded, operated, and held accountable to the Legislature. Until authorizing legislation is approved, the LAO recommends deleting the \$29.2 million for the EWA.

Administration's Response: The Administration argues that since the EWA is in its second year of operation, the budget proposals should be approved to allow for the continuing development and implementation of the program.

Staff Recommendation: The LAO raised similar issues with the program last year. Although the subcommittee shared many of the concerns raised by the analyst, the Legislature approved all EWA budget request to allow the program to move forward. Staff recommends the subcommittee withhold approval for the EWA proposal and the LAO recommendation until the Administration provides the supplemental reports to the Legislature.

Action:

Integrated Storage Investigations

Background: The Integrated Storage Investigations program (ISI) is designed to use groundwater and surface water storage to improve water supply reliability, provide water for the environment, provide flows to maintain water quality, and to protect levees through coordinated operation with existing flood control reserves. During Stage 1 of this program, CALFED will evaluate surface water and groundwater storage, identify acceptable project-specific locations, and initiate NEPA and CEQA documentation, permitting, and construction. The total volume of new or expanded surface water and groundwater storage in the Final Programmatic EIS/EIR is approximately 6 million acre/feet.

The budget proposes \$103.4 million for the ISI program, a decrease of \$12.7 million from the current-year budget.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,800
DWR	General Fund	\$11,440
	Prop 13	\$90,366
DFG	General Fund	\$449
Total		\$103,435

Issue: The budget proposes a \$300,000 reduction to the Fish Passage Improvement Program. As part of the ISI budget, the Fish Passage Improvement Program seeks to identify small dams and other barriers to improve spawning access for salmon and steelhead.

Staff Recommendation: They subcommittee may wish to consider directing staff to determine if

additional funds are available to offset the proposed \$300,000 reduction, or determine if existing funds can be redirected to offset the reduction.

Action:

Ecosystem Restoration

Background: The goal of the Ecosystem Restoration Program is to improve and increase aquatic and terrestrial habitats and improve ecological functions in the Bay-Delta system to support sustainable populations of diverse and valuable plant and animal species. The Ecosystem Restoration Program, along with the water management strategy, is designed to achieve or contribute to the recovery of listed species found in the Bay-Delta, and achieve the goals of the Multi-Species Conservation Strategy (MSCS).

The Ecosystem Restoration Program identifies programmatic actions designed to restore, rehabilitate, or maintain important ecological processes, habitats, and species within 14 ecological management zones. Implementation of these programmatic actions will be guided by six goals presented in the Strategic Plan for Ecosystem Restoration.

The budget proposes \$207.5 million for the Ecosystem Restoration Program, an increase of \$42.4 million from the current-year budget.

(Dollars in thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$764
	Prop 13	\$10,000
	Prop 40	\$10,000
Resources Agency	Prop 204	\$125,000
	Prop 40	10,000
DWR	General Fund	\$1,100
	Prop 204	\$1,513
	State Water Project	\$7,268
DFG	General Fund	\$1,900
WCB	Prop 40	\$30,000
Coastal Conservancy	Prop 40	\$10,000
Total		\$207,545

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Water Use Efficiency

Background: The Water Use Efficiency Program includes actions to provide efficient use of existing and new water supplies developed by the Program. The Water Use Efficiency Program will build on the work of the existing Agricultural Water Management Council and California Urban Water Conservation Council process, supporting and supplementing those processes through planning and technical assistance and through targeted financial incentives (both loans and grants). The Water Use Efficiency Program has identified potential recovery of currently irrecoverable water losses of over 1.4 million acre-feet of water annually by 2020. Early in Stage 1, CALFED will identify measurable goals and objectives for its urban and agricultural water conservation program, water reclamation programs and managed wetlands programs.

The budget proposes \$29.1 million for the Water Use Efficiency Program, a decrease of \$91.2 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,391
DWR	General Fund	\$6,967
	Prop 13	\$16,375
	Misc. Sources	1,918
SWRCB	Prop 13	\$2,500
Total		\$29,151

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Water Transfers

Background: The Water Transfer Program proposes a framework of actions, policies, and processes that, collectively, will facilitate water transfers and the further development of a state-wide water transfer market. The framework also includes mechanisms to help provide protection from third party impacts. A transfers market can improve water availability for all types of uses, including the environment. Transfers can also help to match water demand with water sources of the appropriate quality, thus increasing the utility of water supplies.

The budget proposes \$808,000 for the Water Transfers Program. The current-year budget contains the same level of funding for the program.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$227
DWR	General Fund	\$437
SWRCB	General Fund	\$144
Total		\$808

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Watershed Program

Background: The goal of the CALFED Watershed Program is to promote locally led watershed management activities and protections that contribute to the achievement of CALFED goals for ecosystem restoration, water quality improvement, and water supply reliability. The Program will accomplish these tasks by providing financial and technical assistance to local community watershed programs.

The budget proposes \$35.3 million for the Watershed Program, an increase of \$17.6 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$2,228
	Prop 40	20,600
DWR	General Fund	\$1,652
DFG	General Fund	\$445
SWRCB	Prop 13	\$10,000
CDF	General Fund	\$374
Total		\$35,299

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Drinking Water Quality

Background: The Program is designed to achieve continuous improvement in the quality of the waters of the Bay-Delta system with the goal of minimizing ecological, drinking water and other water quality problems. Improvements in water quality will result in improved ecosystem health, with indirect improvements in water supply reliability. Improvements in water quality also increase the utility of water, making it suitable for more uses and reuses.

The budget proposes \$36.2 million for the Drinking Water Quality Program, an increase of \$20.5 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$3,313
	Prop 40	\$20,500
	Prop 13	\$2,070
DWR	General Fund	\$280
SWRCB	Prop 13	\$10,000
Total		\$36,163

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Delta Levees Program

Background: The focus of the Levee System Integrity Program is to improve levee stability to benefit all users of Delta water and land. Actions described in this program element protect water supply reliability by maintaining levee and channel integrity. Levee actions will be designed to provide simultaneous improvement in habitat quality (consistent with the Ecosystem Restoration Program goals), which will indirectly improve water supply reliability. Levee actions also protect water quality, particularly during low flow conditions when a catastrophic levee breach would draw salt water into the Delta.

The budget proposes \$8.7 million for the Levees Program, a decrease of \$5.1 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$558
DWR	General Fund	\$7,434
	State Water Project Funds	\$585
DFG	General Fund	\$38
SWRCB	Prop 13	\$124
Total		\$8,739

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Delta Conveyance

Background: The Delta Conveyance program seeks to identify and implement conveyance modifications that will improve water supply reliability for in-Delta and export users, support continuous improvement in drinking water quality, and complement ecosystem restoration. More specifically for export and environmental purposes, conveyance improvements are needed to improve the pumping capabilities of SWP export facilities to: (1) restore water project reliability and operational flexibility; (2) allow the EWA to transfer and store water; (3) allow a reliable water transfer market to function; (4) allow SWP facilities to convey larger amounts of water during periods of high quality water in the Delta to improve water quality for urban use; and (5) provide greater capability for SWP facilities to be used to improve the reliability of CVP supplies for both its water users and wildlife refuges. DWR, Reclamation and USACE will lead efforts to implement these conveyance projects. DWR and the Bureau of Reclamation will work with the other CALFED Agencies to pursue significant improvements in the water conveyance facilities in the Delta in Stage 1, which will be pursued through project-specific environmental review and permitting. The Preferred Program Alternative employs a through-Delta approach to conveyance. Modifications in the Delta conveyance will result in improved water supply reliability, protection and improvement of Delta water quality, improvements in ecosystem health, and reduced risk of supply disruption due to catastrophic breaching of Delta levees.

The budget proposes \$47.9 million for the Conveyance Program, a decrease of \$3.5 million from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$1,168
	Prop 13	\$1,300
DWR	General Fund	\$1,568
	Prop 13	\$18,574
	State Water Project	\$25,100
DFG	General Fund	\$162
Total		\$47,872

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Science Program

Background: This ROD establishes the CALFED Science Program, which will provide a science/research component to all elements of the program; including ecosystem restoration, water supply reliability, water use efficiency and conservation, water quality, and flood management (e.g., levee stability). Performance measures and indicators for each program element will track progress. The purpose of the CALFED Science Program is to provide a comprehensive framework and develop new information and scientific interpretations necessary to implement, monitor, and evaluate the success of the CALFED Program (including all program components), and to communicate to managers and the public the state of knowledge of issues critical to achieving CALFED goals. The Science Program will be

developed and directed by an interim lead scientist, who will also serve in the role of lead scientist during the initial years of program implementation.

The budget proposes \$14.2 million for the Science Program, an increase of \$700,000 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$4,569
DWR	General Fund	\$261
	State Water Project	\$6,223
	Miscellaneous	598
DFG	General Fund	\$906
	Miscellaneous	\$1,666
Total		\$14,183

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

Program Management

Background: The Program Management element is designed to provide oversight and coordination of the CALFED program.

The budget proposes \$6.9 million for Program Management, a decrease of \$200,000 from the current-year budget.

(Dollars in Thousands)

Department	Fund Source	Amount
CALFED	General Fund	\$5,405
DWR	General Fund	\$243
DFG	General Fund	\$305
DOC	General Fund	\$96
SWRCB	General Fund	\$740
BCDC	General Fund	\$88
Total		\$6,877

Staff Recommendation: No issues have been raised with the budget request. Staff recommends the subcommittee approve as budgeted.

Action:

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Part 1

Wednesday, May 8, 2002
3:00 P.M.
Room 112

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Consent Calendar

Staff Recommendation: No issues have been raised with the following budget proposals. Staff recommends the subcommittee approve the following items as proposed:

Finance Letters

Org	Department	Issue	Amount
0540-492	Secretary for Resources	BBL- Extend Liquidation Period	-
0820-001-0001	DOJ	Information Technology Consolidation	-
0820-001-0001	DOJ	Systems Maintenance and Support for CURES. Increase General Fund and reimbursement authority.	249,000
0820-001-0001	DOJ	California Parent Locator Service reimbursement authority increase.	337,000
0820-001-0001	DOJ	Dealer Record of Sale Authority.	-
0820-001-0001	DOJ	Headquarters Security Office Reorganization (special funds and General Fund transfer).	574,000
2600-001-0046	Transportation Commission	Technical adjustment	-
2660-001-0042	Caltrans	Transportation management center hardware and software maintenance	2,376,000
2660-001-0042	Caltrans	Program and project management division	3,216,000
2660-101-0042	Caltrans	Local bridge scour inspection program	-24,000
2660-001-0042	Caltrans	Transportation revolving account budget bill language	-
2660-101-0042			
2660-301-0042			
2660-001-0046	Caltrans	Passenger rail and heavy overhaul warranty workload	-
2660-001-0042			
2660-031-0042	Caltrans	Stormwater update maintenance best management practices and equipment	8,248,000
2660-001-0042			
2660-001-0890	Caltrans	Bridge and tunnel security systems	755,000
2660-399-0890	Caltrans	TEA 21 Grants	15,000,000
2660-491	Caltrans	Liquidation of current encumbrances	-
2660-494	Caltrans	Eureka office building seismic retrofit	-
2665-001-0042	HSRA	Reduce funding to reflect receipt of federal funds	-1,250,000
2665-001-0046	HSRA	Eliminate position authority-technical adjustment	-171,000
2720-001-0044	CHP	Traffic Management Center Operating Cost	1,112,000
2720-001-0044	CHP	Security Services for DIR (reimbursement authority)	300,000
2740-001-0044	DMV	Implementation of driving under the influence appeals and reinstatement fee changes	582,000
2740-001-0042	DMV	Field office repairs	645,000
2740-001-0044			
2740-001-0064			
2740-001-0042	DMV	Improved network security and virus detection	832,000
2740-001-0044			
2740-001-0064			
3340-301-0660	Conservation Corps	Delta service district center	-12,255,000
3340-490	Conservation Corps	Camarillo satellite relocation/construction, Delta service district center	-
3480-001-0133	Conservation	Recycling program public outreach	5,000,000
3540-001-0001	Forestry and Fire Protection	Fire Marshall/DHS agreement	-1,800,000
3540-301-0660	Forestry and Fire Protection	Increase expenditures	2,074,000
3540-490	Forestry and Fire Protection	Stevens Creek reappropriation	-
3600-001-0001	DFG	Abolish vacant positions	-
3600-001-6018	DFG	Proposition 13 allocation	-1,235,000
3600-001-0890	DFG	Receipt of federal funds for salmon restoration projects	17,000,000
3680-001-0890	DBW	Federal grant adjustment	600,000
3680-101-0890			

3760-001-0565	Coastal Conservancy	Technical Adjustment	73,000
3790-301-0890	Parks & Rec	Federal Fund Increase	2,200,000
3790-302-0001 3790-301-0005 3790-490	Parks & Rec	Capital outlay adjustments	
3860-101-0543	DWR	Local projects- technical adjustment	-6,711,000
3860-491	DWR	CALFED-EWA reappropriation	-
3940-101-6016	SWRCB	Technical adjustments to bond funds	-14,921
3940-001-0475	SWRCB	Underground storage tank enforcement	310,000
3960-001-0065	DTSC	Clandestine Drug Lab program	1,953,000
3960-001-0557	DTSC	Cost recovery billing system	1,007,000
3960-001-0014	DTSC	Increased hazardous waste control account for federal match	250,000
3960-001-0001	DTSC	Abolish vacant positions	-
3980-001-0001	OEHHA	Abolish vacant positions	-
8570-011-0890	CDFA	Pierces Disease Management account-receipt of federal funds	6,069,000
8570-001-0890	CDFA	Specialty crop block grant	34,500,000

Support Budgets

3720	Coastal Commission	No issues have been raised with the commission's January 10 budget proposals.	-
3760	Coastal Conservancy	No issues have been raised with the conservancy's January 10 budget proposals.	-

0820 Department of Justice

It is the responsibility of the Attorney General to uniformly and adequately enforce the laws of the State of California. The Attorney General fulfills this mandate through the programs under his control at the Department of Justice (DOJ). There are five primary divisions within the department, including (1) Civil Law, (2) Criminal Law, (3) Public Rights, (4) Law Enforcement, and (5) Criminal Justice Information Services. In addition, there are the Directorate and Administration Divisions, Executive Programs, the Division of Gambling Control, and, as of January 1, 2000, the Firearms Division.

Budget Overview. The budget proposes \$619.9 million for the Department of Justice, which is a decrease of \$29.5 million, or 4.5 percent below current year expenditures. General Fund support would decrease by \$29.8 million from the revised current year budget to \$323.8 million. Of the total proposed funding, \$160.3 million is for the Division of Law Enforcement, \$265.1 million supports the Civil Law, Criminal Law, and Public Rights Programs, and \$147 million is for the Criminal Justice Information Services Program, which includes the Hawkins Data Center and other information technology functions of the department. The budget proposes a total reduction of \$26.5 million from the General Fund and 88 positions through a combination of expenditure reductions, fund shifts and special fund transfers.

DOJ Source of Funds					
<i>(dollars in thousands)</i>					
Fund Source	2000-01	2001-02	2002-03	Change	
General Fund	\$294,791	\$353,585	\$323,750	-\$29,835	-8.4%
Fingerprint Fees Account	51,297	58,485	55,838	-2,647	-4.5%
Motor Vehicle Account	18,859	19,561	19,532	-29	-0.1%
Restitution Fund	706	3,000	3,000	0	0.0%
Indian Gaming	7,659	8,067	9,809	1,742	21.6%
False Claims Act Fund	6,799	10,069	10,662	593	5.9%
Dealers' Record of Sale Special Account	8,780	8,345	8,345	0	0.0%
Gambling Control Fund	4,728	5,418	5,178	-240	-4.4%
Federal Trust Fund	38,216	31,225	28,018	-3,207	-10.3%
Federal Asset Forfeiture Account	1,174	1,888	4,490	2,602	137.8%
Reimbursements	113,397	133,542	133,097	-445	-0.3%
Firearm Safety and Enforcement	0	0	2,630	2,630	n/a
Missing Persons DNA Data Base Fund	0	2,850	2,805	-45	-1.6%
Other Special Funds	9,172	13,416	12,752	-664	-4.9%
Total	\$555,578	\$649,451	\$619,906	-\$29,545	-4.5%

Executive and Directorate Programs. The Directorate Program consists of the Attorney General's Executive Office, the Equal Opportunity Employment Office, and the Opinion Unit. The Division of Executive Programs maintains internal and external department communications. It consists of the Office of Legislative Affairs, the Crime Violence Prevention Center, special programs, and various communication offices.

Civil Law, Criminal Law, and Public Rights Divisions. The Civil Law Division provides legal services to state agencies and Constitutional Officers in the areas of licensing, government law, health, education, welfare, regulation, and taxation. The Criminal Law Division represents the state in all criminal matters before the appellate and supreme courts and defends the state in actions filed by state inmates under the Federal Civil Rights Act. The Public Rights Division provides legal services to state

agencies and Constitutional Officers in the areas of civil rights, natural resources, land law, consumer law, and child support enforcement.

Divisions of Law Enforcement and Gambling Control. The Division of Law Enforcement is organized into three bureaus, including Investigation, Narcotic Enforcement, and Forensic Services. The Division of Gambling Control will be developing regulations that will govern gaming establishments. Pursuant to the provisions of Chapter 867, Statutes of 1997, the Board of Gambling Control was abolished on January 1, 1999 and replaced by the California Gambling Control Commission.

Criminal Justice Information Services Division. The Criminal Information Services Division was created in the current year to include three former Division of Law Enforcement bureaus (Bureau of Criminal Information and Analysis, Bureau of Information and Identification, and the Western States Information Network) with the Hawkins Data Center and establishing the Criminal Justice Information Services Division.

BUDGET ISSUES

Federal Asset Forfeiture Spending Authority

Budget Request. The budget proposes to increase authority of \$1.2 million for Federal Asset Forfeiture funds to make a one-time purchase of 243 laptop computers and surveillance cameras. In addition, the budget proposes \$792,000 to implement an ongoing replacement schedule for computer equipment. Part of the DOJ's proposed agency-wide General Fund reduction includes a one-time fund shift of \$1.9 million from General Fund expenditures to Asset Forfeiture funds.

Issue. Due to the one-time fund shift and the increased expenditures in the budget year, the fund balance may not be able to absorb the proposed \$792,000 in ongoing expenditures.

Staff Recommendation. Staff recommends approval of the increased expenditures authority in the budget year, but not denying the ongoing expenditure authority for an equipment replacement program.

Action.

Do Not Call Program

Background. SB 771 (Figueroa and Campbell Chapter 695, Statutes of 2001) established a "do not call" list for residential and wireless telephone subscribers who do not want to receive telephone solicitations. Under the law, by January 1, 2003, the California Attorney General is required to establish, maintain and update quarterly a "do not call" list containing all of the telephone numbers and ZIP codes (but not the names and addresses) of residential and wireless telephone subscribers who do not want to receive unsolicited telephone calls. The Attorney General may contract with a private vendor to establish, maintain and administer the list. However, the contract must include appropriate provisions to protect the confidentiality of subscriber information and ensure that the best available, cost-effective technology is utilized so that subscribers and solicitors may easily subscribe or access information on the "do not call" list.

The program would require that solicitors pay a fee not to exceed the costs for preparation, production, maintenance, and distribution of the list in order to obtain copies of the "do not call list". The Attorney

General would be responsible for establishing a sliding fee schedule, that would not charge a solicitor with fewer than five full-time employees while it would charge the maximum fee to a solicitor with more than 1,000 employees. In addition, any individual who wishes to subscribe to the list may be charged a fee of up to \$1 every three years.

Budget Request. The budget proposes \$1 million for the Attorney General is from the Special Telephone Solicitor's Fund and 12.6 positions in the budget year to implement this program.

Staff Comments. The Department of Justice states that the fees collected by this program will be insufficient to support its operation. The department projects annual costs of approximately \$8 million to contract for the program, which includes a call center and database. The DOJ believes that the program will have an annual shortfall of approximately \$5 million after the collection of fees (3 million subscribers are assumed in 2002-03).

Staff Recommendation. Staff recommends increasing the expenditure authority by \$7.2 million from the Special Telephone Solicitors Fund. This action would send the issue to conference. Subsequent legislative action would be necessary to increase the subscriber fee to support this revised Special Telephone Solicitors Fund appropriation.

Action

2720 California Highway Patrol

Infrastructure Protection.

Budget Request. The budget proposes \$89.6 million from federal funds and 236 new positions to maintain a higher level of security to protect portions of the state's infrastructure that are considered susceptible to attack by terrorists. The total amount of on-going funding is \$76 million. Specifically, the proposal includes augmentations for the following:

- 33 officers to provide enhanced security at the state Capitol and state office buildings and facilities.
- 40 officers to provide security at nine major bridges and the Trans Bay Terminal.
- 100 officers to operate the state's 18 commercial vehicle inspection facilities 24 hours a day.
- 50 officers assigned to inspect carriers of hazardous materials.
- 24 officers to serve on various joint-terrorism task forces and to staff a new Emergency Notification and Tactical Alert Center.
- 24 pilots and flight officers to operate five additional helicopters for expanded air operations.
- 18 officers to provide security for nuclear power plants and state health laboratories.
- \$32.5 million for overtime costs in the event of tactical alerts.
- \$2.5 million for equipment to protect officers against chemical weapons.

State Role and Responsibilities. The LAO notes that this proposal assigns state personnel to protect private facilities, such as nuclear power plants, and non-state facilities such as the Golden Gate Bridge. The LAO recommends that the Legislature consider the following issues when evaluating proposals for enhanced security against terrorism:

- What are the appropriate areas and levels of responsibility for the state, federal, and local governments and private entities to assume for protecting citizens and facilities against terrorism? For instance, should the state be responsible, in whole or in part, for the protection of all areas or facilities with statewide importance, even if these are not state facilities? What should be the role of local law enforcement agencies?
- Who should pay for ongoing security services at the local level? Who should pay for the security of private facilities and non-state facilities that have statewide importance? How should these services be funded?
- Of the security services the state is responsible for providing, which should be under the jurisdiction of CHP, and which should be provided by other agencies?
- What is the appropriate allocation of resources between programs to prevent terrorism and those that respond to terrorist incidents?

Previous Actions. At the hearing on March 21, the Subcommittee held this issue open, pending additional analysis on the ability of the MVA to sustain additional officers in future budget years and the cost impact of the recent Unit 5 MOU.

Staff Comments. The budget proposes that the \$89.6 million in federal funds be transferred to the MVA and includes budget bill language allowing any additional funds received from the federal government for this purpose to also be transferred to the MVA. The president's proposed federal budget includes \$37.7 billion for security funding for the federal fiscal year beginning October 2002. Of this amount a total of \$3.5 billion is proposed for supporting first responders. At this time, there are no specifics regarding how this money will be allocated, whether this is funding is one-time or on-going, or what types of expenditures will be eligible. The Department of Finance indicates that a portion of this funding, or

additional funding will be available from the federal government. However, at this time no funding from the federal government has been specifically dedicated for these expenditures.

Staff Recommendation. In the budget year, there are sufficient funds in the MVA to cover these expenditures should federal funds not be forthcoming. However, absent funding from the federal government, there will not be sufficient funds in the MVA to cover these expenditures in 2003-04. Staff recommends deleting the proposed transfer language in CHPs budget that allows for the transfer of these federal funds to the MVA. Elimination of the transfer language would allow these funds to be expended upon receipt of the funding from the federal government.

Action.

Radio Dispatcher Staffing Levels

Background. The CHP employs approximately 700 dispatchers at 20 locations throughout California. These dispatchers handle all cellular “911” calls, as well as dispatching CHP officers.

Issue. Concerns have been raised that radio dispatching is not adequately funded. The radio dispatchers assert the following:

- CHP radio dispatchers handle over 7 million calls per year.
- 911 callers at times experience several minutes on hold.
- The current workload formula for radio dispatchers has not been updated since the major expansion of cellular phone usage.
- Turnover has been in excess of 25 percent per year, due at least in part to salary disparities with local agencies.

Staff Comments. The Subcommittee may wish to have CHP testify at the hearing on the concerns of the radio dispatchers. Specifically, the Subcommittee may wish to ask the CHP (1) whether there is adequate staffing of radio dispatchers to meet the increased use of cellular phone users, (2) whether the CHP would be able to handle the volume of calls that would result from a major terrorist attack or other catastrophic event, (3) whether there is data regarding how long cellular 911 callers are left on hold, and (4) what efforts CHP is making to reduce turnover for radio dispatchers.

Action.

Inter-Operable Communications

Senator McPherson raised some questions related to the issues of inter-operable communications with respect to CalTrans and CHP. Inter-operable communications allow agencies to talk to one another over the same frequencies in an emergency situation.

The Subcommittee may wish to ask CHP whether their current communications system are inter-operable with other law enforcement and emergency responding agencies. If not, the Subcommittee may wish to find out what steps are being taken to make their communications systems inter-operable.

Action.

OCJP Summary of Program Budget Amounts by Fund – Local Assistance		2002-03			
<i>(Dollars in Thousands)</i>					
Program	Total	Fund Source			
		General Fund	Federal Fund	Special Fund	Reimb.
<i>Victim Services</i>					
Victim Witness Assistance	\$ 10,871			\$ 10,871	
Victim’s Legal Resource Center	173	173			
Domestic Violence	10,211	1,460	8,751		
Family Violence Prevention	194	194			
Violence Against Women Act (VAWA)	12,990		12,990		
Rape Crisis	3,771	101		3,670	
Rape Prevention (DHS)	5,571		5,571		
Homeless Youth	883	883			
Youth Emergency Telephone Referral	338	338			
Child Sex Abuse & Exploitation	981	3		978	
Child Sex Abuse Prevention & Training	672	672			
Child Abuse/Abduction Prevention	495				
Victims of Crime Act (VOCA)	39,267		39,267		
Mandates Claims Bill	851	851			
<i>Public Safety</i>					
Community Crime Resistance	\$923	\$923			
War on Methamphetamine	15,000	15,000			
Career Criminal Apprehension	2,308	2,308			
Career Criminal Prosecution	3,987	3,987			
Major Narcotics Vendors Prosecution	2,641	2,641			
Serious Habitual Offender	547	547			
Vertical Prosecution of Statutory Rape	8,361	8,361			
Elder Abuse Vertical Prosecution	2,000	2,000			
Child Sex Assault Prosecution	1,304	1,304			
Evidentiary Medical Training	1,364	1,364			
Children’s Justice Act (CJA)	1,770		1,695		75
Vertical Defense of Indigents	692	692			
California Innocence Protection Program	800	800			
Public Prosecutors/Defenders Training	821	29		792	
Byrne Fund	52,118		52,118		
Residential Substance Abuse Treatment	6,545		6,545		
Local Law Enforcement	882		882		
Peace Officer Protective Equipment	178		178		
High Tech Theft Apprehension/Prosecution	13,518			13,518	
Suppression of Drug Abuse in Schools	3,263	1,451			1,812
Gang Violence Suppression	6,620	4,728	1,005		887
Multi Agency Gang Enforcement Consortium	248	248			
Juvenile Justice & Delinquency Prevention	6,060		6,060		
Community Delinquency Prevention	5,002		5,002		
Juvenile Accountability Incentive	21,769		21,769		
Juvenile Justice—Project Challenge	1,114		1,114		
Rural Crime Prevention	3,541	3,541			
Totals, Local Assistance	\$250,720	\$54,599	\$163,518	\$29,829	\$2,774

OCJP Consolidation

Background. At the hearing on April 11, the Subcommittee asked The LAO and committee staff to review the programs administered by the OCJP to identify possible areas of duplication and overlap with other state departments. According to the LAO, the OCJP administers about 41 programs, providing grants and technical assistance to approximately 1,100 state, local, and community-based organizations.

Victim Services. The LAO outlined the OCJP's four victim services branches: the Domestic Violence Branch, the Sexual Assault Branch, the Victim/Witness Branch, and the Children's Branch. The primary mission of OCJP's victim services programs is to help victims overcome the trauma of a crime committed against them and to help communities prevent violent crimes. The LAO notes that this mission, or components thereof, is shared by other state agencies, including the Department of Health Services (DHS), the Department of Justice, and the California Victim Compensation and Claims Board.

The Domestic Violence Branch is one specific example raised by the LAO of the OCJP's overlap with another state department. Domestic violence programs at the OCJP provide services that are very similar to the Battered Women's Shelter Program administered by DHS. Both programs fund shelter-based services, community prevention, intervention, and training, as well as provide technical assistance to local domestic violence agencies. The LAO notes that between 50 percent and 65 percent of OCJP's 77 grantees are also funded through the DHS program.

Law Enforcement. Similar to the example above, some overlap in the area of law enforcement programs have been identified. For example, the LAO notes that programs targeting methamphetamine crimes as an example of law enforcement programs that may overlap among different agencies. While the DOJ's California Methamphetamine Strategy (CALMS) and the OCJP's War on Methamphetamine program are not identical, both programs are maintaining or developing a database to track the locations of labs and the number of seizures.

Juvenile Delinquency Programs. The LAO reports that the OCJP administers about \$34 million in federal funds that support several programs aimed at reducing juvenile delinquency and juvenile crime. Many of these programs are similar to programs administered by the Board of Corrections.

Staff Comments. Consolidation of programs along the lines of victim services programs, law enforcement programs, and juvenile delinquency programs could be beneficial from an administrative and cost-efficiency perspective. Placing similar programs together would reduce the likelihood of duplication of effort and could improve coordination between state and local agencies. Additionally, grantees could benefit from a consolidation of the application process, elimination of multiple reporting requirements, and uniform monitoring procedures.

Staff Recommendation. Staff acknowledges that while there may be potential benefits from consolidation, there is a significant amount of additional work that needs to be performed, and more input needs to be received from groups and agencies that may be impacted by any consolidation.

Action: **Informational issue, no action necessary.**

Discretionary Use of Federal Funds

Background. At a Subcommittee #4 budget hearing on April 3, there was testimony indicating that the administration had found \$800,000 in federal funds in the current year that were redistributed to fund LA CLEAR, a gang prevention program. Specifically, OCJP indicates that \$692,000 from the Juvenile Accountability Incentive Block Grant (includes \$300,000 allocated to CYA) and \$108,000 from Byrne funds were redistributed.

OCJP indicates that these funds are from grantees that were unable to spend down their allotted funds during the grant period. In order to avoid reverting these funds to the federal government, OCJP redistributed them to projects that are able to expend the funds within the allotted period. LA Clear was the recipient of funds that other grantees were unable to spend.

Staff Comments. In the case of CLEAR, the Legislature appropriated \$1 million for the program in the current year. The administration has subsequently redistributed \$800,000 in federal funds for the program. The Subcommittee left this issue open at the hearing on April 11.

Staff Recommendation. Staff recommends approval of Supplemental Report Language (SRL) directing the OCJP to report on a quarterly basis regarding the redirection of grant funds among grantees. This SRL is identical to language approved in the Assembly.

Redirection and Reversion of Funds. Notwithstanding any other provisions of law, the Office of Criminal Justice Planning shall report to the fiscal committees of both houses of the Legislature on a quarterly basis: all grants administered by the department; criteria for redirection between programs; number of redirections during that quarter and the reason for the redirection; and the cumulative total of redirections for the current state fiscal year. In addition, the department shall report on a quarterly basis any funds reverted or returned during the current fiscal year.

Action

Gang Violence Suppression Program

Background. Chapter 1030, Statutes of 1981 (AB 788, Martinez) established the Gang Violence Suppression Program. Under existing law, the OCJP administers the program by providing grants and technical assistance to local agencies to reduce gang violence. There are five components to the program; prosecution, law enforcement, probation, prevention, and education.

The prevention component trains school personnel in gang awareness, gang suppression, and gang prevention strategies. The law enforcement component enhances police and sheriff departments efforts to investigate and arrest identified gang members. The probation component establishes an intensive supervision unit for gang members on probation. District attorneys' offices provide "vertical prosecution" of gang members whereby one attorney follows the case throughout the court process.

Budget Request. The budget proposes \$5.6 million for the Gang Violence Suppression Program which includes \$4.6 million from the General Fund and \$1 million in federal funds. The LAO indicates that since 1991, OCJP has provided more than \$57 million for this program including \$48.6 million from the General Fund and \$9.1 million in federal funds.

Issue. The LAO reports that the OCJP has administered the Gang Violence Suppression Program since 1984, but cannot provide information on the program's effectiveness. For example, the LAO notes that the OCJP could not provide information on conviction rates in the counties that received funds for prosecutions nor could it provide information on the change in gang related crimes in schools that receive these funds. The LAO also indicates that the OCJP was unable to show that funds were awarded to the communities that could benefit the most from this program. For example, OCJP could not demonstrate that its grantees have higher rates of gang violence than other communities in the state.

Analyst's Recommendation. The LAO recommends that the Legislature adopt supplemental report language requiring the OCJP to conduct an outcome evaluation for the Gang Violence Suppression Program and report its findings to the Legislature by January 10, 2003. The LAO further recommends that the OCJP report on steps it is taking to ensure that data submitted by grantees is accurate and that source documentation is available. The LAO believes that these activities can be absorbed by existing staff in OCJP's evaluation unit.

Action.

DNA Cold Hit Program.

Background. The Budget Act of 2000 appropriated \$50 million from the General Fund to fund efforts to solve unsolved sexual assault cases using new technology, primarily DNA testing. At the time that the program was implemented the OCJP and the DOJ estimated that there were 30,000 sexual assault cases that could be re-examined using the latest DNA technology. This estimate was based upon reported number of cases of sexual assault by local law enforcement agencies to the department of justice. The program is funded for three years and would end June 30 ,2003.

At the hearing on April 11, the Subcommittee redirected \$4 million from this program to provide out year funding through the end of the grant cycle for the OCJP's domestic violence program.

The department of Justice indicates that the program has currently identified 15,000 sexual assault cases available for review. Additional cases could be sought from local law enforcement agencies by one of three procedures:

- Requesting agencies to look further for evidence related to unsolved sexual assault case ;
- Accepting current cases; and
- Asking agencies to look at evidence related to other types of cases (e.g. homicides) where there could be a sexual assault component with biological evidence suitable for DNA testing.

Assembly Action. At the hearing in the Assembly, the OCJP indicated that based on revised estimates for the number of cases, it would only expend \$28 million of the original \$50 million appropriated. The Assembly took action to reduce the program by \$17 million.

Staff Comments. The OCJP indicates that there may be additional cases for review than the 15,000 currently identified. OCJP indicates that a surprisingly small number of cases have been identified from Los Angeles to-date.

Staff Recommendation. Staff recommends approving this as budgeted. Staff anticipates that additional information may be available on this issue by the time of the May Revision.

Action.

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The state highway system comprises approximately nine percent of the total roadway mileage in California but handles approximately 54 percent of the miles traveled. The department also has responsibilities for congestion relief, transportation technology, environmental and worker protection, airport safety, and land use and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

Public Transportation Account Projected Shortfall

Background: The subcommittee approved a \$24 million reduction in the budget-year loan from the Public Transportation Account (PTA) to the Traffic Congestion Relief Fund. The Subcommittee approved the loan reduction in light of a projected shortfall to PTA, however a recent action by the Board of Equalization prevents the projected shortfall.

Staff Recommendation: Staff recommends the subcommittee approve the PTA's scheduled \$100 million loan to the TCRF.

Action:

The subcommittee approved the staff recommendation.

2-1 (Sher, Kuehl "aye")

Fleet Greening Initiative

Background: The budget proposes \$10 million (State Highway Account) to continue the "fleet greening" of Caltrans' mobile fleet. Last year the Legislature approved \$20 million (SHA) to begin this program.

To ensure that the proposed funds are not redirected to other purposes, the LAO recommends the following budget bill language:

Any portion of the \$5,494,000 appropriated in this item for diesel engine retrofit and staff overtime that is unexpended for the approved emission reduction purposes at the end of the fiscal year shall revert to the fund from which it was appropriated

Staff Recommendation: Staff recommends the subcommittee approve the department's proposal and the LAO's proposed budget-bill language.

Action:

The subcommittee approved the staff recommendation.

Vote: 3-0

Finance Letters

Transportation Financing Cash Management Program. The department proposes \$500,000 (SHA-4.0 positions) to establish a cash monitoring and management program.

Staff Recommendation: The cash-management proposal differs from the state's standard approach of managing transportation accounts from an accrual basis. Staff recommends the subcommittee approve the positions on a 3-year limited term basis, and approve the following budget bill language:

2660-001-0042

"This item includes \$400,000 to fund 4 new positions to establish a cash monitoring and management program. The Department of Transportation shall track the workload of these new positions and report to the Legislature by December 1, 2004 with a comparative analysis of this request and activities performed."

Action:

The subcommittee approved the staff recommendation (6-year limited-term positions). The subcommittee also approved the date change for the storm water SRL.

Vote: 3-0

3125 California Tahoe Conservancy

Established in 1984, the Conservancy develops and implements programs to maintain equilibrium between the natural endowment and the man-made environment of the Lake Tahoe region. The Conservancy, overseen by a seven-member governing board, acquires and manages lands to protect the natural environment, provides public access and recreational facilities, preserves wildlife habitat areas, and, as a result, is a key element in the implementation of the Environmental Improvement Program for Lake Tahoe; it also awards grants to other public agencies and nonprofit organizations for the purposes of its programs. The Conservancy's office is located in South Lake Tahoe.

Issue

Legislative Oversight of Lake Tahoe Environmental Improvement Program

Background: The Tahoe Environmental Improvement Program (EIP) was established in 1997 to improve environmental standards in the Lake Tahoe basin. Total expenditures for the EIP are estimated at \$1.5 billion over a 20-year period. The budget proposes total expenditures of \$26.6 million for the EIP.

LAO Recommendation: Because of the state's financial commitment to the EIP, the LAO believes it is important for the Legislature to have up-to-date and accurate information about the EIP's effectiveness in meeting environmental standards set for the Lake Tahoe region. To this end, the LAO makes the following recommendations:

1. Conduct joint hearings with the policy and fiscal committees to help identify any need for legislation to provide policy direction to the program, and to provide a policy basis for the budget subcommittees as they decide which proposals to fund.
2. Direct the Tahoe Regional Planning Agency to provide the following:
 - A summary of the major activities planned for the program in the budget year, including project specifics and time lines.
 - The policy choices made and the funding priorities inherent in the budget proposal.
 - A status report on Tahoe EIP's programs to date and inform the Legislature on the results and implementation of TRPA's recent evaluation of environmental standard attainment in the Tahoe region. Provide a status report on the development of outcome-oriented performance measures to enable legislative review of Tahoe EIP's effectiveness in meeting environmental goals.
3. Approve the following supplemental report language:

In order for the Legislature to better evaluate budget proposals for the Tahoe Environmental Improvement Program (EIP), it is the intent of the Legislature that the Governor's budget display include an informational item that contains all Tahoe EIP expenditures of all state agencies implementing the program. This display should be included in the budget for the 2003-04 and future budget years.

Staff Recommendation: The Administration and the LAO are working on a compromise proposal for the subcommittee to consider. Staff was unable to review the new proposal by the time the agenda was completed. The subcommittee may wish to consider having the LAO and the Department of Finance present their respective proposals.

Action:

The subcommittee approved the compromise language

Vote: 3-0

Other Budget Requests

Staff Recommendation: No issues have been raised with the conservancy's budget requests. Staff recommends the subcommittee approve as budgeted.

Action:

AAB

Vote: 3-0

3480 Department of Conservation

This department protects public health and safety, ensures environmental quality, and supports the State's long-term viability in the use of California's earth resources. The department provides education and dissemination of information concerning agricultural and open space lands and soils, beverage container recycling, geology and seismology, and mineral, geothermal, and petroleum resources.

Beverage Container Recycling Fund

Issue: The budget proposes a \$218 million loan to the General Fund from the Beverage Container Recycling Fund. The BCRF is projected to have a fund balance of \$25 million, a reduction of \$165.7 million from the current-year. The Administration has proposed budget bill language to repay the loan with interest, however a repayment date has not been specified.

Staff Recommendation: Staff recommends the subcommittee approve the Approve the \$218 million loan from the BCRF, and the following budget bill language:

3480-101-0001

For transfer to the Beverage Container Recycling Fund upon written approval of the Department of Finance to provide operating funds for support of the Beverage Container Recycling Program on a monthly basis, as needed, for Cashflow purposes, with all monies transferred during 2002-03 to be reverted to the General Fund prior to June 30, 2003.

Action:

The subcommittee approved the staff recommendation, and directed staff and the department to finalize the budget bill language.

Vote: 2-1 (Sher, Kuehl "aye")

3540 Department of Forestry and Fire Protection

The department, under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by the state or local agencies. In addition, the department (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands. The Office of the State Marshal was consolidated into the department in September 1995. The office is responsible for protecting life and property from fire through the development and application of fire prevention engineering, enforcement and education regulations.

State Responsibility Area Costs Shift with Local Government

Issue: The budget proposes \$20 million in reimbursement authority for state responsibility area (SRA) fire suppression costs. At the time this analysis was prepared, the department had not provided a budget change proposal for this item.

Staff Recommendation: Although the item is intended to provide \$20 million ongoing relief to the General Fund, the department has still not provided the Legislature with a formal proposal. For purposes of moving the item in to conference committee, staff recommends the subcommittee not withhold approval for the Administration's proposal.

Action:

The subcommittee approved the staff recommendation.

Elimination of Emergency Fire Suppression Fund (E-Fund)

Background: The department proposes budget bill language that authorizes the Director of Finance to appropriate additional revenues for emergency fire suppression costs. The subcommittee has deleted the Administration's proposal due to concerns over Legislative oversight of the department's emergency fire suppression expenditures. Staff has developed the following compromise language for the subcommittee's consideration:

The Director of Forestry and Fire Protection shall furnish quarterly reports on expenditures for emergency fire suppression activities to the Director of Finance, the Chairperson of the Joint Legislative Budget Committee, and the policy and fiscal committees of each house. Notwithstanding Section 27.00 of this act, the Director of Finance may authorize expenditures in excess of the amount appropriated in this item by an amount necessary to fund emergency fire suppression costs. The authorization shall occur not less than 30 days after receipt by the Legislature of the quarterly expenditure report from the Department of Forestry and Fire Protection.

Staff recommendation: Staff recommends the subcommittee approve the compromise budget bill language.

Action:

The subcommittee approved the staff recommendation

Vote 2-0 (McPherson absent)

Timber Harvest Plan Review

Issues: The budget proposes \$22.1 million (\$21.5 million, General Fund) for review and enforcement of timber harvest plans (THPs). The LAO recommends imposing fees on timber operators to cover the costs incurred by state agencies in their review and enforcement of timber harvest plans.

Staff Recommendation: The subcommittee has directed staff to develop a timber harvest plan proposal. The subcommittee may wish to consider approving trailer bill language to impose a timber yield tax surcharge to offset the costs of reviewing and enforcing timber harvesting plans.

Action:

No action

Capital Outlay Open Issues

Issue: The LAO recommends approval for preliminary plans and working drawings for the following five projects, contingent on review of completed budget packages.

Sweetwater FFS**	P, W, C	\$1,521,000
San Marcos FFS**	P,W,C	\$2,112,000
Springville FFS	P, W, C	\$2,740,000
Raymond FFS**	P, W, C	\$1,537,000
Bautista CC	P, W, C	\$3,079,000

The LAO recommends the Legislature delete \$9.7 million for construction costs because the projects are not scheduled for construction until 2003-04. The Analyst estimates construction will not begin until September, 2003 for most of these projects. The subcommittee approved funding for the Bautista project and withheld action on the remaining four projects.

Staff Recommendation: Staff recommends the subcommittee approve the remaining projects, and approve the following budget-bill language:

Provisions:

7. *Preliminary plans for Schedules (2), (9), (18) and (19) of this item are not yet complete. Due to the consistent design and components of forest fire stations, and to facilitate the use of the Public Buildings Construction Fund and related interim financing from the Pooled Money Investment Account, these projects are authorized to the extent the scope and cost for Schedules (2), (9), (18), and (19) remain consistent with Department of General Services capital outlay budget packages B1CDF98, B2CDF109, B1CDF102, and B2CDF103, respectively. Nothing in this provision shall be construed to limit the Public Works Board's authority pursuant to Government Code Section 13332.11.*

Action:

The subcommittee approved the staff recommendation

Vote: 3-0

3560 State Lands Commission

The Commission is comprised of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of lands the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands. The Commission generates significant state revenue from the development and extraction of oil, gas, geothermal energy, and other minerals on state lands. Most of this revenue is from oil production on state tidal and submerged lands along the coast of southern California. The commission also administers regulations and policies for operation of marine facilities in the state to protect against oil spills.

Issues

Resources Programs Funded with Tidelands Oil Revenues

Existing law requires that after specified tidelands oil revenues amounts are deposited in the Housing Trust Fund and to the General Fund for support of the State Lands Commission (SLC), the remaining revenues are deposited into the Resources Trust Fund (RTF). The RTF funds the following accounts:

- \$8 million to the Salmon and Steelhead Trout Restoration Account for the recovery of salmon and steelhead trout.
- \$2.2 million to the Marine Life and Marine Reserve Management Account for marine life management.
- \$10 million to the State Parks Deferred Maintenance Account for deferred maintenance expenses.
- All remaining RTF revenues go to the Natural Resources Infrastructure Fund (NRIF) for (1) environmental review and monitoring by DFG, (2) Natural Community Conservation Plan acquisitions, (3) HCF funding requirements, and (4) nonpoint source pollution control programs.

Issue: The Administration proposes trailer bill language to eliminate the statutory requirements for distributing tidelands oil revenues to the RTF-resources programs. The budget estimates tidelands revenues at approximately \$56 million in the budget-year. The budget proposes to transfer \$12 million funds to the General Fund for support of the SLC. However the budget proposes no funding for the Housing Trust Fund, or the RTF. The budget proposes a combination of General Fund and bond funds to fund activities currently funded by the RTF. Additionally, the budget proposes to transfer all remaining tidelands oil revenues to the General Fund (estimated at \$44 million in the January 10 budget proposal).

Staff Recommendation: Staff recommends the subcommittee deny the proposed trailer bill language, and approve the following budget bill language:

New Control Section

Notwithstanding any other provision of law, all revenues that would have been deposited in the Resources Trust Fund, pursuant to Section 6217, Subdivision (c) of the Public Resources Code, shall be deposited in the General Fund.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

Other Budget Requests

Staff Recommendation: No issues have been raised with the commission's budget request. Staff recommends the subcommittee approve as budgeted.

Action:

AAB

Vote: 2-0 (McPherson absent)

3640 Wildlife Conservation Board

The board acquires property to protect and preserve wildlife and provides fishing, hunting, and recreational access facilities. The board is composed of the Directors of the Departments of Fish and Game and Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

Issues

Natural Heritage Preservation Tax Credit Program

Issue: Last year the Budget Committee voted to shift \$70 million to the General Fund from the Natural Heritage tax credit program. The committee action was ultimately denied in conference committee. The WCB and the Department of Finance indicate that the tax credits cannot be used for General Fund support. The program creates a loss of revenue to the state; thus there is not a revenue stream that can be diverted for other purposes.

To limit the revenue loss in the budget-year, the Legislature can establish a cap on the projects approved by the WCB. Subcommittee 4 has requested the item go to conference committee for further discussion.

Staff Recommendation: Staff recommends the subcommittee approve the item as proposed. The item will go to conference committee as a result of the subcommittee action.

Action:

AAB

Vote: 2-0 (McPherson absent)

Other Budget Requests

Staff Recommendation: Staff recommends the subcommittee approve the board's budget requests as proposed.

Action:

AAB

Vote: 2-0 (McPherson absent)

3790 Department of Parks and Recreation

The department acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system. In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

Land Acquisitions and Operating Costs

Issue: The subcommittee directed the LAO and the department to develop supplemental report language requiring the department to prepare a funding plan for its recent land acquisitions.

Staff Recommendation: Staff recommends the subcommittee approve the revised compromise language.

Action:

The subcommittee approved the staff recommendation

Vote: 2-0 (McPherson absent)

Harbors and Watercraft Fund Transfer

Issue: The budget proposes a \$26.6 million transfer to the State Parks and Recreation Fund from revenues generated by the Motor Vehicle Fuel Account-Transportation Tax Fund that are deposited in the Harbors and Watercraft Fund. The current-year budget provides an \$11.6 million transfer from the Harbors and Watercraft Fund, and the budget proposes an additional \$15 million.

Staff Recommendation: Staff recommends the subcommittee approve \$19.1 million from the Harbors and Watercraft Fund to the State Parks & Recreation Fund.

Action:

The subcommittee approved the staff recommendation

Vote: 2-0 (McPherson absent)

Finance Letters

Amendment to Budget Bill Item 3790-101-0890, Local Assistance. The department proposes to allow an exemption to the Section 28 process for federal appropriations for local assistance. The LAO argues the department has not justified why they need to get around the Section 28 process.

Staff Recommendation: The subcommittee may wish to have the LAO explain why the budget bill language should be deleted.

Action:

The subcommittee approved the finance letter, but deleted the budget bill language

Vote: 2-0 (McPherson absent)

3860 Department of Water Resources

The department is responsible for developing and managing California's water through the implementation of the State Water Resources Development System, including the State Water Project. It also maintains the public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

California Energy Resources Scheduling (CERS)

Issue: The budget proposes a \$7.98 million augmentation for the CERS program.

Staff Recommendation: The subcommittee may wish to consider asking the department the following questions:

- What is the need for the augmentation, given that existing statute eliminates the department's spot market trading authority on December 31, 2002.
- Is the request for ½ year funding, or for the entire budget-year?
- What is the department's plan for the computer software and programs obtained for energy purchases.

Action:

The subcommittee approved the budget request, and approved supplemental report language to require the department to submit quarterly reports on the department's transitioning efforts.

Vote: 3-0

CALFED Oversight

Staff Recommendation: Staff recommends the subcommittee approve the following supplemental report language:

On or before December 1, 2002, the CALFED Bay –Delta Program shall submit to the Legislature a report containing all of the following:

- *A recommendation to establish a process to certify urban water conservation best management practices implementation.*
- *A proposal to generate \$35 million annually in user fees to support ecosystem restoration.*
- *Cost allocation principles and a draft financing plan for each potential surface storage facility, consistent with CALFED's "beneficiary pays" requirement.*
- *An identification of likely beneficiaries of each potential surface storage facility.*
- *Environmental monitoring and adaptive management programs for all Environmental Water Account and State Water Project purchases.*
- *An analysis of the impact of court rulings regarding the Central Valley Project Improvement Act on CALFED implementation, including ecosystem restoration, the Environmental Water Account and conveyance issues.*
- *A status report on progress in preparing groundwater management legislation.*
- *A report regarding progress in implementing the CALFED environmental justice program.*
- *A definition of appropriate water measurement, as discussed in the Record of Decision, including urban metering.*

Action:

The subcommittee approved the staff recommendation, and changed the reporting date to February 1, 2003.

CALFED: Environmental Water Account (EWA)

LAO Recommendation: The LAO believes the Legislature should "sign off" on the concept of the EWA and determine the appropriate state role in EWA, particularly in terms of funding. The LAO argues that water users should pay for at least some of the program's costs because they benefit from EWA to the extent that it makes water supplies more reliable. The LAO recommends the Legislature consider operational issues for the EWA, including governance, scientific review, and acquisition and use of water. The LAO recommends legislation to establish the EWA and to specify how the program will be governed, funded, operated, and held accountable to the Legislature. Until authorizing legislation is approved, the LAO recommends deleting the \$29.2 million for the EWA.

Staff Recommendation: The subcommittee has committed to convening interim hearing(s) on the CALFED program. Staff recommends the subcommittee approve the budget as proposed.

Action:

The subcommittee approved the budget request and the finance letter.

Vote: 3-0

Integrated Storage Investigations

Issue: The budget proposes a \$300,000 reduction to the Fish Passage Improvement Program. As part of the ISI budget, the Fish Passage Improvement Program seeks to identify small dams and other barriers to improve spawning access for salmon and steelhead. The subcommittee approved the reduction and directed staff to identify a fund source to backfill the program.

Staff Recommendation: Staff recommends the subcommittee approve \$300,000 from Proposition 204 bond funds, and the following supplemental report language.

On or before December 1, 2002, the CALFED Bay Delta Program shall submit a report to the Legislature containing a work plan prepared by the Fish Passage Improvement Program, developed in coordination with the Department of Water Resources and the Department of Fish and Game, that: (1) identifies and prioritizes which small dams and other fish passage barriers should be removed, modified or repaired to improve fish migration; and (2) describes how recommended specific fish passage barrier projects will be integrated with the Ecosystem Restoration Program.

Action:

The subcommittee approved the staff recommendation

Vote: 3-0

Watershed Program

Issue: The subcommittee has been made aware that a majority of projects in the watershed program have not been reviewed by the Department of Water Resources. The subcommittee may wish to have the department to provide in writing the status of the watershed projects, and if the department expects to approve the remaining projects in the budget-year.

Action:

3900 Air Resources Board

This Board is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the Board to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, develop and oversee implementation plans for the attainment and maintenance of both state and federal air quality standards and oversee the regulation of sources of pollution by air pollution control districts.

Funding the Stationary Source Program

Issue: The budget proposes \$43.1 million (\$24.9 million, General Fund) for the stationary source program. The Legislative Analyst recommends applying the “Polluter Pays” principle and reassessing the fee structure of the program. The effect of this proposal would shift \$18.7 million from the General Fund to fees.

Staff Recommendation: The subcommittee directed staff, the LAO, and the ARB to develop a proposal for consideration. Staff recommends the subcommittee have the LAO and the ARB report on the progress of the working group. The subcommittee may also wish to consider approving trailer bill language to increase the number of fee payers in the stationary source program.

Action:

The subcommittee approved supplemental report language to require the ARB to review and report on air polluters. The subcommittee asked for recommendations to implement the “polluter pays” principle next year.

Vote: 3-0

3910 Integrated Waste Management Board

The mission of the Board is to promote source reduction, recycling, composting, and environmentally safe transformation (in that priority order) as alternatives to the disposal of solid waste at landfills. The Board also protects the public health and safety through the regulation of existing and new solid waste land disposal sites.

Conversion Technologies

Issue: The subcommittee approved \$1.5 million (Integrated Waste Management Account) to establish grant programs, conduct workshops, facilitate working groups, and begin an analysis of the environmental and economic benefits of conversion technologies. The subcommittee directed the LAO and the board to develop budget-bill and supplemental report language to establish the parameters of the program. Subsequent to the committee's action, the subcommittee has received correspondence citing concerns with the proposal. Specifically, the subcommittee has concerns relating to dioxin production through pyrolysis and gassification, and the potential of this program to undermine solid waste diversion requirements.

Staff Recommendation: The subcommittee may wish to have the board respond these issues.

Action

No action.

3930 Department of Pesticide Regulation

The department was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. This function previously was carried out by the Department of Food and Agriculture. The department (1) evaluates the public health and environmental effects of pesticides, (2) regulates, monitors, and controls the use of pesticides in the state, (3) tests produce for pesticide residue levels, and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund.

Pesticide Use Enforcement Activities

Issue: The Legislative Analyst Office has identified issues regarding the department's oversight and enforcement of pesticide use.

Staff Recommendation: The subcommittee directed the LAO and the department to develop supplemental report language that does not require additional resources. Staff recommends the subcommittee approve the compromise language if it determined to be revenue neutral.

Action:

The subcommittee approved the staff recommendation

Vote: 3-0

Local Assistance Reduction

Issue: The subcommittee approved the department's proposal to reduce local assistance funding by \$500,000. The subcommittee has received a request from the County Agricultural Commissioners to restore funding for local assistance. The subcommittee has also approved the department request to provide a \$432,000 augmentation for local assistance. The department says the total reduction for local assistance is \$68,000.

Staff Recommendation: The subcommittee may wish to have the department report on the status of local assistance funding.

Action:

No action.

3940 State Water Resources Control Board

The Board regulates water quality in the state and administers water rights. The Board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control Boards establish water discharge requirements and carry out water pollution control programs in accordance with state Board policies. The Board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

Core Regulatory Program

Background: The budget proposes \$68.3 million for the core regulatory program. The budget proposes to shift \$15 million from the General Fund to the Waste Discharge Permit Fund (WDPF). To accomplish the fund shift, the Administration has introduced trailer bill language to increase the statutory cap on fees from \$10,000 to \$20,000.

LAO Recommendation: The LAO argues that the proposed fund shift does not go far enough. The analyst believes the relationship between private degradation of resources is particularly strong in the case of point source water pollution, thereby justifying a full fee-based recovery of the core regulatory program. To apply the polluter pays principle to funding the board's core regulatory program, the LAO recommends an additional \$22.1 million reduction from the General Fund, and increase the WDPF by a similar amount. The subcommittee approved the LAO recommendation and directed staff to develop a detailed fee proposal.

Staff Recommendation: The subcommittee directed staff, the LAO, and the board to develop a proposal for consideration. Staff recommends the subcommittee have the LAO and the water board report on the progress of the working group. The subcommittee may also wish to consider approving trailer bill to fund the core regulatory program from fees.

Action:

No action

System for Water Information Management (SWIM II)

Background: The budget proposes \$4.3 million (General Fund) and 5 positions to continue the development of SWIM II. The SWIM II program is intended to improve the board's automated systems and provide information on discharger violations.

Issue: During pre-hearing discussions, staff raised the question of why the board was continuing with the SWIM II proposal and not a "Geo-Tracker" system. The subcommittee held the item open so that staff could work with the board on the proposal.

Staff Recommendation: Staff recommends the subcommittee approve the staff/water board compromise.

Action:

The subcommittee approved the staff recommendation (compromise BBL).

Vote: 3-0

3960 Department of Toxic Substances Control

The department's mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes.

Cleanup Loan and Environmental Assistance to Neighborhoods Assistance Program (C.L.E.A.N)

Issue: The Legislative Analyst argues that the department and the California Pollution Control Financing Authority (CPCFA) have overlapping statutory authority to operate similar programs to promote the redevelopment of brownfields. The LAO recommends legislation to reduce the potential for programmatic overlap between the department and CPCFA, and supplemental report language requiring CPCFA and the department to report on their efforts to coordinate their activities.

Staff Recommendation: Staff recommends the subcommittee approve the following supplemental report language:

On or before March 1, 2003, the California Pollution Financing Authority (CPCFA) and the Department of Toxic Substances Control (DTSC) shall report to the Chair of the Joint Legislative Budget Committee and the chairs of the budget committees of both houses on their efforts to coordinate their respective brownfield financing programs, to identify any obstacles the brownfield financing programs may pose to each other or synergies they may create for one another, and the results of their efforts to effectively target and maximize the investment of State resources for site assessment, cleanup and redevelopment of brownfield properties.

Action:

The subcommittee approved the staff recommendation

Vote: 3-0

3980 Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. The office (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

General Fund Reduction

Background: The budget proposes a \$1.5 million reduction in General Fund expenditures. The proposal calls for a reduction of 8.9 positions and \$753,000 in contract funds. The subcommittee withheld approval and directed staff to identify funds to restore the following reductions:

Evaluations of toxic air contaminants under the children's environmental health protection act.	183
Limit the development of cancer risk assessment guidance for health based standards of infants and children.	179
Contract reduction in PHG development.	204
Technical services via contracts for development, review, and evaluation of the school site risk assessment guidelines	50

Staff Recommendation: Staff recommends the subcommittee deny the general fund reduction for these programs, and approve the remaining reduction proposals (\$900,000).

Action:

The subcommittee approved the staff recommendation

Vote: 3-0

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Revised
Wednesday, May 8, 2002
3:00 PM or upon adjournment of Constitutional Amendments
Room 112

PART 2

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3360 Energy Resources Conservation & Development Commission

The commission, commonly referred to as the California Energy Commission (CEC), is responsible for:

- Siting power plants,
- Conducting energy-related research and development,
- Forecasting energy supply and demand, and
- Implementing conservation strategies.

As displayed in Table 1, the budget proposes expenditures of about \$247 million, a reduction of \$148 million (37 percent) relative to the current year.

The commission also expects to have loan repayments of \$3.6 million, up from \$2.9 million in the current year.

Table 1
California Energy Commission
Expenditures by Program
2002-03
(dollars in thousands)

	2000-01	2001-02	2002-03	Amount	Percent
Regulatory and Planning	\$35,155	\$35,638	\$30,059	-\$5,579	-16%
Energy Resources Conservation	265,579	145,957	24,752	-121,205	-83%
Development	306,678	213,356	192,413	-20,943	-10%
Totals	\$607,412	\$394,951	\$247,224	-\$147,727	-37%

As displayed in Table 2, the commission is funded by a combination of special fund revenues, reimbursements and General Fund revenues. Specifically:

- *Special funds account* for about \$227 million (94 percent) of the commission's budget.
- *Reimbursements account* for over \$10 million (about 4 percent) of the total.
- *The General Fund accounts* for nearly \$6 million (about 2 percent) of the CEC's budget. General Fund revenues are allocated to the commission's siting and transportation programs.

Analyst says special fund revenues are underestimated. As displayed in Table 2, the commission is almost exclusively funded with special fund revenue. The Energy Resources Program Account (ERPA) fund provides nearly 20 percent of the commission's budget. The

Table 2
California Energy Commission, Funding Sources
2002-03
(dollars in thousands)

	Amount	Percent
General Fund	\$5,722	2%
Renewable Resource Trust Fund	93,800	38%
Public Interest Research, Development & Demo. Program Fund	71,515	29%
Energy Resources Programs Account	40,550	17%
Other Special Funds	25,317	10%
Reimbursements	10,320	4%
Total	\$2437,224	

ERPA charge is set at \$.0002 per kilowatt-hour of electricity consumed and generates \$45 million per year. (Current law specifies a floor of \$.0001 per kilowatt-hour.) The Board of Equalization administratively increased the charge to its current level of \$.0002 per kilowatt-hour. The fee was last raised on July 1, 1983. The commission estimates that the average residential customer pays \$1.27 per year for the charge.

The revenue estimates for ERPA funds are based on the commission's forecast for electricity usage. When it put the budget together, the CEC estimated that taxable electricity usage would remain at current-year levels. The Analyst's office believes that energy use will rise by between 2 percent and 4 percent. For purposes of budget planning, it suggests assuming that ERPA revenues will rise by 2 percent (an increase of \$900,000). The Analyst's estimate accounts for the likely impact of conservation measures.

Commission response. The CEC staff acknowledge that electricity consumption in California is expected to grow more moderately in calendar year 2002 than was anticipated in January. However, it identifies two reasons for maintaining existing funding:

- *Revenue Volatility Makes Any Forecast Suspect.* Given the changing electricity market, it is hard for the CEC to be confident in its short-term electricity forecast. Many factors could influence usage. For example, according to the commission, the California Power Authority recently announced its goal to offset all growth in electricity demand through additional energy conservation measures. Additional energy conservation measures could undermine the LAO's proposed increase in revenues.
- *The CEC Wants a Higher Reserve than Proposed by the Governor.* According to the CEC, "If revenues are higher than the Governor's Budget projection, then they should be maintained in the fund to provide a prudent reserve (as opposed to offsetting General Funds)... The Governor's Budget proposes only a \$929,000 or 2.1% reserve next fiscal year. If revenues increase 2 percent, the additional \$900,000 could be added to the reserve providing a \$1,829 balance or 4 percent reserve."

Budget Issues

1. General Fund Support for Siting

The commission must approve the siting of most power plant facilities. The number of applications received by the commission can vary significantly from year to year. For example, the commission received 10 and 36 applications in the last two years, respectively. It expects to receive 15 for the year ending June 30, 2002. In the budget year, the commission assumes it will receive 10 applications.

The commission expects to spend about \$19 million on siting issues in the budget year. Most of these costs are financed with special fund money. The budget appropriates \$5.7 million from the General Fund. The Legislature could use the \$900,000 in additional special fund revenues identified by the Analyst (see discussion above) to reduce this General Fund appropriation to \$4.8 million.

Under current law, the CEC:

- Levies a fee on Notices of Intention (NOI). The fee is on all persons applying for certification of a thermal power site or facility, and is set at one-cent per kilowatt of net electric capacity. The CEC has not received any NOI filings in many years and does not anticipate receiving any in the near future.
- May seek cost reimbursement for its actual CEQA-related costs from applicants who file for a Small Power Plant Exemption (SPPE). It does not anticipate receiving any SPPE filings in the near future.

The Governor proposes to repeal the existing fee structure for NOIs and impose a flat fee of \$25,000 for each application for certification of a site or related facility. The budget assumes revenues of \$250,000 from the new fee structure. The revised fees would finance about one percent of the total cost of the siting and compliance monitoring program.

The Analyst recommends that generators or ratepayers bear the full cost of the siting program, rather than the General Fund. To back out the General Fund, the LAO recommends raising the application fee on generators, or increasing the per-kilowatt charge levied on all electricity consumers.

In evaluating this recommendation, the subcommittee may wish to consider the volatility in the number of applications. If the Legislature shifted costs of the siting program to the applicants and one applicant delayed until July 2003, the commission would face a half-million dollar deficiency in its budget.

Staff recommend that the subcommittee: (1) eliminate the General Fund appropriation for siting, (2) adopt language authorizing an increase in the ERPA surcharge sufficient to replace the General Fund revenue in 2002-03, and (3) authorize the commission to raise the ERPA rate each November to fund their programs up to \$.0003 per kilowatt-hour. This action would be *in lieu* of the Governor's proposal to impose the \$25,000 fee.

Draft Trailer Bill Language**Amend Revenue and Taxation Code §40016 as follows:**

40016. (a) A surcharge is imposed on the consumption in this state of electrical energy purchased from an electric utility on and after January 1, ~~1975~~ 2003, at a rate of up to ~~one-tenth~~ *three-tenths* mill (~~\$0.0004~~) (\$0.0003) per kilowatt-hour pursuant to subdivision (b).

(b) ~~On and after July 1, 1983, the~~ *The commission shall set the rate at a public meeting each November for the calendar year starting the following January. If the commission fails to set the rate in any November, the surcharge shall continue at the rate in effect during that November. Under no circumstances may the rate exceed three-tenths (\$.0003) per kilowatt-hour.*

2. Supplemental Report Language

The recommendation above would raise the commission's reliance on ERPA revenues to nearly one-fifth of the commission's entire budget. The LAO is concerned that increasing the commission's reliance on ERPA will increase CEC's vulnerability to budget shortfalls due to revenue shortfalls. While ERPA's revenue base is fairly stable, it has exhibited some volatility in recent years. To moderate this volatility, the LAO suggests that the Legislature consider in the future a supplemental revenue source for the commission, such as a fee on generators. For example, a regulatory fee could be assessed on new applications to build power plants in the state. Alternatively, ongoing regulatory fees could be assessed to cover the costs of the commission's compliance-monitoring activities.

The Legislative Analyst recommends that the Legislature request a study be done on a specific way to charge: (a) developers seeking approval to site power plants in California, and (b) generators for the ongoing costs associated with compliance.

Proposed Supplemental Report Language**3360-001-xxxx--Fee Structures**

a) No later than December 1, 2002, the Commission shall report to the chairs of the fiscal committees in both houses on alternative fee structures for imposing fees on: (a) developers seeking approval for site power plants, and (b) generators for the ongoing costs associated with compliance. The report shall detail the following for each alternative:

- Fee structures, including information on proposed fees, fee base and annual revenues.
- Ease of administration and compliance.
- Cost of administration and compliance.
- Predictability of revenues.
- Recommendation for which fee alternative is preferable.

The analysis provided in the report shall sustain a thorough review.

b) The Legislative Analyst shall review the report required in (a). It shall report its findings and recommendations in *The 2003-04 Analysis of the Budget*.

8660 Public Utilities Commission

The commission regulates privately owned utilities, such as gas, electric, telephone and railroad interests. It regulates some passenger and household goods carriers. The commission's primary objective is ensure adequate facilities and services for the public at equitable and reasonable rates.

Table 1
Public Utilities Commission, Expenditures by Program
2000-01 to 2003-03
(dollars in thousands)

	2000-01	2001-02	2002-03	Amt Change	Percent
Regulation of Utilities	\$105,165	\$392,544	\$206,940	-\$185,604	-47%
Universal Service Telephone Programs		1,234,968	1,091,726	-143,242	-12%
Regulation of Transportation	12,981	15,034	14,565	-469	-3%
Totals	\$118,146	\$1,642,546	\$1,313,231	-\$329,315	-20%

Consent Issues

Staff recommend adoption of two consent items:

1. Finance Letter Regarding the Pacific Gas and Electric (PG&E) Bankruptcy – Retaining Financial Consultants

In 2001, PG&E filed for bankruptcy. The PUC is participating in the Chapter 11 proceeding, at the request of the Governor and the Attorney General. The bankruptcy judge gave the commission permission to file a detailed term sheet for alternative reorganization. The commission had successfully argued that PG&E's proposed bankruptcy plan would have removed from state oversight important assets needed for the generation and transmission of energy. As a result, the commission expects to need additional specialized advice.

In 2001-02, the commission retained services for this case at a cost of about \$6.9 million. It expects to continue the consultants' contract through January 2003 at a monthly rate of \$250,000. The budget requests funding for these seven months and \$35,000 for travel associated with the bankruptcy proceedings for a total cost of \$1.8 million from the budget year.

No opposition has been identified.

2. Require a Report on the Commission's Payphone Programs

The PUC's Consumer Services Division administers three payphone programs: (1) the Public Policy Payphone Program places payphones in areas that would otherwise not be served; (2) the Payphone Service Providers Enforcement Program ensures payphones are in working order; and (3) the Telecommunications Devices for the Deaf Interim Placement Committee ensures the hearing impaired have access to communications devices in public places. In order to help the

Legislature assess the effectiveness of these programs, the Analyst recommends that the Legislature adopt the following supplemental report language:

Proposed Supplemental Report Language

Item 8660-001-0491—Payphone Program

On or before December 1, 2003 the California Public Utilities Commission shall submit, to the Chairs of the Joint Legislative Budget Committee and the fiscal committees of both houses of the Legislature, a report that justifies its staffing needs for its public payphone programs based on actual workload data. In addition to the staffing levels of each program, this report should include the following information:

- 1) ***Public Policy Payphone Program.*** The number of applications received for new public policy payphones, the number of public policy payphones placed in California, the location of the public policy payphones, and the number of hours spent on each application and payphone placement case.
- 2) ***Payphone Service Providers Enforcement.*** The number of payphones inspected, the percentage of total phones inspected, the number of payphones not in compliance, the number of payphones disconnected, and the number of hours spent on each inspection and compliance case.
- 3) ***Telecommunications Devices for the Deaf Interim Placement Committee.*** The number of phones placed, the number of applications/requests for the placement of these phones, and the number of hours spent on each phone placement case.

Staff are not aware of any opposition.

Budget Issues

1. Reduce Funding for the “Green Team”

The budget proposes \$100,000 for funding a staff attorney dedicated to activities associated with the Green Team. The position is funded from special funds and is limited-term. The Analyst believes that the workload associated with the Green Team does not warrant additional staff.

The commission staff indicate that although the Green Team’s workload may not warrant additional staff, the PUC’s overall legal workload has increased so significantly that it needs at least another attorney. The commission staff will provide detail to the subcommittee.

Staff recommend deletion of the position and funding, pending receipt of the commission’s justification.

2. Office of Ratepayer Advocates (ORA)

Statute establishes the Office of Ratepayer Advocates (ORA), an independent consumer advocate, within the PUC. Current law requires that the office be “separately identified in the commission’s annual budget request.” Although the *Governor’s Budget* document details the office under its Program Element, the ORA appropriation is subsumed in the Regulation of Utilities program.

Commission staff advise that ORA has never had a separate appropriation and that it would be very difficult and costly for the commission to identify the various distributed costs of ORA.

Staff recommend adopting trailer bill language to repeal the statutory requirement that the commission be separately identified in the commission's budget.

3. Finance Letter Regarding Implementation of AB 140

AB 140 (Strom-Martin, Chapter 903, Statutes of 2001) establishes a grant program to develop rural telecommunications infrastructure. The bill provides that grants can be provided only if there are no "current" claims against the B fund. On May 3, the commission reported it had claims pending in excess of \$81 million.

The commission may distribute the grants to community-based groups, provided that the community is low-income and lacks telecommunications service. The commission has identified 23 qualified small unserved rural communities.

In addition, under the terms of the bill:

- *The program may be financed* from the High Cost Fund-A and/or High Cost Fund-B. Total program costs may not exceed \$10 million per year. The High Cost Fund-A is funded by a surcharge on all telecommunications customers.
- *Proposals for grants must include* a preliminary engineering feasibility study, topographical maps, cost projections, project schedules, and letters of recommendations from local public entities. No one recipient may receive more than 25 percent of the available grant funding. A local agency must act as the fiscal agent for the recipient.
- *The commission must establish criteria* for evaluating grant requests.

Timeline for Making Grants. The commission must establish the application process over the next year, as there is no existing program at the commission. It expects to seek input from the targeted areas and adopt an application procedure in 2002. It could then solicit applications in early 2003. If the commission acts on a timely basis and applications are distributed by January, completed applications will be due in March 2003. It is not clear whether the commission can meet this timeline. If the commission delays distributing the applications, then the March due date for the completed applications will be delayed.

It is also not clear—once the applications are returned—how long it will take commission staff to review the applications and make recommendations to the commission for action. If the applications are complex and highly technical, the review will take longer. The commission staff does not expect to begin awarding grants until mid-2003.

The Finance Letter requests an appropriation from the High Cost Fund-A for \$243,000 for three staff and \$10 million for grants.

The commission staff have not provided any justification for the three staff beyond general descriptions of the workload. No justification has been provided for the specific work and staffing proposal. More significantly, there is no basis for estimating the need for the \$10 million appropriation. The commission's application criteria and process will not be finalized for at least

six months. Based on the available information, there is no way to predict what types of projects will be funded or estimate whether the \$10 million will be fully subscribed in the budget year.

Because the grants will not be awarded until the summer of 2003, it appears that this appropriation can be deferred until the 2003-04 budget without significantly affecting programs, if at all. By next year at this time, the commission will have a much greater understanding of the likely pool of applicants and cost of the grant awards. If the grants are deferred for a year, it is not clear to what extent the commission needs additional staff in 2003-04.

Will the \$10 Million Evaporate If It Isn't Spent by June 30, 2003? Commission staff note that AB 140 caps the amount of the appropriation for each year at \$10 million. They indicate that while the timeline may be ambitious, the commission hopes to encumber the \$10 million, even if it is unable to cut all the checks by June 30, 2003. By encumbering the \$10 million, the \$10 million would be available for allocation in 2003-04 together with a \$10 million appropriation made in the 2003-04 budget.

Staff recommendation. Although the authorizing legislation imposes a cap, AB 140 does not prohibit the Legislature from appropriating above the cap in future budgets. The Legislature could appropriate \$20 million—or more—in the next year for the grants, depending on the demonstrated need. It is premature to make the appropriation until the commission resolves the pending claims against the B fund, explains the criteria it will adopt, and details the likely awards. Consequently, staff recommend that the subcommittee (a) Deny the appropriation for the grants and the staff, and (b) Direct the commission to report on its resolution of the pending claims, progress in assessing the needs of the rural communities, development of the application process, and estimates of the likely grants awards.

Proposed Supplemental Report Language

Item 8660-001-462— Rural Grants Program

The California Public Utilities Commission shall submit, to the chairs of the fiscal committees of both houses of the Legislature, the following:

- 1) On or before January 15, 2003:
 - a) The commission's approved grant criteria and application form.
 - b) The commission's assessment of the need for the grants and the types of projects it expects to fund with the grants.
 - c) An analysis of the likely benefits and costs of the grants.

The assessment and analysis required in paragraphs (b) and (c) shall provide sufficient information to sustain a thorough review.

- 2) On or before April 1, 2003:
 - a) An inventory of the applications filed with commission.
 - b) A description of the types of projects for which the applications request funding.
 - c) An update of the assessment provided in paragraph (b) required in (1) above. If the assessment changes, the commission shall describe the basis for the differences.

The required inventory, description and update shall provide sufficient information to sustain a thorough review.

8665 California Consumer Power and Conservation Financing Authority (CPA)

The California Power Authority (CPA), its powers and responsibilities are detailed in §§3300 through 3384 of the Public Utilities Code. Specifically, the code:

- 1) Authorizes the board to contract for personnel and exempts the board from all applicable provisions of the Government and Public Contract Codes (§3340).
- 2) Authorizes the CPA to finance the following with revenue bonds:
 - The construction of generation facilities (§3350 and §3351),
 - Loans for the purchase of equipment, improvements, and appliances with energy efficiency or renewable energy characteristics (§3365 through §3367.5),
- 3) Requires the CPA's operating budget be included in the annual Budget Act (§3345).
- 4) Requires the CPA to submit to the Budget Committee an annual report on its activities and expenditures (§3346). The report is due January 1.
- 5) Requires the CPA to report on its plan for financing resources investments (§3369). The report, entitled *Clean Growth: Clean Energy for California's Economic Future*, was submitted on February 15, 2002.

Last year, the Legislature authorized a \$10 million "start up" loan for the CPA. In the current year, the Administration allocated \$4.5 million to the CPA. The budget proposes allocating the balance. The loan is to be repaid from proceeds of bonds.

Table 1
Comparison of Budget Allocation
California Power Authority
(dollars in thousands)

	<u>2001-02</u> (partial year)	<u>2002-03</u> (full year)	<u>Difference</u>
Personnel (see Table 2 for detail)	\$1,095	\$2,812	\$1,718
Other Contracts and Consultants	2,708	1,566	-1142
Other Operating Expenses & Equipment			
Training	8	13	5
Moving Costs		200	200
Furniture	40	51	11
Rent	60	210	150
PCs	184	90	-94
Travel	20	40	20
Worker's Comp	307	35	-272
Independent Auditors		50	50
Other Operating Expenses	5	160	155
Staff Benefits	98	356	258
Salary Savings	-23	-83	-60
Totals	\$4,502	\$5,498	\$996

Changes in the Budget. The budget proposes an increase of about \$1 million from the current year. Contracted services and associated workers' compensation costs went down by \$1.4 million while the authority's personnel costs (including staff benefits) would increase by \$2 million for a net increase of about \$500,000 for personnel and contracts. In addition, the authority will move at a one-time cost of \$200,000. Rent and other operating expenses will increase by a total of about \$300,000. Table 1 displays the growth in the budget.

Table 2 compares the 2001-02 personnel budget with the proposed 2002-03 budget. The current-year expenditures are shown as partial year (for the actual amount of time the staff served the authority), the number of months served and the annualized cost of the position. Comparing the annualized budget against the budget proposal, the budget would increase by about \$600,000. These costs would be attributed primarily to increasing the authority's technical and support staff.

It is nearly impossible to evaluate the adequacy of the proposed budget for the following reasons:

- Though the board has identified likely workload, it has no workload standards or measures for justifying the specific allocations contemplated within its budget. In time, it will develop those standards as it comes to a better sense of its responsibilities.
- The authority's 2001-02 budget is not predictive: It was the authority's start-up year, so there were many one-time and partial-year costs. Navigant, a private energy consulting firm, was hired to staff the authority in its initial stages. Navigant has not been retained for the budget year, and has been replaced by contract and in-house employees.
- The authority has no comparable "model" in

	2001-02			2002-03
	Partial	# of Months	Annualized	
<i>Board</i>				
Board Chair	\$202	11	\$220	\$220
Board Members	8	11	9	9
Special Assistant	35.4	10	42	48
<i>Executive</i>				
CEO	160	9	213	200
Executive Assistant	9	2	54	43
<i>Chief Deputy Director</i>				
Chief Dep Director	21	2	126	115
Special Assistant	35	8	53	37
Assistant Director				86
Staff Services Manager				63
Office Manager				34
<i>General Counsel</i>				
General Counsel	102	7	175	165
Staff Counsel	30	3	120	120
Staff Counsel				96
Legal Support Super				50
Legal Typist				38
<i>Communications</i>				
Deputy Director	65	6	130	105
Assistant Director	68	8	102	88
Office Tech				34
<i>Facilities Development</i>				
Deputy Director	47	2	282	115
Associate Planner				171
Sr Electrical Engineer	43	10	52	74
Planner				62
<i>Conservation & Distributed Energy</i>				
Deputy Director	100	8	150	160
Assistant Director	101	10	121	143
Specialist III	30	3	120	151
Specialist I				62
Executive Assistant	9	3	36	43
<i>Financing & Investment</i>				
Chief Financial Officer	30	2	180	165
Asst CFO				81
Office Tech				34
Totals	\$1,095		\$2,185	\$2,812

state government, except possibly the California Housing Financing Authority (CHFA). Specifically:

- a) The authority intends to be “financially self-supporting” so it functions as an enterprise entity.
- b) It has been granted broad authority to contract for personnel. As a consequence, its salaries reflect private-sector compensation and are much higher than the salaries of comparable staff at the financing authorities within the Treasurer’s Office.

Budget Issues

1. Loan

According to the authority’s report, *Clean Growth: Clean Energy for California’s Economic Future*, the authority expects to repay the General Fund the entire \$10 million loan by June 30, 2003. The CPA expected to generate at least \$10 million in revenue, predominately from financing renewable energy projects.

On May 6, CPA staff informed legislative staff that it has revised its estimate of revenue for the budget year. Because of changes in the renewable energy market, the CPA now expects to generate significantly less than the \$10 million in the budget year. It now appears that the loans will be fully repaid in 2004-05.

The authority expects to repay a portion (perhaps \$1 million) of the 2001-02 loan in the budget year.

Staff recommend that the committee schedule a repayment of \$1 million in the budget.

2. Contract Authority

The authority’s governing statute authorizes the board to contract for staff. In particular, it exempts the authority from the personnel policies adopted by the Department of Personnel Administration. Apparently, this exemption was intended to allow the authority to compete for specialized personnel.

Staff recommend that this exemption be deleted in a trailer bill.

3. Budget Reduction

With a reduced level of activity, the authority no longer expects to need the full amount budgeted for personnel and contracts. The Analyst recommends reducing the CPA’s budget to \$4 million, but makes no recommendation about how the \$4 million should be allocated within the authority’s budget.

Staff recommend: (a) adopting the LAO’s recommendation, and (b) requesting that the authority provide to the committee by May 13 a schedule for allocating the \$4 million.

4. Supplemental Report Language

Staff recommend adoption of the following supplemental report language to help the Legislature monitor activities at the department and provide budget oversight.

Proposed Supplemental Report Language

- 1) The authority shall, by December 15, 2002 and March 15, 2003, submit to the chairs of the budget committees of both houses a report on the following:
 - a) Details on the revenue cash flow of the authority.
 - b) The use of contract services.
 - c) The projects that have been financed by the authority.

The reports shall provide sufficient detail to sustain a thorough analysis of the findings.

- 2) The authority shall, by December 31, 2002, submit to the chairs of the budget committees of both houses a report on the long-term budgetary needs of the authority. In the report, the authority shall recommend measures for evaluating the performance of the authority. The report shall answer the question: How can the Legislature determine whether the authority is over- or under-funded?

8770 Electricity Oversight Board (EOB)

The budget proposes appropriations of \$4.2 million for the Electricity Oversight Board (EOB), about \$260,000 less than the current year.

Proposed Spending. The board proposes to spend \$1.6 million (39 percent) of its budget on salaries and wages and \$430,000 (11 percent) on benefits. The balance, \$2.2 million (50 percent), is proposed for Operating Expenses and Equipment (OE&E). Please see Graph 1.

Funding Sources. Most of the board is funded from special funds, as detailed in Table 1 below. The budget proposes a General Fund appropriation of \$730,00 for the implementation of a new program authorized by SB 28x regarding generation maintenance.

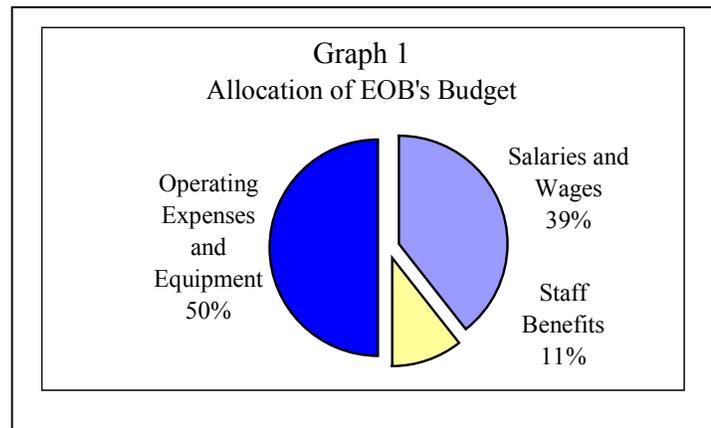


Table 1
Energy Oversight Board by Funding Sources
(dollars in thousands)

Funding Source	2000-01	2001-02	2002-03	\$ Change	% Change
General Fund	233	\$997	\$730	-\$267	-27%
PUC Utilities Reimbursement Account	\$1,797	3,012	3,017	5	0%
Energy Resources Programs Account	491	437	473	36	8%
Reimbursements		35		-35	-100%
Totals	\$2,521	\$4,481	\$4,220	-\$261	59%

Statute gives the EOB oversight responsibilities for the operations of the Independent System Operator (ISO) and the Power Exchange (PX), and the other duties listed in Table 2. In January 2001, the PX suspended operation of its markets and is now in bankruptcy. Because of the demise of the PX, according to the EOB, "the board does not oversee the administration of these markets any longer." The continuing responsibilities, according to the board, are as follows:

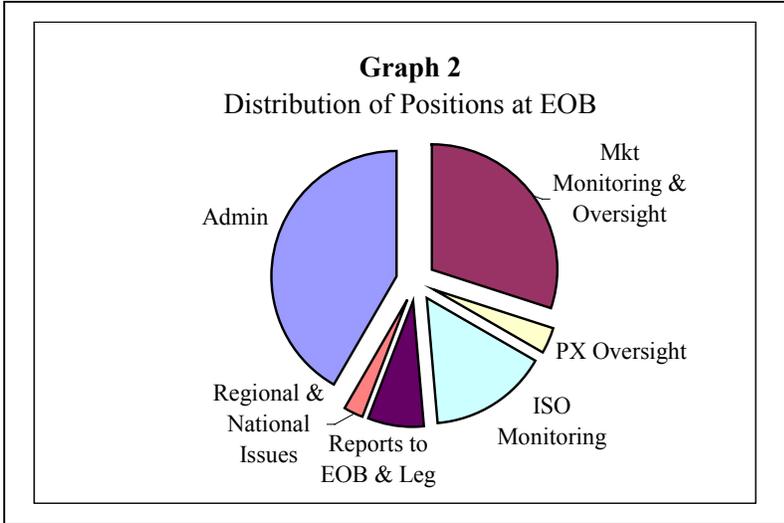
The EOB staff continue to review and analyze the operation of the electric grid, electric markets operated by the ISO, efforts to revise the market and the rules for using the grid, the market behavior of bulk market participants and groups, the rapidly changing rules and standards ...of the FERC, and regional structures likely to affect public interests of this state. The EOB staff, in coordination with several other agencies and the Governor's office, acts as advocate and litigant on behalf of the State's public interests in cases before the FERC and in federal appeals and several regional forums.

Table 2 Statutory Responsibilities of the EOB	
The board's statutory duties are listed in §335 of the Public Utilities Code:	
<ul style="list-style-type: none"> • To oversee the Independent System Operator and the Power Exchange. • To determine the composition and terms of the governing board of the Power Exchange. • To serve as an appeal board for majority decisions of the Independent System Operator governing board as they relate to matters subject to exclusive state jurisdiction, as specified. • To investigate any matter related to the wholesale market for electricity to ensure that the interests of California's citizens and consumers are served, protected, and represented in relation to the availability of electric transmission and generation and related costs, during periods of peak demand. 	

The EOB staff, in coordination with several other agencies and the Governor's office, acts as advocate and litigant on behalf of the State's public interests in cases before the FERC and in federal appeals and several regional forums.

How Does the Board's Budget Align with Its Statutory Duties? On April 12, 2002, the subcommittee chair requested that the board match the statutory responsibilities of the board with the staff activities. Such a matching would help the committee assess the workload and staffing of the board. Rather than align the staff assignments with the board's statutory responsibilities, the board staff responded by saying that "[t]he current staff work of the EOB is fully within the EOB's statutory authorization."

The board staff has identified workload for 28 positions and assigned administrative, oversight and monitoring tasks to these positions. Of the positions, nearly 12 (42 percent) are assigned to administrative tasks. Eight (30 percent) are assigned to market monitoring and oversight. Four monitor the ISO. Graph 2 displays the allocation of the positions.



Although board staff detailed the assignments of the staff, it was unable to provide workload measures or performance standards to justify any of the work assigned to the positions. The board provided no data that would help the committee assess whether the 28 positions are

sufficient to complete the board's statutory responsibilities work. Nor could the committee assess whether staff are assigned to the highest priority tasks.

Can the Board Be Eliminated? The board staff are responsible for monitoring developments in the wholesale market and federal regulatory environment. The board also monitors grid reliability and the state's interests at the FERC. While these responsibilities could possibly be shifted to another entity and be done more cheaply, there is currently no proposal before the committee which can be evaluated as an alternative to the *status quo*.

The Analyst believes it is premature to eliminate the board, pending a resolution on the ISO governance issues. Specifically, the Analyst wrote the chair on May 6, 2002:

...it appears unlikely that FERC will approve the Governor-appointed ISO governing board. If this ISO board is eventually replaced with a stakeholder board or some other governing board, the state may have little influence over the ISO's decisions regarding rules and market operations. Therefore, it will be important that an entity monitor and represent the state's interests regarding ISO rules and market operations. Thus, even if the EOB is deleted, it seems that a number of its current activities merit continuation— at least until the electricity market's future design characteristics become clearer. ...This suggests it may be premature to abolish the EOB at this time and prudent to retain its current structure for the time being.

Budget Issues

1. Generation Maintenance Program

The board has one program financed by the General Fund, the generation maintenance program. Because SB 39xx (Burton, Chapter 19, Statutes of 2002) shifted this program to the PUC, the board's General Fund appropriation for the program can be eliminated.

Staff recommend deleting the funding and positions associated with generation maintenance program.

2. Reduce Funding To Account for Vacancies

The Legislative Analyst identifies six vacant positions at the board, including the executive director position and recommends that the subcommittee consider eliminating the vacant positions for a savings of \$400,000.

Staff recommend the board report back by May 13 on the likelihood of filling the vacant positions in the budget year.

3. Report on Pending Actions

The board represents the state in certain federal regulatory proceedings.

Staff recommend that the board report to the subcommittee and policy chair on the or before August 1 on the following inventory:

- a. How many appeals or cases is the staff working on through December 31, 2002?
- b. How long will it take for the board staff to resolve these cases?
- c. What are the staff responsibilities for each of these cases?
- d. What is the board's staffing commitment to each of these cases?

4. OE&E Budget Seems High

Most state budgets do not allocate as much as half their budgets to operating and equipment expenses. It is not clear why the OE&E expenses are so high.

On April 12, 2002, the subcommittee chair sent a letter requesting that the board justify the appropriations in the budget, asking "Given the changing nature of the EOB's responsibilities...on what basis has the EOB staff determined that \$4.3 million budget is appropriate?" The board's response discussed personnel needs and the board's activities generally. It did not provide any justification for the \$2.1 million associated with the OE&E budget.

According to the Analyst, approximately \$600,000 of the OE&E budget is associated with contracts for data processing and expert witnesses. The board should outline its intended use of the OE&E funds (including funds for contracts) so that the Legislature can evaluate the nature of these costs. Undoubtedly, the board can account for its intended expenses. Pending some accounting and justification, however, the Legislature cannot be expected to approve the board's OE&E budget.

Staff recommend deleting the funding for OE&E, pending receipt of details on the use of the funding. Perhaps the board can provide the detail prior to the subcommittee's final hearing on May 17.

5. Aligning Statutory Duties and Budget

It is not clear how the staff assignments outlined in Graph 2 are necessary and consistent with the statutory duties listed in Table 2.

Staff recommend directing the board to report on its workload and provide performance measures.

Proposed Supplemental Report Language

The board shall, by December 31, 2002, submit to the chairs of the budget committees of both houses a report on the long-term budgetary needs of the board. In the report, the board shall recommend measures for

evaluating the performance of the authority. The report shall include but not be limited to the following:

1. The report shall answer the following questions:
 - a) How can the Legislature determine whether the authority is over- or under-funded? What outcomes or benefits can be weighed against the board's costs?
 - b) How do the staff activities relate to the board's statutory responsibilities?
2. The report shall identify the board's budgetary needs for 2003-04 associated with the following activities:
 - a) Lead agency in a coalition of parties pursuing state refund claims.
 - b) Board-filed complaints against the standards for market rates at the FERC.
 - c) Board contributions to adjudicated outcomes.
 - d) Board-filed actions to prohibit a series of selling practices.
 - e) Technical support provided other agencies.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



Thursday, May 16, 2002
Upon adjournment of Floor session
Room 4203

PART 1

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3360 Energy Resources Conservation & Development Commission

The commission, commonly referred to as the California Energy Commission (CEC), is responsible for:

- Siting power plants,
- Conducting energy-related research and development,
- Forecasting energy supply and demand, and
- Implementing conservation strategies.

Consent Item

Geothermal Grants. According to the commission, geothermal projects are subject to a tax on output. The revenues from the tax are allocated to federal, state and local governments. The CEC uses revenue allocated to the state to make grants to geothermal projects. Because geothermal tax revenues are likely to be lower than anticipated in January, the department expects to make fewer grants.

The May Revision proposes to reflect the revenue shortfall by reducing funding from the Local Government Geothermal Resources Development Account by \$566,000.

Staff recommend adoption of the May Revision.

8660 Public Utilities Commission

The commission regulates privately owned utilities, such as gas, electric, telephone and railroad interests. It regulates some passenger and household goods carriers. The commission's primary objective is ensure adequate facilities and services for the public at equitable and reasonable rates.

The Analyst notes that the May Revision contains several proposals to spend additional money from the PUC's Utilities Reimbursement Account (PUCURA). Taken together, the May Revision proposals reduce the account's balance to \$1.5 million. The Analyst believes this reserve amount is insufficient to cover costs which are likely to be billed to the account during 2002-03. For example, though the May Revision does not identify a plan for transitioning the Department of Water Resources out of the electricity-purchasing business, the Administration intends to developed a plan by August. The transition is likely to be financed with PUCURA funds.

Consent Items

Staff recommend adoption of the following May Revision proposals:

1. **Legal Counsel for the PG&E Bankruptcy.** The commission expects to need legal counsel through May, 2003 for the PG&E bankruptcy case. It expects to retain counsel at monthly rate of \$400,000. The \$4 million cost would be financed with PUCURA revenues.
2. **Lease Revenue.** The May Revision proposes adjusting the commission's lease revenue payments. The action would reduce the appropriations from various special funds by \$2.4 million and increase reimbursements by a similar amount. This action reflects a recalculation of the commission's debt service.

Other May Revision and Budget Issues

1. **Utility Audits.** The May Revision proposes the addition of 11 financial examiner positions to conduct various types of audits. The auditors would cost \$871,000 and be funded with PUCURA revenues.

Specifically, the positions would be assigned to the following tasks:

- **General Rate Cases and Ratemaking Audits.** The Public Utilities Code requires the commission to audit any corporation providing electricity, telephone and water to at least 1000 customers. Each corporation must be audited once in a three year period. The revision proposes adding five auditors.
- **Affiliate Transactions/Special Investigations.** The commission audits PG&E, Roseville Telephone and Verizon, Sempra and Southern California Edison. It reviews the financial transactions between these utilities and their holding companies. These audits can require up to five full-time positions during the course of the audit. It is not clear how long the audits take. The Revision proposes adding two positions to conduct these reviews.

- *Public Purpose Program and User Fees.* The commission collects \$1 billion in various utility taxes. These taxes are used to support various public-purpose services, such as the Universal Telephone Lifeline service. A previous audit of the universal lifeline program took two auditors three months to complete. The commission proposes hiring two positions.
- *Telephone Number Conversion.* The commission evaluates the claims for additional telephone numbers. It assesses the quantity of telephone numbers available statewide, validates the inventory of existing numbers, reviews the numbers reserved and awaiting reuse. The commission conducted an “audit” of the 310 Area Code in 2000. The commission requests one audit position.
- *Small Water Company.* The commission regulates 150 small water companies. The commission requests an additional auditor to “assure accounting and financial records are in order so that small companies can secure funding to improve their water systems and to assure use and account for public funds appropriately.”

Undoubtedly, there is a need for additional audit staff. Unfortunately, the material provided by the commission provides little justification for the proposed positions. For example:

- *Do the Additional Auditors Supplement or Supplant Existing Audit Staff?* The commission has conducted audits in the past. Some of the audits were contracted out. Some were done by commission staff. The commission’s budget change proposal (BCP) does not account for how the existing workload is currently handled. Is there a backlog of audits?

The BCP does not detail the deployment of the new positions: Will the new positions conduct additional audits? If so, what kinds of new audits will be done?

- *The BCP Has No Workload Standards or Performance Measures for Determining the Budgetary Need.* The BCP does not identify any measures for evaluating the performance of the current auditors or the new ones. How will the Legislature know if it has too few or too many auditors on these programs?

The commission should measure the performance of existing auditors and identify the need for additional audits. Are there financial or programmatic consequences for failing to conduct more or different audits?

- *The BCP Fails To Identify an Audit Standard for Desired Coverage.* Other state audit programs are budgeted to a coverage standard. For example, the tax agencies are given additional auditors until the last auditor generates a 5-to-1 return on its costs. What kind of coverage will the state be securing if the Legislature funds the positions requested? How often are utilities audited now? How often will they be audited if the positions are approved?

The Legislative Analyst advises that “[w]hile the audit activities are important, it is not clear that the additional staff are needed to address priority audits in the budget year. Given the relatively small reserve left in the PUCRA, the Legislature could postpone funding additional auditors ...”

Staff recommend that the subcommittee deny the audit positions, pending receipt of data that justify the positions. When the commission provides the additional workload data, the positions can be added at the full committee hearing on May 23.

2. ***Costs for Setting the Rate.*** AB 1x authorized the Department of Water Resources (DWR) to buy electricity for resale. The department may purchase electricity through December 31, 2002.

The procurement costs are to be financed by a charge on retail electricity customers. The PUC is to set the rate at least once a year, based on information provided by DWR. The commission must set the rate no later than 90 after the PUC submits the information.

DWR filed information in May 2001 and requested an adjustment six months later, on November 5, 2001.

To accommodate the workload associated with the rate setting process, the commission requests ten new positions, including two administrative law judges, three counsels and five analysts. The positions will cost \$950,000 (PUCURA). The commission expects DWR to submit as many as three requests per year for adjustments to the annual rate.

Analysis. It is difficult to assess the workload associated with the rate setting process. For example, it is not clear:

- *Whether DWR will request any rate adjustments in the budget year.* Because DWR will not be purchasing electricity after December 31, 2002, the commission is not likely to make frequent rate adjustments in the budget year. If DWR purchases no more electricity would it have to request any more rate adjustments? Under what circumstances will DWR request adjustments to the rate?
- *Why current staff cannot accommodate the workload.* The commission says it needs additional staff to meet the workload. However, it conducted rate proceedings in the last two budgets with its existing staff. How did it accommodate the workload associated with the rate setting in the 2000-01 and 2001-02 budget? Can it make the same accommodations in the budget year?

Staff recommend rejecting the proposal, pending a resolution of the issues outlined above. If the commission can demonstrate a budget-year need, the positions can be added at the full committee hearing on May 23.

3. ***Power Plant Performance Reviews--Implementation of AB 28xx and SB 39xx.*** This legislation required the commission to implement an integrated program for scheduling plant outage and maintenance. To do the inspections and investigations, the commission estimates it will need 19.5 positions, at a cost of about \$2.1 million from the PUCURA.

The Analyst raises questions about the size and scope of this proposal. It recommends the subcommittee adopt supplemental report language requiring the commission provide the Legislature a performance review for consideration during next year's budget process.

4. ***PUC Requests Additional Staff for Bond and Litigation Support.*** During the budget year, the commission staff expect to: (a) work with the State Treasurer and Department of Water Resources to structure a bond issue, (b) develop credibility with bond-rating agencies, and (c) advise the commission on decisions pertinent to the bond issue. To do these tasks successfully, the commission requests expert funding for bond counsel and technical advice, at a cost of \$1 million.

The commission also requests eight paralegal positions. The commission is engaged in a number of complex lawsuits and administrative proceedings on behalf of the state. Commission attorneys face the prospect of responding to multiple discovery projects and presenting their case before courts and administrative agencies on tight deadline. Paralegals could help with document analysis, document control, witness preparation and case management.

Currently, the commission has three paralegals supporting the work of 65 attorneys. The commission believes that the additional paralegals will help the staff make more effective use of their time.

Staff recommend an augmentation for eight paralegal positions and bond counsel with funding from PUCURA.

8665 California Consumer Power and Conservation Financing Authority (CPA)

The California Power Authority (CPA), its powers and responsibilities are detailed in §§3300 through 3384 of the Public Utilities Code.

Changes in the Budget. At its May 8th hearing, the committee reduced the CPA's budget by \$1.1 million. The authority agreed to provide the subcommittee with information about how it would accommodate this cut. The information below, provided as information only, details the authority's revised proposal.

Under the authority's proposal, overall spending would be reduced by about \$1.1 million. About

\$550,000 would be cut from the personnel budget proposed in January. About \$450,000 would be cut from the contracts budget. The balance would be cut from furniture and auditing. The authority believes it can accommodate these reductions because it expects to finance fewer projects now than it did when it made developed its January proposal.

Table 1 compares the current year spending with the authority's January proposal and

its revised proposal. (Please note that the spending for 2001-02 reflects only a partial year funding, as the authority did not begin operation until after the start of the fiscal year.)

Table 2 compares the 2001-02 personnel budget with the CPA's January and revised proposals. The January proposal had proposed adding staff to the CPA. The revised proposal essentially maintains the essentially the existing levels.

Please note that Table 2 reflects an "annualized" cost for the current year. To "annualize" the costs, committee staff re-estimated the partial year costs from the current year to reflect a full year's costs.

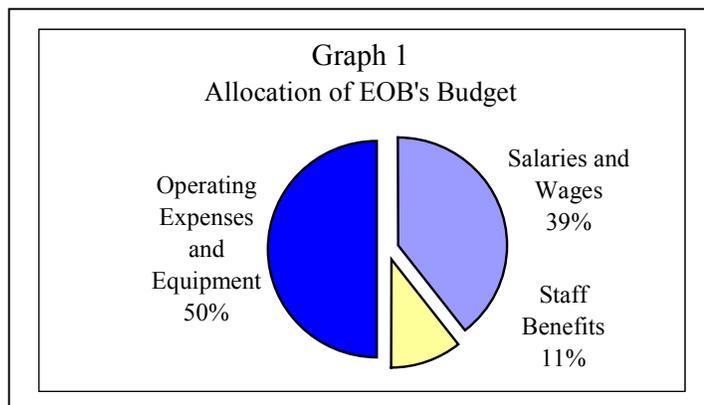
	2001-02	2002-03		Difference
	(partial year)	Jan 10	Revised	
Personnel (see Table 2 for detail)	\$ 1,095	\$ 2,812	\$ 2,262	-\$ 550
Other Contracts and Consultants	2,708	1,566	1,113	-453
Other Operating Expenses & Equipment				
<i>Training</i>	8	13	13	
<i>Moving Costs</i>		200	200	
<i>Furniture & PCs</i>	224	141	101	-40
<i>Travel</i>	20	40	40	
<i>Worker's Comp</i>	307	35		-35
<i>Independent Auditors</i>		50		-50
<i>Other Operating Expenses</i>	65	370	389	19
Staff Benefits	98	356	343	-13
Salary Savings	<u>-23</u>	<u>-83</u>	<u>-58</u>	<u>25</u>
Totals	\$ 4,502	\$ 5,498	\$ 4,403	- \$1,095

	2001-02		2002-03	
	Annualized Cost	Jan 10 Proposal	Revised	
<u>Board</u>				
Board Chair	\$ 220	\$ 220	\$ 220	
Board Members	9	9	9	
Special Assistant	42	48	48	
<u>Executive</u>				
CEO	213	200	200	
Executive Assistant	54	43		
<u>Chief Deputy Director</u>				
Chief Deputy Director	126	115		
Special Assistant	53	37		
Assistant Director		86	60	
Staff Services Manager		63	48	
Staff Services Manager			48	
Office Manager		34	34	
<u>General Counsel</u>				
General Counsel	175	165	165	
Staff Counsel	120	120	120	
Staff Counsel		96		
Legal Support Supervisor		50		
Legal Typist		38	38	
<u>Communications</u>				
Deputy Director	130	105	105	
Assistant Director	102	88	88	
Office Tech		34		
<u>Energy Facilities Development</u>				
Deputy Director	282	115	115	
Associate Planner		171	57	
Associate Planner			48	
Sr Electrical Engineer	52	74	74	
Planner		62	62	
<u>Conservation & Distributed Energy</u>				
Deputy Director	150	160	145	
Assistant Director	121	143	105	
Specialist III	60	75	75	
Specialist III	60	75	75	
Specialist I		62		
Executive Assistant	36	43	43	
<u>Financing & Investment</u>				
CFO	180	165	165	
Asst Chief Financial Officer		81	81	
Office Tech		34	34	
Totals	\$ 2,185	\$ 2,811	2,262	

8770 Electricity Oversight Board (EOB)

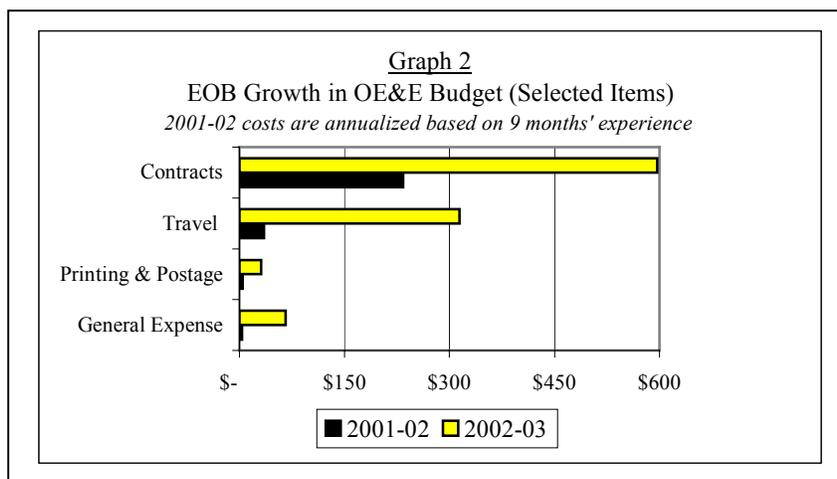
The budget proposes appropriations of \$4.2 million for the Electricity Oversight Board (EOB), about \$260,000 less than the current year.

Proposed Spending. The board proposes to spend \$1.6 million (39 percent) of its budget on salaries and wages and \$430,000 (11 percent) on benefits. The balance, \$2.2 million (50 percent), is proposed for Operating Expenses and Equipment (OE&E). Please see Graph 1.



Funding Sources. Most of the board is funded from special funds, as detailed in Table 1 below. The budget proposes a General Fund appropriation of \$730,00 for the implementation of a new program authorized by SB 28x regarding generation maintenance.

Budget Issue-- Operating Expenses and Equipment (OE&E) Budget Is Overbudgeted. At its last hearing, the committee requested the board report on its OE&E budget.



The board reported that it has spent about \$540,000 on OE&E for the first nine months of the current year. Annualizing this spending, committee staff estimate the total OE&E expenditures for 2001-02 will total about \$720,000. For the budget year, the department proposes to spend nearly \$1.4 million (representing a 92 percent increase in expenditures).

The increase in expenditures would be primarily in contracts, with expenditures rising from \$234,000 to nearly \$600,000. Other growing areas include postage, printing, travel and "general expenses." Graph 2 summarizes the changes. In total, the board proposes to increase OE&E expenditures for these areas by over three-quarters of a million dollars.

Staff recommend reducing the OE&E budget by \$777,000. This reduction will provide the board with the same funding as it is expected to spend in the current year for general expenses, travel, contracts and postage and printing.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



PART II

Thursday, May 16, 2002
Upon Adjournment of Session
Room 4203

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0250- Judicial Council

FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

General Fund Reduction. This Finance letter proposes an unallocated one-time reduction of \$2.8 million General Fund for the support of the Judiciary. The total proposed budget for this item was \$349.8 million (\$294.6 million General Fund). This proposed reduction is less than 1 percent of the total proposed budget.

Rental Payments. This Finance Letter proposes an increase of \$35,000 from the General Fund and a reduction in Reimbursements of \$35,000. This change reflects a shift in funding from reimbursements to the General Fund due to a decrease in interest earnings and surplus construction funds to pay base rental payments for a lease revenue funded project.

ISSUE

Temporary Law Clerks Program

Background. For the past three years, the appellate courts with the most severe caseload, have been assisted by 21 additional research attorneys and 7 additional judicial secretaries who work exclusively on the pending cases that comprise the backlog. The research attorneys are two-year limited-term clerkship positions that are generally offered to recent law school graduates. The funding for these additional positions was originally approved by the Legislature for a two-year period in 1998, and again in 2000.

According to a Judicial Council evaluation, this program has resulted in significant improvements in nearly all areas of caseload management:

- **Disposition** of cases increased in all three courts, ranging from 9 to 32 percent;
- The number of **written opinions** increased in two of the three courts (9 and 54 percent);
- **Median case-processing time** for criminal and juvenile cases decreased in all three courts, (ranging from a 5 to 58 percent decrease) and, for civil cases, in one of the three courts (9 percent); and
- The number of **pending cases** (backlog) decreased in all three courts, ranging from 21 to 35 percent.

Staff Comments. Should the Subcommittee wish to continue the program on a permanent basis, the funding for the 21 research attorney positions would be \$1.6 million from the General Fund.

Action.

0450 Trial Court Funding

FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

Security Augmentation. This Finance Letter proposes an increase of \$9.6 million from the General Fund to provide funding for increased costs associated with providing security at trial court facilities. These increased security costs are related to salary increases negotiated by local law enforcement agencies that are passed on to the courts through security contracts. This request is in addition to the \$13.4 million request included in the January budget proposal and approved by the Subcommittee.

General Fund Reduction. This Finance Letter proposes an unallocated, one-time reduction of \$59.2 million from the General Fund for the operations of the trial courts. . The total proposed budget for this item was \$2.2 billion (\$1.2 billion General Fund).The proposed reduction is 2.7 percent of the total proposed budget.

0690 Office of Emergency Services

Disaster Assistance Funding.

Budget Request. This Finance Letter proposes a reduction of \$5.0 million General Fund in disaster assistance funding for local agencies. The total proposed budget for local disaster assistance funding was \$568.6 million. The proposed reduction is less than 1 percent for the total budget for this activity.

Staff Comments. The Subcommittee may wish to ask the OES what the budget for this program is in the current year and the amount expended to date.

Action.

FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

Nuclear Planning Assessment Special Account. This Finance Letter proposes to increase the appropriation from the Nuclear Planning Assessment Special Account to reflect the actual consumer price index calculation as required by Chapter 543, statutes of 1998. A total increase of \$79,000 is required to reflect the correct Price Index calculation increase as required by Chapter 543, Statutes of 1998. This letter requests a total of \$66,000 as identified above, and the remainder will be requested in a letter related to the Department of Health Services.

CAPITAL OUTLAY FINANCE LETTER ON PROPOSED CONSENT CALENDAR

Headquarters Perimeter Fence Project. This Finance Letter proposes to reduce the budget by \$1.6 million by deferring the headquarters perimeter fence project. This project had previously been approved by the Subcommittee.

0820 Department of Justice

FINANCE LETTERS

California Anti-Terrorism Information Center (CATIC)

Budget Request. This Finance Letter requests an increase of \$13.4 million General Fund and 78 positions to continue and expand funding for the CATIC program which provides investigative assistance to local and federal law enforcement, intelligence gathering, and a statewide informational database which is used to analyze terrorist activities within the state. This expansion would provide additional field and intelligence agents, along with a headquarters unit, to enhance the capabilities of the program.

Staff Comments. The Administration intends to reimburse the General Fund from future federal funds allocated to California for security-related purposes.

Analyst's Comments. The LAO notes that, based upon the limited information available on the proposal, that there are essentially two components to the proposal: one component provides funding and staff for the expansion of the information database and data collection and tracking activities, and the other component provides funding and staff for the expansion of field investigations. The LAO notes that while the program may be necessary in view of the events of September 11, 2001, they have concerns about the proposed level of expansion in light of the state's fiscal crisis and uncertainty regarding the receipt of future federal funds for such ongoing activities.

Given these concerns, the LAO notes that the Legislature may wish to consider reducing the proposal until California is in receipt of federal funds for this activity. One possible approach would be to provide funding for data collection and tracking as proposed, but reduce the funding and positions for the field investigations since the latter can be handled by local law enforcement. The LAO recommends that the Subcommittee request an estimate from DOJ on the amount of savings generated from not funding the field operations of CATIC. This adjustment to CATIC would allow the state to perform an increased level of data collection and surveillance of terrorism activities, while relying on local law enforcement for investigation without the risk of committing significant state funds to ongoing activities.

Staff Recommendation. At this time, staff has not received additional information to justify the program. Staff notes that DOJ has redirected up to \$5 million in the current year to begin funding some of the activities related to CATIC. Staff recommends an action to send this issue to conference.

Action

State Mandated Local Programs

Background. The budget includes funding for mandate claims related to three programs at the DOJ: Custody of Minors program (Chapter 1399, Statutes of 1976), Stolen Vehicle Notification Program (chapter 337, Statutes of 1990), and Booking/Fingerprinting for Misdemeanors (Chapter 1105, Statutes of 1992).

Budget Request. This Finance Letter proposes to reduce the funding for mandate claims in the budget year. Claims would still be submitted by local government and accepted by the state, however, payments of the claims would be postponed. Under this proposal the state would pay the claim and interest accrued, after the budget year. This proposal would reduce generate General Fund savings of \$15.3 million.

Staff Recommendation. No issues have been raised regarding this issue. Staff recommends approval of the Finance Letter.

Action.

FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

Richmond DNA Laboratory. This Finance Letter proposes an increase of \$1,561,000 General Fund for additional lease and tenant improvement costs for the Richmond DNA Laboratory.

General Fund Reduction. This Finance Letter proposes an unallocated reduction of \$10.0 million from the General Fund for the DOJ's various divisions and programs. The General Fund budget for DOJ is \$323.8 million. This unallocated reduction represents a 3.1 percent reduction from the proposed General Fund budget.

California Crime and Violence Prevention Partnership Program. This Finance Letter proposes a decrease of \$1.5 million from the General Fund for the California Gang, Crime and Violence Prevention Partnership (Calgang) Program. This program is currently funded at \$3 million.

Spousal Abuser Prosecution Program. This Finance Letter proposes a decrease of \$800,000 from the General Fund for the Spousal Abuser Prosecution Program. The budget for this program is currently \$3.8 million.

CAPITAL OUTLAY FINANCE LETTER ON PROPOSED CONSENT CALENDAR

Statewide DNA Laboratory. This Finance Letter proposes to reduce funding by \$5 million by deferring funding for land acquisition for a new statewide DNA analysis laboratory. The Subcommittee had previously held this item open pending a May Revision proposal.

2720 California Highway Patrol

Infrastructure Protection.

Budget Request. The budget proposes \$89.6 million from federal funds and 236 new positions to maintain a higher level of security to protect portions of the state's infrastructure that are considered susceptible to attack by terrorists. The total amount of on-going funding is \$76 million. Specifically, the proposal includes augmentations for the following:

- 33 officers to provide enhanced security at the state Capitol and state office buildings and facilities.
- 40 officers to provide security at nine major bridges and the Trans Bay Terminal.
- 100 officers to operate the state's 18 commercial vehicle inspection facilities 24 hours a day.
- 50 officers assigned to inspect carriers of hazardous materials.
- 24 officers to serve on various joint-terrorism task forces and to staff a new Emergency Notification and Tactical Alert Center.
- 24 pilots and flight officers to operate five additional helicopters for expanded air operations.
- 18 officers to provide security for nuclear power plants and state health laboratories.
- \$32.5 million for overtime costs in the event of tactical alerts.
- \$2.5 million for equipment to protect officers against chemical weapons.

Staff Comments. The budget proposes that the \$89.6 million in federal funds be transferred to the MVA and includes budget bill language allowing any additional funds received from the federal government for this purpose to also be transferred to the MVA. The president's proposed federal budget includes \$37.7 billion for security funding for the federal fiscal year beginning October 2002. Of this amount a total of \$3.5 billion is proposed for supporting first responders. At this time, there are no specifics regarding how this money will be allocated, whether this funding is one-time or on-going, or what types of expenditures will be eligible. The Department of Finance indicates that a portion of this funding, or additional funding will be available from the federal government. However, at this time no funding from the federal government has been specifically dedicated for these expenditures.

Staff Recommendation. Staff recommends approval of the proposed budget bill language which would transfer federal funds received to the MVA in order to reimburse the MVA for these expenditures. Staff further recommends that the funding for the proposed new positions be made on a one-year limited-term basis. This would protect the MVA from ongoing expenditures and allow for time to determine whether federal funds will become available. Should the positions expire at the end of the fiscal year, the CHP would be able to absorb the reductions in positions through attrition. In order to achieve additional savings to the MVA, staff also recommends reducing the number of proposed helicopter purchases from the MVA in the budget year from five to three, for a savings of \$7.9 million. Authority to expend federal funds for the purchase of the additional helicopters would remain in the budget, allowing CHP to purchase the two additional helicopters when federal funds become available.

Action.

FINANCE LETTERS

Cargo Container Security

Budget Request. This Finance Letter proposes an increased of \$3.1 million from the MVA for the purchase and installation of nuclear detection devices at five California Highway Patrol (CHP) inspection facilities that are near or on the California border, and for devices to be installed at three ports of entry; Long Beach, Los Angeles, and Oakland. With these devices, the CHP will be able to determine if haulers are illegally carrying cargoes that include nuclear materials. Staff training and multi-year maintenance costs for the devices are included in the \$85,000 per device cost estimate and existing CHP personnel will operate these devices.

To conform this issue to other homeland security expenditures proposed for the CHP, this proposal includes an increase in federal funds to reflect the revenue transfer of anticipated federal funds to the Motor Vehicle Account (MVA) to reimburse the MVA for the initial expenditures related to this proposal.

Staff Recommendation. Staff recommends approval of this Finance Letter. Staff notes that the costs for this proposal appear to be one-time in nature.

Action.

Increased Security for the Golden Gate Bridge

Budget Request. This Finance Letter proposes an increased of \$649,000 from the MVA for six additional officers to ensure the security of the Golden Gate Bridge related to terrorist activities.

To conform this issue to other homeland security expenditures proposed for the CHP, this proposal includes an increase in federal funds to reflect the revenue transfer of anticipated federal funds to the Motor Vehicle Account (MVA) to reimburse the MVA for the initial expenditures related to this proposal.

Staff Recommendation. Staff recommends conforming this issue with the action taken on the previous infrastructure protection proposal.

Action.

PROPOSED CONSENT CALENDAR ISSUES

Postage Rate Increase. This Finance Letter proposes an increase of \$73,000 from the MVA to fund costs related to the increase in United States Postal Service rates, which become effective July 1, 2002.

Lease Revenue Bond Payments. The Department of Finance has noted a technical issue related to the lease revenue bond payments for certain of the CHP facilities. DGS has recalculated the amounts owed in 2002-03 on which the item was put into the Budget Bill. Based on that recalculation, DOF indicates that reimbursements should be reduced by \$3,000, and an increase from the MVA appropriation by a like amount should be made.

CAPITOL OUTLAY FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

Williams Replacement Facility. This Finance Letter proposes to reduce the funding from the MVA by \$3 million for the construction phase of the Williams Replacement Facility. The current project timeline reflects that the construction funding will not be needed until 2003-04.

Reappropriation of Funds for Williams Area Office. This Finance Letter proposes to reappropriate funding for the working drawings for this project due to a revised project timeline and delays in completing the preliminary plans.

8100 Office of Criminal Justice Planning

OCJP Summary of Program Budget Amounts by Fund – Local Assistance			2002-03		
<i>(Dollars in Thousands)</i>					
Program	January 10 Proposal		May Revise Proposal		Reduction
	Total	General Fund	Total	General Fund	
<i>Victim Services</i>					
Victim Witness Assistance	\$ 10,871		\$ 10,871		0
Victim's Legal Resource Center	173	173	86	86	-87
Domestic Violence	10,211	1,460	9,481	730	-730
Family Violence Prevention	194	194	97	97	-97
Violence Against Women Act (VAWA)	12,990		12,990		0
Rape Crisis	3,771	101	3,720	50	-51
Rape Prevention (DHS)	5,571		5,571		0
Homeless Youth	883	883	441	441	-442
Youth Emergency Telephone Referral	338	338	169	169	-169
Child Sex Abuse & Exploitation	981	3	979	1	-2
Child Sex Abuse Prevention & Training	672	672	336	336	-336
Child Abuse/Abduction Prevention	495		495		0
Victims of Crime Act (VOCA)	39,267		39,267		0
Mandates Claims Bill	851	851	2	2	-849
<i>Subtotals- Victims Services</i>	<i>\$87,344</i>	<i>\$4,675</i>	<i>\$84,581</i>	<i>\$1,912</i>	<i>-\$2,763</i>
<i>Public Safety</i>					
Community Crime Resistance	\$923	\$923	\$461	\$461	-\$462
War on Methamphetamine	15,000	15,000	10,000	10,000	-5,000
Career Criminal Apprehension	2,308	2,308	1,154	1,154	-1,154
Career Criminal Prosecution	3,987	3,987	1,993	1,993	-1,994
Major Narcotics Vendors Prosecution	2,641	2,641	1,320	1,320	-1,321
Serious Habitual Offender	547	547	273	273	-274
Vertical Prosecution of Statutory Rape	8,361	8,361	4,180	4,180	-4,181
Elder Abuse Vertical Prosecution	2,000	2,000	1,000	1,000	-1,000
Child Sex Assault Prosecution	1,304	1,304	652	652	-652
Evidentiary Medical Training	1,364	1,364	682	682	-682
Children's Justice Act (CJA)	1,770		1,770		0
Vertical Defense of Indigents	692	692	346	346	-346
California Innocence Protection Program	800	800	400	400	-400
Public Prosecutors/Defenders Training	821	29	806	14	-15
Byrne Fund	52,118		52,118		0
Residential Substance Abuse Treatment	6,545		6,545		0
Local Law Enforcement	882		882		0
Peace Officer Protective Equipment	178		178		0
High Tech Theft Apprehension/Prosecution	13,518	13,300	9,341	9,123	-4,177
Suppression of Drug Abuse in Schools	3,263	1,451	2,494	682	-769
Gang Violence Suppression	6,620	4,728	4,299	2,407	-2,321
Multi Agency Gang Enforcement Consortium	248	248	124	124	-124
Juvenile Justice & Delinquency Prevention	6,060		6,060		0
Community Delinquency Prevention	5,002		5,002		0
Juvenile Accountability Incentive	21,769		21,769		0
Juvenile Justice—Project Challenge	1,114		1,114		0
Rural Crime Prevention	3,541	3,541	1,770	1,770	-1,771
<i>Subtotals – Public Safety</i>	<i>\$163,376</i>	<i>\$63,224</i>	<i>\$136,733</i>	<i>\$36,799</i>	<i>-\$26,643</i>
Totals, Local Assistance	\$250,720	\$67,899	\$221,314	\$38,711	\$29,406

FINANCE LETTERS

General Fund Reduction

Budget Request. This Finance Letter proposes a 50 percent General Fund reduction to various local assistance grant programs, for a total savings of \$19.4 million. This proposal does not include the proposed reductions for the War on Meth program and the High Technology Theft Apprehension and Prosecution Program which are discussed in later issues.

Issue. The LAO raises several concerns with this proposal. First, some of the programs are reduced to levels that may render them ineffective and no longer viable. Given the relatively small amounts budgeted for certain programs under the May Revise proposal, the LAO notes that the Legislature may wish to eliminate funds for these programs since they may no longer be viable or cost-effective to operate.

Second, programs with smaller budgets are disproportionately affected by the proposed across-the-board reduction, including some programs that provide direct services to vulnerable populations. At the same time, other programs administered by OCJP, such as the High Technology Theft Apprehension and Prosecution program, which do not provide direct services to victims, would not receive the same level of reduction under this proposal. Finally, to the extent that the proposed reduction results in a reduced number of grantees, the LAO notes that the Legislature may wish to consider reducing the number of OCJP staff to reflect the reduced workload.

Analyst Recommendation. The LAO recommends that this proposal be sent to conference to allow additional time to assess the impact of the proposal and consider alternatives or modifications.

Staff Recommendation. The table on the previous page shows the proposed May Revise reductions. The Subcommittee may wish to ask how the OCJP will implement these proposed reductions. Staff recommends ensuring that this issue is sent to conference. One option available to the Subcommittee is to restore the \$1.9 million in reductions to Victims Services programs and taking additional reductions in some of the Public Safety grants, such as the five vertical prosecution programs in the next issue. Other options include reducing each of the grants to \$1,000, and reducing each of the grants by \$1,000.
Action.

Vertical Prosecution Programs

Budget Request. The May Revise proposes to reduce the five vertical prosecution programs administered by OCJP by 50 percent, bringing the funding down from \$18.3 (General Fund) to \$9.2 million. This amount was included as part of the reduction indicated in the previous issue. The LAO notes that the proposed reductions reduces the funding for the individual vertical prosecution programs to relatively minimal level, and raises the question of whether it is cost-efficient for the state to continue to fund these programs. For example, under the Governor's proposal-assuming each county's grant is reduced by 50 percent, Los Angeles County's grant from the career criminal vertical prosecution would be reduced from \$600,000 to \$300,000, and the grant from the elder abuse vertical prosecution program would be reduced from \$30,000 to \$15,000.

The LAO notes that vertical prosecution programs were originally established to test the effectiveness of vertical prosecution in general, and in specific crimes. The practice has since been shown to be effective in improving prosecution outcomes. In fact, it is now considered best practice among prosecutors. As

such, and to the extent that law enforcement has traditionally been a local responsibility, the LAO believes that local district attorneys may be more willing to make vertical prosecution a local funding priority.

Staff Recommendation. Staff notes that funding for the local district attorneys is also provided in the COPS program, which was not reduced in the May Revise. Staff recommends elimination of the five vertical prosecution grant programs.

Action.

High Technology Theft Apprehension and Prosecution Program

Budget request. This Finance Letter proposes a \$4.2 million reduction from the High Technology Theft Apprehension and Prosecution Program for local assistance. This reduction would reduce this program to a total of \$10 million. Of this amount \$9.1 million is for local assistance funding for the five regional task forces and \$750,000 is for POST training, and \$127,000 is for OCJP to perform liaison activities.

Staff Recommendation. Staff recommends approval of the Finance Letter.

Action.

War on Methamphetamine

Budget Request. This Finance Letter proposes a \$5 million reduction in local assistance funding for the War on Methamphetamine Program.

Staff Comments. The Subcommittee may wish to ask OCJP how this reduction will be distributed among the grantees, and what the impact of the reduction will be.

Action.

Cold Hit Program

Budget Request. This Finance Letter proposes to revert \$6 million from the DNA Profiling Program that was authorized in the Budget Act of 2000 to the General Fund, in recognition of actual caseload that is lower than originally estimated. The amount of the original appropriation was \$50 million. Based on the number of cases located to-date, the total funding for the program would be \$2.5 million. This proposal seeks to increase funding to locate an estimated additional 5,000 cases for testing. The Subcommittee previously approved a redirection of \$4 million from this program to fund domestic violence shelters, and approved the remainder of the program as budgeted.

Analyst's Comments. The LAO raises two concerns with the May Revise proposal. One is that the costs for discovering the new cases is almost double the cost for the already identified cases. The other problem is that there may not be 5,000 cases undiscovered but viable for laboratory analysis.

Staff Recommendation. Staff recommends approval of the Finance Letter reduction.

Action.

State Mandated Local Programs

Background. The budget includes funding for mandate claims related to two programs at the OCJP: Threats Against Peace Officers Program (Chapter 1249, Statutes of 1992 and Chapter 666, Statutes of 1995), and Crime Victims Rights program (Chapter 411, Statutes of 1995).

Budget Request. This Finance Letter proposes to reduce the funding for mandate claims in the budget year. Claims would still be submitted by local government and accepted by the state, however, payments of the claims would be postponed. Under this proposal the state would pay the claim and interest accrued, after the budget year. This proposal would generate General Fund savings of \$849,000.

Staff Recommendation. Staff recommends approval of the Finance Letter reduction.
Action.

ISSUE

Juvenile Justice Programs

Background. The OCJP oversees about \$40 million in federal funds that support several programs aimed at reducing juvenile delinquency and juvenile crime. These programs generally provide local assistance to counties and other agencies to conduct programs that are intended to decrease juvenile delinquency. They are very similar to programs administered by the Board of Corrections (BOC). For example, the BOC administers the Juvenile Crime Enforcement and Accountability Challenge Grant Program and the Crime Prevention Act of 2000. Moreover, BOC's linkages with local agencies have fostered a constructive state-local partnership in the administration of these programs.

Request. Senator Burton requests that the Subcommittee transfer responsibility and funding for the following juvenile justice programs now administered by the OCJP to the BOC.

- Jail Removal Program
- JJDP Title II- State Challenge Activities Grant Program
- Juvenile Accountability Incentive Block Grant Program
- Probation Specialized Units Program
- Title II: Delinquency Prevention & Intervention Program and Positive Alternatives Program
- Multi-Agency Gang Enforcement Consortium
- Residential Substance Abuse Treatment Program
- Community Delinquency Prevention
- Gang Violence Suppression

Comments. Senator Burton notes that in a time of severe budget cuts, it is essential that the state maximize unnecessary duplication and overlap. The Federal Fund and General Fund portions of the following programs would be transferred from OCJP to the BOC. Staff notes that this is consistent with the LAO memo related to overlap and duplication of juvenile justice programs:

Action.

8120 Commission on Peace Officer Standards and Training

State Mandated Local Programs

Background. The budget includes funding for mandate claims related to one program at the POST: Domestic Violence Arrest Policies and Standards (Chapter 246, Statutes of 1995).

Budget Request. This Finance Letter proposes to reduce the funding for mandate claims in the budget year. Claims would still be submitted by local government and accepted by the state, however, payments of the claims would be postponed. Under this proposal the state would pay the claim and interest accrued, after the budget year. This proposal generate General Fund savings of \$6.9 million.

Staff Recommendation. No issues have been raised regarding this issue. Staff recommends approval of the Finance Letter.
Action.

8140 Office of the State Public Defender

FINANCE LETTER ON PROPOSED CONSENT CALENDAR

General Fund Reduction. This Finance Letter proposes a reduction of \$250,000 from the General Fund to reflect the elimination of currently vacant positions. The total proposed budget for the State Public Defender was \$11 million. This reduction represents a 2.3 percent reduction from the originally proposed budget.

8300 Agricultural Labor Relations Board

FINANCE LETTER ON PROPOSED CONSENT CALENDAR

General Fund Reduction. This Finance Letter proposes an unallocated reduction of \$519,000 from the General Fund to reflect a reduction to the operations of the Agricultural Labor Relations Board. The total proposed budget for the ALRB was \$5.2 million. This proposal represents a 10 percent reduction from the original budget.

8690 Seismic Safety Commission

FINANCE LETTER ON PROPOSED CONSENT CALENDAR

Field Act Study. This Finance Letter proposes an increase of \$100,000 in reimbursements. This funding would allow the Seismic Safety Commission to convene an advisory committee to conduct a study regarding the Field Act, pursuant to AB 16 (Chapter 33, Statutes of 2002).

8700 California Victim Compensation and Government Claims Board

FINANCE LETTERS ON PROPOSED CONSENT CALENDAR

San Francisco Victim Recovery Center. This Finance Letter proposes an increase of \$1.3 million from the Restitution Fund to provide continuing support for the victim recovery center pilot project being operated in conjunction with San Francisco General Hospital. This program was established pursuant to Chapter 1016, Statutes of 2000.

Criminal Restitution Compact. This Finance Letter proposes an increase of \$81,000 from the Restitution Fund to provide for cost-of-living increases pursuant to contracts with counties that assist in the recovery of restitution payments.

Restitution Fund Loan. This Finance Letter proposes to eliminate budget bill item authorizing a \$20.0 million loan from the Restitution Fund to the General Fund. Due to revised claims payment estimates and other pressures on the Restitution Fund, the Department of Finance indicates that this loan is no longer feasible. This issue had been previously left open by the Subcommittee, pending additional analysis of the availability of funds in the Restitution Fund.

FINANCE LETTERS

Travel Reduction for Board Meetings-

Budget Request. This Finance Letter proposes a reduction of \$24,000 (\$19,000 Restitution Fund, \$5,000 General Fund) in the Board's travel budget to reflect the savings associated with the proposed discontinuation of Southern California board meetings. This reduction requires the following proposed trailer bill language.

Government Code Section 13915 is amended to read:

"13915. The board shall ~~schedule its meetings for the purpose of receiving and acting upon claims so that the meetings are held in southern California at least once in every two consecutive calendar months. The board shall specify on each claim form the location and approximate frequency of its meetings held for the purpose of receiving and acting upon claims. The claimant may designate on the form a preferred location where the board holds its meetings, and the board shall hear the claim at the location designated by the claimant~~ hold regular meetings in Sacramento and may hold other meetings at such times and places within the state as a majority of the board directs. At any meeting the board may transact any business and perform all duties imposed upon it."

Staff Comments. The Subcommittee may wish to ask what impact this change is likely to have on the operations of the board.

Action.

SUBCOMMITTEE NO. 2

Agenda

Byron Sher, Chair
Sheila Kuehl
Bruce McPherson



FINAL ACTIONS

Thursday, May 16, 2002
Upon Adjournment of Session
Room 4203

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Proposed Consent Calendar

Staff Recommendation: Staff recommends the subcommittee approve the following finance letters. No opposition or issues or have been raised with the proposals. (A brief description of these items can be found under the respective agencies, departments, etc.)

Resources Agency

Legacy Project—Fund Shift
Coastal Impact Assistance Program
Folsom Powerhouse State Park
California Ocean Resources Management Program—Fund Shift

Department of Transportation

Transfer Aeronautics Account Reserve to the General Fund
Highway Work Zone Awareness Campaign
Budget Planning Models Reappropriation
Sacramento Headquarters Office Consolidation Project

Department of Motor Vehicles

Postage Rate Increase
Authority to Increase Fee for Information Requests
Sacramento Headquarters 1st Floor Asbestos and Office Renovation Project
Sacramento Headquarters 3rd Floor Asbestos and Office Renovation Project
San Ysidro Office Replacement Project
South Sacramento Field Office Replacement Project

Tahoe Conservancy

General Fund reduction

Conservation Corps

General Fund Reduction
Sierra Service District

Department of Forestry and Fire Protection

Aircraft Services Contract
General Fund Reduction
Capital Outlay
State Mandates

State Lands Commission

General Fund Reduction

Department of Fish and Game

Automated License Data System
Public Resources Account Backfill

Wildlife Conservation Board

UC Merced Grasslands Project-Reversion

State Coastal Conservancy

Reappropriation request

Bay Conservation and Development Commission

General Fund Reduction

Department of Parks of Recreation

Postal Rate Increases
Americans With Disabilities Act Compliance
SB 1XXX Correction
Off-Highway Vehicle Trust Fund

Department of Water Resources

ISO Settlement with the State Water Project—General Fund Repayment
Capital Outlay Reappropriations—Flood Control Projects
Drought Panel Recommendations
Los Angeles Department of Water and Power—Water Conservation Projects
Flood Protection Corridor Program—Proposition 13
Water Bond Audit Costs—Proposition 13
Water Use Efficiency Program—Proposition 13
CALFED Funding Realignment
Extension of Liquidation Period—Integrated Storage Investigations
Program Reductions

Secretary for Environmental Protection

Scientific Peer Review

Air Resources Board

General Fund Reduction
Zero-Emission Vehicles

Department of Pesticide Regulation

General Fund Reduction
State Mandates

Water Resources Control Board

Clean Energy Green Team
General Fund Reduction

Department of Food and Agriculture

Measurement Standards Program
Plant Pest Diagnostic Lab Program
Wildlife Services and Nuisance Control
General Agricultural Activities
Reduction to Contract With Department of Pesticide Regulation
Pierce's Disease Program
Buy California
Baseline Reduction

Action:

The subcommittee removed the Aeronautics account (Caltrans), and the Fee increase (DMV) proposals from the consent calendar.

The subcommittee approved all items on the consent calendar

Vote:

3-0

0540 Secretary for Resources

The Secretary for Resources is responsible for general policy formulation to manage and preserve California's natural, recreational, and wildlife resources.

May Revision-Items on the Proposed Consent Calendar:

California Legacy Project—Fund Shift

This proposal will fund the program from the California Environmental License Plate Fund in lieu of the General Fund.

Coastal Impact Assistance Program

It is requested that Item 0540-001-0890 be increased by \$9,861,000 and Item 0540-001-0001 be amended to reflect this change to fund a number of coastal enhancement projects.

Folsom Powerhouse State Park

It is requested that Item 0540-001-0005 be increased by \$1,887,000 and that Item 0540-001-0001 be amended to reflect this change to build a new visitor center at the Folsom Powerhouse State Historic Park. Funding is provided in the Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000 (Proposition 12) for this project.

California Ocean Resources Management Program—Fund Shift

This proposal will fund the program from the California Environmental License Plate Fund in lieu of the General Fund.

Proposition 40 Expenditures

Issue: The Administration proposes total expenditures of \$792.3 million from Proposition 40 bond funds among various departments, boards, and conservancies within the Resources Agency. The Administration also proposes 92.1 personnel years for fiscal year 2002-03.

Department	Amount
Secretary for Resources	\$11,053,000 \$53,700,000
California Conservation Corps	\$4,000,000 \$71,000
Department of Forestry and Fire Protection	\$1,052,000
Department of Fish and Game	\$83,000
Wildlife Conservation Board	\$409,000
Wildlife Conservation Board for the San Joaquin River Conservancy	\$2,500,000 \$2,500,000
State Coastal Conservancy	\$705,000 \$189,400,000
Department of Parks and Recreation	\$6,552,000 \$152,800,000 \$81,500,000
Santa Monica Mountains Conservancy	\$12,000,000
San Gabriel and Lower Los Angeles Rivers and Mountains	\$525,000

Conservancy	\$18,000,000
Baldwin Hills Conservancy	\$15,000,000
	\$15,000,000
Coachella Valley Mountains Conservancy	\$5,000,000
	\$8,000,000
CALFED Bay-Delta Program	-\$30,500,000
State Air Resources Board	\$9,600,000
State Water Resources Control Board	\$2,045,000
	\$96,000,000

Also included in the Proposition 40 expenditures is \$118.1 for the CALFED Bay-Delta program and CALFED related programs, and \$51 million for the Wildlife Conversation Board.

Issues: Staff have raised the following issues with the Administration's proposal:

- The proposal includes 9.1 percent for administrative costs. Previous bond have allocated for 5 percent for administrative costs.
- The proposal authorizes expenditures for new programs (Historical and Cultural Resources, Agricultural and Grazing Lands Preservation) without any statutory framework or guidelines for selecting projects.
- The proposal includes funding for the CALFED Bay-Delta program. Funding CALFED from Proposition 40 is not consistent with the Legislative intent of the bond. A more appropriate fund source for CALFED may be the Water Initiative on the November 2002 ballot (the initiative is pending signature verification).
- The proposal does not provide funding for the Urban Parks program until the 2004-05 budget year.

Staff Recommendation: Staff recommends the subcommittee take the following actions:

1. Have the Secretary or the Department of Finance explain why the Administration is requesting 9 percent in Administrative costs. The LAO recommends the following control section language to limit administrative costs at 5 percent:

Section xx. Notwithstanding any other provision of law, of the funds appropriated in this act from Proposition 40 approved by the voters in March 2002, administrative costs shall not exceed 5 percent of any such appropriation for purposes of grant programs and of the purchase price of individual property acquisition projects.

2. Approve all Proposition 40 budget requests except for the following:
 - \$107 million (Department of Parks and Recreation) for cultural and historical resources
 - \$9.75 million (Resources Agency) for agricultural and grazing lands preservation
 - \$63.7 million (Resources Agency) for various river parkway projects
 - \$20 million for the Opportunity Acquisition Program (Department of Parks and Recreation)
 - \$164 million for Clean Beaches (various departments)
 - \$101.1 million (Department of Water Resources) for the CALFED Bay-Delta Program
 - \$52.3 million (Department of Parks and Recreation) for projects authorized in Proposition 40

3. Increase the following expenditures:

- \$127.4 million for Urban Park Grants and establish a division of Urban Parks within the Department of Parks and Recreation
- \$45.5 million for Murray-Hayden Competitive Grants (Department of Parks and Recreation)
- A total of \$20 million for the Santa Monica Mountains Conservancy
- A total \$25 million for the Carl Moyer Program
- A total of \$20 million for the Baldwin Hills Conservancy
- The subcommittee may also wish to consider approving trailer bill language to implement the LAO's various recommendations for accountability and oversight of Proposition 40 expenditures.

Action:

The subcommittee approve the staff recommendation, with the following changes:

- **The subcommittee approved control section language to limit the administrative costs (separate from bond related costs) by a total 5 percent.**
- **Approved budget bill language that authorizes 20 percent of the Carl Moyer funds for clean school buses.**
- **Approved Issue #3 (LAO recommended oversight actions)**

Vote: 2-0 (McPherson absent)

River Parkways—Proposition 13

The Secretary's office proposes that Item 0540-101-6015 be added in the amount of \$7,625,000 for the following River Parkway projects:

- | | |
|----------------------|---------------|
| • San Gabriel River | \$3.0 million |
| • San Dieguito River | \$2.0 million |
| • San Diego River | \$2.0 million |
| • Tuolumne River | \$625,000 |

Budget Bill Language will specify that these funds will be available for expenditure for three years.

It is also requested that Item 0540-001-6015 be added in the amount of \$16,000 and that Item 0540-001-0001 be amended to reflect this change for administrative costs associated with these projects.

Staff Recommendation: The subcommittee may wish to consider re-prioritizing the proposed list of projects.

Action:

The subcommittee approved the finance letter and added \$425,000 for the Coyote Creek Trail. The subcommittee also approved the remaining balance of Proposition 12 funds for the Santa Monica Bay restoration program.

Vote: 2-0 (McPherson absent)

2640 Special Transportation Programs

The Special Transportation Programs budget reflects mass transit program funding that is appropriated to the State Controller for allocation to regional transportation planning agencies. Administration of the State Transportation Assistance program is performed by the State Controller and the Department of Transportation.

May Revision-Finance Letter

The Administration proposes to reduce the State Transit Assistance program by \$17,340,000 to reflect new revenue estimates. The January Governor's Budget contains \$115,358,000 for allocation to local transit agencies for operations and other purposes pursuant to Section 99312 of the Public Utilities Code. The reduction is due primarily to a lower diesel price forecast in the May revision (approximately \$12.2 million).

Staff Recommendation: The subcommittee may wish to have the department explain why a reduction to the Public Transportation Account (PTA) will effect the general fund and jeopardize projects in the Traffic Congestion Relief Plan. Staff recommends the subcommittee approve the finance letter.

Action:

Vote: 2-0 (McPherson absent)

2660 Department of Transportation

The Department of Transportation (Caltrans) constructs, operates and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The state highway system comprises approximately nine percent of the total roadway mileage in California but handles approximately 54 percent of the miles traveled. The department also has responsibilities for congestion relief, transportation technology, environmental and worker protection, airport safety, and land use and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

May Revision-Items on the Proposed Consent Calendar:

Transfer Aeronautics Account Reserve to the General Fund

The department proposes to transfer \$6.0 million from the Aeronautics Account to the General Fund. This transfer will leave a 5 percent State Operations budget reserve in the Aeronautics Account.

Highway Work Zone Awareness Campaign

The department proposes to Redirect \$5.0 million in Item 2660-001-0042 to expand the multi-lingual media/advertising campaign statewide.

Budget Planning Models Reappropriation

This reappropriation will allow time for Caltrans to comply with information technology reporting requirements.

Sacramento Headquarters Office Consolidation Project

The department proposes \$600,000 to begin a consolidation study.

Loans from the Transportation Congestion Relief Fund and State Highway Account

Issue: The department proposes an additional \$373 million loan from the TCRF to the General Fund. Earlier this year the subcommittee approved the Governor's January budget proposal to loan \$674 million loan from the Traffic Congestion Relief Fund (TCRF). The total loan amount to the General Fund is \$1.05 billion in the budget-year.

The department also proposes trailer bill language to authorize the Director of Finance to order the transfer of \$50 million from the State Highway Account to the General Fund as a current year loan under Article XIX of the Constitution. The loan will be repaid within three fiscal years from the date the transfer is made.

Staff Recommendation: Staff recommends the subcommittee approve the Administration's May revision proposal.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

Capital Outlay Support Budget

The department proposes to reduce 550 positions and 379.5 personnel years to reflect workload conforming to the April 2002 State Transportation Improvement Program (STIP). It is the intent of the Administration to administratively establish additional positions for the Capital Outlay Support Program to the extent that viable options are identified for advance delivery that would require additional staffing in the budget year. The May Revision adjustment requires changes to the following items as outlined below:

- Decrease Item 2660-001-0042 by \$21.977 million
- Increase Item 2660-001-0890 by \$21.3 million
- Decrease funding for Streets and Highways Code Section 188.10 by \$34.628 million
- Decrease funding for Government Code Section 8879.3 by \$680,000
- Decrease Reimbursements by \$2.094 million

The department also proposes the following budget bill language to clarify that Provision 7 applies to all external consultant and professional services related to project delivery (also known as 232 contracts) and to ensure that work performed during the budget year is accrued to budget year funds as follows:

7. “The funds appropriated in Schedule (2) for external consultant and professional services related to project delivery (also known as 232 contracts) ~~architectural and engineering consultant contract resources for capital outlay support~~ that are unencumbered or encumbered but unexpended related to work that will not be performed during at the end of the fiscal year shall revert to the fund from which they were appropriated.”

Staff Recommendation: Staff recommends the subcommittee deny the finance letter, and approve a equal reduction between authorized state positions and contracting-out dollars (personnel-year equivalents). Staff also recommends the subcommittee approve the proposed budget bill language.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

Expand Investment Authority for the Toll Bridge Seismic Retrofit Account

The department proposes trailer bill language to authorize investment of bond or commercial paper proceeds deposited to the TBSRA to increase investment earnings. The language would also exempt Caltrans from certain reporting requirements if the investments are made pursuant to bond resolutions adopted under the State-Owned Toll Bridge Seismic Retrofit Financing Act of 2002. The additional earnings will be used to offset the overall need for debt financing.

Staff Recommendation: Staff recommends the subcommittee approve the request, but not approve trailer bill language. Fiscal and policy staff need more time to address some concerns with the proposed language.

Action: The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

Transportation Finance Bank Revolving Loan Program

The proposal establishes a revolving loan program to provide short-term financing to public entities and public/private partnerships for the delivery of transportation projects in California. Caltrans received \$3.0 million in federal funds in 1997 for a revolving loan program from the National Highway System Designation Act of 1995. Budget Trailer Bill language is also proposed to change the program administrator from the California Infrastructure and Economic Development Bank to Caltrans and to establish the Local Transportation Loan Account as the repository for the federal funds and loan repayments.

Staff Recommendation: Staff recommends the subcommittee approve the request, but not approve trailer bill language. Fiscal and policy staff need more time to address some concerns with the proposed language.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

2740 Department of Motor Vehicles

The Department of Motor Vehicles (DMV) regulates the issuance and retention of drivers' licenses and provides various revenue collection services. The DMV also licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale and disposal of vehicles. Over 50 percent of the proposed budget is for the Vessel/Vehicle Identification and Compliance Program, which establishes identification and ownership of vehicles of California residents and assures compliance with various laws and programs. DMV also issues personal identification cards, administers driver safety and control programs, and provides consumer protection services.

May Revision-Items on the Proposed Consent Calendar

Postage Rate Increase

The department proposes an increase of \$2.55 million (special funds) to fund costs related to the increase in United States Postal Service rates, which become effective July 1, 2002.

Authority to Increase Fee for Information Requests

The 2002-03 Governor's Budget includes several proposals to increase revenues to the Motor Vehicle Account, including an increase from \$2 to \$4 per record for information provided to insurers and others who request driver's license and vehicle registration information. This change in fees is expected to be accomplished through regulations.

Sacramento Headquarters 1st Floor Asbestos and Office Renovation Project

Increase of \$19.1 million for the project.

Sacramento Headquarters 3rd Floor Asbestos and Office Renovation Project

Decrease of \$7 million for the project.

San Ysidro Office Replacement Project

Increase preliminary plans by \$325,000 and working drawings by \$125,000.

South Sacramento Field Office Replacement Project

Increase preliminary plans by \$117,000 and working drawings by \$127,000.

The department also proposes language to revert funding from previous budget acts (Item 2740-495).

Action:

The subcommittee approved the Fee Increase for Information proposal.

Vote: 2-0 (McPherson not voting)

3125 California Tahoe Conservancy

Established in 1984, the Conservancy develops and implements programs to maintain equilibrium between the natural endowment and the man-made environment of the Lake Tahoe region. The Conservancy, overseen by a seven-member governing board, acquires and manages lands to protect the natural environment, provides public access and recreational facilities, preserves wildlife habitat areas, and, as a result, is a key element in the implementation of the Environmental Improvement Program for Lake Tahoe; it also awards grants to other public agencies and nonprofit organizations for the purposes of its programs. The Conservancy's office is located in South Lake Tahoe.

May Revision-Item on the Proposed Consent Calendar

The conservancy proposes a \$300,000 General Fund reduction. This action will increase support from Proposition 12 in lieu of General Fund.

3340 California Conservation Corps

The corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects that conserve and enhance the state's natural resources and environment. The corps is headquartered in Sacramento and operates 13 residential base centers, 1 nonresidential service district, and more than 30 nonresidential satellite centers in urban and rural areas. The corps also develops and provides funding for eleven community conservation corps in neighborhoods with large concentrations of minority youth and high youth unemployment.

May Revision-Items on the Proposed Consent Calendar

General Fund Reduction

The department proposes a reduction of \$7.2 million and 9.5 personnel years. The total number of corps members will be reduced from approximately 2,150 to 1,725. The department argues the reduction will be accomplished through normal attrition, and that no corps members will be released from the program early.

Sierra Service District

The corps proposes \$400,000 (special fund) for a minor capital outlay project.

3540 Department of Forestry and Fire Protection

The department, under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by the state or local agencies. In addition, the department (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands. The Office of the State Marshal was consolidated into the department in September 1995. The office is responsible for protecting life and property from fire through the development and application of fire prevention engineering, enforcement and education regulations.

May Revision-Items on the Proposed Consent Calendar

General Fund Reduction

The department proposes a \$415,000 reduction to defer completion of the Land Record Information project, designed to produce a state standard for land use information, including parcel boundaries, owner name, assessed value, development status, and general plan designation.

Capital Outlay

The department proposes various changes to the capital outlay program.

State Mandates

The department proposes to reduce funding for a state-mandated program by \$90,000.

Timber Harvest Plan Review

Issues: The budget proposes \$22.1 million (\$21.5 million, General Fund) for review and enforcement of timber harvest plans (THPs). The LAO recommends imposing fees on timber operators to cover the costs incurred by state agencies in their review and enforcement of timber harvest plans.

Issue: The subcommittee has directed staff to develop a timber harvest plan proposal. Subcommittee staff have worked in consultation with the Analyst to develop trailer bill language that implements the LAO recommendations. The proposal includes the following:

- A 4 percent timber yield fee on harvested timber for the 2002-03 and 2003-04 fiscal years.
- The proposal establishes the Forest Practice Regulatory Fund, and deposits all fees in the account for appropriation by the Legislature.
- Beginning in 2004-05, the board will establish a fee amount to cover the costs of reviewing and enforcing timber harvest plans.
- Requires the Board of Equalization to collect the timber yield fees.

Staff Recommendation: If the subcommittee approves a majority vote bill, the proposal will generate \$5.8 million of General Fund savings in the budget-year, and \$22 million General Fund Savings in the 2003-04 fiscal year. If the subcommittee approves “urgency” legislation, the proposal will generate \$13 million of General Fund savings in the budget-year.

Staff recommends the subcommittee approve the trailer bill language (no urgency clause), and reduce \$1 million from the timber harvest plan review program.

Action:

The subcommittee approved the staff recommendation and reduced the department's budget by an addition \$4.8 million for the timber harvest review program.

Vote: 2-0 (McPherson absent)

Aircraft Services Contract

The department proposes \$1,495,000 (General Fund) to provide the Department of Forestry and Fire Protection (CDF) with funding for a new contract for aircraft pilots, maintenance, and logistical support services.

Staff Recommendation: The subcommittee may wish to have the department explain why the General Fund augmentation is needed in the budget-year. Staff recommends the subcommittee withhold approval.

Action:

The subcommittee approved the finance letter.

Vote: 2-0 (McPherson absent)

Hemet-Ryan Air Attack Base

The department proposes \$2.1 million for this project. The LAO has a few issues with the proposal.

Action:

The subcommittee approved the finance letter.

Vote: 2-0 (McPherson absent)

Other Budget Issues:

Sudden Oak Death

The subcommittee has received a request from the Senate Leadership to provide funding for Sudden Oak Death. Staff recommends the subcommittee approve \$2 million (General Fund) to continue the Department's efforts to combat Sudden Oak Death.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

Budget Bill Language

Staff recommends the subcommittee approve the LAO's proposed budget bill language relating to the California Forest Improvement Program:

California Forest Improvement Program, Item 3540-001-6029

The funds appropriated in this item for the California Forest Improvement Program shall not be expended until the Department of Forestry and Fire Protection notifies the Legislature of the criteria it has developed to allocate funds for this program consistent with paragraph (c) of section 5096.650 of the Public Resources Code.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

The subcommittee deleted funding for the Board of Forestry, but did not reduce funding for salaries and did not delete positions.

Motion: Kuehl

Vote: Vote 2-0 (McPherson absent)

3560 State Lands Commission

The Commission is comprised of the State Controller, the Lieutenant Governor, and the Director of Finance. It is responsible for the management of lands the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands. The Commission generates significant state revenue from the development and extraction of oil, gas, geothermal energy, and other minerals on state lands. Most of this revenue is from oil production on state tidal and submerged lands along the coast of southern California. The commission also administers regulations and policies for operation of marine facilities in the state to protect against oil spills.

May Revision-Item on the Proposed Consent Calendar

General Fund Reduction

The commission proposes a reduction of \$600,000 and 3.8 personnel years. The reduction is partially offset by an increase of \$150,000 reimbursements for a net reduction of \$450,000.

3600 Department of Fish and Game

The department administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission sets policies to guide the department in its activities, and regulates the sport taking of fish and game. The department manages approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

May Revision-Items on the Proposed Consent Calendar

Automated License Data System

The department proposes to reappropriate funding provided in the 2001 Budget Act for the Automated License Data System (ALDS). The Budget Act of 2001 appropriated \$4.7 million Fish and Game Preservation Fund for procurement and development of the ALDS. Due to changing timelines and project priorities, the Department of Fish and Game (DFG) is restarting the bidding process and will not be able sign a contract prior to July 1, 2002. The requested action will reappropriate funds for the ALDS project to make this funding available until June 30, 2003.

Public Resources Account Backfill

Due to revenue shortfall in the Public Resources Account, the requested action will shift expenditures to the Environmental License Plate Fund.

3640 Wildlife Conservation Board

The board acquires property to protect and preserve wildlife and provides fishing, hunting, and recreational access facilities. The board is composed of the Directors of the Departments of Fish and Game and Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

May Revision-Item on the Proposed Consent Calendar

UC Merced Grasslands Project

The Board proposes to reduce \$14 million (General Fund) for the UC Merced Grasslands Project. The project will be funded through Proposition 40 bond funds, continuously appropriated to the Wildlife Conservation Board.

3720 California Coastal Commission

The commission administers the state and federal coastal management programs within the California coastal zone. These responsibilities include the review and approval of local coastal programs, and the regulation of development in the 72 local jurisdictions within the coastal zone. The commission has 16 members, consisting of six public members, six elected local officials, and four nonvoting ex-officio members representing state agencies. The commission is headquartered in San Francisco and maintains five district offices in coastal areas.

May Revision-Finance Letter

General Fund Reduction

The commission proposes a reduction of \$1.1 million and 7.6 personnel years (\$603,000 state operations, and \$497,000 local assistance).

Staff Recommendation: Staff recommends the subcommittee deny the finance letter. No action is needed to restore funding.

Action:

The subcommittee approved the staff recommendation.

3760 State Coastal Conservancy

The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. The conservancy's jurisdiction covers the entire coastal zone including San Francisco Bay and the Suisun Marsh. The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary of the Resources Agency, the Director of Finance, and four public members.

May Revision-Item on the Proposed Consent Calendar

Reappropriation request

The conservancy proposes to reappropriate funds for purposes of extending the liquidation period for Item 3760-301-0545, Budget Act of 1997. The State Coastal Conservancy will liquidate encumbrances for the following projects during the 2002-03 fiscal year:

Project #80-97-090	Los Angeles River	\$1,084,586
Project #80-97-091	Napa River	\$950,000
Project #80-97-093	Russian River	\$625,031

3820 San Francisco Bay Conservation and Development Commission

Created by the Legislature in 1965, the commission is responsible for protecting and regulating as a single unit the San Francisco Bay, the San Pablo Bay, the Suisun Bay, the Suisun Marsh, and the 100 foot strip inland of the adjoining shoreline as specified in the San Francisco Bay Plan and the Suisun Marsh Protection Plan. The commission consists of 27 members representing citizens and all levels of government in the Bay Area.

May Revision-Item on the Proposed Consent Calendar

General Fund Reduction

The commission proposes a reduction of \$400,000 and 3.8 personnel years.

3790 Department of Parks and Recreation

The department acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system. In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state.

May Revision-Items on the Proposed Consent Calendar

Staff Recommendation: Staff recommends the subcommittee approve the following finance letters. No issues have been raised with the requests.

Postal Rate Increases

The department proposes an increase of \$35,000 (General Fund) due to pending postal rate increases.

Americans With Disabilities Act Compliance

The department proposes an increase of \$8,112,000 (General Fund) to provide first year funding for statewide implementation of the Americans with Disabilities Act Transition Plan (Plan). The Plan is designed to provide access to California's park programs and facilities to visitors with disabilities. This augmentation will allow Parks to begin removal of barriers, and construction of ramps, trails and access walkways.

SB 1XXX Correction

The department proposes \$250,000 for the Boys and Girls Club of Napa Valley. Funding for this facility was inadvertently reverted in SB 1XXX.

Off-Highway Vehicle Trust Fund

The department proposes to reappropriate \$2.0 million from the Off-Highway Vehicle (OHV) Trust Fund for contract funding to update the 1990 OHV Fuel Tax Study. This study is used to determine appropriate transfers of fuel taxes from the Motor Vehicle Fuel Account to the OHV Trust Fund.

Increased Operating Costs

The department proposes an increase of \$3,144,000 (General Fund) to provide security, maintenance and support facilities for public use of recent property acquisitions within metropolitan Los Angeles area. These acquisitions include the Cornfields property adjacent to downtown Los Angeles, Taylor Yards located along the Los Angeles River, and the Mulholland Gateway and Lower Topanga projects at Topanga State Park.

Issue: The Cornfields and Taylor Yard projects will not be ready for public use in either the budget-year, or in the near future. The amount of this request is unrealistic given the status of these land parcels.

Staff Recommendation: Staff recommends the subcommittee approve \$1.44 million for this request.

Action:

The subcommittee approved the finance letter.

Vote: 2-0 (McPherson absent)

Capital Outlay Requests

The LAO may have a few issues with the department's proposed projects.

Staff Recommendation: Staff recommends the subcommittee approve the finance letters.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

3860 Department of Water Resources

The department is responsible for developing and managing California's water through the implementation of the State Water Resources Development System, including the State Water Project. It also maintains the public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

May Revision- Items on the Proposed Consent Calendar:

ISO Settlement with the State Water Project—General Fund Repayment

The department proposes to transfer \$31.4 million from the State Water Project (SWP) to the General Fund. The SWP received \$31.4 million in reimbursement from the Independent Systems Operator for power purchased on behalf of investor-owned utilities prior to the Governor's Emergency Proclamation. The General Fund repaid the SWP in full in 2000-01 for those purchases.

Capital Outlay Reappropriations—Flood Control Projects

The department proposes budget bill language for various flood control projects.

Drought Panel Recommendations

The department proposes decreased by \$1.0 million for drought planning activities.

Los Angeles Department of Water and Power—Water Conservation Projects

The department proposes \$6,683,000 (Environmental Water Fund) to reimburse the Los Angeles Department of Water and Power for completed projects designed to either conserve water or utilize recycled water. The State agreed to fund these projects in exchange for Los Angeles reducing the amount of water it exports from Mono Basin.

Flood Protection Corridor Program—Proposition 13

The department proposes an increase of \$20.0 million to provide grants to local agencies for projects that increase flood protection, protect agricultural land, and preserve and enhance wildlife habitat.

Water Bond Audit Costs—Proposition 13

The department proposes a \$1,614,000 reduction to delete unnecessary funding for the 2002-03 fiscal year.

Water Use Efficiency Program—Proposition 13

The department proposes \$11,052,000 from the Water Conservation Account to the Water Use Efficiency Program.

CALFED Funding Realignment

The department proposes to reallocate \$4.3 million (General Fund) to reflect a realignment of priorities for implementation of the Record of Decision. This proposal will shift funding from various CALFED program elements, such as the Storage and Levees Programs, to Program Oversight and Coordination.

Extension of Liquidation Period—Integrated Storage Investigations

The department proposes to extend the liquidation period for funds provided for the Integrated Storage Investigations Program. This proposal will allow three existing projects to continue.

Program Reductions

The Administration is proposing one-time reductions for the CALFED Program as follows:

- | | |
|--------------------------|--------------|
| • Water Use Efficiency | -\$3,761,000 |
| • Levees | -\$3,561,000 |
| • Science | -\$2,030,000 |
| • Watershed | -\$1,869,000 |
| • Drinking Water Quality | -\$1,500,000 |
| • Ecosystem Restoration | -\$179,000 |

The department proposes to offset to Science program reductions with Proposition 13 funds.

CALFED Bay-Delta Program**Budget Bill Language**

The subcommittee has received a Senate member request to add the following budget bill language:

Notwithstanding Section 6004 (c) of the Water Code, no funds shall be provided or expended for any water storage project unless and until the Department of Water Resources, Dams Safety Division, has certified that the proposed water impoundment structures and facilities will provide factors of safety equal to or better than those applied to the dams and reservoirs regulated by the state as defined in Water Code Section 6000.

Staff Recommendation: The subcommittee may wish to have the department explain the potential effects of this language.

Action: The subcommittee approved budget bill language to require dam and reservoir safety standards, but still allows the department to expend funds for investigations.

Supplemental Report Language

The subcommittee has received a request from the United Farm Workers of America to add the following supplemental report language relating to environmental justice:

On or before February 1, 2003, the department shall submit to the chairs of the fiscal and pertinent policy committees of both houses on the department's efforts relating to environmental justice. The report shall include the following:

- *The department's efforts to develop program-wide environmental justice goals, objectives, strategies, and performance measures.*
- *The department's efforts to develop annual work-plans for the Environmental Justice Subcommittee, and to assist with implementation of program-wide goals, objectives, strategies, and performance measures.*
- *The department's efforts to ensure meaningful and substantive participation of community-based organizations and environmental justice groups in the CALFED program; including planning, program implementation, and decision making.*
- *The department's efforts to develop and implement a CALFED program-wide environmental justice education and technical assistance program.*
- *The department's efforts to address priority environmental justice issues in each of the CALFED program elements.*

Action: The subcommittee approved the staff recommendation, and changed the report date to December 1, 2003.

Vote: 2-0 (McPherson absent)

0555 Secretary for Environmental Protection

The Secretary for Environmental Protection heads the California Environmental Protection Agency (Cal-EPA). The Secretary is located in Sacramento and is responsible for overseeing and coordinating the environmental regulatory activities of the following boards, departments, and offices (BDOs):

Air Resources Board

Integrated Waste Management Board

Department of Pesticide Regulation

State Water Resources Control Board

Department of Toxic Substances Control

Office of Environmental Health Hazard Assessment

May Revision-Item on the Proposed Consent Calendar:

Scientific Peer Review

The Secretary's office proposes a \$300,000 reduction to the Scientific Peer Review program.

3900 Air Resources Board

This Board is responsible for achieving and maintaining satisfactory air quality in California. This responsibility requires the Board to establish ambient air quality standards for certain pollutants, regulate vehicle emissions, identify and control toxic air pollutants, administer air pollution research studies, develop and oversee implementation plans for the attainment and maintenance of both state and federal air quality standards and oversee the regulation of sources of pollution by air pollution control districts.

May Revision-Items on the Proposed Consent Calendar:

General Fund Reduction

The board proposes a \$300,000 reduction to the stationary source program.

Zero-Emission Vehicles

The board proposes to revert \$6.0 million from the remaining grants for zero-emission vehicles appropriated in Chapter 1072, Statutes of 2000 (AB 2061 Lowenthal).

Funding the Stationary Source Program

Issue: The budget proposes \$43.1 million (\$24.9 million, General Fund) for the stationary source program. The Legislative Analyst recommends applying the “Polluter Pays” principle and reassessing the fee structure of the program. The effect of this proposal would shift \$18.7 million from the General Fund to fees.

The Legislative Analyst has provided the subcommittee with the following options for consideration:

1. Remove the existing \$3 million cap on statewide fee collection, and require the ARB to develop regulations. The regulations would include cost of living adjustments based on the consumer price index (CPI).
2. Approve a standard fee structure of \$26 per ton for polluters who emit more than 10 tons per year. The analyst estimates this option would generate an additional \$3.2 million for the program.
3. Approve a standard fee structure of \$35 per ton for polluters who emit more than 10 tons per year. The analyst estimates this option would generate an additional \$5.5 million for the program.
4. Approve a tiered fee structure that establishes a \$26 per ton fee between 10 and 500 tons per year, and a \$52 per ton fee for polluters who emit 500 tons or more.

Of the entire stationary source program budget, only six percent (\$3 million) is from fees levied on stationary source polluters. The LAO points out that less than 250 facilities (out of approximately 20,000 stationary sources) pay the stationary source fee. The existing fee structure of \$25 per ton for facilities that emit 500 tons per year does not deter, nor encourage businesses to reduce their air pollutants. If the goal of the program is to help reduce air pollution, it is necessary to reexamine the existing fee structure.

Staff Recommendation: Staff recommends the subcommittee approve Option 1 for purposes of sending the issue to conference committee. The subcommittee may also wish to consider not approving the finance letter to reduce \$3 million from the stationary source program. No action is needed to deny the finance letter.

Action: The subcommittee approved option #1, and the finance letter to reduce \$3 million from the stationary source program

Vote: 2-0 (McPherson absent)

The subcommittee approve supplemental report language to require the ARB to provide recommendations on developing a statewide particulate matter reduction incentive program.

Vote: 2-0 (McPherson absent)

3910 Integrated Waste Management Board

The mission of the Board is to promote source reduction, recycling, composting, and environmentally safe transformation (in that priority order) as alternatives to the disposal of solid waste at landfills. The Board also protects the public health and safety through the regulation of existing and new solid waste land disposal sites.

Conversion Technologies

Issue: The subcommittee approved \$1.5 million (Integrated Waste Management Account) to establish grant programs, conduct workshops, facilitate working groups, and begin an analysis of the environmental and economic benefits of conversion technologies. The subcommittee directed the LAO and the board to develop budget-bill and supplemental report language to establish the parameters of the program. Subsequent to the committee's action, the subcommittee has received correspondence citing concerns with the proposal. Specifically, the subcommittee has concerns relating to dioxin production through pyrolysis and gassification, and the potential of this program to undermine solid waste diversion requirements.

Staff Recommendation: Staff recommends the subcommittee delete the request from the budget act, and place the item in legislation.

Action

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

3930 Department of Pesticide Regulation

The department was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. This function previously was carried out by the Department of Food and Agriculture. The department (1) evaluates the public health and environmental effects of pesticides, (2) regulates, monitors, and controls the use of pesticides in the state, (3) tests produce for pesticide residue levels, and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund.

May Revision-Items on the Proposed Consent Calendar:

General Fund Reduction

The department proposes a \$3.4 million reduction to its baseline budget. The action will result in fewer food tolerance assessments and pest management grants, less toxic air contaminant monitoring, and reduced total maximum daily load development.

State Mandates

The department proposes a \$236,000 reduction for a state mandated program.

Local Assistance Reduction

Issue: The subcommittee approved the department's proposal to reduce local assistance funding by \$500,000. The subcommittee has received a request from the County Agricultural Commissioners to restore funding for local assistance.

Staff Recommendation: The subcommittee may wish to restore \$500,000 for local assistance.

Action:

The subcommittee approved the staff recommendation.

Motion: McPherson

Vote: 3-0

3940 State Water Resources Control Board

The Board regulates water quality in the state and administers water rights. The Board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control Boards establish water discharge requirements and carry out water pollution control programs in accordance with state Board policies. The Board's water rights responsibilities involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

May Revision-Items on the Proposed Consent Calendar:

Clean Energy Green Team

The board proposes a reduction of \$132,000 and one position to reflect the elimination of the Clean Energy Green Team.

General Fund Reduction

The board proposes a \$6.2 million reduction in stormwater contracts for non-filer search activities, technical and financial assistance to local agencies to facilitate compliance with permits, and promoting best management practices for the control of stormwater pollution.

Core Regulatory Program

Background: The budget proposes \$68.3 million for the core regulatory program. The budget proposes to shift \$15 million from the General Fund to the Waste Discharge Permit Fund (WDPF). To accomplish the fund shift, the Administration has introduced trailer bill language to increase the statutory cap on fees from \$10,000 to \$20,000.

LAO Recommendation: The analyst believes the relationship between private degradation of resources is particularly strong in the case of point source water pollution, thereby justifying a full fee-based recovery of the core regulatory program. To apply the polluter pays principle to funding the board's core regulatory program, the LAO recommends an additional \$22.1 million reduction from the General Fund, and increase the WDPF by a similar amount. The subcommittee approved the LAO recommendation and directed staff to develop a detailed fee proposal.

Staff, in consultation with the LAO and the Water Board, have developed the following proposals:

Proposal 1

- Eliminate the existing \$10,000 cap and establish a new cap of \$35,000
- Establish a new category of "Super Dischargers" (facilities with design flows over 100 million gallons per day), and include a cap of \$200,000 for the new category.
- Eliminate the one-permit, one-fee rule (the copermitee exemption).
- Eliminate the exemption for confined feeding operations (dairies).

Proposal 2

- Eliminate the existing \$10,000 cap and establish a new cap of \$35,000
- Eliminate the one-permit, one-fee rule (the copermitee exemption).
- Eliminate the exemption for confined feeding operations (dairies).

The distinction between the two proposals is the “Super Discharger” category. The result of having the super discharger category is that the fee structure will have less of an effect on the middle to lower end fee payers (fees will be geared towards high-end polluters).

Staff Recommendation: Staff recommends the subcommittee approve either proposal and trailer bill language. Staff also recommends the subcommittee reduce \$10 million (General Fund) from the core regulatory program. **(Note: Since the Governor’s budget proposes to backfill \$15 million with increased fees, the trailer bill language has to include an urgency statute)**

Action:

The subcommittee approved Option #2, and reduced the Board’s budget by \$16.3 million.

Vote: 2-0 (McPherson absent)

The subcommittee approved the following supplemental report language:

The board shall report to the Legislature not later than April 1, 2003, on the projected workload, personnel requirements and regulatory steps needed to implement a water quality permitting program to conserve and protect wetlands that are not subject to regulation pursuant to the Clean Water Act (33 U.S.C. Sec. 1251 et seq).

Motion: Kuehl

Vote: 2-0 (McPherson absent)

3960 Department of Toxic Substances Control

The department's mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes.

May Revision-Finance Letter

Hazardous Waste Control Account Loan

The department proposes a \$15.0 million loan from the Hazardous Waste Control Account (HWCA) to the General Fund. The HWCA is used for hazardous waste management activities, including regulation, permitting, and enforcement. The finance letter indicates the loan will be repaid in 2004-05 fiscal-year.

The LAO recommends the subcommittee require the loan to be repaid no later than July 1, 2004. However, to do this the subcommittee would have to approve trailer bill language.

Staff Recommendation: Staff recommends the subcommittee approve the finance letter. The subcommittee may also wish to consider specifying the loan repayment date in trailer bill language.

Action:

The subcommittee approved the staff recommendation and established a repayment date of June 30, 2006.

Vote: 2-0 (McPherson absent)

3980 Office of Environmental Health Hazard Assessment

The Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. The office (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

May Revision-Finance Letter

General Fund Reduction

The Administration proposes a \$1.4 million to various programs at the office.

Staff Recommendation: Staff recommends the subcommittee approve a \$707,000 reduction, and restore the following items:

- Children's health risk from exposure to contaminants: \$38,000
- Reproduction and cancer hazard assessment section: \$69,000
- Health effects associated with gasoline usage: \$223,000
- Children's exposure to air pollution: \$104,000
- Developing public health goals (PHG's) \$77,000
- Evaluating toxic air contaminants under the Children's Environmental Health Protection Act: \$182,000

Action

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

8570 Department of Food and Agriculture

The department promotes and regulates the state's agricultural industry through:

- Eradication and control of harmful plant and animal pests and diseases
- Marketing, exporting and other related assistance for various agricultural commodities
- Assurance of true weights and measures in commerce
- Financial and administrative assistance to the state's 80 district, county and citrus fairs

May Revision-Items on the Proposed Consent Calendar:

Measurement Standards Program

A reduction of \$180,000 is proposed to reflect adjustments to program operations.

Plant Pest Diagnostic Lab Program

A reduction of \$580,000 is proposed which would extend the time to process and certify sampling and examination performed by the laboratories.

Wildlife Services and Nuisance Control

A reduction of \$983,000 is proposed to reflect a reduction to the Wildlife Services contracts with local governments and the federal government.

General Agricultural Activities

A reduction of \$800,000 is proposed to reduce marketing research and commodities promotion provided by DFA to agricultural industries.

Reduction to Contract With Department of Pesticide Regulations

A reduction of \$463,000 in Reimbursements is proposed as a corresponding adjustment to a reduction in the operations the Department of Pesticide Regulations.

Pierce's Disease Program

A reduction of \$1,570,000 is proposed to reduce the level of state operations committed to the Pierce's Disease control program and containment of its vector, the Glassy-Winged Sharpshooter.

Buy California

A reduction of \$3,000,000 is proposed to reflect a streamlined strategy for specialty crop market promotion in California.

Baseline Reduction

A reduction of \$16,000 to reflect an adjustment in base rental payments due to an updated debt service payment schedule and an increase from interest earnings and surplus construction funds to pay base rental payments for a lease revenue funded project.

Red Imported Fire Ant Program

The budget proposes \$9 million (General Fund) for the Red Imported Fire Ant Program (RIFA). A majority of these funds are directed to one county in Southern California.

Staff Recommendation: Staff recommends the subcommittee reduce \$2 million from the RIFA program, and direct these funds to the Department of Forestry and Fire Protection for Sudden Oak Death.

Action:

The subcommittee approved the staff recommendation.

Vote: 2-0 (McPherson absent)

The subcommittee approved an action to conform with the Assembly action to allow the University of California to perform a Medfly study.

Vote: 2-0 (McPherson absent)