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MAC TAYLOR  
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## INTRODUCTION

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The role of the Legislative Analyst's Office is to review state programs and make recommendations to the Legislature as to how the state can operate more effectively and efficiently. This report includes such recommended law changes that we have made in recent years. If you would like more information or assistance on any one of the proposed recommendations, please contact the person(s) listed at the bottom of each page. The deadline for bill requests to Legislative Counsel is January 30, 2009. The last day for bill introduction is February 27, 2009.





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## K-12 EDUCATION

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### *Simplify and Consolidate K-12 General Purpose Funding*

#### **Recommendation**

Consolidate K-12 base revenue limits with seven categorical funding streams that are general purpose in nature or provide basic support for the operation of classrooms.

#### **Rationale**

Currently, school districts receive general purpose funds through a base revenue limit and five revenue limit “add-on” programs. Consolidating these funding streams into one base grant would reduce district paperwork, clarify district funding levels, and ensure future equalization adjustments reflect the base amounts that are actually provided to districts. We also recommend consolidating funds for K-3 and 9<sup>th</sup> grade class size reduction (CSR) in the base grant. Loosening restrictions on CSR funds would allow districts to consider not only class size but also teacher quality, instructional support, and student needs. Rather than spread the CSR funds across all grades, however, we recommend the Legislature adopt specific grade-span base rates, thereby ensuring additional funding for K-3 and 9<sup>th</sup> grade students.

#### **LAO Reference**

Please see our *2008-09 Analysis*, page E-67. Also see *The Distribution of K-12 General Purpose Funds*, December 2003; *2004-05 Analysis*, page E-88; and *2006-07 Analysis*, page E-73.

#### **LAO Contact**

Rachel Ehlers: 319-8330



# K-12 EDUCATION

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## *Consolidate Special Education Funding*

### **Recommendation**

Consolidate special education funding to (1) provide additional flexibility in the use of funds and (2) increase transparency of local funding levels.

### **Rationale**

Currently, there are 12 special education categorical programs plus another 3 programs that are add-ons to the special education basic grant. While most of the funding streams are small, the multiple sources of money obscure the amounts individual Special Education Local Plan Areas (SELPAs) receive from the state for special education.

We recommend merging funding from several existing programs into the per pupil special education funding formula. In identifying programs to consolidate, we focus on programs that distribute funds to most SELPAs or support core special education activities. Consolidating these special education funding sources would provide local education agencies with additional flexibility in the use of funds as well as clarify actual funding levels, thereby promoting greater transparency.

### **LAO Reference**

Please see our *2008-09 Analysis*, page E-68.

### **LAO Contact**

Jaqui Guzmán: 319-8333



## K-12 EDUCATION

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### *Modify K-12 Cost-of-Living Adjustment (COLA) Index*

#### **Recommendation**

Modify the current K-12 COLA index to focus on employee compensation cost increases.

#### **Rationale**

The current index used to calculate COLAs for K-12 and community college programs—the state and local price deflator—is not a particularly good indicator of increases in school costs. Specifically, the current index assumes roughly half of an agency’s budget is devoted to employee compensation, with the other half devoted to things such as energy, construction, services, books, and equipment. In contrast, a typical school spends almost 85 percent of its support budget on employee compensation, with only about 15 percent going toward energy, services, books, and equipment. Moreover, schools fund construction projects using bond monies—completely separate from their support budget. Because of the significant differences between the current index and typical school costs, we recommend using just the employee compensation component of the current index. This alternative is simple and transparent and reflects more accurately the cost increases schools and community colleges actually face.

#### **LAO Reference**

Please see our *2008-09 Analysis*, page E-35.

#### **LAO Contact**

Rachel Ehlers: 319-8330



# K-12 EDUCATION

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## *Reform Child Care Reimbursement Rate Structure*

### **Recommendation**

Revise the child care reimbursement rate structure to (1) provide higher reimbursement rates for higher quality care and (2) recognize regional cost differences.

### **Rationale**

Currently, the state reimburses child care providers using either the Regional Market Rate (RMR) system or the statewide Standard Reimbursement Rate (SRR) system. Under the first system, the state reimburses providers at 85 percent of the RMR, which varies widely across regions. Under the SRR system, the state reimburses providers at a statewide fixed rate per child. Neither the RMR nor the SRR system links reimbursement rates to the quality of child care. Moreover, some providers that are subject to lower quality standards currently are being reimbursed at higher rates than other providers that are subject to higher quality standards.

We recommend creating one reimbursement structure with tiered rates based on regional cost differences and quality of care. This approach (1) rewards higher quality providers, (2) provides stronger incentives for all providers to improve quality, and (3) links reimbursement rates to actual costs.

### **LAO Reference**

Please see the *2007-08 Analysis*, page E-105.

### **LAO Contact**

Stefanie Fricano: 319-8336



# K-12 EDUCATION

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## *Streamline Child Care Contracting*

### **Recommendation**

Revise child care and development (CCD) contracting requirements to streamline the administrative process and reduce unintended carryover.

### **Rationale**

The state's CCD budget has chronic carryover of unspent funds. On average, for the past five fiscal years, at least \$200 million of the CCD appropriation has gone unspent (and has been "carried over" to fund future years of service). The bulk of the funds that go unspent each year can be attributed to: (1) delays resulting from the requirement to conduct a Request for Application for essentially all new monies, (2) the difficulty in redistributing funds from under-earning to over-earning providers, and (3) the complexities providers face attempting to earn their exact contract amount.

To address these concerns, we recommend several changes to CCD contracting requirements. Specifically, we recommend creating a process for distributing some growth funds as well as unearned funds to existing providers in good standing. We also recommend simplifying the reimbursement process to enable providers to fully earn their contract amounts.

### **LAO Reference**

Please see our *2008-09 Analysis*, page E83.

### **LAO Contact**

Stefanie Fricano: 319-8336



# K-12 EDUCATION

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## *Reform School Facilities Financial Hardship Program*

### **Recommendation**

Reform the School Facilities Financial Hardship program so that school districts receive funding based on an objective measure of local need.

### **Rationale**

The School Facilities Financial Hardship program is intended to help school districts that are unable to provide the required local match for new construction and modernization projects. A recent study found that many school districts that applied for the Financial Hardship program were taking on short-term debt and temporarily transferring funds out of their capital outlay accounts to appear financially needy. Such action allowed them to qualify for additional state funding, thereby reducing or eliminating their local contribution.

We recommend eliminating some of the existing Financial Hardship eligibility criteria and replacing them with a measure of the assessed value of property within a district. This approach would be more equitable by linking district match requirements directly to their ability to raise local revenue. As a result, the program would be more likely to help only its intended beneficiaries.

### **LAO Reference**

Please see our *2008-09 Analysis*, page E-115.

### **LAO Contact**

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## K-12 EDUCATION

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### *Create a New Mandate Block Grant*

#### **Recommendation**

Create a mandate block grant that would (1) improve local incentives to reduce mandate costs and (2) allocate mandate funds more equitably.

#### **Rationale**

The state currently spends roughly \$160 million a year to reimburse school districts and county offices of education (COE) for carrying out about 45 state-mandated K-12 education programs. To receive reimbursement for these mandated activities, each school district and COE must submit a claim for the expenses incurred in the previous year. Using mandates to achieve state policy goals creates several problems, including loss of state control over local implementation costs, significant administrative/claiming costs, and little accountability for results.

We recommend consolidating existing funding for K-12 mandates into a single grant allocated on a per pupil basis. This approach would strengthen local incentives for efficient program implementation and create more certainty and equity in funding levels. It also would simplify the mandate claiming process by avoiding the need for districts and COEs to file individual mandate claims each year.

#### **LAO Reference**

Please see our *2006-07 Analysis*, page E-80.

#### **LAO Contact**

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# K-12 EDUCATION

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## *Replace Dual School Improvement System With Unified System*

### **Recommendation**

Replace California’s dual school improvement system with (1) a single set of performance measures and expectations and (2) a unified system of school support.

### **Rationale**

California currently operates two systems designed to turn around low-performing schools—one for state purposes and one for federal purposes. They differ in important ways—measuring performance differently, setting different performance expectations, and taking different approaches to supporting low-performing schools. Taken individually, each system has its own inherent flaws. Taken together, the state and federal systems form a labyrinth of duplicative and disconnected program requirements that sends mixed messages to teachers, parents, schools, and districts.

We recommend replacing the two systems with an integrated system that serves both state and federal purposes. Specifically, we recommend (1) developing a new performance measure that tracks student-level academic progress over time, (2) linking the measure to one set of performance expectations, and (3) having only one statewide program to support low-performing schools—one that unifies federal and state eligibility criteria, exit criteria, and sanctions.

### **LAO Reference**

Please see *A New System of Support for Low-Performing Schools*, June 2008.

### **LAO Contact**

Jaqui Guzmán: 319-8333



# K-12 EDUCATION

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## *Reform California's K-12 Instructional Material Adoption Process*

### **Recommendation**

Reform California's K-12 instructional materials adoption process to (1) expand district choice, (2) lower costs, and (3) enhance program effectiveness.

### **Rationale**

The state's adoption process is a complex maze of activities— involving four sets of evaluation criteria and various expert panels, two curriculum committees, a Curriculum Commission, and two state agencies. Moreover, just when an adoption is fully implemented at the local level, the process starts all over again. We found this highly prescriptive process can be linked to less competition among publishers, limited district choice, higher cost, questionable quality, and little useful information.

We recommend a package of reforms designed to expand district choice, lower costs, and enhance program effectiveness. Most importantly, we recommend (1) using fewer sets of evaluation criteria, (2) streamlining the review process, (3) offering districts a voluntary extension of already adopted materials for up to two consecutive cycles, and (4) enhancing the quality and availability of information by collecting better information from expert reviewers and making that information available to the public.

### **LAO Reference**

Please see *Reforming California's Instructional Materials Adoption Process*, May 2007.

### **LAO Contact**

Jaqui Guzmán: 319-8333



# K-12 EDUCATION

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## *Create Performance-Based Teacher Accreditation System*

### **Recommendation**

Require teacher preparation programs annually to submit data on various outcomes. Based on that data, automatically accredit programs meeting minimum standards while placing remaining programs under review.

### **Rationale**

An independent evaluation of the state's accreditation system found significant shortcomings. Specifically, it found the existing system was based on vague, subjective standards. Accreditation teams, with various levels of training, sometimes interpreted these standards differently and applied them inconsistently. The system also is almost entirely input-oriented—relying heavily on reviews of program documents and interviews of program participants. Almost no data are obtained on student/program outcomes. Moreover, reviews occur only once every five to seven years and the state receives virtually no information about interim changes in program quality.

To overcome these problems, we recommend creating a less labor-intensive process that relies on more objective information about performance. We recommend using that information to annually assess program quality and target program support.

### **LAO Reference**

Please see *Modernizing the Functions of the Commission on Teacher Credentialing*, April 2006.

### **LAO Contact**

Jennifer Kuhn: 319-8332



## K-12 EDUCATION

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### *Reform Teacher Credential and Fingerprint Processes*

#### **Recommendation**

Streamline existing teacher credential and fingerprint processes—ensuring that most teachers undergo each process only once.

#### **Rationale**

The current teacher credential and fingerprint processes are riddled with redundancies. For the credential process, three agencies—universities, the Commission on Teacher Credentialing (CTC), and COEs—have credential analysts who conduct virtually the same review of application material. Similarly, many teachers are fingerprinted three times (by CTC, a COE, and a school district) prior to serving in their first permanent teaching position. In short, both processes are inefficient, labor-intensive, and time-consuming.

We recommend reforming these processes so that most teachers undergo each process only once. This would be done by devolving certain responsibilities from CTC to universities and COEs. The state, however, would continue to record important credential information and investigate serious allegations of teacher misconduct.

#### **LAO Reference**

Please see *Modernizing the Functions of the Commission on Teacher Credentialing*, April 2006.

#### **LAO Contact**

Jennifer Kuhn: 319-8332



# K-12 EDUCATION

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## *Align Student Data Disclosure Authority With Physical Data Control*

### **Recommendation**

Revise state law to allow the California Department of Education (CDE) to provide student data disclosure services on behalf of local educational agencies (LEAs).

### **Rationale**

State and federal laws currently place limits on the disclosure of student information in order to protect student privacy. LEAs, which currently collect and physically store student data, are responsible for compliance with those disclosure laws. Authorized researchers, including other LEAs, may now legally access that data but must specifically request it from the LEA that collected it.

Beginning in 2009-10, LEAs will begin to store much of their student data in a statewide data repository maintained by CDE. Given this change in the physical location of much student data (from LEAs to CDE), we recommend CDE be allowed to provide data disclosure services on behalf of the LEAs. As a result, authorized researchers would be able to request access to data directly from CDE rather than indirectly through individual LEAs. This change would streamline data access logistics and increase opportunities for education research while still maintaining all existing student privacy protections.

### **LAO Reference**

Please see *Redefining Student Data Access Policy*, January 2008.

### **LAO Contact**

Stefanie Fricano: 319-8336



## K-12 EDUCATION

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### *Revise Migrant Education Funding and Service Model*

#### **Recommendation**

Replace the current regionally based migrant education funding and service model with a district-centered model.

#### **Rationale**

The Migrant Education Program (MEP) is a federally funded program that provides supplemental education services to migrant children. The program currently provides these services primarily through regional centers—a model that has led to limited program accountability, poor coordination with other student services, and little statewide collaboration.

Shifting the majority of MEP funding directly to school districts would streamline the system—providing districts with both the resources and the responsibility to serve migrant students and improve their academic achievement. Specifically, we recommend that 70 percent of annual MEP funding flow directly to school districts based on the number of migrant students they serve. We recommend 15 percent of MEP funds be maintained at COEs for certain regional activities, such as technical assistance and providing services to students outside the traditional K-12 system. The remaining 15 percent would be provided to CDE for activities that benefit migrant students across the state.

#### **LAO Reference**

Please see *Improving Services for Migrant Students*, February 2006.

#### **LAO Contact**

Rachel Ehlers: 319-8330



# K-12 EDUCATION

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## *Enhance Charter School Oversight*

### **Recommendation**

Permit school districts, under certain conditions, to opt out of authorizing charter schools. Allow more types of agencies to be charter authorizers.

### **Rationale**

In general, groups interested in opening a charter school must submit their petition to a school district. If the petition satisfies various statutory requirements, a school district must approve it. Upon approving it, the district then assumes specific oversight responsibilities.

Such a system can result in some districts—especially those that are small, remote, or experiencing fiscal difficulties—being obligated to assume charter school oversight responsibilities even if they largely lack the capacity to fulfill those responsibilities. The absence of alternative authorizers also can increase what districts charge for oversight as well as reduce the quality of their oversight.

We recommend allowing school districts, under certain conditions, to opt out of authorizing charter schools. We also recommend allowing other types of agencies, such as neighboring school districts and universities, to become charter authorizers.

### **LAO Reference**

Please see *Assessing California's Charter Schools*, January 2004.

### **LAO Contact**

Jennifer Kuhn: 319-8332



# HIGHER EDUCATION

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## *Require Students to Address Deficiencies Upon Enrollment*

### **Recommendation**

Amend statute to allow California Community Colleges (CCC) to require underprepared students to take precollegiate coursework beginning in their first term.

### **Rationale**

State law authorizes the community colleges to assess incoming students prior to enrolling in classes to determine their proficiency level of students in math and English. Based on assessment results, campuses recommend math and English courses that are appropriate for students' skill level. However, current law prohibits community colleges from *requiring* students to take any particular class (such as a precollegiate-level math course) based on their assessment. Moreover, community colleges cannot require underprepared students to address their deficiencies within a certain time period. As a result over one-third of assessed students fail to enroll in needed remedial work. Without building these foundational skills students undercut their ability to succeed in other subject areas. In addition, students who do not advance beyond precollegiate math and English cannot graduate or transfer to a four-year institution. We recommend that the Legislature amend statute to require underprepared students to take appropriate remedial classes based on assessment results, and begin taking such courses during their first term as a CCC student.

### **LAO Reference**

Please see *Back to Basics: Improving College Readiness of Community College Students*, June 2008.

### **LAO Contact**

Paul Steenhausen: 319-8324



# HIGHER EDUCATION

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## *Use California Standards Tests (CST) Results For Placement in CCC Courses*

### **Recommendation**

Develop an assessment test using CST questions to help community colleges place freshmen in math and English courses.

### **Rationale**

State law authorizes community colleges to assess incoming students. Districts are permitted to choose the assessment tests they administer to students. Currently, dozens of different standardized tests are used throughout the CCC system. In addition, many colleges recognize only their own tests and require students who were previously tested at other colleges to be reassessed. Studies have shown that there is significant variation among these tests in terms of what is assessed and how much students are expected to know. In effect, the CCC system has multiple definitions of college readiness. This sends a confusing message to current and prospective students, and results in costly duplicative testing by the colleges. In our view, students would be better served by a statewide math and English placement test made available to all community colleges. To that end, we recommend the development of a placement test for incoming CCC students that uses questions derived from past or current CSTs administered to K-12 students. In using CST results for placement decisions, the community colleges would be able to test a range of skill levels, improve the alignment of postsecondary standards with those of K-12, and potentially reduce costs of assessing CCC students.

### **LAO Reference**

Please see *Back to Basics: Improving College Readiness of Community College Students*, June 2008.

### **LAO Contact**

Paul Steenhausen: 319-8324



# HIGHER EDUCATION

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## *Provide Fiscal Flexibility to CCC to Enhance Student Support Services*

### **Recommendation**

Amend the “fifty percent law” by including community college district expenditures on counseling services as part of instructional costs.

### **Rationale**

A large number of new CCC students who are directed to counseling and orientation do not receive these services. This stems in part from statutory requirements that restrict how much colleges can spend on academic counselors. Specifically, the state Education Code requires districts to dedicate at least 50 percent of their general operating budget to direct classroom instruction (the so-called fifty percent law). Yet, since most districts hover near the 50 percent threshold (the statewide average in 2007-08 was 52 percent), campuses must be careful about hiring more instructional staff—even when such staff provide direct services to students and are classified as faculty members (counselors meet both these criteria). By limiting district flexibility to respond their students’ needs, the fifty percent law can impede the ability of community colleges to provide adequate support services that improve student performance. In order to provide colleges with the flexibility they need to provide the best mix of services for their students, we recommend amending statute to include expenditures on counseling services as part of instructional costs.

### **LAO Reference**

Please see *Back to Basics: Improving College Readiness of Community College Students*, June 2008.

### **LAO Contact**

Paul Steenhausen: 319-8324



# HIGHER EDUCATION

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## *Establish College Preparation Block Grant*

### **Recommendation**

Establish a College Preparation Block Grant targeted at K-12 schools with very low college participation rates.

### **Rationale**

The state maintains over 30 different K-14 outreach programs (also known as academic preparation programs) that focus on preparing students from disadvantaged backgrounds for college. Most of these programs are administered by the University of California (UC) and the California State University (CSU). In reviewing these programs, we found that (1) some programs do not provide direct services to students, (2) some programs have overlapping goals and services, and (3) K-12 schools have very little control over the amount and type of outreach services provided to their students. Our proposal would leverage districts' knowledge of their students' needs to determine the best mix of outreach interventions. Schools could use their funds to implement their own programs, or contract with UC, CSU, an independent college, or whichever provider can best meet their local needs. Schools would be accountable for the use of their block grant funding, ensuring that limited resources are in fact used to serve students most in need of additional assistance.

### **LAO Reference**

Please see our *2007-08 Analysis*, page E-165.

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# HIGHER EDUCATION

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## *Enact a Student Fee Policy for Postsecondary Education*

### **Recommendation**

Enact in statute an explicit student fee policy for all public colleges and universities which provides that students and the state each pay a fixed share of educational costs, thus ensuring gradual and moderate year-to-year changes in student fees.

### **Rationale**

California lacks a consistent fee policy for postsecondary education. Typically, changes to student fee levels have been influenced more by the availability of state funds in any given year than through an established policy for sharing the cost of higher education between the state and students. The lack of an explicit fee policy can make it difficult for students, their families, and the state to plan effectively. By statutorily linking fees to a fixed share of educational costs, student fees would change much more gradually. Moreover, students would have a financial incentive to hold the segments accountable for cost increases.

### **LAO Reference**

Please see our *2006-07 Analysis*, page E-219; *2008-09 Analysis*, page E-157; and *A Share-of-Cost Student Fee Policy* analysis presented to the Assembly Higher Education Committee on April 19, 2004.

### **LAO Contact**

Judy Heiman: 319-8358



# HIGHER EDUCATION

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## *Link Private University Cal Grant to Public University Subsidy*

### **Recommendation**

Establish a statutory formula linking the value of private university Cal Grants with the subsidy the state provides for needy students at public universities.

### **Rationale**

Private colleges and universities are an important part of the overall capacity of the state to ensure access to higher education. In 2008-09, the maximum Cal Grant awarded to needy students attending these private institutions was about 30 percent lower than the average subsidy the state provides to needy students attending public universities. We recommend that the amount of the private university Cal Grant be set by statute as a weighted average of the General Fund subsidy provided for each additional public university student plus the weighted average of the public university Cal Grant. This formula is a simple means by which the state can ensure that it provides about the same amount of support for all financially needy students, thus promoting fairness and permitting fuller access to both the public and private segments of higher education.

### **LAO Reference**

Please see our *2006-07 Analysis*, page E-268.

### **LAO Contact:**

Judy Heiman: 319-8358



# HIGHER EDUCATION

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## *Exempt CCC Nursing Faculty From Restrictive Hiring Policies*

### **Recommendation**

Temporarily exempt community college nursing faculty from certain restrictive hiring policies.

### **Rationale**

In recent years, the number of registered nurses in the state has not kept up with demand. Increasing the supply of nurses relies in large part on the CCC, which graduates almost two-thirds of the state's nursing students annually. In response to the shortfall, the Legislature has directed the CCC system to substantially increase the number of nursing enrollment slots. Yet, a number of CCC nursing programs have reported difficulty filling faculty positions to support such expansions. This is due in part to certain state laws that limit colleges' flexibility in hiring nursing instructors. For example, current policies require a certain ratio of full-time faculty to part-time faculty employed by a district and limit the number of terms temporary faculty can teach within a three-year period. Given that a registered nurse can often earn a higher salary in the medical field than at a community college, many colleges are finding it harder to hire full-time nursing faculty than part-time nursing faculty. To maximize CCC's flexibility to meet current enrollment demands, the Legislature could exempt nursing faculty from these restrictions for a limited period (for example, through 2011).

### **LAO Reference**

Please see *Ensuring an Adequate Health Workforce: Improving State Nursing Programs*, May 2007.

### **LAO Contact**

Paul Steenhausen: 319-8324



# DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS

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## “Remodel” the Drug Medi-Cal Program

### **Recommendation**

Enact legislation that would shift various state funding allocations for drug or alcohol treatment services to counties.

### **Rationale**

Our office was directed by the *Supplemental Report of the 2002 Budget Act* to conduct a review of the Drug Medi-Cal Program, which provides substance abuse treatment services for an estimated 45,000 persons annually. Among other concerns, we found significant inconsistencies in the resources being provided to support different modes of treatment, and that a disproportionately small share of the program budget was spent on services for children and female beneficiaries.

We recommend a series of actions to remodel the program to provide counties with broad, new authority under a new financial structure to decide the modes of treatment provided within their jurisdiction and to determine exactly how such services would be provided.

### **LAO Reference**

Please see *Remodeling the Drug Medical Program*, February 2004.

### **LAO Contact**

Meredith Wurden: 319-8337



# DEPARTMENT OF HEALTH CARE SERVICES

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## *Promote the Adoption of Health Information Technology in California*

### **Recommendation**

Enact legislation to encourage the use of health information technology (HIT) among the state's health care providers in order to promote safer, more effective health care for Californians while helping to ease health cost pressures.

### **Rationale**

The term HIT refers to various technologies and processes that allow health care providers and consumers to electronically store and share health care information, such as electronic health records. Use of HIT can improve the effectiveness of health care and reduce cost pressures by helping to avoid unnecessary medical tests, prevent medical errors, and improve emergency care outcomes. However, various barriers are preventing the widespread adoption of HIT, and many providers instead continue to rely on archaic paper-based medical records that are often not available when needed to treat a patient. We propose specific steps that the state could take to promote wider adoption of HIT in California. For example, the state could adopt a policy coordination role among stakeholders in the health care community, and remove possible statutory barriers to HIT adoption in the state. Additionally, the state could negotiate with HIT vendors to make discounted prices on HIT products available to Medi-Cal providers.

### **LAO Reference**

Please see *A State Policy Approach: Promoting Health Information Technology in California*, February 2007.

### **Contact**

Kirk Feely: 319-8322



# DEPARTMENT OF HEALTH CARE SERVICES

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## *Implement a Statewide Pay-for-Performance Program for Medi-Cal Managed Care*

### **Recommendation**

Enact legislation directing the Department of Health Care Services (DHCS) to implement a statewide Pay-for-Performance (P4P) program for Medi-Cal managed care to promote better health outcomes and reduce health cost pressures.

### **Rationale**

In general, P4P programs offer financial incentives to physicians to encourage desired health care services or operational activities. Many Medi-Cal managed care plans have implemented their own P4P programs to improve the health outcomes of their Medi-Cal enrollees and control health care costs. These plans also have undertaken a joint effort to create a statewide P4P program in which all the Medi-Cal managed care plans would participate, but this effort had not been successful to date. Moreover, DHCS has not participated in this effort. We recommend that the state act to create a statewide P4P program that would require the participation of all Medi-Cal managed care plans. We believe that the adoption of such a program within Medi-Cal managed care could eventually reduce program costs while also helping to promote better health outcomes for enrollees.

### **LAO Reference**

Please see *Pay-For-Performance Could Reduce Medical Costs and Improve Patient Care* in our *2008-09 Analysis*.

### **Contact**

Elizabeth Cheung: 319-8338



# DEPARTMENT OF HEALTH CARE SERVICES

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## *Encourage More Efficient Use of Health Care Services in Medi-Cal Through a Combination of Incentives*

### **Recommendation**

Enact legislation to encourage more efficient use of health care services in Medi-Cal by (1) establishing a grant program to promote better access to primary care services in outpatient settings, and (2) implementing a collectible copayment for the nonemergency use of emergency rooms (ERs).

### **Rationale**

A substantial amount of health care provided by hospital ERs is for nonemergency conditions. Such care results in potentially worse care for the patient and unnecessary increased spending by Medi-Cal, which typically pays more for ER services than for the same services provided in other settings. Our analysis indicates that a program of grants targeted at areas with low access to primary care could encourage Medi-Cal providers to remain open later on weekdays and on weekends, providing more non-emergency alternatives for patients. An incentive for patients to seek care in those nonemergency settings could be established by implementing a copayment in ERs for nonurgent care, which can be collected under recent changes in federal law. The ERs should be permitted to retain these copayments in addition to their regular Medi-Cal reimbursement. The combination of greater access to primary care providers and incentives to seek care from those providers could eventually reduce Medi-Cal costs by tens of millions of dollars annually.

### **LAO Reference**

Please see our *2006-07 Analysis*, Page C-103.

### **LAO Contact**

Kirk Feely: 319-8322



# DEPARTMENT OF HEALTH CARE SERVICES

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## *Require Certain Aged and Disabled Medi-Cal Beneficiaries to Shift to Managed Care*

### **Recommendation**

Enact legislation directing the Department of Health Care Services to prepare and implement a plan to gradually shift certain aged and disabled Medi-Cal beneficiaries into Medi-Cal managed care from fee-for-service Medi-Cal.

### **Rationale**

Today, most aged and disabled Medi-Cal beneficiaries receive their health care under a fee-for-service arrangement and do not receive the benefit of coordinated care offered by managed care plans. In recent years the state has taken some steps to shift some of the aged and disabled population into managed care health plans. However, the state could take further steps to require that this population move into managed care in counties where Medi-Cal health plans already exist. Furthermore, as additional counties implement Medi-Cal managed care, the state should require these counties to enroll the aged and disabled into these new plans. We estimate that shifting additional aged or disabled persons from the fee-for-service system to managed care could result in a significant reduction in Medi-Cal expenditures.

### **LAO Reference**

Please see *Better Care Reduces Health Care Costs for Aged and Disabled Persons*, March 2004.

### **LAO Contact**

Elizabeth Cheung: 319-8338 and Kirk Feely: 319-8322



# DEPARTMENT OF PUBLIC HEALTH

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## *Reform Proposition 99 to Enable More Flexible and Effective Spending*

### **Recommendation**

Enact legislation that would seek voter approval to consolidate several of the Proposition 99 accounts into fewer and more flexible accounts supporting a narrower range of programs.

### **Rationale**

In November 1988, the voters approved Proposition 99, the Tobacco Tax and Health Protection Act, which established a surtax of 25 cents per pack on cigarette products. The revenues generated by the measure are deposited (by formula) into distinct accounts to support various tobacco education and prevention efforts, tobacco-related disease research, environmental and recreational resource programs, and health care services for uninsured Californians. The revenues generated under Proposition 99 have steadily declined since the measure's inception. Yet, the breadth of programs and services supported by Proposition 99 has not changed over time. Consequently, these programs can no longer be sustained from this funding source.

### **LAO Reference**

Please see our *2005-06 Analysis*, page C-129.

### **LAO Contact**

Lisa Murawski: 319-8321



# DEPARTMENT OF CHILD SUPPORT SERVICES

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## *Improve Child Support Performance*

### **Recommendation**

Create a performance-based program that (1) allows county flexibility in program design, (2) establishes a county share of cost, (3) rewards counties for good performance on federal measures, and (4) provides a funding mechanism to assist those counties which may need additional resources.

### **Rationale**

Despite reform attempts, California continues to lag the nation in the collection of child support and in its performance on federal outcome measures. The program is too tightly controlled at the state level, leading to a lack of investment and ownership by the counties. Counties have limited fiscal incentives to improve child support collections and performance. Giving local child support agencies the ownership and flexibility necessary to tailor their programs to fit the needs of their communities would improve performance and child support collections.

### **LAO Reference**

Please see *Strategies for Improving Child Support Collections in California*, May 2006.

### **LAO Contact**

Ginni Bella: 319-8352



# DEPARTMENT OF SOCIAL SERVICES

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## *Develop Safety and Quality Ratings for Child Care*

### **Recommendation**

Enhance information about the safety and quality of child care facilities that is available to parents by (1) improving the availability of existing information and (2) establishing quality ratings based on safety and self-reported measures.

### **Rationale**

Although the state licenses about 58,000 child care facilities serving up to 1.2 million children, comprehensive publicly available information about child care providers is lacking. Parents may assume that a license issued by the state confirms the facility's safety and its compliance with basic regulatory standards. However, the license only measures whether or not a provider meets the licensing standards. The currently available licensing information cannot be used to make comparisons among licensed providers nor to evaluate other components of care, such as the quality of the learning environment, staff-to-child ratios, or qualification of teachers. If consumers have and can use these other types of information to make comparisons, the collective impact of consumer decisions could improve the overall quality of the provider market. Furthermore, with additional statewide information, policy makers would be able to target resources to address areas of need and reward providers who excel in maintaining healthy, safe, and high quality child care programs.

### **LAO Reference**

Please see *Developing Safety and Quality Ratings for Child Care*, January 2007.

### **LAO Contact**

Minsun Park: 319-8342



# DEPARTMENT OF SOCIAL SERVICES

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## *Improve Licensing Enforcement and Fee Collections*

### **Recommendation**

Require the Department of Social Services to institute a license renewal requirement for community care facilities.

### **Rationale**

Once a facility has applied and successfully received its license, it is effective indefinitely, regardless of the licensee's record of compliance. (With respect to child care facilities, this is an uncommon practice as California is only one of 12 states which grant licenses with no expiration date.) By instituting a renewal requirement, the state could deny the renewal request for providers with serious compliance problems or with unpaid collections or fees. The state could make payment of outstanding penalties and fees a condition of license renewal. These actions should result in increased collection without the need for time-consuming collection efforts.

### **LAO Reference**

Please see our *2006-07 Analysis*, page C-47.

### **LAO Contact**

Minsun Park: 319-8342



# ADOPTIONS ASSISTANCE PROGRAM

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## *Reform Grant Levels and Eligibility*

### **Recommendation**

Set payment levels at amounts that recognize the adoptive parents' financial responsibility for their adoptive children and better tie benefit levels to the needs of adoptive children.

### **Rationale**

The current Adoptions Assistance Program (AAP) provides the *maximum* foster care grant for virtually every child who is adopted from the foster care program, including children who could be placed in an adoptive home without financial incentives. This policy has turned AAP into one of the fastest growing social services programs in terms of caseload and cost. To remedy this situation, the AAP benefits could be limited to those children who would truly be hard to place without ongoing financial assistance. Following placement, the level of AAP benefits would be tied to the needs of the child. This approach to adoptions assistance payments would recognize that adoptive parents take on the same responsibilities as parents who give birth to their own children (including financial responsibility). Many people become foster parents as a route to adoption. Therefore, the “incentive” provided by AAP may be unnecessary for many families.

### **LAO Reference**

Please see *Reforming the Adoptions Assistance Program* in our 2004-05 Analysis, page C-255.

### **LAO Contact**

Minsun Park: 319-8342



# IN-HOME SUPPORTIVE SERVICES

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## *Fostering Program Integrity by Clarifying Expectations*

### **Recommendation**

Clarify In-Home Supportive Services (IHSS) program expectations by (1) establishing in statute that social workers must approve the reallocation of hours assigned to an IHSS recipient, (2) notifying providers (not just recipients) of the specific tasks authorized by the social worker, and (3) informing recipients of the requirement to use hours for the tasks specifically authorized by the social worker.

### **Rationale**

The IHSS quality assurance initiative established under a 2004 state law has improved the accuracy and standardization of service hour authorizations by social workers. However, there are still only limited controls to assure that IHSS recipients use their service hours in accordance with their case plan. In other words, recipients often treat their total authorized hours as a block grant, and reallocate hours across tasks and weeks in ways that vary from their case plan. Setting clearer expectations for recipients and providers increases the probability that hours will be used only as authorized. Ultimately, using hours as authorized by the social worker increases the likelihood that recipients will receive the services necessary for remaining in their own homes and enhances IHSS program integrity.

### **LAO Reference**

Please see *Enhancing Program Integrity* in our *2007-08 Analysis*, page C-142.

### **LAO Contact**

Ginni Bella 319-8352



# IN-HOME SUPPORTIVE SERVICES

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## *Link Provider Wages to Experience and Training*

### **Recommendation**

In order to improve the In-Home Supportive Services (IHSS) labor force, condition state participation in IHSS wages on the provider's experience, training, and willingness to have a criminal background investigation conducted.

### **Rationale**

Although IHSS wages represent a significant cost shared by the state with counties and the federal government, current law grants counties the authority to establish the wage levels and requirements for IHSS providers who choose to be listed on county registries. Counties are permitted under current law to pay different wages for providers. However, most counties pay all providers the same wage because the state's existing computer system for the program is only capable of accommodating one wage for all providers in a given county. However, by 2010-11, a new computer system that is able to track multiple wages in each county will be available. The Legislature thus could require counties to vary the wages paid to IHSS providers after the new computer system is implemented. By placing a value on the experience and training of IHSS providers, the Legislature could improve the IHSS labor force and the quality of services for recipients.

### **LAO Reference**

Please see *Improving the IHSS Workforce Through Tiered State Participation in Wages* in our *2008-09 Analysis*, page C-146.

### **LAO Contact**

Ginni Bella: 319-8352



# COUNTY WELFARE AUTOMATION SYSTEMS

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## *Reduce Number of County Welfare Automation Systems From Four to Two*

### **Recommendation**

In order to reduce costs and increase efficiency of county welfare automation systems, enact legislation establishing a goal of no more than two automated consortia.

### **Rationale**

California has four disparate welfare automation systems. Each of these systems processes caseload using different business processes, even though they adhere to the same laws and program regulations. In addition, they do not share data, and caseload information cannot be transferred among other systems. Reducing the number of systems would decrease maintenance costs since there would be fewer systems in need of modifications due to regulatory and/or legislative changes. Having fewer systems would also reduce workload when clients move from one county to another with a different welfare automation system, and it would reduce the potential for fraud.

### **LAO Reference**

Please see *County Administration and Automation Projects* in our *2008-09 Analysis*, page C-154.

### **LAO Contact**

Erika Li: 319-8306



# JUDICIAL BRANCH

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## *Implement Electronic Court Reporting*

### **Recommendation**

Direct trial courts to implement electronic court reporting in California courtrooms.

### **Rationale**

Under current law, trial courts use certified shorthand reporters to create and transcribe the official record of most court proceedings. However, electronic court reporting systems involving audio and/or video devices could be used instead to record the statements and testimony delivered in the courtroom. The recordings could then be used to create typed transcripts. Currently, many state and federal courts, including the U.S. Supreme Court, use electronic methods of recording court proceedings. Moreover, electronic court reporting was demonstrated to be cost-effective in a multiyear pilot study carried out in California courts. In addition to saving a substantial amount of funding, a switch to electronic court reporting would also help address the persistent problem faced by the courts—the short supply of certified shorthand reporters. In order to allow an appropriate transition to the use of this technology, we recommend that 20 percent of courtrooms in California be switched to electronic court reporting each year until the phase-in is complete.

### **LAO Reference**

Please see our *2008-09 Analysis*, page D-42.

### **LAO Contact**

Drew Soderborg: 319-8346



# JUDICIAL BRANCH

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## *Utilize Competitive Bidding for Court Security*

### **Recommendation**

Direct trial courts to contract for court security services on a competitive basis with both public and private security providers.

### **Rationale**

Current law requires trial courts to contract with their local sheriff's offices for court security. Courts thus have little opportunity to influence either the level of the security to be provided or the salaries of those security officers, but are expected to pay the full amount of each. Accordingly, county sheriffs lack an incentive to contain costs of the security provided. From 1999-00 through 2006-07, court security costs increased by about \$190 million, for an average annual increase of 8 percent. Establishing a competitive bidding system for court security would provide an incentive for whichever public agency or private firm won the bid to provide security in the most cost-effective manner possible. Courts would be able to select among the proposals offered to them by different security providers, thus allowing them to select the level of security that best meets their needs.

### **LAO Reference**

Please see our *2008-09 Analysis*, page D-45.

### **LAO Contact**

Drew Soderborg: 319-8346



# DEPARTMENT OF JUSTICE

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## *Require State and Local Agencies to Pay for Laboratory Services*

### **Recommendation**

Require state and local law enforcement agencies to pay for the costs of services provided by Department of Justice (DOJ) crime laboratories.

### **Rationale**

The DOJ laboratories provide state and local agencies with analysis of various types of physical evidence and controlled substances, as well as analysis of materials found at crime scenes. Although existing law permits the department to charge fees for such services, they are generally provided at no charge. Requiring the payment of laboratory fees could reduce or eliminate General Fund support for DOJ laboratories due to (1) the creation of new revenue and (2) a reduction that is likely to result in the number of cases processed by the laboratories. For example, our proposal would provide an incentive for law enforcement agencies to ration their use of laboratory services, either by sending only higher-priority cases to the state or by using other available entities to assist with testing. We recommend that any resulting fee structure accommodate small agencies dealing with expensive and complex investigations, adequately protect DOJ financially, and be designed to effectively capture laboratory costs.

### **LAO Reference**

Please see our *2008-09 Analysis*, page D-62.

### **LAO Contact**

Drew Soderborg: 319-8346



# CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

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## *Enact Reforms in Prison Industry Authority*

### **Recommendation**

Privatize the Prison Industry Authority (PIA) as an independent, nonprofit, tax-exempt organization. Focus PIA on providing job training and other services aimed at preventing offenders from coming back to state prison. Also, enact other changes to restructure PIA management, improve fiscal accountability, do away with protected markets, establish clear rules for competition, allow for new private partnerships, and measure mission performance.

### **Rationale**

The PIA has improved its efforts to provide job training programs for inmates, but the state continues to receive a poor return on its significant past investment in buildings and equipment for the program. The PIA's progress has been hampered by an ever-shifting mission, constraints on inmate productivity, governmental constraints such as the state's personnel system, and a weak internal governance structure.

### **LAO Reference**

Please see *Reforming the Prison Industry Authority*, April 1996.

### **LAO Contact**

Brian Brown: 319-8351



# CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

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## *Fund Inmate Education Programs Based on Actual Attendance*

### **Recommendation**

Provide funding for inmate education programs based on a formula directly tied to actual inmate attendance in these programs, similar to average daily attendance (ADA) formulas used in public K-12 schools and adult education programs.

### **Rationale**

Currently, the California Department of Corrections and Rehabilitation receives funding in the annual state budget for inmate education programs—including academic and vocational training programs—based on projected enrollment levels. However, department reports show that inmates are actually attending class less than half the time on average, largely due to instructor vacancies and frequent use of institutional lockdowns. Using an ADA formula to fund inmate education programs would provide an incentive for the department to ensure that inmates go to programs regularly, given that, if inmate attendance is low, the department will lose funding. The implementation of an ADA funding formula would also improve accountability by more accurately aligning budget authority for education programs with actual expenditures on in-classroom instruction.

### **LAO Reference**

Please see *From Cellblocks to Classrooms: Reforming Inmate Education to Improve Public Safety*, February 2008.

### **LAO Contact**

Brian Brown: 319-8351



# CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION

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## *Realign Supervision of Low-Level Parolees to Counties*

### **Recommendation**

Realign responsibility for community supervision of certain lower-level parolees—primarily offenders convicted of drug and property offenses—from the state to county probation departments. Create a Public Safety Realignment Account for each county into which new funding would be provided to support realignment.

### **Rationale**

Currently, when a state prison inmate completes his or her sentence, state staff in the community supervise the offender's parole. The supervision and services the state provides parolees are nearly identical to the supervision and services county probation departments provide probationers. Therefore, realigning parole supervision responsibilities from the state to counties could achieve better economies of scale and reduce overall criminal justice costs. Realignment could improve public safety outcomes by better ensuring parolee access to community programs designed to reduce reoffending, such as substance abuse and mental health treatment. Realignment would also allow the state to refocus its mission on supervising the higher-level parolees who would remain on parole, including sex offenders and those with a history of serious and violent offenses.

### **LAO Reference**

Please see the *2008-09 Budget: Perspectives and Issues*, page 125.

### **LAO Contact**

Brian Brown: 319-8351



# PUBLIC SAFETY LOCAL ASSISTANCE PROGRAMS

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## *Consolidate Juvenile Justice Grant Programs*

### **Recommendation**

Consolidate the Juvenile Justice Crime Prevention Act (JJCPA) program and the Juvenile Probation and Camps Funding (JPCF) program, based on the statutory framework and accountability measures contained in the existing JJCPA statute.

### **Rationale**

The state maintains two grant programs that provide funding to counties to reduce juvenile crime. Our review of these programs found that the funding provided through the two programs is largely duplicative. For example, both programs fund mental health services, gang interventions, and drug and alcohol education. We also found that, unlike the JJCPA program, existing law does not require an annual report on the outcomes of JPCF program participants (such as arrest and incarceration rates). Consolidating the two grant programs would increase program accountability. For example, the consolidated program would require a regular reporting of program outcomes and encourage collaboration among local agencies.

### **LAO Reference**

Please see our *2008-09 Analysis*, pages D-21 and D-25.

### **LAO Contact**

Paul Golaszewski: 319-8341



# PUBLIC SAFETY LOCAL ASSISTANCE PROGRAMS

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## *Authorize Counties to Charge for Full Cost of Jail Bookings*

### **Recommendation**

Allow counties to charge arresting agencies the actual administrative cost of booking a person into jail.

### **Rationale**

Booking fees are charges that counties impose on cities to recover the costs associated with booking persons into the county jail. Currently, state law allows counties to charge booking fees only in years in which the state provides less than \$35 million for local detention facility subventions. Since 2005-06, state law has also limited the amount counties could charge to one-half the administrative cost of a booking. Previously, counties were permitted to charge for the full cost.

From a fiscal accountability perspective, booking fees make sense since they force cities to pay some of the costs that they create when they send arrestees to county jail. Booking fees also encourage cities to keep low-level offenders in municipal jails rather than higher-cost county detention facilities. Authorizing counties to charge the full administrative cost of a booking would provide cities with the proper incentives for using county jail space more efficiently and for ensuring that booking costs are borne where it is more appropriate—at the municipal level.

### **LAO Reference**

Please see our *2008-09 Analysis*, page D-23.

### **LAO Contact**

Paul Golaszewski: 319-8341



# CALIFORNIA COASTAL COMMISSION

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## *Improve Coastal Access and Development Mitigation*

### **Recommendation**

Specify timeframes for accepting and developing offers to dedicate (OTD) property for public uses. Require state to accept expiring nonaccess OTDs. Require permittees to fund the development and operation of accepted OTDs through fees.

### **Rationale**

The California Coastal Commission requires property owners to offset adverse effects of proposed coastal development as a permit condition. These offsets may include an offer to dedicate property for public uses, such as for a walkway to the beach. Public use or benefit from OTDs, however, may be significantly delayed or never happen under the commission's current program. Specifically, OTDs for purposes other than public access (such as habitat preservation) expire if the offer is not accepted within a certain timeframe. Even when an OTD is accepted, it can be several decades after the coastal development is permitted before the public benefits from the OTD. Currently, the permittee is not required to fund the costs to develop and operate OTDs accepted and made available for public use. Consistent with the "beneficiary pays" principle, we recommend that these costs be covered by new impact and increased permit fees.

### **LAO Reference**

Please see *Improving Coastal Access and Development Mitigation*, January 2005.

### **LAO Contact**

Catherine Freeman: 319-8325



# CALIFORNIA COASTAL COMMISSION

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## *Increase Likelihood That Locals Adopt Coastal Commission's Recommendations*

### **Recommendation**

Increase incentives for local governments to incorporate into their Local Coastal Programs (LCPs) recommendations of the Coastal Commission.

### **Rationale**

All local governments within the state's coastal zone are required to adopt LCPs to ensure that development within the zone complies with the Coastal Act. The Coastal Commission is required to review these LCPs periodically, and to make recommendations on how they can better promote the goals of the Coastal Act. However, there is no requirement that local governments adopt these recommendations.

Statute could strengthen the commission's recommendations by giving the commission the authority to decertify LCPs that do not meet certain standards. In this way, local governments would be more inclined to respond to the commission's recommendations, and therefore to maintain LCPs that more effectively promote the goals of the Coastal Act.

### **LAO Reference**

Please see our *2000-01 Analysis*, page B-93.

### **LAO Contact**

Catherine Freeman: 319-8325



# CALIFORNIA COASTAL COMMISSION

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## *Expand Enforcement Tools to Help Stabilize Funding*

### **Recommendation**

Enact legislation enabling the commission to issue fines and penalties directly for enforcement actions, rather than solely through the court process as is currently the case.

### **Rationale**

Currently, in order for the commission to issue a fine or penalty, the commission must file a case in the superior court. This process is cumbersome and results in few fines and penalties issued by the commission due to the high cost of pursuing enforcement through the courts. This, in turn, is reflected in the commission's budget, where enforcement fines and penalty revenues have remained stable at relatively modest levels. By contrast, other state and local regulatory agencies in the resources area that have the authority to administratively assess fines and penalties tend to have this as a growing source of support for their enforcement activities. Expanding the commission's enforcement tools should help stabilize the funding available to the commission, which has struggled to align its available funding with its workload for core permitting and enforcement activities.

### **LAO Reference**

Please see our *2008-09 Analysis*, page B-67.

### **LAO Contact**

Catherine Freeman: 319-8325



# CONSERVANCIES

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## *Clarify Land Acquisition Objectives and Review Goals' Attainment*

### **Recommendation**

Provide clearer statutory direction to each state conservancy regarding the objectives of their land acquisition programs. Amend conservancies' authorizing statutes to require periodic assessments of conservancies' progress in attaining their goals and of the continued appropriateness of these objectives.

### **Rationale**

The statute establishing a conservancy often identifies goals that are broad and divergent, including goals that are difficult to reconcile—such as promoting recreation and protecting wildlife. Accordingly, legislation clarifying and refining the conservancies' statutory missions is warranted to better ensure that the conservancies are addressing the Legislature's objectives and priorities.

Since the establishment of most conservancies, many changes have occurred in the state's development patterns and understanding of environmental and wildlife issues. These changes warrant periodic review of conservancies to evaluate how well they are meeting their missions.

### **LAO Reference**

Please see *California's Land Conservation Efforts: The Role of State Conservancies*, January 5, 2001.

### **LAO Contact**

Jay Dickenson: 319-8354



# DEPARTMENT OF FORESTRY AND FIRE PROTECTION

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## *Utilize a Uniform Local Agency Agreement*

### **Recommendation**

Require the Department of Forestry and Fire Protection (CDFFP) to utilize a uniform agreement for hiring of local fire protection agencies to assist CDFFP with wildland firefighting.

### **Rationale**

The CDFFP contracts with local fire protection agencies to assist with wildland firefighting. Generally, these agreements are negotiated between the local agency and the local CDFFP unit rather than CDFFP headquarters. This system of negotiating agreements has led to hundreds of agreements, with varying levels of reimbursement rates and other contract provisions. Utilizing a uniform agreement would simplify the contracting process, reduce administrative costs for the state and local governments, and provide increased certainty to both the state and local governments about what services local governments are required to provide and the reimbursements they will receive for doing so.

### **LAO Reference**

Please see our *California's Wildland Fire Protection System: A Primer*, April 12, 2005.

### **LAO Contact**

Brendan McCarthy: 319-8309



# LOCAL PARKS

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## *Consolidate Programs to Fund Local Park Projects*

### **Recommendation**

Enact legislation to designate the Department of Parks and Recreation (DPR) as the lead agency for the distribution of state bond funds for local park projects and specify what portion of Proposition 1C funds are available for park projects.

### **Rationale**

Over the last decade, DPR has overseen about \$1.8 billion in grant funding for local park projects. In addition, Proposition 84, approved by the voters in 2006, provides \$400 million for these projects. Proposition 1C (a bond issued primarily for housing also approved by voters in 2006) provides \$200 million for housing-related parks. Proposition 1C also provides \$850 million for incentives for infill development projects, up to \$200 million of which can be used for parks. Designating DPR as the lead agency for both Propositions 84 and 1C park funds should reduce administrative costs to the state and simplify the application process for local project sponsors. Specifying what portion of Proposition 1C funds will be available for park projects should improve planning and give local project sponsors more information about available state funds.

### **LAO Reference**

Please see our *2007-08 Analysis*, page B-108.

### **LAO Contact**

Brendan McCarthy: 319-8309



# RECYCLING

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## *Reorganize Programs to Improve Effectiveness and Create Savings*

### **Recommendation**

Consolidate the state's multiple recycling programs within the California Integrated Waste Management Board and the Department of Conservation into a new department within the California Environmental Protection Agency. Transfer nonrecycling functions of those two agencies to other state entities, and eliminate the board and the department.

### **Rationale**

The department's and board's efforts at public outreach and education, recycled material market development, and sharing of recycling expertise are fragmented, thereby weakening delivery of the state's recycling message and attainment of recycling objectives. Consolidating all recycling programs under one organization would promote a comprehensive and strengthened approach to recycling and improve accountability. In addition, by transferring the remaining (nonrecycling) functions of the board and the department to other state entities, the state could realize at least \$2 million in special fund savings.

### **LAO Reference**

Please see our *2005-06 Analysis*, page B-17.

### **LAO Contact**

Catherine Freeman: 319-8325



# RESOURCES AND ENVIRONMENTAL PROTECTION DEPARTMENTS

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## *Apply Beneficiary Pays Funding Principle by Enacting Fees and Modifying Cost-Sharing Arrangements*

### **Recommendation**

Enact fees to (1) fully cover costs of environmental regulatory programs and (2) cover costs for services to parties proportionate to their direct benefit. Revise the state-local cost share for federally authorized flood projects to better reflect local benefits.

### **Rationale**

Parties that benefit directly from the provision of a service (such as wildland fire protection, flood protection, and ensuring water supply reliability) or from programs regulating the use or degradation of natural resources (such as timber harvest plan reviews) should be responsible for paying the costs imposed on the state to provide the service or to regulate such activities.

### **LAO Reference**

Please see our *1992-93 Analysis*, page IV-19 (financing of resources and environmental programs). Also see our *2008-09 Analysis*, page B-36 (timber harvest plans), B-46 (wildland fire protection), B-58 (fish and game regulation), B-67 (California Coastal Commission regulation), and B-100 (water quality and water rights); *California's Water: An LAO Primer*, October 2008, pages 68-72 (water projects). The *2005-06 Budget: Perspectives and Issues*, page 230 (Central Valley flood control). The *2004-05 Analysis*, pages B-28, B-31, and B-33 (CALFED Bay-Delta Program), and page B-93 (state-local cost share for flood control).

### **LAO Contact**

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# SALTON SEA RESTORATION

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## *Establish Expenditure Priorities and a Long-Term Funding Plan*

### **Recommendation**

Enact legislation to govern the restoration of the Salton Sea. Legislation should (1) set expenditure priorities for the restoration effort and (2) adopt a comprehensive plan for the restoration, including a long-term plan for financing it.

### **Rationale**

Over time, the Salton Sea will shrink and become increasingly saline. This will both reduce the value of wildlife habitat and impair air quality in the surrounding areas. The state is required under statute and contractual obligation to restore the Salton Sea. The Resources Agency has proposed an \$8.9 billion restoration plan for the Salton Sea. Although recent legislation (Chapter 374, Statutes of 2008 [SB 187, Ducheny]) directed the use of bond expenditures for the early stages of the restoration effort, to date the Legislature has not statutorily endorsed the \$8.9 billion plan or any other proposal for restoration. Our recommended legislation would help ensure that the restoration proceeds in a manner consistent with legislative priorities and cognizant of the state's funding constraints.

### **LAO Reference**

Please see *Restoring the Salton Sea*, January 24, 2008.

### **LAO Contact**

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# STATE LANDS COMMISSION

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## *Transfer Balance of School Land Bank Fund to the Teachers' Retirement Fund*

### **Recommendation**

Transfer the balance of the School Land Bank Fund (SLBF) to the Teachers' Retirement Fund (TRF) and require that all future revenues from the sale of school lands be deposited in TRF for investment by the State Teachers' Retirement System (CalSTRS).

### **Rationale**

The State Lands Commission (SLC) manages state lands, including “school lands” (lands that were given to the state by the federal government to support public education). Most of these lands are not appropriate for use as school sites, but are leased by SLC for development or resource extraction, with the lease revenues deposited in TRF. Over time, SLC has sold much of the original school lands, but has failed to use these sales proceeds to purchase new revenue-generating lands, yielding a significant and growing fund balance in SLBF. The CalSTRS has the staff expertise and economies of scale to better invest these funds on behalf of the state's teachers—the intended beneficiaries of SLBF investments.

### **LAO Reference**

Please see our *2006-07 Analysis*, page B-62.

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# WASTE FACILITIES AND MINES

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## *Reduce State's Financial Exposure at Closed Waste Facilities and Mines*

### **Recommendation**

Strengthen requirements for waste facility and mine owners to provide “financial assurances” to cover the costs of cleaning up and restoring the facility’s site after its closure. Establish a new fee on operating waste facilities and mines to cover gaps in funding restoration costs not paid for from financial assurances.

### **Rationale**

Prior to operating solid or hazardous waste facilities and mines, owners must provide evidence of financial capacity to restore public resources after a facility’s closure. However, existing financial assurance requirements for hazardous waste facilities and mines do not account for all costs associated with ensuring a closed site poses no public or environmental threat, thereby exposing the state to financial risk. In addition, some financial assurance instruments, such as the corporate guarantee, are risky for the state. Finally, there is not a dedicated funding source to cover unanticipated restoration costs or instances when the financial instrument provided as the assurance fails.

### **LAO Reference**

Please see *Strengthening Public Safety of Waste Facilities and Surface Mines: Financial Assurances*, April 2006.

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# TRANSPORTATION

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## *Authorize Design-Build Contracting on a Pilot Basis*

### **Recommendation**

Authorize Caltrans to use design-build to deliver capital projects on a pilot basis subject to periodic review and oversight.

### **Rationale**

Design-build provides an alternative to the traditional design-bid-build method to procure capital projects. Specifically, the design-build method awards both the design and construction of a capital project to a single entity, with the objective of reducing project delivery times by integrating the design and construction processes.

State law currently does not provide Caltrans with broad authority to use design-build. Thus, Caltrans has limited experience using this method to deliver projects. While design-build could shorten project delivery time, there are potential pitfalls to avoid. Given the department's lack of experience, we recommend that Caltrans be authorized to use design-build on a pilot basis subject to periodic review and oversight. Accordingly, we recommend that Caltrans report periodically to the California Transportation Commission and the Legislature on timeliness of delivery, its process and methodology of contractor selection, as well as the results of peer review of contracts and projects delivered.

### **LAO Reference**

Please see *Funding for Transportation: What the New Federal Act Means for California*, January 19, 2006, page 17.

### **LAO Contact**

Jessica Digiambattista: 319-8363

## *Conduct Ongoing Transportation Needs Assessment*

### **Recommendation**

Require the California Transportation Commission, working with Caltrans and the regions, to provide a statewide transportation needs assessment every five years.

### **Rationale**

The first step in identifying a solution to a problem is identifying the scope of the problem. Yet, when it comes to transportation, there is currently no requirement that the commission or any other state entity assess and report on the state's overall transportation needs on a regular basis.

While Caltrans and regional transportation planning agencies (RTPAs) must regularly update funding and scheduling documents, such as the State Transportation Improvement Program and the State Highway Operation and Protection Program, these documents provide no information on what transportation improvements are identified beyond what would be funded by resources estimated to be available in those programs. Similarly, RTPAs are required to adopt 20-year long-range planning documents under both state and federal law, but these documents are not compiled to provide a view of the state's needs as a whole. Given that California's transportation system is supported by multiple funding programs—at the state, federal, and local level—having a central document that would regularly update the state's transportation needs would facilitate the state's decisions related to transportation funding and priority setting.

### **LAO Reference**

Please see our *2006-07 Analysis*, page A-37.

### **LAO Contact**

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# TRANSPORTATION

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## *Increase and Index the State Gas Tax*

### **Recommendation**

Increase the state excise tax (“gas tax”) on gasoline and diesel fuel to provide a stable source of funding for highway maintenance and rehabilitation and index the tax to prevent erosion of the tax’s value over time.

### **Rationale**

Gas tax revenues have traditionally paid for capacity expansions on highways and roads. In recent years, however, growing maintenance and rehabilitation costs have consumed these revenues, leaving little for new transportation projects. The California Transportation Commission projects that gas tax and weight fee revenues currently do not meet the state’s highway maintenance and rehabilitation needs. These revenues are the only source of funding available for highway maintenance. Though some rehabilitation costs can be funded with Proposition 1B bond funds and federal dollars, the long-term issue remains that maintenance and rehabilitation needs are growing faster than the revenues which pay for these activities. For these reasons, it is appropriate to raise the gas tax to ensure an adequate funding source for transportation. Furthermore, we recommend that the gas tax be indexed for inflation to prevent future erosion of transportation funding over time.

### **LAO Reference**

Please see our *2006-07 Analysis*, page A-38.

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