



1995-96 Budget Overview Selected Departments and Capital Outlay

Presented To

**Budget Subcommittee No. 3
on Resources, Transportation
and the Environment**

Assembly Member Louis Caldera, Chair



Energy Resources, Conservation and Development Commission

- ✓ The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission) is responsible for siting major power plants, forecasting energy supply and demands, developing and implementing energy conservation measures and conducting energy-related research, and development programs.
- ✓ The budget proposes commission expenditures of \$35.6 million from various state and federal funds in 1995-96. This is \$44.1 million or 55 percent less than current-year expenditures. This reduction reflects half-year funding for the commission under the Governor's proposal to abolish the commission and transfer its functions to a new Department of Energy and Conservation effective January 1, 1996.
- ✓ The details of the Governor's reorganization plan are not yet available. If it appears that the plan will not be submitted to the Legislature in time for full consideration before the Budget Act is adopted, we recommend that the Legislature provide full-year funding for the commission in the Budget Bill. If legislation to eliminate or restructure the commission is subsequently enacted, that legislation could amend the Budget Act accordingly.
- ✓ Major budget changes within the commission's functions include:
 - \$5.7 million from the Petroleum Violation Escrow Account (PVEA) for various development, research, and demonstration projects.
 - \$5.4 million for the Katz Safe Schoolbus Clean Fuel Efficiency Demonstration Program from the Katz Schoolbus Fund (supported by PVEA monies).



Public Utilities Commission (PUC)

- The PUC is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, trucking, bus, and railroad corporations. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates, consistent with a fair return to the utility on its investment.
- The budget proposes \$85.7 million for the PUC from various state special funds (\$79.9 million), federal funds (\$0.5 million), and reimbursements (\$5.3 million) in 1995-96. This is about \$0.2 million, or 0.3 percent, more than the estimated current-year expenditures.
- We recommend that the Legislature delete \$12.7 million from the Transportation Rate Fund and 67 positions because the federal government has preempted the PUC's responsibility for economic regulation of intra-state trucking.



Department of Food and Agriculture (DFA)

1995-96 Budget Overview

- The DFA promotes and protects the state's agriculture industry, develops California's agricultural policies, and assures accurate weights and measures in commerce.
- The budget proposes \$200.8 million for the DFA in the budget year, an increase of \$4.7 million (2.4 percent) over estimated current-year expenditures. The budget total includes General Fund expenditures of \$70.2 million, a \$1.6 million (2.3 percent) increase over estimated current-year General Fund expenditures.
- The budget includes \$17 million (General Fund) and 486.6 personnel-years to continue the five-county Mediterranean Fruit Fly eradication effort in southern California in 1995-96. This is a continuation, at the same funding and staffing level, of the current-year eradication program.
- Major budget changes proposed for 1995-96 include:
 - \$1.9 million (\$1.6 million General Fund, \$40,000 Agriculture Fund, and \$224,000 Agriculture Building Fund) for the payment of debt service on lease revenue bonds for the construction of the Plant Industry Laboratory and renovation of the Chemistry Laboratory.
 - \$1 million (\$600,000 Harbors and Watercraft Fund, \$171,000 Federal Trust Fund, and \$257,000 reimbursements) and 14.3 personnel-years to eradicate hydrilla in Clear Lake.
- We recommend that the Legislature reduce the General Fund portion of debt repayment on the new laboratory facility by \$452,000 and increase the Agriculture Fund portion by a corresponding amount to parallel the funding of program activities housed in the facility.



1995-96 State Capital Outlay Summary

(In Thousands)

Department	1995-96	1995-96 Governor's Budget	
	Departments Requests	Proposed Amount	Future Cost
Emergency Services	\$12,389	\$27,293	—
Board of Equalization	315	90	—
Franchise Tax Board	327	327	—
General Services	165,050	165,050	—
Transportation ^a	5,025	3,317	—
Highway Patrol	13,872	10,004	—
Motor Vehicles	8,360	8,214	—
Tahoe Conservancy	14,319	3,133	—
Forestry and Fire Protection	19,760	30,718	—
Fish and Game	5,225	2,261	—
Wildlife Conservation Board	15,246	8,674	—
Boating and Waterways	10,762	4,545	\$6,569
Coastal Conservancy	7,300	4,400	—
Parks and Recreation	44,596	12,651	—
Water Resources	7,706	7,705	—
Health Services	89,257	—	—
Developmental Services	10,776	—	—
Mental Health	27,105	157	1,330
Employment Development	5,647	5,864	8,127
Corrections	204,735	197,294	10,725
Youth Authority	79,536	3,734	6,428
University of California	168,619	160,875	81,682
California State University	145,146	145,146	29,538
Community Colleges	44,817	44,817	—
Cal Expo	3,275	775	550
Food and Agriculture	1,940	1,362	—
Military	24,571	17,226	13,727
Veterans' Home of California	11,497	11,511	15,348
Unallocated Capital Outlay	—	200	—
Totals	\$1,147,173	\$877,343	\$174,024

^a For Department of Transportation office buildings only, does not include proposed appropriations for highway and transit capital outlay.



1995-96 Capital Outlay Program Proposed Expenditures by Fund Type

(In Millions)

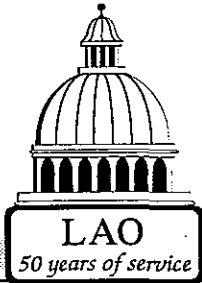
Department	Bonds	General	Special	Federal	Total
Emergency Services	\$27.3	—	—	—	\$27.3
Board of Equalization	—	\$0.1	—	—	0.1
Franchise Tax Board	—	0.3	—	—	0.3
General Services	165.1	—	—	—	165.1
Transportation ^a	—	—	\$3.3	—	\$3.3
Highway Patrol	—	—	10.0	—	10.0
Motor Vehicles	—	—	8.2	—	8.2
Tahoe Conservancy	—	2.7	0.5	—	3.2
Forestry and Fire Protection	25.0	5.7	—	—	30.7
Fish and Game	0.1	—	2.0	\$0.1	2.2
Wildlife Conservation Board	—	—	8.7	—	8.7
Boating and Waterways	—	—	4.5	—	4.5
Coastal Conservancy	—	—	4.4	—	4.4
Parks and Recreation	2.0	—	10.0	0.6	12.6
Water Resources	—	7.7	—	—	7.7
Mental Health	—	0.2	—	—	0.2
Employment Development	—	—	2.1	3.8	5.9
Corrections	156.4	40.9	—	—	197.3
Youth Authority	3.7	—	—	—	3.7
University of California	160.9	—	—	—	160.9
California State University	145.1	—	—	—	145.1
Community Colleges	44.8	—	—	—	44.8
Cal Expo	—	—	0.8	—	0.8
Food and Agriculture	—	1.4	—	—	1.4
Military	—	10.0	—	7.2	17.2
Veterans' Home of California	—	4.8	—	6.7	11.5
Unallocated	—	0.2	—	—	0.2
Totals	\$730.4	\$74.0	\$54.5	\$18.4	\$877.3

^a For Department of Transportation office buildings only, does not include proposed appropriations for highway and transit capital outlay.



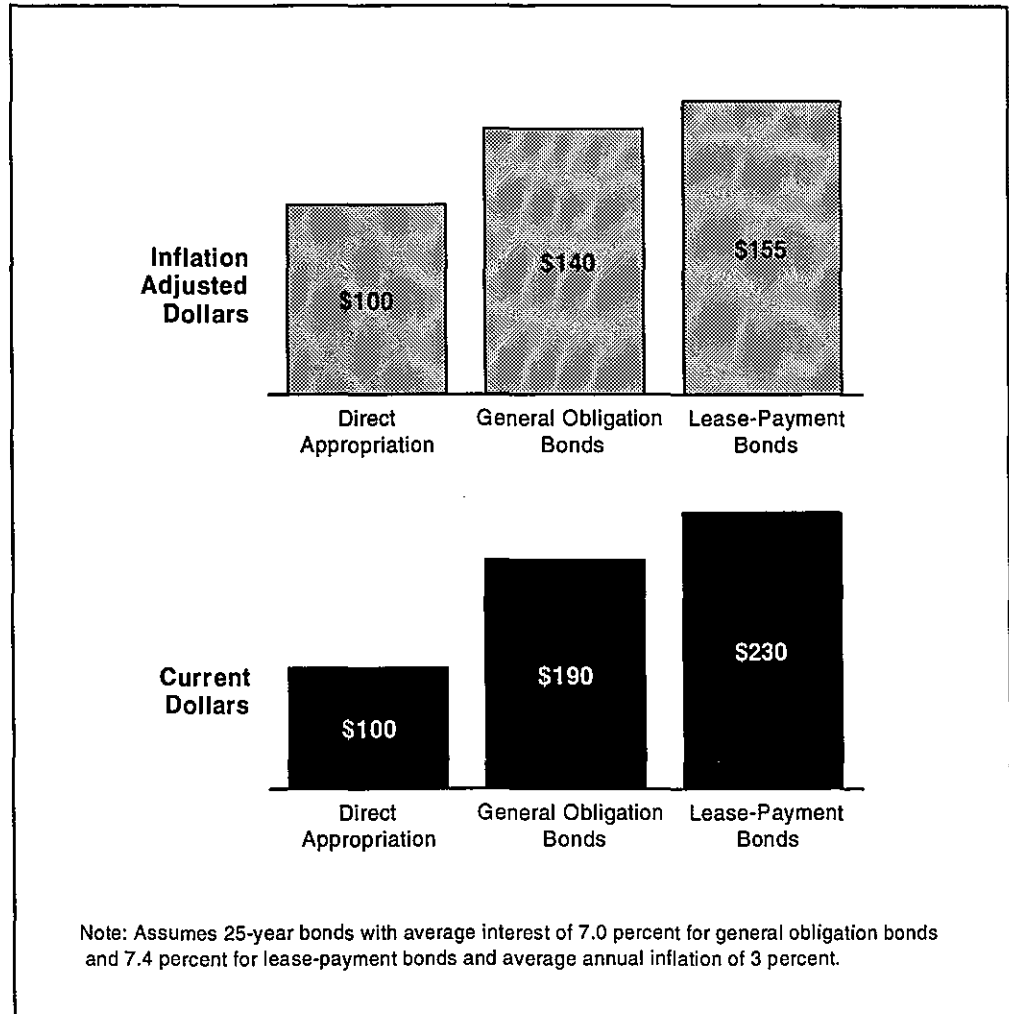
Lease-Payment Bonds Are Costlier to Issue

	General Obligation Bond	Lease-Payment Bond
Approval needed	Two-thirds of Legislature and Governor (except initiatives) <i>and</i> majority voter approval	Majority vote of Legislature and Governor
Amount authorized 1990-94	\$10 billion	\$4.1 billion
Limits on spending	Amount approved by voters (administrative augmentations and other costs must be within this amount)	Amount authorized by Legislature (plus any administrative augmentations and bond upsizing)
Pledged security to bondholders	Full faith and credit of the state (entire taxing power)	Annual debt-service appropriations required for "lease" payments
Interest rate on bonds	Lowest possible (actual sales at 4.8 percent to 7 percent between 1990-94)	Up to 0.5 percentage points above general obligation bond rate; average about 0.4 percent (actual sales at 5.1 percent to 7.3 percent between 1990-94)
Underwriting process	Competitive bidding required	Competitive bidding not required; sales to date have been negotiated
Need for reserve fund to effectively market bonds?	No	Yes
Need to purchase property and liability insurance?	No	Yes
Amount of bonds required	Based on project costs, plus less than 1 percent for issuance costs	Bond volume upsized to cover project costs <i>plus</i> such costs as underwriting fees, debt-service during construction period, issuance costs, insurance, and reserve fund
Additional debt service costs	—	15 to 20 percent higher than general obligation bonds over life of the bonds



Relative Costs of Financing A Capital Outlay Project

(In Millions)



- ✓ Lease-payment bonds are more costly, mainly because they must be upsized (more bonds must be sold for a given project) and they sell for somewhat higher interest rates (about 0.4 percent on average).



Department of Forestry and Fire Protection

Capital Outlay

- The department's five-year capital outlay plan totals \$225 million. Almost 80 percent of department facilities were built before 1960.
- The budget proposes \$25 million in lease-payment bonds for 19 major projects and \$5.8 million from the General Fund for minor projects (\$500,000 or less per project).
- We recommend that the Legislature delete \$14.5 million in lease-payment bond financing for 17 projects because this level of funding is not needed in 1995-96 and the state would incur unnecessary debt costs. These projects instead should be funded with \$6.3 million from the General Fund. Construction funding for six projects can be deferred until design of the facilities is completed and a more accurate estimate of construction costs is available.
- We recommend that the Legislature delete \$500,000 in lease-payment bonds financing for recabling the existing computer networks because this activity should be funded, on a priority basis, through the department's support budget.