




LAO 
RECOMMENDED
LEGISLATION


ELIZABETH G. HILL
LEGISLATIVE ANALYST
DECEMBER 2000



WWW.LAO.CA.GOV

All LAO publications are posted on our Web site at www.lao.ca.gov.
To be immediately notified when reports are released, visit the site and click on **Subscribe**.

LAO Publications

To request publications call (916) 445-2375.

The LAO is located at 925 L Street, Suite 1000, Sacramento, CA 95814.

INTRODUCTION

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. While most of our recommendations can be addressed in the annual budget bill, some involve recommended changes in law that require separate legislation. 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 26, 2001. The last day for bill introduction is February 23, 2001.

CONTENTS

Education

<i>Conduct Child Care Program Pilot to Assist Working Poor Families</i>	1
<i>Class Size Reduction: Increase Program Flexibility for Educational Benefit</i>	2
<i>Establish an Education Technology Bank</i>	3
<i>Provide Faster Equalization of School Funding</i>	4
<i>Increase Federal E-Rate Subsidies</i>	5
<i>Establish Program for Ongoing Evaluations and Demonstration Projects</i>	6
<i>Eliminate “PERS Reduction” to School Revenues</i>	7
<i>Broaden Permissible Uses of English Language Learner (Proposition 227) Funding</i>	8
<i>Out-of-State Tuition to Cover State Costs</i>	9

Health/Social Services

<i>Expand and Restructure Family Health Care Coverage</i>	10
<i>Require CCS Children to Enroll in Healthy Families Program</i>	11
<i>Ensure That Immunization Registry System Is Effective</i>	12
<i>Improve Test Reliability at Clinical Laboratories</i>	13
<i>Require Regional Clearinghouses for Nursing Home Placements</i>	14
<i>Evaluate Work Participation Standards</i>	15
<i>Expand CalWORKs Community Service</i>	16
<i>Standardize Payment Methods</i>	17
<i>Matching Grant Program for Proposition 10 Funds</i>	18

Criminal Justice

<i>Enact Reforms in Prison Industry Authority</i>	19
<i>Modification to County Fee Process</i>	20
<i>Adjustment to County Fees to Account for Inflation</i>	21
<i>Eliminate Foreign Prisoner Transfer Program</i>	22
<i>Enact Excise Tax on Precursor Chemicals</i> <i>Used in Methamphetamines</i>	23
<i>Enact Changes in Responsibilities and Relationships</i> <i>With Local Governments</i>	24

Resources

<i>Use Beverage Container Fund Reserves</i> <i>To Raise Recycling Rates</i>	25
<i>Increase Likelihood That Locals Adopt</i> <i>Commission’s Recommendations</i>	26
<i>Establish CALFED Governance Structure</i>	27
<i>Facilitate Water Transfers While Better Protecting</i> <i>Those Affected by Transfers</i>	28
<i>Provide Oversight of Parks and Water Bond Expenditures</i>	29
<i>Modify California Environmental Quality Act</i>	30
<i>Enact “Polluter Pays” Fees</i>	31
<i>Levy Fire Protection Fees</i>	32
<i>Coordinate Regulation of Petroleum Pipelines</i>	33

Transportation

<i>Conduct Ongoing Transportation Needs Assessment</i>	34
<i>Authorize High Occupancy Toll Lane Pilot Project</i>	35
<i>Fund Transit Rolling Stock</i>	36
<i>Broaden Criteria for Advancing STIP County Shares</i>	37

General Government

<i>Rethink Cal-Vet Loan Program</i>	38
<i>Incentives</i>	39

Staff Assignments	41
--------------------------------	----

K-12 EDUCATION

Conduct Child Care Program Pilot to Assist Working Poor Families

Recommendation

Conduct a pilot test of a Wisconsin-style child care program in up to four counties in California, directed at addressing unmet needs of working poor families.

Rationale

The current child care system treats families with similar incomes differently, depending on whether or not they have received public assistance in the California Work Opportunity and Responsibility to Kids (CalWORKs) program. In general, families that have been on CalWORKs and subsequently leave the program can continue to receive child care. However, working families that have never been on CalWORKs receive subsidized child care only if space is available. Generally, waiting lists for such child care are common. By contrast, eligibility for child care in Wisconsin is independent of welfare status. Once enrolled, families remain eligible for child care as long as their income remains at or below a certain level. A multicounty “pilot” would enable the Legislature to determine the impacts of a Wisconsin-style subsidized child care system on families and public costs, with the eventual possibility of addressing unmet child care needs of the “working poor.”

LAO Reference

Please see our *2000-01 Analysis*, page E-94.

LAO Contact

Todd Bland: 445-6442 or Anthony Simbol: 445-8641

K-12 EDUCATION

Class Size Reduction: Increase Program Flexibility for Educational Benefit

Recommendation

Require school districts to use the same number of teachers mandated by the current class size reduction (CSR) program, but allow schools to deploy teachers as best meets students' needs, rather than the rigid 20 to 1 formula for each classroom required by current law. This proposal would *not* decrease funding for CSR; it *would* provide for more flexible and effective implementation.

Rationale

One size does not always fit all. Our proposal for increased flexibility could help schools improve educational outcomes. For example, our proposal would permit one-on-one or small group tutoring to supplement classroom instruction, something that is impractical under current CSR constraints. Our proposal also would alleviate counterproductive size effects of the current rigid formula, such as the busing of children among schools in order to assure that each classroom in each school not exceed 20 children. It also would ease the problems that participation in the program poses for schools with serious facilities constraints.

LAO Reference

Please see our *1997-98 Analysis*, page E-52.

LAO Contact

Rob Manwaring: 445-8641

K-12 EDUCATION

Establish an Education Technology Bank

Recommendation

Create an education technology bank for school districts to borrow money to purchase computers, equipment, wiring, or other infrastructure items.

Rationale

Prospects for the successful use of computers in school instruction are maximized if (1) school districts have a comprehensive technology plan that will effectively integrate computers into curriculum and instruction and (2) districts have some investment “stake” which creates an incentive for efficient use of the technology. An education technology bank (involving a revolving loan fund) would support schools and districts that are ready to implement their comprehensive technology plans, allow schools to spread the cost of investing in technology over several years, and help schools leverage funds from other sources. The revolving aspect of the fund would require a one-time commitment of “seed” money which would create an ongoing source of funding for education technology. To encourage districts to use this revolving fund, the Legislature could make the loans interest-free and forgive part of the principal over the life of the loan.

LAO Reference

Please see our *2000-01 Analysis*, page E-77.

LAO Contact

Jennifer Borenstein: 445-8641

K-12 EDUCATION

Provide Faster Equalization of School Funding

Recommendation

Provide annual cost-of-living adjustments (COLAs) on a sliding scale—larger for low-wealth districts—rather than the current approach of fixed amounts per student regardless of whether districts are rich or poor. In doing so, the Legislature should specify a practical equalization goal. For example, the Legislature might specify a goal of equalizing revenue limits for 90 percent of the state’s average daily attendance.

Rationale

Providing higher COLAs for low-wealth districts, over time, will help eliminate the per-student funding disparities that exist among districts. Under the current COLA approach, funding disparities shrink slowly and never entirely disappear.

LAO Reference

Please see our *2000-01 Analysis*, page E-69.

LAO Contact

Erik Skinner: 445-8641

K-12 EDUCATION

Increase Federal E-Rate Subsidies

Recommendation

Create a task force to increase the number of schools receiving E-rate subsidies and authorize a program of planning grants to local education agencies (LEAs) to develop E-rate subsidy proposals.

Rationale

E-rate is a multibillion dollar federal subsidy program that provides discounts on telecommunication services to schools and libraries based on the population of students eligible for free- and reduced-price lunch. California has received a disproportionately low share of federal E-rate subsidies (about \$50 million less each year than would occur under a proportional share). This is, in part, because many LEAs lack the capacity to meet application requirements such as developing a technology plan, evaluating bids, and meeting numerous filing dates. A statewide task force could coordinate with the relevant state departments to assist schools with the application process and would increase awareness of the E-rate program. One-time planning grants would assist schools and districts in applying for the program.

LAO Reference

Please see our *2000-01 Analysis*, page E-78.

LAO Contact

Jennifer Borenstein: 445-8641

K-12 EDUCATION

Establish Program for Ongoing Evaluations and Demonstration Projects

Recommendation

Create an ongoing program for (1) evaluating K-12 education programs and (2) conducting demonstration projects to assess the impact of various reform strategies on student achievement. (Examples: strategies such as site-based management, distance learning, extended school day or year programs, and information technology.)

Rationale

What is the best way for the Legislature to spend additional funds on education? This question is often difficult to answer without an evaluation of the costs and benefits of education proposals. Creating an ongoing program for evaluation, and conducting controlled demonstration projects of reform proposals prior to statewide implementation, would allow policymakers to test proposals prior to investing hundreds of millions of dollars on untested ideas.

LAO Reference

Please see our *A K-12 Master Plan*, (May 1999), page 40, and our *1997-98 Analysis*, page E-80.

LAO Contact

Rob Manwaring: 445-8641

K-12 EDUCATION

Eliminate “PERS Reduction” to School Revenues

Recommendation

Eliminate the Education Code provision that reduces each school district’s revenue limit payments by the amount attributed as “savings” related to district contributions to the Public Employees’ Retirement System (PERS), and thereby increase general purpose funding of schools.

Rationale

The PERS reduction was a budget savings mechanism adopted in 1981. Through a complex series of calculations, this provision reduces each school district’s revenue limit payments on the basis that school district costs for contributions to the PERS are less today than in the 1982-83 fiscal year. In effect, current law “captures” for the state all savings that otherwise would accrue to school districts from reduced employer contribution rates for PERS. The state does not adjust revenue limit payments for changes in the cost of other specific education inputs (such as maintenance, utilities, or payroll). Our recommendation would simplify administration of revenue limits and send an important “signal” to school districts that they need to be responsible for future changes in PERS employer rates.

LAO Reference

Please see our *1998-99 Analysis*, page E-44.

LAO Contact

Erik Skinner: 445-8641

K-12 EDUCATION

Broaden Permissible Uses of English Language Learner (Proposition 227) Funding

Recommendation

Broaden the permissible uses of the \$50 million annually appropriated by Proposition 227, in order to better address the needs of English language learner pupils.

Rationale

Presently, the \$50 million annual appropriation made by Proposition 227 is narrowly restricted to English language instruction to adults who pledge to subsequently tutor school children in the learning of English. Our proposal would further the overall purpose of the proposition—to teach all children English as rapidly and effectively as possible—by allowing school districts to select additional strategies for delivering English tutoring and other specialized assistance in English instruction. For example, under our proposal, districts could pay for English tutoring of pupils by tutors who already know English. Proposition 227 specifically provides that the Legislature may amend the proposition to “further the act’s purposes” through a bill (passed by two-thirds vote and signed by the Governor).

LAO Reference

Please see our *1999-00 Analysis*, page E-44.

LAO Contact

Anthony Simbol: 445-8641

HIGHER EDUCATION

Out-of-State Tuition to Cover State Costs

Recommendation

Direct the University of California (UC) to increase total fees for nonresident students to cover the average state cost per student.

Rationale

In 1998-99, there were 6,670 undergraduate and 6,090 graduate and professional-school students attending UC that were not residents of the state. Whereas the Master Plan for Higher Education calls for nonresident students to pay not less than the average cost of providing instruction and related services, they pay far less than full cost. For 1998-99, nonresident undergraduate and graduate students paid an average of \$13,616 in fees to UC. This was 87 percent of the \$15,600 average General Fund cost per full-time-equivalent student at UC that year. In 1998-99, the university provided an average of \$4,795 in financial aid from state and university sources per nonresident student. Nonresident students therefore paid, net of state financial aid, an average of \$8,821 for their UC education in 1998-99. This is approximately 57 percent of the average General Fund cost per UC student in that year.

LAO Reference

Please see our *2000-01 Analysis*, page E-151.

LAO Contact

Buzz Breedlove: 445-8641

MEDI-CAL AND HEALTHY FAMILIES PROGRAMS

Expand and Restructure Family Health Care Coverage

Recommendation

Combine and restructure the state's Medi-Cal and Healthy Families health care programs to provide coverage to families with incomes up to 250 percent of the poverty level. Approximately 770,000 additional persons would obtain health coverage under this proposal at an annual state cost of about \$200 million, when fully implemented.

Rationale

We have developed a "Family Coverage Model" that (1) combines and unifies family coverage under the Medi-Cal and Healthy Families programs and (2) includes an innovative "buy-in" approach that lets uninsured low-income families participate in employer coverage at a reasonable cost. The model maximizes available federal funding, achieves significant administrative savings by simplifying eligibility, and it minimizes "crowd-out"—the replacement of private coverage with public coverage.

LAO Reference

Please see our June 1999 report, *A Model for Health Coverage of Low-Income Families*. (The coverage and cost figures cited above have been updated and adjusted to account for eligibility changes enacted subsequent to the report.)

LAO Contact

Farra Bracht: 445-6061

MANAGED RISK MEDICAL INSURANCE BOARD

Require CCS Children to Enroll in Healthy Families Program

Recommendation

Require qualifying participants in the California Children's Services (CCS) program to enroll in the Healthy Families Program.

Rationale

Currently, the state and the counties equally share the cost of providing medical services to eligible children in the CCS program who do not qualify for Medi-Cal. Enrollment in Healthy Families would provide these children with coverage for a broader range of services, including dental and vision care, and would result in state and county savings by shifting two-thirds of the cost of such services to federal funds. Requiring enrollment in Healthy Families for qualifying CCS children (rather than relying on gradual voluntary enrollment) would maximize this coverage and result in annual net state and county savings.

LAO Reference

Please see our *1998-99 Analysis*, page C-20.

LAO Contact

Greg Jolivette: 445-6061

DEPARTMENT OF HEALTH SERVICES

Ensure That Immunization Registry System Is Effective

Recommendation

Require local immunization registries to comply with the state's guidelines for local registry development. Require all immunization providers to participate in local registries. Provide a state match for local registries' ongoing costs in order to encourage the continuation of local participation in the statewide immunization information system. Require the Department of Health Services to apply for federal matching funds for the development and operation of the statewide immunization information system.

Rationale

A statewide immunization information system is in its planning stages. In order to be effective, the system will require more coordination of local immunization registries, as well as an assurance of provider participation. State matching funds would help maintain this system and improve childhood immunization rates.

LAO Reference

Please see our *2000-01 Analysis*, page C-89.

LAO Contact

Greg Jolivette: 445-6061

DEPARTMENT OF HEALTH SERVICES

Improve Test Reliability at Clinical Laboratories

Recommendation

Require physician office laboratories (POLs) to have at least one licensed clinical laboratory technologist when conducting moderate- or high-complexity tests.

Rationale

A 1997 study of the reliability of lab test results found that POLs using unlicensed personnel to conduct moderate- and high-complexity tests had a failure rate more than twice that of POLs using licensed laboratory technologists. This recommendation is consistent with current law that requires *non*-POL labs to use licensed technologists for all such tests.

LAO Contact

Greg Jolivette: 445-6061

MEDI-CAL PROGRAM

Require Regional Clearinghouses for Nursing Home Placements

Recommendation

Require the use of regional nursing bed clearinghouses to facilitate the transfer of Medi-Cal patients needing only nursing care from hospitals to less costly freestanding nursing facilities.

Rationale

Current law requires hospitals to individually contact nursing homes during regular workdays to seek placements for Medi-Cal patients who no longer require hospital care, but who do need nursing care. If an appropriate outside placement is not located, then the patient may remain in a hospital-based nursing bed.

Use of regional clearinghouses, which would maintain a central database of available nursing beds, would simplify and expedite the placement process, reduce hospital administrative costs, and allow the department to easily verify compliance with the placement process. State savings could be up to several million dollars annually.

LAO Reference

Please see our *1997-98 Analysis*, page C-50.

LAO Contact

Tiffany Reyes: 445-6061

CALWORKS

Evaluate Work Participation Standards

Recommendation

Require the department to contract for an evaluation of the cost-effectiveness of giving counties the discretion to reduce required weekly hours of participation from 32 hours to 20 hours for families with a child under age six.

Rationale

Federal law requires that single-parent families with children under age six participate in work-related activities for a minimum of 20-hours per week. Beginning in 1999, current state law set the minimum participation requirement at 32 hours for *all* single-parent families. Given the high cost of child care for preschool-aged children, providing county case managers with the flexibility to set participation standards for families with young children between the federal minimum (20-hours per week) and the California Work Opportunity and Responsibility to Kids (CalWORKs) program minimum (32-hours per week) could facilitate cost-effective use of CalWORKs resources. (We note that subsequent to publication of our report, nine counties have indicated an interest in participating in such an evaluation.)

LAO Reference

Please see *CalWORKs Welfare Reform: Major Provisions and Issues* (January 1998), page 20.

LAO Contact

Kasia O'Neill: 445-6442

CALWORKS

Expand CalWORKs Community Service

Recommendation

In order to better use community service as a bridge to unsubsidized employment, allow counties to use private for-profit organizations as community service employers.

Rationale

California Work Opportunity and Responsibility to Kids (CalWORKs) recipients must begin community service after two years on aid if they have not found a job. Under current law, such community service must be performed in the public and private nonprofit sectors. Excluding the for-profit private sector from participating in community service employment, however, (1) significantly reduces the number of potential employers and (2) increases the difficulty of finding high-quality work slots, particularly in jobs that might closely resemble those in the private sector.

LAO Reference

Please see *CalWORKs Community Service, What Does It Mean for California?* (February 1999), page 18.

LAO Contact

Kasia O'Neill: 445-6442

IN-HOME SUPPORTIVE SERVICES

Standardize Payment Methods

Recommendation

Eliminate the “advance pay” option in the In-Home Supportive Services (IHSS) program.

Rationale

There are approximately 940 cases in an average month—less than 1 percent of the total IHSS caseload—in which payments for services are sent *to the recipient* at the beginning of each month, *before* services are rendered. State law authorizes this method of payment for severely impaired recipients. These advance pay cases, however, are not eligible for federal funding.

Elimination of the advance pay option would not reduce the level of services to recipients. It would require that all payments be made to the service provider on an arrears basis, which is how almost all IHSS cases are paid. Eliminating the advance pay option will save the state approximately \$2 million annually by making these cases eligible for federal funding.

LAO Reference

Please see our *1995-96 Analysis*, page C-147.

LAO Contact

Todd Bland: 445-6442

CALIFORNIA CHILDREN AND FAMILIES COMMISSION

Matching Grant Program for Proposition 10 Funds

Recommendation

Establish a state-funded voluntary matching grant program for the Proposition 10 county commissions, which would fund (1) early childhood programs that have been shown to be cost-effective and/or (2) demonstration programs that are potentially cost-effective, based on existing research.

Rationale

Proposition 10 provides county commissions with a significant increase in funding for programs related to early childhood development. The Legislature has no direct control over the expenditure of Proposition 10 funds, but does have an opportunity to influence decisions taken by the state and, more importantly, the county commissions. A variety of early childhood programs, typically small-scale demonstration programs, have been evaluated as being effective according to outcome measures such as school achievement and health status. Enacting a matching grant program would create a fiscal incentive to encourage the county commissions to use their funds productively.

LAO Reference

Please see *Proposition 10: How Does it Work? What Role Should the Legislature Play in Its Implementation?* (January 1999).

LAO Contact

Mary Adèr: 445-6442

DEPARTMENT OF CORRECTIONS

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 second-strike offenders from coming back to state prison with 25-years-to-life third-strike sentences. 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

Following a number of years of poor financial performance, the PIA has improved, but the state continues to receive a poor return on its more than \$91 million contribution in buildings and equipment for the program. The PIA's progress has been hampered by an ever-shifting and muddled 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

Yvonne Choong: 445-4660

DEPARTMENT OF THE YOUTH AUTHORITY

Modification to County Fee Process

Recommendation

Enact legislation to modify the process by which parole consideration dates are established for Youth Authority wards with less serious offenses. Specifically, the process should be modified to permit counties to have a greater say in the length of stay of wards that they send to the Youth Authority.

Rationale

When a young offender is accepted by the Youth Authority as a new admission, he becomes a ward of the department, and all decisions regarding length of stay, parole, and parole revocation are at the sole discretion of the Youthful Offender Parole Board (YOPB). Current law also requires counties to pay a fee to the state for each offender they send to the Youth Authority. Counties pay significantly higher fees for wards sent to the Youth Authority for less serious offenses (YOPB categories V through VII) than serious offenses. Because the counties pay for a large share of the costs of these less serious wards, the counties should have a role in determining the optimal length of stay for the wards, rather than leaving the decision solely to the YOPB. There are several options for how this could be accomplished.

LAO Reference

Please see our *1999-00 Analysis*, page D-105.

LAO Contact

Tracy Kenny: 445-4660

DEPARTMENT OF THE YOUTH AUTHORITY

Adjustment to County Fees to Account for Inflation

Recommendation

Enact legislation to periodically adjust the fees charged to counties in order to account for the effects of inflation.

Rationale

The basic fees charged to counties for young offenders committed to the Youth Authority were increased in 1996 from \$25 per ward per month (the level set in 1961) to \$150 per ward per month. The increase accounted for the effects of inflation over 35 years. The new fees should similarly be adjusted at least every three years in the future to account for inflation in order to protect the financial interests of the state and ensure that the counties are not subject to such a radical upward adjustment as was the case in 1996.

LAO Reference

Please see our *1999-00 Analysis*, page D-106.

LAO Contact

Tracy Kenny: 445-4660

DEPARTMENT OF CORRECTIONS AND BOARD OF PRISON TERMS

Eliminate Foreign Prisoner Transfer Program

Recommendation

Repeal 1994 legislation which established a program to transfer state prison inmates back to the foreign countries from which they originated.

Rationale

The program has not been cost-effective. At considerable expense, the Department of Corrections has notified tens of thousands of inmates per year of their opportunity to apply to finish out their prison terms in their home countries. However, each year only a handful of offenders who apply have actually been transferred from state custody through the actions of the Board of Prison Terms.

LAO Reference

Please see our *1997-98 Analysis*, page D-110.

LAO Contact

Yvonne Choong: 445-4660

DEPARTMENT OF JUSTICE

Enact Excise Tax on Precursor Chemicals Used in Methamphetamines

Recommendation

Enact an excise tax on the *retail* sale of the precursor chemicals that are used in the illegal manufacture of methamphetamine. Use the revenues generated from such a tax (probably in the millions of dollars annually) to defray the state's costs for enforcement and cleanup of clandestine methamphetamine laboratories.

Rationale

The illegal manufacture of methamphetamine has become a serious problem in California in recent years, costing the state millions of dollars for the enforcement of drug laws and clean-up of clandestine laboratories. Although most legitimate users of chemicals purchase the chemicals at the wholesale level, much of the precursor chemicals used in illegal manufacturing are sold at the retail level. Thus, a tax on retail sale would not affect most legitimate users. Also, retail sellers must already register with the state, so the tax collection process would be relatively easy.

LAO Reference

Please see our *1996-97 Analysis*, page D-142.

LAO Contact

Tracy Kenny: 445-4660

DEPARTMENT OF JUSTICE

Enact Changes in Responsibilities and Relationships With Local Governments

Recommendation

- Designate Department of Justice (DOJ) as the lead agency for all interactions with foreign governments related to the prosecution of persons committing crimes in California who have fled to their home countries.
- Require local law enforcement agencies to pay for the costs of services provided by the DOJ's crime laboratories.
- Require counties to reimburse the state for legal work performed by DOJ on behalf of district attorneys who are disqualified from handling local cases due to conflicts of interest.

Rationale

Designating DOJ as lead agency for all foreign prosecutions would enhance law enforcement coordination efforts between foreign governments and California. Requiring local governments to pay for crime lab services and prosecution in conflict of interest cases would properly align local government's funding and programmatic responsibilities for investigation and prosecution of criminal cases.

LAO Reference

Foreign prosecution: Please see our *1997-98 Analysis*, page D-179. Reimbursement for crime lab services: Please see our *1997-98 Analysis*, page D-174. Reimbursement for legal work in conflict of interest cases: Please see our *1988-89 Analysis*, page 53.

LAO Contact

Tracy Kenny or Eraina Ortega: 445-4660

DEPARTMENT OF CONSERVATION

Use Beverage Container Fund Reserves To Raise Recycling Rates

Recommendation

Authorize the Department of Conservation (DOC) to increase the redemption payment for beverage containers with low recycling rates.

Rationale

The DOC manages the state's beverage container recycling program. The program is funded by consumers who pay an amount (generally 2.5 cents) for each beverage they purchase in certain types of containers. This amount is paid back to consumers when a container is returned at a registered recycling center. The program historically has maintained a reserve in the hundreds of millions of dollars.

By permitting DOC to raise the amount returned to consumers for containers with low recycling rates, there will be a greater incentive to return those containers. This can help to raise recycling rates above their current level, which is below 70 percent. It also would be an appropriate use for funds that originate with the consumers.

LAO Reference

Please see our *1999-00 Analysis*, pages B-53 and B-54.

LAO Contact

Steve Boilard: 445-5921

CALIFORNIA COASTAL COMMISSION

Increase Likelihood That Locals Adopt Commission's Recommendations

Recommendation

Increase incentives for local governments to incorporate the Coastal Commission's recommendations for amendments to their Local Coastal Programs (LCPs).

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.

The commission's recommendations could be given more strength through statute, such as 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*, pages B-93 and B-94.

LAO Contact

Steve Boilard: 445-5921

CALFED BAY-DELTA PROGRAM

Establish CALFED Governance Structure

Recommendation

Establish an organizational structure to hold the administration accountable for expenditures and decisions of the CALFED Bay-Delta Program.

Rationale

The current organizational structure of the CALFED Bay-Delta Program is a loosely configured consortium of 18 state and federal agencies with regulatory and resource management responsibilities in the Bay-Delta. The lines of accountability are unclear, and staffing and funding arrangements have been complicated.

Recently, the program's focus has shifted from planning to program implementation. Implementation is expected to take 30 years and cost \$8.5 billion. Because of the substantial state funding potentially at stake as well as the important decisions yet to be made, it is essential for an organizational structure to be in place that has clear lines of accountability.

LAO Reference

Please see our *2000-01 Analysis*, page B-48.

LAO Contact

Mark Newton: 445-5921

WATER TRANSFERS

Facilitate Water Transfers While Better Protecting Those Affected by Transfers

Recommendation

Consolidate water transfer law into a single act, with clearly stated goals and more consistent and comprehensive third-party protection. Establish a water transfer information office in the State Water Resources Control Board.

Rationale

Water transfers—from one party with extra water to another party with temporary or ongoing needs—have significant potential as a management tool to address the state’s water needs. However, current water transfer law is unclear and inconsistent.

Making water transfer law clear and consistent should reduce uncertainty that impedes such transfers. The creation of a water transfer information office could (1) reduce transaction costs associated with transfers by streamlining regulatory review and (2) improve the evaluation of the third-party impacts of transfers.

LAO Reference

Please see *Role of Water Transfers in Meeting California’s Water Needs*, September 8, 1999.

LAO Contact

Mark Newton: 445-5921

RESOURCES BOND PROGRAM IMPLEMENTATION

Provide Oversight of Parks and Water Bond Expenditures

Recommendation

Provide a reasonable limit on, and definition of, *administrative costs* funded from Proposition 12 (parks bond) and Proposition 13 (water bond) to implement loan and grant programs. Require the administration to report annually on the expenditures from these bonds, including administrative costs. Designate lead agencies responsible for overseeing bond implementation.

Rationale

There are essentially no limits on the amount of bond proceeds that can be used to administer loan and grant programs created by the parks bond. Although administrative costs are generally capped in the water bond, these costs are not defined. As a result, the implementing agencies for both bonds effectively have broad discretion when determining administrative costs.

Since both bond measures involve multiple implementing agencies, coordination among these agencies is necessary to ensure that the bond-funded expenditures are cost-effective in addressing the state's priorities. Such coordination could be achieved by the designation of a lead implementing agency.

LAO Reference

Please see *Parks and Water Bonds: Implementation Issues*, May 25, 2000.

LAO Contact

Mark Newton or Steve Boilard: 445-5921

VARIOUS STATE AND LOCAL AGENCIES

Modify California Environmental Quality Act

Recommendation

Make various changes to the California Environmental Quality Act (CEQA) so that the CEQA review process works better to achieve the statute's goals.

Rationale

The CEQA's ability to inform public decision-makers and the public about the environmental impacts of development can be increased, and compliance costs to the business community can be reduced, if the CEQA process is made more efficient. This can be done by (1) clarifying a number of statutory requirements, (2) expanding various streamlining measures to avoid duplication of environmental review, (3) making local CEQA policies more certain by enhancing public access to these policies, and (4) requiring mitigation measures to be based on statewide goals.

LAO Reference

Please see *CEQA: Making It Work Better*, March 20, 1997.

LAO Contact

Mark Newton: 445-5921

ENVIRONMENTAL PROTECTION DEPARTMENTS

Enact “Polluter Pays” Fees

Recommendation

Require fees to fully cover costs of (1) environmental regulatory programs designed to prevent or reduce pollution and (2) programs for the cleanup and restoration of polluted properties and natural resources.

Rationale

Private parties that benefit from using public resources should be responsible for paying the costs imposed on society to regulate such activities. Environmental regulatory programs that are not fully funded from fees include the Air Resources Board’s stationary and mobile source programs, the State Water Resources Control Board’s (SWRCB’s) core water quality regulatory and water rights programs, and timber harvest plan review by the Department of Forestry and Fire Protection and SWRCB.

LAO Reference

Please see our *1992-93 Analysis*, page IV-19 (financing of resources and environmental programs).

Also see our *1999-00 Analysis*, page B-109; and *1993-94 Analysis*, pages B-44, B-59, B-65, and B-69.

LAO Contact

Mark Newton: 445-5921

DEPARTMENT OF FORESTRY AND FIRE PROTECTION

Levy Fire Protection Fees

Recommendation

Require that property owners who directly benefit from fire protection services of the California Department of Forestry and Fire Protection (CDFFP) partially offset the costs of that service by paying a fee or obtaining fire insurance coverage.

Rationale

The CDFFP provides fire protection services in state responsibility areas (SRAs). The SRA lands generally consist of all forestlands, watersheds, and rangelands that are not owned by the federal government or located within the jurisdiction of a city. Property owners in the SRAs directly benefit from the program, as does the state's population through the preservation of natural lands. Thus, the state and property owners who benefit from the program should share in the costs of providing fire protection services.

LAO Reference

Please see our *1993-94 Analysis*, page B-43.

LAO Contact

Jennifer Giambattista: 445-5921

STATE FIRE MARSHAL

Coordinate Regulation of Petroleum Pipelines

Recommendation

Designate the State Fire Marshal (SFM) in the California Department of Forestry and Fire Protection as the lead state agency to (1) coordinate pipeline testing and maintenance requirements, (2) streamline the pipeline-permitting process, and (3) develop an inventory of high-risk sites that have had past petroleum leaks.

Rationale

The petroleum production and transportation infrastructure is currently regulated by a multitude of federal, local, and state agencies, including the SFM, the Division of Oil, Gas, and Geothermal Resources in the Department of Conservation, and the State Lands Commission. The designation of a lead state agency among pipeline regulators could serve to reduce potential duplication and uncertainty for the regulated community, streamline the permitting process, and coordinate data sources to develop an inventory of high-risk sites.

LAO Reference

Please see our *1999-00 Analysis*, page B-27.

Also see *Oil Pipeline Spills: The Avila Beach and Guadalupe Experience*, Cal Update, December 1998.

LAO Contact

Steve Boilard, Jennifer Giambattista, or
Mark Newton: 445-5921

TRANSPORTATION

Conduct Ongoing Transportation Needs Assessment

Recommendation

Require 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 Caltrans 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 about unfunded needs. 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.

LAO Reference

Please see *California Travels: Financing Our Transportation*, May 2000, page 54.

LAO Contact

Rebecca Long: 445-5921



TRANSPORTATION

Authorize High Occupancy Toll Lane Pilot Project

Recommendation

Create high occupancy toll (HOT) lanes as a pilot program.

Rationale

Single occupant vehicles make less efficient use of state highway capacity than carpools or buses. Charging drivers for the cost of driving, through the use of tolls, can encourage people to use alternatives to driving alone. In this way, tolls can serve as a type of user fee which can result in a more efficient use of the existing capacity on the state highway system.

In order to determine whether a more widespread use of road pricing is advisable, the Legislature should establish a pilot program to authorize HOT lanes. The HOT lanes allow single-occupant vehicles to buy access into the carpool lane for a fee, and thereby make greater use of any excess capacity in the carpool lane.

LAO Reference

Please see *HOV Lanes in California: Are They Achieving Their Goals?*, January 7, 2000, page 20, and *After the Transportation Blueprint: Developing an Efficient Transportation System*, March 5, 1998, page 12.

LAO Contact

Rebecca Long: 445-5921



TRANSPORTATION REVENUES

Fund Transit Rolling Stock

Recommendation

Amend the State Constitution to permit the use of gas tax revenues for transit rolling stock.

Rationale

The State Constitution (Article XIX) restricts the use of fuel tax revenues (gas and diesel taxes) to (1) construction, maintenance, and operation of roads and highways or (2) construction and maintenance of mass transit guideways and facilities (mainly rail tracks). Transit rolling stock (mainly railcars and buses) is the only type of transportation capital outlay that currently cannot use fuel tax revenues under Article XIX.

Modifying Article XIX to allow fuel tax revenues to be used for transit rolling stock would allow greater flexibility in the use of fuel tax revenues for the most cost-effective transportation projects.

LAO Reference

Please see *After the Transportation Blueprint: Developing and Funding an Efficient Transportation System*, March 5, 1998, page 3.

LAO Contact

Dana Curry: 445-5921



TRANSPORTATION

Broaden Criteria for Advancing STIP County Shares

Recommendation

Broaden the eligibility criteria for advancing State Transportation Improvement Program (STIP) funding to counties.

Rationale

Under current law, the regional share of the STIP is divided into county shares based on population and state highway miles. For a variety of reasons, most counties do not program the full amount of their share of project funds. The California Transportation Commission is authorized to advance the shares of county funds that are on reserve and loan them to other counties that have exhausted their share and identified projects in need of funding. However, current law limits the use of advances. As a result, the restrictions unnecessarily limit the use of state transportation funds, causing them to sit idle, rather than be put to work immediately.

LAO Reference

Please see our *2000-01 Analysis*, page A-51.

LAO Contact

Rebecca Long: 445-5921



DEPARTMENT OF VETERANS AFFAIRS

Rethink Cal-Vet Loan Program

Recommendation

In the short term, enact legislation to strengthen internal and external oversight of the Cal-Vet program to ensure proper management. In the long term, amend state law to direct the orderly phase-out of issuance of *new* Cal-Vet home loans. Subject to voter approval, surplus Cal-Vet funds should be directed to programs that will benefit both aging war veterans and state taxpayers.

Rationale

The Cal-Vet home loan program has not been competitive with other private- and public-sector loan programs which offer better interest rates and terms. Additionally, the Cal-Vet loan portfolio is declining due to federal restrictions on tax-exempt state bonds (which fund the program) and the aging of the war veteran population. Significant financial and operational problems have eroded the state's equity (assets less liabilities) in the Cal-Vet fund by about \$200 million.

LAO Reference

Please see *Rethinking the Cal-Vet Loan Program*, January 1998.

LAO Contact

Craig Cornett: 445-4660

PROPERTY TAX ADMINISTRATION

Incentives

Recommendation

Improve the incentives for counties to improve the property tax administration system by increasing the state's long-term commitment.

Rationale

Counties face a disincentive to invest in the property tax administration system, since they must contribute a higher percentage of any increased costs than they receive in increased revenues. While contributing minimal revenues to administration costs, the state generally receives the largest benefit from increased property tax revenues (due to the resulting decrease in the state's required contribution to schools). As a result, the state should assume a proportionate share of future increases in administration costs in order to improve the incentives for investing in the administration system.

LAO Reference

Please see our *2000-01 Analysis*, pages F-186 to F-189.

LAO Contact

Michael Cohen: 445-6442

STAFF ASSIGNMENTS BY SECTION

Legislative Analyst	Elizabeth G. Hill
Deputy Legislative Analyst	Hadley Johnson, Jr.
Deputy Legislative Analyst	Mac Taylor

Business, Labor, and Capital Outlay

Director	Gerald Beavers
Capital outlay/state indebtedness/labor	Chris Guyer
Business regulation and development	Todd Clark
Consumer protection/gambling	Bill Herms
Capital outlay/property management	Paul Guyer

Criminal Justice and State Administration

Director	Craig Cornett
Adult corrections	Yvonne Choong
Courts	Eraina Ortega
Juvenile/local criminal justice	Tracy Kenny
Information technology and state administration	Anna Brannen

Economics, Taxation, and Fiscal Forecasting

Director	Jon David Vasché
Economics/forecasting	Brad Williams
Budget overview/demographics	Keely Martin Bosler
Taxes	Mark Ibele

Higher Education

Coordinator	Buzz Breedlove
UC/financial aid	Buzz Breedlove
Community Colleges	Stuart Marshall
CSU	Jennifer Kuhn
General higher education	Sona Nagar

K-12 Education

Coordinator	Robert Turnage
Proposition 98	Erik Skinner
Compensatory education/childcare	Anthony Simbol
School reform/accountability	Robert Manwaring
Special Education	Jennifer Borenstein

Health Services

Coordinator	Daniel C. Carson
Medi-Cal—elderly/disabled	Tiffany Reyes
Medi-cal—families/children	Farra Bracht
Public health/healthy families	Greg Jolivette
Mental health	Daniel C. Carson

Social Services

Coordinator **Todd Bland**
CalWORKs **Kasia O’Neill**
Child welfare, child support **Mary Adèr**
Aged, blind, and disabled **Todd Bland**
Employment programs **Rebecca Ronquillo**

Local Government

Director **Mac Taylor**
County and city fiscal affairs **Marianne O’Malley**
County and special district fiscal affairs **Michael Cohen**

Transportation and Resources

Director **Dana Curry**
Transportation financing/highways **Rebecca Long**
Mass Transit **Jason Weller**
Traffic enforcement/resources conservation **Steve Boilard**
Resources Agency departments **Jennifer Giambattista**
Environmental Protection Agency departments **Mark C. Newton**