

June 12, 2009

# LAO Recommendations on Agency Elimination

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L E G I S L A T I V E   A N A L Y S T ' S   O F F I C E

Presented to:  
Budget Conference Committee



## Eliminated Entities Are Budgeted for About \$25 Million From the General Fund

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- ☑ Conference Committee acted to eliminate seven agencies and the Office of Planning and Research. In total, these entities are budgeted in the May Revision for \$25 million in General Fund spending, \$400 million in other spending (special, federal, and reimbursements), and 636 personnel-years (PYs).

<b>Summary of Agency Funding</b>			
<i>2009-10 May Revision (Dollars in Millions)</i>			
<b>Agency</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Personnel-Years</b>
Office of Planning and Research <sup>a</sup>	\$5.0	\$41.2	99
State and Consumer Services	1.0	1.5	18
Business, Transportation, and Housing Resources	5.9	15.1	70
Environmental Protection	5.7	82.3	82
Health and Human Services	1.9	13.0	68
Education	3.9	240.8	264
Labor and Workforce Development	2.0	—	18
	—	5.0	17
<b>Totals</b>	<b>\$25.4</b>	<b>\$398.9</b>	<b>636</b>

<sup>a</sup> Excludes federal stabilization funds for education and general government.

## Key Criteria

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- In making our choices, we relied on several concepts:**
  - We sought to move functions to an entity with similar policy and/or program administration expertise.
  - Given the state's fiscal condition, we eliminated as many nonessential functions as possible. When a relatively small state contribution was necessary for a large federal or private funding match, we preserved the state funding.
  - The Governor's Office should be for high-level policy guidance and coordination and should not provide day-to-day program administration.

## LAO Recommends \$15 Million in General Fund Savings

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- In our package, we provide the Governor's Office with roughly \$350,000 and two PYs for each entity eliminated (total funding of \$2.8 million) so that high-level advisors could be retained. The allocation of these new resources across policy areas would be at the Governor's discretion. We provide an additional \$500,000 to the Governor's Office for high-level environmental expertise to cover some key statutory functions.
- The LAO recommendations (attached) would preserve about \$10 million in General Fund spending, \$363 million from other sources, and 422 PYs. This would save about \$15 million in General Fund spending for 2009-10.
- The choices on the attachment represent our best judgment. The Legislature could choose different locations for existing programs, maintain more functions, or generate additional savings by making further reductions.
- Our dollar and PY calculations are preliminary. Deconstructing agencies' funding allocations was difficult in some cases.

## Agency Elimination LAO Proposal

(Dollars in Thousands)

Function	Prior Agency	New Location	General Fund	Other Funds	Personnel-Years	LAO Comment
<b>Shifted Functions</b>						
Advisors to the Governor	All eight entities	Governor's Office	\$ 1,360	\$ 1,400	16	Provide the equivalent of two high-level advisors from each entity to supplement Governor's Office staffing.
CEQA State Clearinghouse	OPR	Department of Finance (DOF), Department of Housing and Community Development (HCD), or Department of General Services (administration preference)	300	350	9	Funding preserves core administrative duties, while deleting funding for planning and local government support activities.
California Volunteers	OPR	HCD. (Administration suggests stand-alone department.)	750	33,200	35.3	Reduces General Fund spending to the minimum required for a federal match.
Federal stimulus coordination	OPR	Defer to separate discussion	TBD	TBD	TBD	The administration proposes funding a task force and Inspector General to oversee the federal stimulus funds.
Office of Privacy Protection	SCSA	Department of Consumer Affairs	-	901	9	Convert funding to consumer affairs' special funds exclusively.
Film permitting	BTH	Department of Parks and Recreation		238	3	Use existing fee authority to cover costs of permits.
Film tax credit administration	BTH	Franchise Tax Board. Administration prefers HCD.	392	-	3	
Office of Tourism	BTH	HCD	939	841	7	State receives matching private dollars.
Small Enterprise Expansion Program	BTH	HCD	3,457	2,132	3	
I-Bank	BTH	Treasurer's Office, HCD (administration preference), or California Housing Finance Agency	-	6,320	25	
Environmental statutory functions	EPA	Governor's Office	-	500	5	Provide additional staff expertise on environmental issues to meet several legislative program requirements, including climate, border, education, and environmental justice.
Centralized EPA functions	EPA	Constituent departments	-	6,398	30	Represents most existing funding for centralized services.
Certified Unified Program Agency	EPA	Department of Toxic Substances Control	835	1,465	10	Program largely relates to toxic cleanups.
River Parkways program	Resources	Department of Water Resources (DWR)	-	30,739	10	
San Joaquin River Restoration program	Resources	DWR and Department of Fish and Game (DFG)	-	24,786	0	Funds are already passed through to these departments.
CALFED Science program	Resources	New Delta governing body (currently under consideration by Legislature).	-	12,492	11	
Oceans program	Resources	State Coastal Conservancy	-	388	3	
Strategic Growth program	Resources	HCD		500		Overlaps with some of HCD's policy development work
Office of Health Information Integrity	HHSA	Department of Health Care Services (DHCS)	1,876	2,319	16.2	
Office of Systems Integration	HHSA	Office of Chief Information Officer	-	236,058	220.6	Provides information technology support to health and social service projects.
Health Information Exchange	HHSA	DHCS	70	100	1	
Employer and Employee Education	Labor	Department of Industrial Relations (DIR, administration preference) and Employment Development Department (EDD)	-	1,956	0	
Labor Law Enforcement oversight (including EEEEC)	Labor	DIR (administration preference) or EDD		115	1	Transfer one (of five existing) position to EDD or DIR to coordinate/oversee EEEEC activities.
California Business Investment Services	Labor	California Workforce Investment Board (CWIB)	-	129	1	Transfer responsibilities and one (of four existing) position.

Function	Prior Agency	New Location	General Fund	Other Funds	Personnel-Years	LAO Comment
Economic Strategy Panel	Labor	CWIB	-	116	1	Transfer responsibilities and one (of three existing) position.
<b>Totals</b>			<b>\$ 9,979</b>	<b>\$ 363,443</b>	<b>420.1</b>	
<b>Eliminated Functions</b>						
Administrative functions	All eight entities	—	\$ 8,031	\$ 26,808	168.7	Savings from legislative, administrative, and other related functions.
Small Business Advocate	OPR	—	250	150	2	Function can be achieved with existing resources.
Census work	OPR	—	1,777	-	1	Much of the intended benefit of the program could be achieved by press events at minimal cost.
Office of the Insurance Advisor	SCSA	—	-	644	4	Duplicates Department of Insurance functions.
Manufacturing Technology Program	BTH	—	-	2,128	0	\$2.1 million in reimbursements never materialized, with no expenditures for the past few years.
Technology, Trade & Commerce Agency Closure	BTH	—	60	-	0	Any final workers' compensation costs would be paid from the General Fund.
Welcome Center Program	BTH	—	-	77	0	Local Chambers or Visitor's Bureaus can accomplish work.
CALFED program oversight	Resources	—	5,322		23	Funding no longer necessary.
Resources bond oversight	Resources	—		4,225	9	Departments already do this function.
Cross agency law and regulation enforcement	EPA	—	-	750	5	Funding no longer necessary.
Workforce development oversight	Labor	—	-	459	3	EDD and CWIB already work on workforce development activities.
<b>Totals</b>			<b>\$ 15,440</b>	<b>\$ 35,241</b>	<b>215.7</b>	