

## The 2019-20 Budget:

# Office of Emergency Services

GABRIEL PETEK  
LEGISLATIVE ANALYST  
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### Summary

In this report, we assess the Governor's 2019-20 budget proposals for the Governor's Office of Emergency Services (OES). In summary, we recommend the following:

- **Budget Transparency.** Require OES to (1) provide additional information about certain proposals that lack justification, and (2) submit detailed justification documents for future budget proposals.
- **California Interoperable Public Safety Radio System.** Reject the proposal's ongoing funding component of \$2.7 million given uncertainty regarding the level of ongoing workload. We also recommend any ongoing funding provided in the future be paid for using a fee-for-service model rather than exclusively from the General Fund (as proposed).
- **Earthquake Early Warning.** Withhold action pending release of an updated business plan that is anticipated in March 2019. Once the Legislature has this updated plan, we recommend that the Legislature consider the various funding options in the context of its priorities, as well as consider the burdens of any charges that are assessed.
- **Funding the 9-1-1 System.** Weigh trade-offs of using the General Fund or increased charges to fund the upgrade and operation of the 9-1-1 system. We find reasonable arguments for using both fund sources. The Legislature will want to weigh the goals of keeping charges low against funding other General Fund priorities.
- **Federal Trust Fund Authority—Victims of Crimes Act (VOCA).** Provide additional federal funds authority on a limited-term basis (rather than ongoing as proposed) and direct OES to report at budget hearings on its plans for the additional 2018 VOCA funds. To the extent that the OES' priorities are not consistent with legislative priorities, the Legislature could direct the department to allocate funds differently.
- **Federal Trust Fund Authority—Hazard Mitigation Grant Program (HMGP).** Consider whether the department's criteria for allocating HMGP funds are consistent with legislative priorities. To the extent that the Legislature has different priorities than OES, it could direct OES to modify its criteria.
- **Deferred Maintenance.** Adopt Supplemental Report Language requiring OES to identify (1) how its deferred maintenance backlog has changed between 2019 and 2022, (2) the reasons for any backlog increases that occur over that period, and (3) the specific steps it plans to take to improve its ongoing maintenance practices.
- **Fire Apparatus Maintenance Shop.** Reduce the proposed \$2.2 million by \$157,000 to reflect that the department will no longer incur lease costs for the Fire Apparatus Maintenance Shop once the state purchases it.

## DEPARTMENT OVERVIEW

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OES coordinates planning, response, and recovery activities related to disasters and other emergencies. During a disaster, OES is responsible for coordinating the state's activities under the California Emergency Services Act. OES also administers state and federal funds that are provided to help communities respond to and recover from disasters. Additionally, OES provides oversight over emergency communication systems, including the 9-1-1 system and the public safety

radio system. In addition to its disaster-related responsibilities, OES administers various programs that provide assistance to victims of crime.

The Governor's budget proposes \$1.5 billion (almost three-quarters from federal funds) for support of OES in 2019-20. Of this total budget, \$1.3 billion is for local assistance. This total budget is a net decrease of \$10 million (0.6 percent) from current-year estimated expenditures.

## BUDGET TRANSPARENCY

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### Background

***Budget Development Process Includes Documents to Justify Requests.*** Pursuant to the State Constitution, each January the Governor's administration proposes a budget bill to the Legislature to serve as a starting place for budget negotiations. Along with the budget bill, the administration prepares and publishes a number of other documents to explain and justify its budget requests. These include budget change proposal (BCP) documents, which provide detailed descriptions of proposed budget modifications for the coming fiscal year, as well as justification for why new activities should be funded or existing activities discontinued. For example, if the administration is proposing that new state employee positions be established or funded, the BCP usually describes the existing level of staffing, the new workload that is driving the need for additional resources, the proposed position classifications, and the estimated amount of staff time that would be spent on each task needed to complete the workload. These documents typically also include an analysis of other alternatives that the administration considered and a rationale for why the proposed approach is preferable. Legislative members and staff use these documents to help evaluate the merits of the administration's proposals, and they are publicly available to

facilitate stakeholders' ability to track and engage in the budget process.

***Technical Adjustments Typically Lack BCP Documents.*** Purely technical adjustments to the budget are often made without BCPs. This is because these adjustments represent modifications to carry out changes previously approved by the Legislature or voters. Accordingly, they do not include new policy or funding choices for the Legislature to consider. For example, they could include activities such as allocating already authorized changes in employee compensation or reducing expenditure authority to reflect the expiration of augmentations that the Legislature approved on a temporary basis in past years.

### Governor's Proposal

***Governor's Budget Includes Various OES Requests That Lack BCP Documents.*** As part of the 2019-20 budget package, OES made several requests for funding without providing BCPs to support their justification including:

- ***Funding for 9-1-1 System (\$60 Million).*** The budget package includes increased funding from the General Fund to the State Emergency Telephone Number Account (SETNA). This includes a \$10 million loan from the General Fund in 2018-19 (as already approved in Chapter 1 of 2019 [AB 72, Committee on

Budget]) and \$50 million in General Fund support in 2019-20. The increased authority would be used to address a shortfall in SETNA and make improvements to the state's 9-1-1 system. (We discuss this proposal in more detail later in this report.)

- ***Positioning Mutual Aid Engines (\$25 Million)***. The Governor proposes increased ongoing General Fund support to preposition mutual aid fire engines in advance of possible fires or other disaster events.
- ***Conducting Disaster-Related Public Education (\$20 Million)***. The budget package includes a one-time General Fund augmentation in 2018-19 for local entities to begin an education campaign on disaster preparedness and safety. (This funding was included in Chapter 1.)
- ***Increasing Funding for California Disaster Assistance Act (CDAA) (\$20 Million)***. The Governor proposes increased General Fund support on a one-time basis for CDAA, which provides funding for the repair of public infrastructure and other costs related to disasters.
- ***Building Earthquake Early Warning System (\$16 Million)***. The Governor proposes increased General Fund support on a one-time basis to complete buildout of the California Earthquake Early Warning (CEEW) system. (We discuss this proposal in more detail later in this report.)
- ***Assisting Victims of Human Trafficking (\$10 Million)***. The Governor proposes additional ongoing General Fund support for the Human Trafficking Victim Assistance Program.

## LAO Assessment

### ***Lack of Typical Justification Inhibits Legislature's Ability to Evaluate Requests.***

The requests identified above are not technical adjustments to the budget that are simply effectuating past legislative decisions. Instead, they present policy choices. As noted above, typically these types of new proposals would be presented

in standalone BCPs with detailed descriptions of program activities to be undertaken and explanations for why the administration believes the level of funding and positions requested are needed and why the proposed fund source has been selected. The Legislature uses this information to determine whether the Governor's proposals are worthy of adoption, modification, or rejection. In addition, information provided in BCPs also can be the basis for the Legislature to conduct oversight of department programs to ensure that currently funded activities are performing effectively before providing additional resources.

If the administration had provided individual BCPs for these requests, the Legislature would be able to answer key questions, such as how the proposed funding and staffing levels were determined and why the proposed fund source was selected. In some cases, at our request, the department was able to provide information to answer these questions adequately. However, in other cases, we still have outstanding questions. For example, the requested ongoing funding for prepositioning mutual aid engines represents a continuation of funding provided on a one-time basis by the Legislature in the last two budgets. According to information provided by OES, of the \$25 million provided in the current year, only \$3 million had been expended as of January 2019. While much of the current fiscal year remains to expend these funds, this leaves questions about what the annual funding need for this program should be.

Regarding the proposed augmentation for CDAA, the department has not provided the requested supporting information for how it determined that \$20 million is the level of additional resources needed to support the program. In recent years, for example, OES has provided the Legislature with a list of incidents with expected reimbursements in the coming fiscal year and the associated costs. Regarding the \$10 million proposed for human trafficking programs, the absence of a BCP leaves questions about how the department determined what the ongoing level of funding need is throughout the state, as well as how much should be funded from the General Fund versus

other possible sources (such as federal funds, as discussed in more detail in our analysis below regarding the Victims of Crime Act). (We offer comments on the other proposals that have not yet been adopted by the Legislature—specifically, the 9-1-1 and CEEW proposals—in more detail later in this report.)

***Lack of BCPs Also Increases Difficulty of Holding Administration Accountable.*** The absence of public documentation for exactly how the administration proposes to expend funding will also make it difficult in future years for stakeholders and the Legislature to hold departments accountable for meeting these expectations. Assuming the Legislature approves a BCP as proposed, a public record of *intended* spending facilitates the Legislature’s ability to monitor whether such commitments ultimately are completed. This is because a BCP provides something for the Legislature to compare against *actual* expenditures to identify instances where funds may have been spent for unauthorized purposes. Absent this documentation, legislators, staff, and stakeholders may struggle in future years to understand what expectations were set when the budget was approved.

## LAO Recommendations

### ***Require Administration Provide Sufficient Justification Prior to Approving Requests.***

The Legislature should feel comfortable that the requests in the budget are justified before approving them. To that end, we recommend legislative staff and members request additional information about any of the requests for which they believe additional detail and rationale is needed.

### ***Direct OES to Make Future Funding Requests Through Budget Proposals.***

We recommend the Legislature direct OES to submit BCPs for any future requests that include (1) new positions; (2) funding for new activities; (3) changes in proposed funding-levels for existing activities, if not purely technical in nature; and/or (4) extensions of funding, activities, and/or positions that the Legislature previously had authorized only on a limited-term basis. The submission of BCPs in these cases—which is consistent with long-standing budgeting practices—will better enable the Legislature to assess whether it would like to approve, modify, or reject the Governor’s requests. Additionally, it will allow the Legislature to more effectively exercise its oversight role over how state funds are used and ensure that funds are spent effectively and for well-justified purposes.

## CALIFORNIA INTEROPERABLE PUBLIC SAFETY RADIO SYSTEM

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### Background

***OES Operates the Public Safety Radio System.*** OES is a primary provider of public safety communications used by public agencies in the state, including state departments and various local agencies. Public agencies in the state currently utilize a patchwork of over 30 conventional public safety radio systems that operate on different radio frequencies and infrastructure. As a result, when an agency on one system needs to coordinate with an agency on another system, they generally cannot communicate directly. Instead, they must relay messages through a dispatcher. This can delay

communications, which is particularly problematic during disaster events. Additionally, conventional radio systems operate on dedicated radio channels. Accordingly, when a user selects a channel to make a call, other users cannot use that channel until the call is over. This can lead to congestion on the radio system and an inefficient use of the radio spectrum.

### ***Public Radio System Has Generally Been Funded on Fee for Service Basis.***

It costs roughly \$82 million annually for OES to operate the public radio system, including for personnel, equipment, and maintenance. OES’ costs for

operating and maintaining the public radio system have historically been funded on a fee-for-service basis by state agencies—such as the Department of Motor Vehicles and the Department of Fish and Wildlife—and local client agencies. As a result, the costs of OES’ services have been borne by a mix of state General Fund, special funds, and other reimbursements by client agencies. (In some cases, one-time capital costs that support the system have been borne exclusively by the General Fund.)

**Governor’s Proposal**

As shown in **Figure 1**, the Governor’s budget proposes a \$10.8 million General Fund augmentation in 2019-20 to develop the California Radio Interoperable System (CRIS), which is an upgraded statewide public safety radio system. Under the proposal, the level of funding would increase somewhat each year through 2023-24, for a total of \$59.5 million over the five-year period. This includes funding for activities such as purchasing and installing new radio equipment and upgrading the radio vaults that hold the equipment. Beginning in 2024-25, the proposal would provide \$2.7 million annually from the General Fund to fund personnel to maintain and manage CRIS after the initial implementation and to make the system available to new users. The administration also proposes to add 8 permanent positions beginning in 2019-20, increasing to 13 positions in 2020-21.

**LAO Assessment**

**Upgrade to System Expected to Provide Important Benefits to Various Agencies.** CRIS is anticipated to provide significant benefits to the

client agencies that use the system. In particular, the system is anticipated to enable radio users from multiple agencies to communicate directly with one another. Additionally, the system is expected to use radio channels more efficiently by allowing them be shared more readily. This is because rather than assigning dedicated radio channels to users, it assigns a pool of channels for use by multiple users. When a call is made by a user, the system automatically selects an available channel from the pool of channels. This leaves the remaining channels available for other users to communicate.

**Level of Ongoing Workload Uncertain.** OES anticipates that it will take five years to build out the CRIS system. After this time, OES indicates that there will continue to be ongoing workload associated with activities such as maintaining the system and expanding the system to new users. The \$2.7 million proposed in ongoing funding beginning in 2024-25 would be the same level of funding as provided for personnel in previous years to implement the system. However, it is unclear if in fact it would be the same level of workload. Additionally, there is uncertainty regarding the additional ongoing workload associated with CRIS because the department indicates that it ultimately expects that replacing the over 30 existing systems with CRIS will result in efficiencies. According to OES, this is because it is more labor intensive for the department to repair a variety of different equipment rather than a single standard. Notably, OES reports that, at this time, it is not able to quantify the level of efficiencies that will be achieved and when, or if, these efficiencies will be reflected in reduced staffing requirements.

**Figure 1**

**Summary of Administration’s California Interoperable Public Safety Radio System Proposal**  
(In Millions)

Component	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 and Ongoing
Personnel	\$1.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
Equipment	9.0	8.9	9.5	9.7	9.7	—
<b>Totals</b>	<b>\$10.8</b>	<b>\$11.6</b>	<b>\$12.2</b>	<b>\$12.4</b>	<b>\$12.4</b>	<b>\$2.7</b>

## LAO Recommendation

**Approve Only Limited-Term Funding to Implement System.** We raise no concerns with the proposal to provide five years of funding to implement the system and, thus, recommend the Legislature approve this part of the request. However, we recommend rejecting the ongoing funding component of \$2.7 million. We find that there is significant uncertainty regarding the future level of workload associated with operating and maintaining the public radio system after CRIS is implemented. This is because (1) the level of workload associated with developing the CRIS system could be different from the level of workload associated with maintaining the system on an

ongoing basis and (2) there is expected to be an unspecified level of efficiencies achieved as a result of the new system. Should the Legislature reject this proposed out-year funding, OES would still be able to come back in future years to ask for additional funding on an ongoing basis—if needed—when the department has more certainty regarding ongoing workload. Also, to the extent ongoing workload is funded in the future, we recommend that it be paid for using a fee-for-service model rather than exclusively from the General Fund. This approach is consistent with the current funding structure for the public safety radio system and would fairly apportion costs to the various client agencies that benefit from it.

## EARTHQUAKE EARLY WARNING

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### Background

**CEEW System Intended to Provide State With Some Advance Notice of an Earthquake.** Chapter 803 of 2016 (SB 438, Hill) authorized the development of the CEEW system through a multiagency partnership including OES, the University of California, the United States Geological Survey (USGS), and other stakeholders. When fully deployed, the CEEW system would use a network of over 1,000 sensor stations and other related infrastructure to provide warnings several seconds prior to the arrival of an earthquake. These advance warnings would enable individuals, businesses, and governments to take actions to reduce harm and loss of life from earthquakes. A 2016 Benefits Study commissioned by OES and the Seismic Safety Commission determined that these advance earthquake warnings would benefit society broadly as well as various specific sectors. For example, society as a whole would benefit from individuals having sufficient warning in order to drop, cover, and take other protective actions prior to the beginning of damaging shaking, thus reducing injuries and deaths. Additionally, light rail and other mass transit systems could automatically suspend train operations upon receipt of an earthquake warning to minimize the chance

of derailments, which would directly benefit transit providers and users.

**CEEW System Would Build Off of Existing System.** The CEEW system would build on the foundation of the state's existing California Integrated Seismic Network (CISN), which is a statewide network of earthquake sensors that provide information on the time, location, and magnitude of earthquakes in the state within 30 to 90 seconds after earthquakes begin. The implementation of the CEEW system would require upgrading some of the existing CISN sensors to meet the needs of the new, more advanced system planned, as well as the installation of additional sensors and related infrastructure, such as Global Positioning System (GPS) and telemetry equipment.

**CEEW System Has Received Funding From Multiple Sources.** In recent years, the CEEW system has received various sources of funding. For example, the 2016-17 budget provided \$10 million in one-time General Fund support for sensor stations, public education and training, the development of a business plan (discussed later in this analysis), and four positions to develop and manage the CEEW system. In 2017-18, OES utilized one-time savings from other programs supported by the federal Emergency Management Performance Grant to continue funding the four

positions provided in 2016-17 for an additional year. The 2018-19 budget included \$15.8 million from the General Fund (and \$750,000 from the General Fund annually thereafter) to support the build-out of the remaining sensor stations and continue funding the four positions on an ongoing basis. We note that the CEEW system has also previously benefited from other federal grants, such as through the Earthquake Hazards Program administered by USGS.

***OES Required to Submit a Business Plan for Future CEEW System Funding.***

Chapter 803 required OES to submit a business plan identifying estimated system costs, sources of funding, a project completion schedule, risks, and roles and responsibilities of program stakeholders by February 1, 2018, and to provide the Legislature with an update to the business plan annually thereafter. The updates are required to include various information, such as a summary of the overall progress of the implementation of the system and an update on funding acquired and expended. In May 2018, OES submitted the required initial business plan for the CEEW system. This plan identified the need for additional capital and other one-time costs of about \$16.4 million to pay for GPS stations, backbone telemetry, and outreach. It also identified unfunded ongoing operational costs of about \$16.4 million annually. Additionally, as summarized in **Figure 2** (see next page), it identified a variety of possible funding sources and briefly identified some main advantages and disadvantages of each source. However, the 2018 CEEW Business Plan did not provide specific details on possible funding sources, such as the estimated level of charges that would need to be assessed on individual users or the potential administrative costs to collect these charges. Furthermore, the plan did not recommend a specific source of funding for future costs associated with the system.

**Governor's Proposal**

The Governor's budget proposes \$16.3 million in one-time General Fund support in 2019-20 for the CEEW system. At the time of this analysis, the administration had not submitted a BCP for this proposal. However, the administration indicates

that the funding would be used to complete the remaining one-time costs associated with the CEEW system identified in the 2018 CEEW Business Plan, such as for GPS stations, telemetry, and outreach. At this time, the administration has not put forward a proposal for ongoing operations funding for this program.

**LAO Assessment**

***Additional Information Might Be Provided by Spring.***

The 2019 update to the CEEW Business Plan is currently anticipated to be released in March. This document should include information that will help inform the Legislature's decisions on the CEEW system. For example, the plan is likely to include updated cost and funding information for the project. Additionally, it might include more detailed information on advantages and disadvantages of the potential funding sources that could be used to inform the Legislature's deliberations on its preferred ongoing approach to support the system.

***Various Funding Sources Are Reasonable.***

We find that there are reasonable rationales for funding the costs associated with the CEEW system from either the General Fund or charges on specific user groups. On the one hand, the Legislature might view the CEEW system primarily as providing a public benefit for all Californians. This is because there are broad benefits to society from having advance warnings of earthquakes that will enable people to take actions to prevent damage to themselves and their property. Based on this perspective, it would be reasonable to fund the system from the General Fund. On the other hand, the Legislature might decide that the CEEW system should be more self-sufficient and funded by those that benefit most directly, such as phone users that can receive text alerts of an impending earthquake and mass transit providers that could use notifications to change their operations to reduce the likelihood of collisions. This perspective would imply that relying on charges to user groups would be more appropriate. Alternatively, the Legislature could view CEEW as a project with both specific beneficiaries that have a strong interest in building and maintaining the system, as well as serving a broader public interest. Under this scenario, it could

choose to fund CEEW from a mix of General Fund and charges. For example, the Legislature could choose to fund one-time costs from the General Fund (as it has done in recent years) and ongoing costs from charges paid by entities that benefit from the system.

**Funding Sources Present Trade-Offs.** There are various considerations associated with the different approaches to funding the CEEW system. One consideration when evaluating any new charge should be whether the state and payers of the charge can implement it efficiently, including how

costly it is to administer and comply with (relative to the amount of money collected). A second consideration is who bears the cost of the charge, including how the burden is distributed across different groups of payers, such as low-income consumers.

Funding the CEEW system from the General Fund would minimize administrative costs and avoid concerns about burdening specific groups. However, this option would mean that funding the CEEW system would come at the expense of other General Fund priorities. In contrast, depending on

**Figure 2**

**Potential Funding Sources and Trade-Offs Identified in OES' 2018 CEEW Business Plan**

Funding Source	Pros	Cons
Electric utility and/or natural gas users charge	Provides a dedicated, stable revenue source. Can be added to existing bills with little administration cost.	Potential minor additional administration costs. Potential opposition from utilities.
Charge on transportation providers, such as rail operators	Provides a dedicated, stable revenue source. Can be charged to transportation providers (and likely passed on to riders of regional transit systems) with little administration cost.	Potential minor additional administration costs if other users (for example, electricity customers) are charged. Potential opposition from transportation providers.
Cell phone connection charge	Clear nexus between payers and beneficiaries. Can be added to existing bills with little administration cost. Provides a dedicated, stable revenue source.	Potential opposition from cell phone carriers.
Income tax surcharge	Provides a dedicated, stable revenue source. Administration costs would be relatively low if charge added to existing tax returns.	Limited nexus between payers and beneficiaries.
Charge on CEEW technology and service providers	Establishes a nexus between benefits and (certain) beneficiaries of the system. Avoids the need to increase taxes/charges paid directly by individual Californians.	Revenues could fluctuate based on number and type of technology and service providers.
Foundation and federal grants	Avoids the need to increase taxes/charges imposed on Californians.	Does not provide a stable, dedicated revenue source.
Charge on industries—such as hospitals—that benefit from CEEW	Avoids the need to increase taxes/charges imposed on Californians.	Requires multiple, new, and costly revenue collection mechanisms.
State General Fund	Establishes a nexus with users and beneficiaries to the extent entire state benefits from CEEW. No new revenue collection costs.	Requires annual appropriations and so may not provide a stable, dedicated revenue source.

OES = Governor's Office of Emergency Services and CEEW = California Earthquake Early Warning.



the specific charges that are assessed, funding the CEEW system from charges could potentially result in significant administrative costs relative to the amount of money collected. This could be particularly true if multiple charges were assessed—such as on the utility and transportation sectors—rather than just one charge because each charge would entail separate administrative costs. Additionally, some specific charges could affect certain groups of relatively lower incomes—such as transit users—more heavily than others.

## LAO Recommendation

***Withhold Action Pending Release of Business Plan.*** We do not raise concerns with the state continuing to devote General Fund to complete the one-time costs associated with the CEEW system as proposed by the Governor. However, we recommend that the Legislature withhold action until the spring when additional information should

be available. Specifically, the updated business plan might include updated information on the cost of the CEEW system and potential funding sources, such as more detailed information on the level of administrative costs that would be involved in assessing each of the possible charges. Such information would be valuable in informing the Legislature’s decision-making. Withholding action until the spring will also give the administration an opportunity to craft a BCP for legislative consideration that could include additional information, such as an evaluation of possible alternative funding sources. Once the Legislature has any additional information that is available in the spring, we recommend that the Legislature consider the various funding options in the context of its priorities, weighing factors such as other demands on the General Fund, administrative costs, and the burdens of any charges that are assessed.

## FUNDING THE 9-1-1 SYSTEM

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### Background

***9-1-1 System Is Outdated.*** OES has responsibility for developing and maintaining the state’s 9-1-1 system. The existing 9-1-1 system is based on technology that was developed and deployed in the 1980s and has various limitations. For example, during disaster events, the system can get overwhelmed, making it difficult for callers to reach dispatchers. Additionally, the system has limited ability to handle data—such as photos and text messages—or provide accurate location information to first responders.

***9-1-1 System Funded Through Charges on Intrastate Calls.*** The existing 9-1-1 system is funded through a special fund known as SETNA, which is funded by a surcharge of up to three quarters of one percent (.0075) on intrastate calls (calls that originate and terminate within the state) made on landlines and cell phones. According to OES, on average, a consumer is currently charged about \$0.14 each month for 9-1-1 services. Due to the shifts in communication patterns—such as the

increased reliance on texts and reduced reliance on phone calls—the number of intrastate calls has been declining. Accordingly, SETNA revenues have been declining, dropping about 40 percent in the last ten years to about \$60 million annually. These lower revenue levels are not sufficient to meet the current funding needs for maintaining and operating the existing 9-1-1 system. Accordingly, SETNA’s reserve has been declining in recent years and is now depleted.

***2018-19 Budget Funded Upgrade to 9-1-1 System.*** As part of the 2018-19 budget, the Legislature approved a plan that includes providing \$11.5 million from SETNA in the current year to upgrade the 9-1-1 system. As shown in **Figure 3** (see next page), this level of funding will increase each year through 2021-22, for a total of \$132 million over the five-year period. Beginning in 2022-23, annual funding will be almost \$40 million. The funding provided would be used to upgrade the existing 9-1-1 system to what is known as Next Generation 9-1-1. This upgrade is expected to provide important benefits. First, the

**Figure 3****Next Generation 9-1-1 Augmentations Approved in 2018-19 Budget***(Dollars in Millions From the State Emergency Telephone Number Account)*

Category	2018-19	2019-20	2020-21	2021-22	2022-23 and Ongoing
State Operations	\$1.1	\$1.1	\$1.1	\$1.1	\$1.1
Local Assistance	10.4	\$20.4	23.0	34.1	38.6
<b>Totals</b>	<b>\$11.5</b>	<b>\$21.5</b>	<b>\$24.0</b>	<b>\$35.1</b>	<b>\$39.7</b>

system is anticipated to be more reliable during disasters. This is because when a 9-1-1 call center becomes overwhelmed in a disaster event, the Next Generation 9-1-1 system allows for the automated transfer of calls to another call center, which will ensure that the calls are answered. Second, the system is also anticipated to provide additional functionality. For example, it is anticipated to allow users to send data, such as text messages and pictures through the 9-1-1 call system. Additionally, it is expected to provide better information on the location of callers, thus making it easier for public safety officials to reach those in need of assistance.

**Upgrade Was to Be Funded by Revised Rate Structure, but Was Not Approved.** As part of the proposed 2018-19 budget, the administration proposed budget trailer legislation that would have changed the structure of charges that support the 9-1-1 system in order to raise the additional funds necessary to (1) address SETNA's insolvency and (2) support the transition to Next Generation 9-1-1. Specifically, instead of imposing a charge on intrastate calls, this revised structure would have imposed a flat fee of between \$0.20 and \$0.80 per month on all lines (such as landlines and cell phone numbers) that can access the 9-1-1 system. OES could adjust the charge within this range annually in order to recover its costs for the 9-1-1 system. As of spring 2018, OES estimated that the new flat fee would be set at approximately \$0.32 per month per line to cover estimated expenditures for the 9-1-1 program of about \$130 million in 2018-19. The above budget trailer legislation was not adopted by the Legislature.

### Governor's Proposal

The Governor's budget includes one-time General Fund support of \$50 million to address

the current SETNA structural deficit. OES indicates that it is continuing to determine whether the funding should be repaid to the General Fund in the future. (In February 2019, the Legislature passed Chapter 1 which provided an additional \$10 million loan from the General Fund to SETNA and required the loan to be repaid no later than June 30, 2023.) In addition, the administration indicates it plans to release budget trailer legislation to modify the structure of the charge that supports SETNA. At the time of this analysis, the specific language had not been released by the administration. However, the administration indicates that the language will likely be similar to the language proposed as part of the 2018-19 budget, which would replace the charge on intrastate calls with a charge on devices that can access the 9-1-1 system.

### Issues for Legislative Consideration

#### **Identification of Additional Funding**

**Necessary.** For many years, SETNA has had a structural deficit. At this point, the fund's reserves have been depleted. Therefore, a revised funding approach would be necessary even absent the additional costs associated with implementing Next Generation 9-1-1. In addition, the implementation of Next Generation 9-1-1 comes with additional one-time and ongoing costs that add urgency to the need to address SETNA's funding issue.

**Various Options for Fund Sources Are Reasonable, but Present Trade-Offs.** The users of devices that connect to the 9-1-1 system receive benefits from it by being able to access the service during an emergency. Therefore, it is reasonable to assess a charge on these users as historically has been the case. The specific structure of the charge proposed last year (and anticipated to be proposed again this year) appears to be a reasonable method

for allocating costs across parties that receive these benefits.

While it is reasonable to assess charges on device owners, the revised structure is anticipated to result in additional costs for these users. Specifically, based on last year's proposal, OES estimated that the average customer would pay about \$0.32 per month rather than about \$0.14 per month under the existing structure. If the Legislature does not want 9-1-1 charges to increase by that amount, it could fund all or part of the system from the General Fund. This would be a reasonable approach since the system provides broader benefits to society, including ensuring that a more robust emergency response system is available to everyone, including those who do not have phones connected to the system. However, in considering the potential use of General Fund for this program, the Legislature will want to weigh this use against its other General Fund priorities.

**Loans Shift Costs to Future.** Requiring SETNA to repay the General Fund transfers—as is required for the \$10 million provided in 2018-19 and is being considered for the \$50 million proposed in 2019-20—comes with advantages and disadvantages. On the one hand, a loan ensures that the General Fund would be repaid, thus ensuring that General Fund dollars will ultimately be available for other priorities. On the other hand, requiring repayment does not ultimately reduce the burden of additional costs for device users. Instead, it would reallocate the costs to users in future years. In fact, if the General Fund loan is required to be repaid within just four years (such as required for Chapter 1), users would be required to cover these costs pretty quickly. Accordingly, if the Legislature chooses to provide additional General Fund loans to help fund the system, it could consider allowing them to be repaid over a longer period of time in order to allow users a longer period of time to absorb these additional costs.

## FEDERAL TRUST FUND AUTHORITY INCREASE: VICTIMS OF CRIME ACT

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### Background

#### ***VOCA Provides Funding for Victim Programs.***

In 1984, Congress created a fund financed by federal criminal fines and penalties, which is known as VOCA. Annually, federal VOCA funds are distributed to states—largely on a population basis. OES is the state agency that receives these funds on behalf of California. The department has significant flexibility in determining how to allocate funding to the various victim programs it administers. This is because the annual state budget does not specify spending amounts for each victim-related program. Instead, the annual budget includes an amount of federal funds authority for all the victim-related federal funds, including VOCA, thus providing OES discretion to allocate funds to specific victim-related programs. Along with the discretion to determine funding levels for programs, OES has the authority to establish new programs.

OES makes decisions on which programs to establish and fund with the assistance of its Steering Committee, which identifies gaps in existing services informed by input from stakeholders. In allocating funds, OES has to consider the federal requirements that govern the use of VOCA funds. However, these requirements generally are broad and give states a significant degree of flexibility to determine the number and type of victim programs administered. For example, the federal government requires that funds be spent on direct services to victims and that the state must spend a minimum of 10 percent of the funds on each of the following categories: child abuse, sexual assault, domestic violence, and underserved victim populations. Additionally, the federal government generally prohibits states from supplanting existing funding with VOCA funds. The federal government does not require that the state fund specific programs or a certain number of programs. In recent years, the state has funded

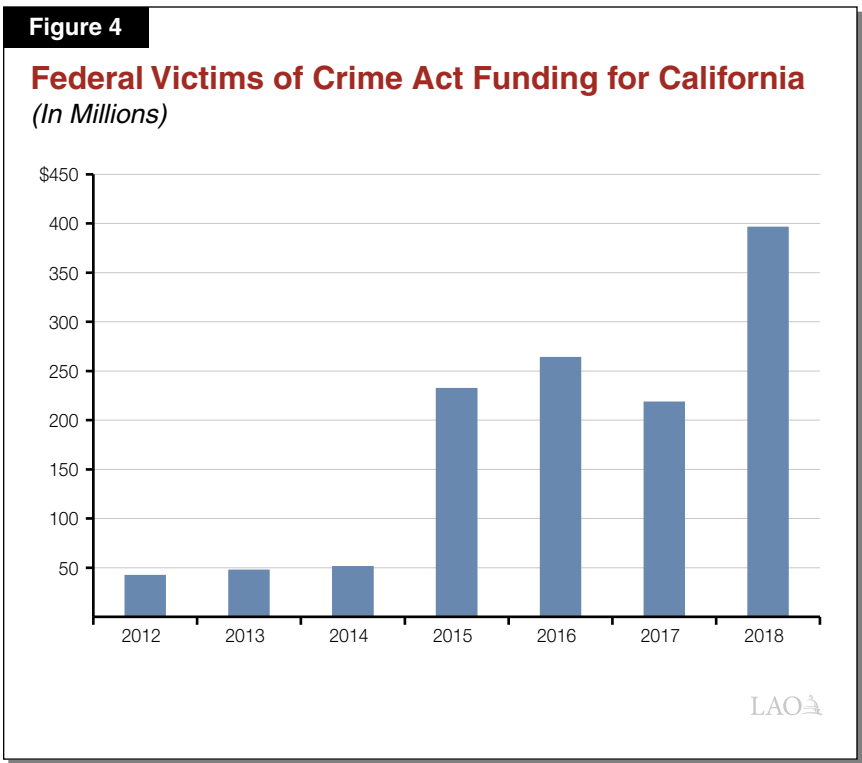
a few dozen programs with VOCA funds, such as victim/witness assistance, rape crisis, domestic violence assistance, transitional housing, and child abuse treatment. The federal government requires that VOCA funding be spent within a five-year time period. In practice, the state typically allocates funds to grantees over a three-year period.

**State’s Allocation of VOCA Has Increased Substantially in Recent Years.** Starting in 2000, Congress placed a cap on the amount of VOCA funds available to be distributed to states. In federal fiscal year (FFY) 2015 (from October 1, 2014 to September 30, 2015), the federal government raised the cap from \$745 million to \$2.4 billion. This resulted in a large increase in VOCA funding available to California and other states. Specifically, as shown in **Figure 4**, the amount of California’s VOCA funding more than quadrupled from \$52 million in FFY 2014 to \$233 million in FFY 2015. In FFY 2018, the federal government increased the cap to \$4.4 billion. Accordingly, the state received another large increase in VOCA funding, to a total of nearly \$400 million. We note that the amount of VOCA funding in future years is uncertain because it depends on federal actions.

However, OES has indicated that it anticipates the FFY 2019 VOCA award to be over \$250 million.

**Legislature Modified Budgeting Approach to Increase Oversight.** In December 2015, the administration provided a notification to the Joint Legislative Budget Committee (JLBC) indicating that the state anticipated receiving \$233 million in VOCA funds, which would be a very large increase from prior funding levels. The letter indicated that OES intended to allocate these additional funds to eight existing programs and eight new programs. This notification was provided by the administration for informational purposes, and OES indicated that it did not intend to wait for legislative concurrence with its spending plan because the department already had sufficient expenditure authority for federal funds in the *2015-16 Budget Act*. At the time, OES’ budget included a large federal funds appropriation in order to ensure sufficient authority to expend potential federal funds, including for disaster-related purposes, which can sometimes be very large and unanticipated at the beginning of the fiscal year.

In response to concerns about the lack of opportunity to review and provide input on the proposed VOCA allocations, the JLBC requested that the administration work with the Legislature to separate OES’ federal expenditure authority for victim programs from the authority for other purposes (such as disaster assistance) in future budget acts. This change to OES’ budget was made starting in 2016-17, and OES was given a base level of federal funds authority for victim funding of about \$260 million, including about \$232 million to accept VOCA funds and the remaining authority to accept funds from other smaller federal grant programs such as those related to the Violence Against Women Act. However, consistent with most other areas of the budget, if OES receives additional federal funds for victim programs beyond the



level budgeted, it must request additional authority to receive these funds during the fiscal year after providing legislative notification. Additionally, JLBC requested that OES include the Legislature in the Steering Committee process that informs the allocation of VOCA funds. This was implemented, and the Assembly and Senate now each appoint a representative to the Steering Committee.

## Governor's Proposal

The Governor's budget proposes \$50 million annually in additional federal funds authority to allow the state to receive the anticipated increase in VOCA funds. OES indicates that it arrived at the estimate of \$50 million in additional federal funds authority by assuming that the additional funds received from the 2018 VOCA award will be spent over the next four years. The department also indicates that it assumed that the award amount for VOCA would continue to be higher than the historical average.

## LAO Assessment

**Excess Federal Funds Authority in the Future Reduces Legislative Oversight.** OES assumes that the additional federal funds authority will be needed over a four year period, but requests an ongoing increase in federal funds authority based on an assumption that the state's VOCA awards will continue to be higher than the historical average in the future. However, the level of VOCA awards the federal government will provide the state in future years is uncertain. To the extent that future awards return to a level significantly below the 2018 award amount of \$400 million—for example, the 2017 award amount of \$219 million—this approach could result in the department having more federal funds authority on an ongoing basis than the department needs. It is problematic to provide more federal funds authority in the department's budget than is anticipated to be necessary based on the amount of federal funds the administration anticipates receiving and using in a given year. This is because if the department has more federal funds authority than it needs, it will be able to allocate these funds to create or expand programs without legislative notification, as occurred with the 2015 VOCA allocation. This reduces oversight over funding for

victim programs that are of significant interest to the Legislature. Also, notably, because the budget already includes a process to allow the department to request the authority to receive additional unanticipated federal funds upon legislative notification, we find that there is no need to budget excess federal funds authority in order to allow the department to receive these unanticipated funds.

**Unclear Which Programs OES Plans to Fund With VOCA Augmentation.** As previously mentioned, the state has broad flexibility to use VOCA funds for a variety of programs that provide direct services to victims. At the time of this analysis, OES had not yet identified the gaps in services it intended to meet with the additional funds provided by the FFY 2018 VOCA allocation, or which specific programs it intended to fund, but was expecting to do so in the coming months.

In recent years, the Legislature increasingly has made funding programs that serve victims of crime a General Fund priority. For example, in the *2018-19 Budget Act*, the Legislature provided General Fund augmentations for (1) services to victims of domestic violence and sexual assault (\$10 million), (2) Family Justice Centers (\$10 million), and (3) services to victims of human trafficking (\$10 million).

## LAO Recommendations

**Provide Additional Authority on Limited-Term Basis.** We recommend that the Legislature provide the requested additional federal funds authority on a four-year basis, consistent with OES' anticipated timeline for expending these funds. This approach would reduce the chance that OES will have more federal funds authority budgeted than it needs in future years. In so doing, it will increase legislative oversight by requiring the department to request additional federal funds authority if it receives additional federal VOCA augmentations.

**Direct OES to Report on Its Plan for Allocating Funds.** We recommend that the Legislature direct OES to report at budget hearings on the gaps it—along with its Steering Committee—has identified in victim programs. We further recommend that the Legislature ask OES about how it plans to allocate the 2018 VOCA funds, including which new programs it plans to

create and which existing programs it plans to augment.

**Consider Plan in Context of Legislative Priorities, and Direct OES Accordingly.** We recommend that the Legislature consider whether OES' plans for utilizing the additional 2018 VOCA funds are consistent with its priorities for victim programs. To the extent that the department's priorities are not consistent with legislative priorities, the Legislature could direct

the department to allocate funds differently. For example, if human trafficking continues to be an area of funding priority for the Legislature, it could direct the department to direct an increased share of VOCA funding towards services for victims of human trafficking. (As mentioned previously, there are some federal limitations that would have to be considered, including that funds must be used for direct services to victims and cannot supplant existing funds.)

## FEDERAL TRUST FUND AUTHORITY INCREASE: HAZARD MITIGATION GRANT PROGRAM

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### Background

**Program Provides Funding to Mitigate Future Disaster Risks.** The HMGP is a federal grant program that is designed to help communities implement hazard mitigation measures that reduce the risk of loss of life and property from future disasters. States are eligible to receive this funding following a large disaster that receives a Presidential Major Disaster Declaration. The amount of the grant is up to 20 percent of the total federal disaster assistance provided in the relevant disaster. Upon receipt of funds, states have the primary responsibility for prioritizing, selecting, and administering state and local hazard mitigation projects. Eligible mitigation measures include activities such as strengthening buildings to withstand future earthquakes, elevating buildings at risk for flooding, creating defensible space by clearing brush and trees from around structures in areas prone to wildfires, and completing fuel reduction projects within two miles of structures. We note that funded activities do not have to be tied to the location or type of disaster that triggered the funding. However, projects do have to meet various other federal requirements for funding. For example, most of the funding must go to projects that can show they have benefits that exceed their costs according to a methodology established by the federal government.

**OES' Process for Allocating HMGP Funds.** When the state receives HMGP funds, OES

administers a two-step process. First, it sends out a notice inviting eligible sub-applicants—such as state agencies, local governments, and nonprofits—to submit a preliminary application known as a Notice of Interest (NOI) for any proposed projects. OES reviews and approves NOIs for eligibility. Second, sub-applicants with approved NOIs may submit full applications to the department. OES reviews these full applications for feasibility and accuracy, evaluates them based on priorities established by the department, and then recommends projects to the Federal Emergency Management Agency (FEMA) for funding. OES must submit all eligible project applications to FEMA within 12 months from the date of declaration of the disaster. (The department may seek up to two 90-day time extensions.)

OES has flexibility on which projects to recommend that FEMA fund, but generally recommends that FEMA fund the highest scoring applications based on the criteria the department has established. Funds are obligated by FEMA upon approval of each individual project, and generally provided on a reimbursement basis. The federal government typically requires a 25 percent nonfederal cost share.

**State Expected to Receive Over \$1 Billion in HMGP Funds for 2017 and 2018 Disasters.** Due to the scale of the disasters—especially wildfires—experienced in 2017 and 2018, the state received a number of Presidential Major Disaster Declarations

and is anticipated to receive several billions of dollars in federal assistance for disaster response and recovery activities. Based on the formula for determining HMGP funding, the state is anticipating receiving over \$1 billion in HMGP, \$500 million for 2017 disasters (including about \$400 million for late 2017 wildfires) and about \$530 million for 2018 disasters.

**OES Has a Base Level of Federal Funds**

**Authority.** OES has a base level of federal funds authority for emergency-related activities of \$670 million annually. OES typically receives funding from HMGP as well as a variety of other federal grant programs—such as the Homeland Security Grant Program—under this authority. Federal funds for disaster-related purposes are exempt from the process that typically requires legislative notification prior to the acceptance of unanticipated federal funds.

**Governor’s Proposal**

The Governor proposes \$60 million annually in additional federal funds authority on an ongoing basis to allow the state to receive the anticipated HMGP funds. OES indicates that they arrived at the estimate of \$60 million by assuming that the additional HMGP funds will be received over a seven-year period. This increase—along with the department’s base budget for federal funds—is anticipated to allow the department to receive the anticipated HMGP and other federal disaster-related funds.

**LAO Assessment**

**OES Has Established Certain Priorities for HMGP Funds.** OES has identified certain priorities for the HMGP funds associated with each of the recent disasters that have received Presidential Major Disaster declarations. The priorities vary by HMGP disaster allocation. However, OES reports that its usual practice is to prioritize funding for projects in the counties that experienced the relevant disaster declaration. Also,

in many cases, it prioritizes projects related to the specific type of hazard that triggered the disaster declaration. For example, for the major 2018 fires, the department has indicated it is providing first priority to fund mitigation activities in declared counties (Ventura, Los Angeles, and Butte). (Please see the box on page 16 for additional information regarding the department’s priorities for anticipated HMGP funding resulting from the late 2017 wildfires and mudslides and the November 2018 wildfires.)

**Funding Decisions Are in Progress.** OES and FEMA are in the process of selecting projects for funding with the HMGP funds associated with the 2017 and 2018 disasters. As shown in **Figure 5**, OES has already made recommendations to FEMA for over \$100 million in funding related to 2017 disasters. However, the deadlines for submitting proposed projects to FEMA for the bulk of the HMGP funding are in the coming months.

**Grant Funds Are Not Heavily Oversubscribed.**

Given the number of potential hazard mitigation projects throughout the state that could benefit from HMGP funding—and the large amount of federal funding available—we would expect many project proposals to be submitted to OES. However, OES reports that it generally expects to be able to fund all but the lowest priority projects. Based on our discussion with OES, it

**Figure 5**

**Anticipated HMGP Funding Amounts and Deadlines for Recommendations to FEMA**

2017 Disaster Declarations	Amount	Deadline
January 2017 storms	\$22.1	Already submitted
Late January 2017 storms	10.1	Already submitted
February 2017 storms	78.4	Already submitted
October 2017 California wildfires	333.2	4/2/2019
December 2017 wildfires and debris flows	56.7	4/2/2019
Subtotal	(\$500.5)	
2018 Disaster Declarations	Amount <sup>a</sup>	Deadline
Summer 2018 California wildfires and high winds	\$31.8	8/3/2019
Camp and other November 2018 fires	500.0	11/11/2019
Subtotal	(\$531.8)	
<b>Total</b>	<b>\$1,032.3</b>	

<sup>a</sup> Amounts for the 2018 disaster declarations are estimates.  
FEMA = Federal Emergency Management Agency and HMGP = Hazard Mitigation Grant Program.

## Priorities for Recent Hazard Mitigation Grant Program (HMGP) Funding

**Late 2017 Wildfires and Mudslides.** The Office of Emergency Services (OES) has established the priorities for the nearly \$400 million in HMGP funding anticipated to be received as a result of the Presidential Major Disaster Declarations the state received for the October and December 2017 fires and mudslides that affected multiple counties. Specifically, OES has decided to prioritize funding for projects of the following types:

1. Projects in declared counties (and other counties with significant wildfires) that mitigate the types of damages associated with wildfires and mudslides, including:
  - » Soil stabilization.
  - » Erosion control.
  - » Replanting and reforestation.
  - » Flood diversion and storage.
  - » Drainage improvements.
2. Previously submitted but not funded projects in declared counties for certain past disasters.
3. Projects in declared counties related to the specific type of disaster that occurred (for example, fire projects in fire-declared counties).
4. Disaster-specific hazard projects in non-declared counties and all sea level rise and tribal projects.
5. Any hazard projects in declared counties.
6. Any hazard projects in non-declared counties.
7. New hazard mitigation plans and plan updates.
8. Planning-related activities.
9. Projects in declared counties that do not meet cost-effectiveness requirements.
10. Projects in non-declared counties that do not meet cost-effectiveness requirements.

**November 2018 Wildfires.** OES has established the following priorities for the roughly \$500 million in HMGP funding anticipated to be received as a result of the Presidential Major Disaster Declarations the state received for the November 2018 fires that affected Butte, Los Angeles, and Ventura Counties.

1. Eligible hazard mitigation activities in declared counties (Butte, Los Angeles, and Ventura Counties), specifically:
  - » Post-fire erosion control projects.
  - » Projects that use the Federal Emergency Management Agency's pre-calculated benefits methodology.
  - » Building code projects to support post-disaster code enforcement.
  - » Mitigation projects addressing flood, fire, and earthquake hazards.
2. Partnerships with state agencies for large projects to mitigate flood, fire, and/or earthquake hazards.
3. Previously submitted but not funded projects.
4. Mitigation projects in non-declared counties.



is not clear why some potential sub-applicants may not be applying. For example, it could be because some state agencies or local jurisdictions are unaware of this funding opportunity, the process is administratively burdensome, the match requirements are too costly, or because of other reasons.

## LAO Recommendations

**Consider Department’s Plan in Context of Legislative Priorities, and Direct OES Accordingly.** We recommend that the Legislature consider whether the department’s criteria for allocating HMGP funds are consistent with its priorities. For example, the Legislature could consider whether to prioritize some or all of the funding for the most cost beneficial projects, regardless of whether they are in declared disaster areas. Alternatively, the Legislature

could consider prioritizing projects undertaken by state departments or projects that could reduce state costs for disaster response, such as fire-risk reduction projects that are within the State Responsibility Area. To the extent that the Legislature has different priorities than the department, it could direct OES to utilize different criteria when evaluating potential projects.

**Require Department to Report at Budget Hearings.** We recommend requiring OES—as well as local stakeholders—to report at budget hearings on what factors may be contributing to eligible sub-applicants not applying for HMGP funds. For example, OES could report on the types of outreach activities the department is conducting. Based on this information, the Legislature could consider whether it would be appropriate to expand outreach efforts or otherwise encourage eligible entities—such as state agencies and local governments—to apply.

## DEFERRED MAINTENANCE

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### Background

**OES’ Headquarters Facility.** OES’ headquarters facility is located in the Sacramento area. The 118,000 square foot building was constructed in 2002, which makes it among the newest state office buildings. A 2015 assessment of state office buildings in the Sacramento area determined that the building is in good condition and identified a total of \$6.5 million in capital needs for the building through 2025. Based on its condition, the assessment placed the OES headquarters facility among the top third of buildings that were evaluated.

**Previous Budgets Provided Significant Funding for OES’ Deferred Maintenance Needs.** Facilities require routine maintenance and repair to keep them in acceptable condition and to preserve and extend their useful lives. When such maintenance is delayed or does not occur, we refer to this as deferred maintenance. In 2015-16, OES identified a deferred maintenance backlog of \$4 million at its headquarters facility. (As we discuss in more detail later, the department’s

backlog has varied in recent years.) Since then, the Legislature has provided a total of \$7 million for deferred maintenance projects at the building. (An additional \$1 million was also provided for deferred maintenance projects at another OES facility.) In January 2019, OES identified a backlog of deferred maintenance projects of \$3 million at its headquarters facility.

### Governor’s Proposal

The Governor’s 2019-20 budget proposes \$2 million in one-time General Fund support for deferred maintenance projects at the OES headquarters facility. The department indicates that it will use this funding for various projects, such as wall repairs and replacing the access control and video surveillance systems. This funding is part of a larger statewide proposal to provide over \$600 million on a one-time basis for deferred maintenance projects across a variety of departments. (See *The 2019-20 Budget: Deferred Maintenance* for our assessment of the Governor’s overall deferred maintenance proposal.)

## LAO Assessment

**Unclear Why Backlog Has Changed Over Time.** If the department has an effective ongoing maintenance program, we would expect that the size of its deferred maintenance backlog would decrease over time as additional funding is provided to address it. However, as shown in **Figure 6**, OES' identified deferred maintenance backlog at its headquarters facility has changed substantially from year to year, without a clear connection to the amount of deferred maintenance funding that has been provided. In particular, it is unclear why the reported backlog grew from \$4 million to \$7 million between 2015-16 and 2018-19, despite the state providing a total of \$4 million to OES to address its backlog in 2015-16 and 2016-17.

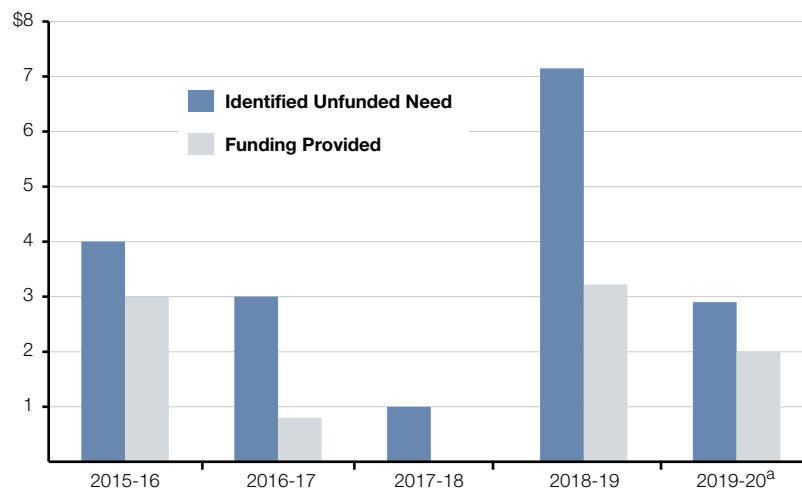
It is unclear whether these changes in OES' reported backlog shown in Figure 6 represent actual changes in deferred maintenance needs across years or are a result of differences in how deferred maintenance is catalogued or reported by the department. It is important to understand what is leading to these changes to identified

backlogs because it might point to different legislative responses. To the extent that changes in the department's backlog represent actual differences in accumulated needs since last year, it might suggest that OES' routine maintenance activities are insufficient to keep up with what needs to be done on a regular basis to prevent the accumulation of new deferred maintenance and that it should improve its maintenance program. When asked about its plan for ensuring that additional deferred maintenance does not accumulate, OES reported that it has executed ongoing facility maintenance contracts to ensure that additional deferred maintenance will not be required in the future, but it is unclear if this will be sufficient. However, to the extent that the changes in the department's reported deferred maintenance projects are a result of changes in its reporting methodology, the information on its reported backlog might not be sufficiently reliable to inform decision making about how to most appropriately address the department's deferred maintenance challenges. Instead, it might point to the importance of gathering improved information on the department's backlog.

**Figure 6**

### Changes in the OES Identified Deferred Maintenance Backlog at Headquarters Building

(In Millions)



<sup>a</sup> Proposed funding in Governor's budget.  
OES = Governor's Office of Emergency Services.



## LAO Recommendation

### *Require OES to Detail Plans for Better Maintaining Facilities.*

Given that deferred maintenance projects have continued to emerge for the department despite multiple allocations of deferred maintenance funding in recent years, it will be important for the Legislature to continue to monitor the success of OES' practices in preventing the accumulation of deferred maintenance. Accordingly, consistent with recommendations we have made on the administration's overall proposal for deferred maintenance funding in 2019-20, we recommend additional reporting to ensure that progress is made at reducing deferred maintenance backlogs.

Specifically, we recommend that the Legislature adopt supplemental report language (SRL) requiring that, no later than January 1, 2023, OES identify how its deferred maintenance backlog has changed since 2019. We further recommend that the SRL require, to the extent that its backlog has grown in the intervening years, the department to identify the reasons for the increase and the specific steps it plans to take to improve its maintenance practices on an ongoing basis. This is because, if OES continues to experience increases in its backlog, this might suggest that its routine maintenance activities are insufficient to keep up with its annual needs and that the department should improve its maintenance program to prevent the further accumulation of deferred maintenance. Adoption

of the following language would be consistent with this recommendation:

Item 0690-xxx-xxxx. No later than January 1, 2023, the Office of Emergency Services shall submit to the fiscal committees of the Legislature and the Legislative Analyst's Office a report identifying the total size of its deferred maintenance backlog as of the 2018-19 fiscal year and September 2022. To the extent that the total size of the deferred maintenance backlog has increased over that period, the department's report shall also identify the reasons for the increase in the size of the backlog and the specific steps the department plans to take to improve its maintenance practices on an ongoing basis.

## FIRE APPARATUS MAINTENANCE SHOP AND GENERAL PURPOSE WAREHOUSE

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### Background

***OES Facility Used for Maintaining Fire Engines.*** OES runs a program that provides fire engines (known as apparatus) and related equipment to local governments for use in the mutual aid system. In order to support this program, OES operates a facility to maintain fire apparatus and store fire and rescue supplies and equipment needed for major disaster response operations. Prior to 2016, OES used a Sacramento Metropolitan Fire District facility as the maintenance shop and leased separate warehouse space. However, Sacramento Metropolitan Fire District asked OES to vacate its facility by 2016. Accordingly, as part of the 2016-17 budget, OES received a General Fund augmentation to cover the additional lease costs associated with allowing it to relocate and consolidate its maintenance facility and warehouse into a joint facility near OES' headquarters. OES entered into a lease for this new facility—the Fire Apparatus Maintenance Shop—which contained a provision allowing the state to purchase the facility for \$2 million. This facility was built in 1996 and the department reports that it is in good condition.

### Governor's Proposal

The Governor's 2019-20 budget provides \$2.2 million from the General Fund to enable OES to exercise the lease purchase option to acquire the Fire Apparatus Maintenance Shop in Sacramento. This includes \$2 million to purchase the property and \$200,000 for site evaluations, real estate due diligence, and property appraisals. The department currently rents this facility at an annual cost of roughly \$290,000, which it expects would have declined to roughly \$207,000 annually in future years if the lease purchase option was not exercised. According to OES, maintenance costs for the new facility are anticipated to be roughly \$50,000 per year.

### LAO Assessment

***Proposal to Purchase Property Is Reasonable.*** We find that it is reasonable for the state to purchase the Fire Apparatus Maintenance Shop. This is because we find that the total savings over less than 20 years from no longer needing to lease the space is greater than the cost of purchasing and operating the building. Given the age and condition of the building, we expect that it will likely

provide services for sufficient years to justify the state's investment.

***Proposal Does Not Reflect Cost Savings Associated With Reduced Rent.*** By providing funds for the state to purchase the Fire Apparatus Maintenance Shop, this proposal will enable the department to stop making the rent payments that it has been making. This should result in cost savings to the department of about \$157,000 per year, after taking into account the maintenance costs that will be required under state ownership. However, the budget proposal does not include a reduction in the department's budget to reflect these reduced lease costs.

## **LAO Recommendation**

***Modify Proposal to Reflect Technical Adjustment.*** We recommend that the Legislature reduce the proposed \$2.2 million by \$157,000 to reflect that the department will no longer incur lease costs associated with the Fire Apparatus Maintenance Shop once the state purchases it, and thus should have some savings reflected in their budget.

## **LAO PUBLICATIONS**

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This report was prepared by Helen Kerstein and reviewed by Brian Brown. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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