

3-23-1989

# AIDS Research Center at San Francisco General Hospital

Joint Legislative Budget Committee

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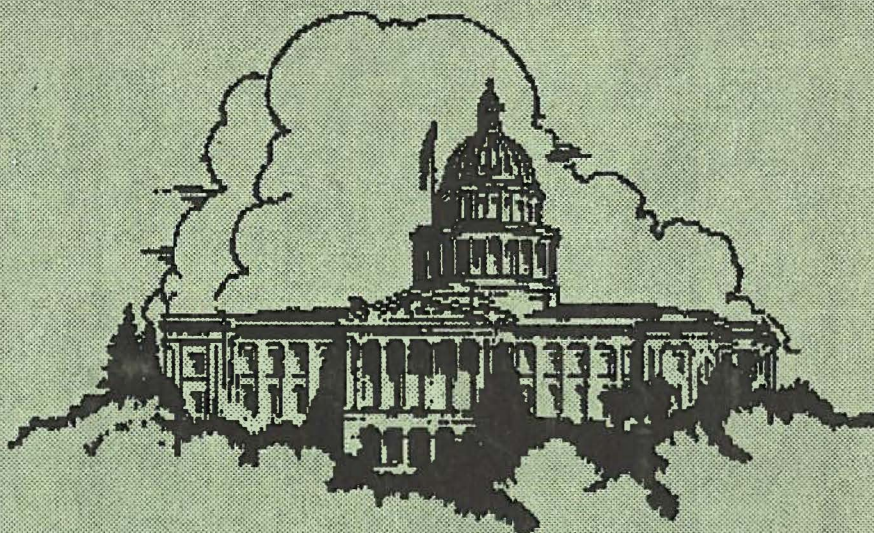
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**CALIFORNIA LEGISLATURE  
JOINT LEGISLATIVE BUDGET COMMITTEE**

**SENATOR WILLIAM CAMPBELL, CHAIRMAN**



**AIDS RESEARCH CENTER**

at

**SAN FRANCISCO GENERAL HOSPITAL**

**A Report on the  
Hearings of February 27, 1989 and March 6, 1989**

by the

**Joint Legislative Budget Committee  
Prepared March 23, 1989**

**John Vasconcellos  
Vice Chairman**

**SENATE MEMBERS**

**Alfred E. Alquist  
Robert G. Beverly  
Bill Greene  
Milton Marks  
Joseph Montoya  
Nicholas C. Petris**

**ASSEMBLY MEMBERS**

**William Baker  
John Burton  
Robert Campbell  
Robert C. Frazee  
Maxine Waters  
Vacancy**

Thomas A. Burns, Staff Director

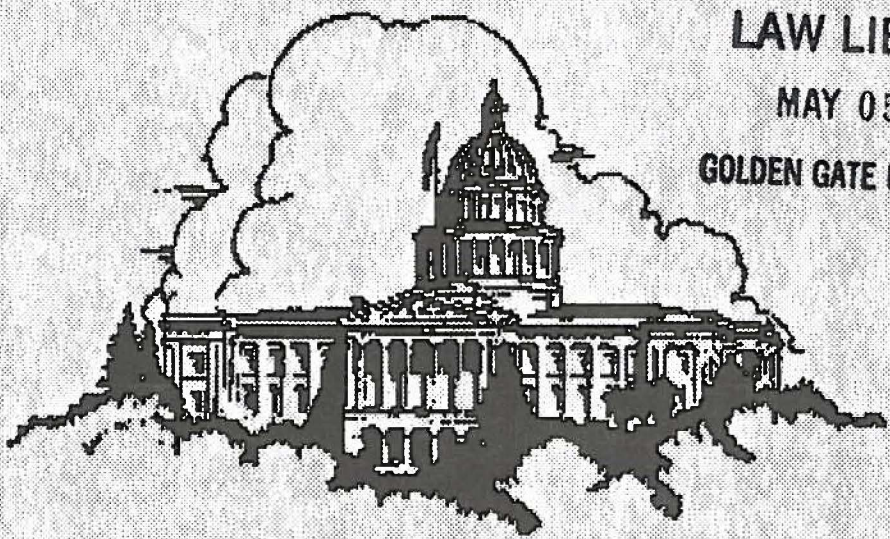
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**CALIFORNIA LEGISLATURE  
JOINT LEGISLATIVE BUDGET COMMITTEE**

**SENATOR WILLIAM CAMPBELL, CHAIRMAN**



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**CALIFORNIA LEGISLATURE**  
**JOINT**  
**LEGISLATIVE BUDGET COMMITTEE**

**INTRODUCTION**

**March 23, 1989**

The Joint Legislative Budget Committee held a public hearing on February 27, 1989, in Room 112, and March 6, 1989, in Room 3191, at the State Capitol in Sacramento to study the issue of the AIDS Research Center at San Francisco General Hospital. This report represents the outgrowth of that discussion. Contained within are:

- 1) a report on the history of the center, including the action of the Committee;
- 2) a copy of the budget language on the center;
- 3) a copy of a letter from the Director of Health Services regarding the funding for the center;
- 4) a copy of the letter from the Director of Finance concerning the release of preliminary plans for the center,
- 5) a copy of the letter from the Legislative Analyst detailing her concerns about the preliminary plans for the center,
- 6) a copy of the letter from the City and County of San Francisco regarding the review of the preliminary plans by the Legislative Analyst;
- 7) a copy of a letter from the Director of Finance proposing certain funding for the center,
- 8) a copy of the letter from the Chairman of the Joint Legislative Budget Committee outlining the action of the Committee to the Director of Finance with regard to the project funding and review of the preliminary plan;
- 9) a copy of the letter from the Chairman of the Joint Legislative Budget Committee outlining the action of the Committee to the Budget Chairmen with regard to the project funding and the review of the preliminary plans;
- 10) a copy of the Committee agenda for the February 27 meeting;
- 11) a copy of the transcript of the February 27 meeting; and
- 12) a copy of the transcript of the March 6 meeting.

**WILLIAM CAMPBELL**  
Chairman

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**REPORT ON THE HISTORY OF THE CENTER**

## **Report on the AIDS Research Center at San Francisco General Hospital**

### **I. BACKGROUND**

The Legislature and Governor made a commitment in 1986 to construct a multidisciplinary AIDS research center at San Francisco General Hospital, earmarking in the Budget Act that year \$1.5 million to pay for preliminary plans and working drawings. The following year an additional \$5.7 million was placed in the Budget Act as the initial appropriation to begin construction of the project. As the project fell behind schedule, this initial funding was reappropriated in 1988 and legislative intent was expressed that the remaining portion of funds required-- estimated in 1987 at \$4.8 million-- would be provided through the budget in 1989. Also, language in the Budget Act required that the Director of Finance submit the preliminary plans on the project to the Joint Legislative Budget Committee, which would study the proposed approach and have approval authority over the release of the construction funds to the local government officials in San Francisco for the project to proceed.

(See Appendix I: Budget Language on AIDS Research Center at San Francisco General Hospital (1988-89 Budget Act.)

The Governor's Budget Proposal for 1989-90, however, failed to address the remaining portion of funds required. The Director of Health Services, in a letter dated January 25, 1989, addressed to officials of the City and County of San Francisco, attributed the omission to a "technical glitch" (See Appendix II: Letter from Director of Health Services/Funding for Center in Governor's Budget Proposal for 1989-90 (January 25, 1989)). The Director suggested that "our intent (is) to submit a Finance Letter in the spring budget revision to continue funding for the project."

### **II. RELEASE OF PRELIMINARY PLANS**

The Director of Finance submitted in writing the preliminary plans on the center to the Joint Legislative Budget Committee on February 14, 1989. (See Appendix III: Letter from Director of Finance/Release of Preliminary Plans (February 14, 1989.)). The Director cited in this submission that the cost of construction of this project would be about \$12 million, including pre-construction design expenses. However, the Director failed to address the question of why the Governor's Budget Proposal for 1989-90 does not contain the remaining portion of funds required-- \$4.8 million, as the 1988 Budget Act had pledged. Other than this omission, the plans as filed call for a two-story addition to an existing three-story laboratory.

### III. ANALYSIS OF THE PRELIMINARY PLANS

The Legislative Analyst, after a review of the preliminary plans, (See Appendix IV: Letter from Legislative Analyst/Analysis of Preliminary Plans (February 21, 1989)), raised the following concerns:

- 1) Project Schedule/ Completion of the plans occurred 3 months late and, after completion, the plans were held by the Administration for another 4 months. This 7 month delay, however, will not jeopardize the scheduled project completion date of September of 1990 as San Francisco local officials began preparation of the working drawings immediately after the preliminary plans were completed; and,
- 2) Project Overbudgeting/ The plans contain enhancements which were not part of the original project scope or exceed general state project standards, such as more lab space than originally conceived, improvements not directly essential to the proposed AIDS research center, undue projected inflation costs, inordinate design/construction/administration costs and an overbudgeted amount for unanticipated project overruns. The tally on this overbudgeting is \$850,000.

The Legislative Analyst also expressed concern that the original project schedule proposed the solicitation of construction bids on the full project in April of 1989. Solicitation of bids on the whole project without the inclusion by the Governor of the remaining portion of funds needed would be unworkable. Furthermore, the Analyst points out that the project is not designed to be bid in phases, as legislative funding is planned to transpire.

The Analyst recommended that the Joint Legislative Budget Committee: "1) convene a hearing ..., 2) ask the Department of Finance to testify before the Committee regarding how the Administration plans to proceed with the project, including how it will budget additional necessary funds, and 3) ask the City/County to testify regarding its plans to proceed with the project."

### IV. RESPONSE OF SAN FRANCISCO LOCAL GOVERNMENT TO ANALYSIS

San Francisco local government responded in writing on February 23 to the review of the preliminary plans by the Legislative Analyst, (See Appendix V: Letter from City and County of San Francisco/Response to Review of Preliminary Plans by Legislative Analyst (February 23, 1989)), stating:

- 1) The project has made up time lost in the contracting process, is on schedule currently and is prepared to go to bid on April 3;
- 2) The addition of lab space came at the recommendation of the steering committee of the center, which determined the need and concluded that it would be more costly to add space later;



- 3) The addition of window improvements not essential to the AIDS research center are needed for design integration with the existing three-story lab. Also, the "art enrichment" is required by city ordinance;
- 4) With recent increases in the inflation rate, the figures used to project inflation were probably too low, not too high;
- 5) The cost of proposed design/construction services is justified because of extra costs to prepare the program, solicit expert outside advice on project design and utilize project management services offered by the local Department of Health; and,
- 6) The contingency budget is because of "high construction costs in San Francisco, Human Rights requirements, the variable bid climate and the possibility of asbestos removal."

## **V. PROPOSED SECOND PHASE FUNDING BY DEPARTMENT OF FINANCE**

On February 24, (See Appendix VI: Letter from Director Finance/1989-90 Budget Proposal Change to Provide Funding for Center (February 24, 1989)), the Director of Finance requested by letter to the chairs of the budget committees in each house amendments to the Governor's Proposed Budget for 1989-90 which would:

- 1) Reduce the General Fund appropriation to the Department of Health Services by \$3.2 million in the maternal and child health services program and \$1.8 million in pilot projects for pregnant substance abusers and their substance-exposed infants, because of the unanticipated availability of increased federal maternal and child health block grant funds; and
- 2) Increase the General Fund appropriation to the local assistance line item in the public health program of the Department of Health Services to provide additional funding of \$4.8 million to the AIDS Research Center at San Francisco General Hospital.

## **VI. PUBLIC HEARING BY COMMITTEE**

On February 27, a public hearing of the proposed San Francisco General Hospital AIDS Research Center by the Joint Legislative Budget Committee was held, (See Appendix VIII: Agenda of Committee Public Hearing (February 27, 1989) and Appendix IX: Transcript of Committee Public Hearing (February 27, 1989)).

The Legislative Analyst testified firstly, indicating concern about the last phase of the funding for the project and overbudgeting in certain aspects of the project as reflected in the preliminary plans. On the first subject, the Analyst stated her judgement that a guaranteed funding of \$10.5 million-- the \$5.7 million already available from the 1988 Budget Act and the \$4.8 million still under debate-- would be required for San Francisco City/County to go to bid. On the second topic, the Analyst indicated that two project aspects in dispute for overbudgeting had been resolved, realizing a \$205,000 General Fund cost avoidance if the project proceeds. Those items were a portion of the extra lab space--referred to as the cantilevered extension and the window enhancements. The Analyst suggested that the remaining items in the listed overbudgeting were primarily disagreements over projected inflation or cost factors and could be assigned to the appropriate subcommittee of the budget committees in each house for resolution.

The Analyst made no recommendation with regard to where the \$4.8 million under question might come. Under questioning by the Committee, however, she did state that the \$5,043,000 General Fund cost avoidance suggested by the February 24 letter of the Director of Finance paralleled a recommendation made by her office. According to the Analyst, this savings would be based upon an unanticipated, increased federal funds availability and correction of a General Fund double-budgeting error by the Department of Finance in the amount of \$3.2 million.

Sam Yockey, Controller of the City and County of San Francisco, indicated that, as controller, he would not authorize the funds to go to bid on the project if the Committee released the \$5.7 million without the inclusion of the last portion of the funding -- the \$4.8 million-- in the Governor's Budget Proposal for 1989-90.

Dr. David Werdegar, Director of Health for the City and County of San Francisco, underscored to the Committee the sense of urgency in the progress of the construction for public health reasons. He stated that local officials are prepared to go to bid in April, start construction in July, and realize completion in the Fall of 1990. According to Dr. Werdegar, approximately 450 new cases of AIDS are reported in California every month. The proposed center has important implications on "vaccine development, drug development and the prevention of transmission of the virus to newborn babies."

Terri Parker, Program Budget Manager in the area of health issues for the Department of Finance, testified that the February 24 letter from the Director on the issue of the center's construction served to correct the omission of the last phase of funding-- \$4.8 million-- for the center from the budget.

After some debate by the Committee, Senator Bill Greene moved to release the \$5.7 million appropriated in the 1988 Budget Act to the City and County of San Francisco. The measure failed as four affirmative votes from each house are required by Joint Rules to move a matter out of the Committee.

Senator Alquist moved for reconsideration at another meeting of the Committee and the motion was adopted on a unanimous vote of the Committee.

With that action, the Committee adjourned.

## **VII. PUBLIC HEARING BY COMMITTEE (March 6, 1989)**

On March 6, a second public hearing of the Joint Legislative Budget Committee on the center was convened, (See Appendix X: Transcript of Committee Public Hearing (March 6, 1989)). On motion by Assemblymember Burton, the Committee unanimously approved of the release of the \$5.7 million for the second installment of funding for the center and recommended to the health subcommittees of the budget committees in the respective houses that funding be provided in the amount of \$4.8 million in order that the project might be put to bid. (See Appendix VII: Letter from Chairman of Joint Legislative Budget Committee/Outline of Committee Action with Regard to Project Funding and Review of Preliminary Plans (March 7, 1989)). The project features under debate between Committee staff and the City and County of San Francisco were resolved as indicated in the chart on the following page.

## Project Features in Dispute

### Analysis-

Legislative Analyst

1. Cantilevered extension--which constitutes extra lab space--is not part of plan as originally proposed. **Recommend deletion:** \$163,000 cost avoidance.

2. Nonessential budgeting for solar film application/painting of windows on existing structure. **Recommend deletion:** \$42,000 cost avoidance.

3. Excessive budgeting for inflation. **Recommend deletion:** \$60,000 cost avoidance.

4. Excessive budgeting for contract administration. **Recommend deletion:** \$265,000 cost avoidance.

5. Excessive budgeting for contingencies. **Recommend deletion:** \$220,000 cost avoidance.

6. Nonessential budgeting for "art enrichment." **Recommend deletion:** \$100,000 cost avoidance.

### Response-

City/County of San Francisco

1. Item needed, at recommendation of steering committee. Inclusion in project forestalls greater cost of construction at later date.

2. Item needed for integration of center with the existing three-story lab.

3. Item probably underestimates inflation rather than overestimates it.

4. Item justified to obtain services of local Department of Health.

5. Item justified because of "high construction costs in San Francisco, Human Rights requirements, the variable bid climate, and the possibility of asbestos removal."

6. "Art enrichment" required by city ordinance.

### Resolution-

Committee Action

1. Committee directed Department of Finance to delete item from state funding.

2. Committee directed Department of Finance to delete item from state funding.

3. Item recommended to standing budget committees for further study.

4. Item recommended to standing budget committees for further study.

5. Item recommended to standing budget committees for further study.

6. Item recommended to standing budget committees for further study.

APPENDIX I:

BUDGET LANGUAGE ON AIDS RESEARCH CENTER  
AT SAN FRANCISCO GENERAL HOSPITAL

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Item

Amount

4260-490—Reappropriation, Department of Health Services. Notwithstanding any other provision of law, the unencumbered balance of the following appropriation is hereby reappropriated for the purposes specified in that appropriation, and shall be available for expenditure until June 30, 1991, subject to the following provisions:

- (1) For construction of the San Francisco General Hospital Multidisciplinary AIDS Research Center, the \$5,700,000 appropriated for that purpose in Item 4260-111-001 of the Budget Act of 1987:

The department shall only allocate the \$5,700,000 for construction of a multidisciplinary AIDS research center at the San Francisco General Hospital to the City and County of San Francisco after the department submits a notification pursuant to Section 28.00 of this act, which includes the project's preliminary plans, to the Joint Legislative Budget Committee and the legislative fiscal committees for review. The Joint Legislative Budget Committee shall report on the adequacy of the plans within 30 days of receipt of the request pursuant to Section 28.00.

After approval of the preliminary plans, changes affecting the scope or cost of the project shall be submitted under the review process set forth above to the Chair of the Joint Legislative Budget Committee and the chair of the fiscal committee in each house prior to implementing the proposed change. The department shall ensure that the City and County of San Francisco shall expedite the development of preliminary plans for this project. It is the intent of the Legislature that this project shall be expedited to make possible the start of the construction in the 1988-89 fiscal year.

Amount

Item

It is the intent of the Legislature that the remaining \$4,800,000 in estimated construction costs for this project shall be funded in the 1989 Budget Act. The City and County of San Francisco is requested to let a single contract for the project which provides for phased construction award and phased construction.

The department shall contract with the Department of General Services, Office of Project Development and Management, for assistance in expediting and reviewing preliminary plans and any subsequent changes in project scope or cost.

The department shall provide monthly progress reports to the Chairperson of the Joint Legislative Budget Committee and the members of the fiscal subcommittee of each house that considers the department's annual budget. The monthly reports shall fully explain any delays in implementing the project schedule submitted to the Legislature and dated February 25, 1988. In addition, the department shall brief appropriate representatives of the Legislative Analyst every two months on the status of the project and the design and construction work.

A-2





APPENDIX II:

**LETTER from DIRECTOR of HEALTH SERVICES/FUNDING for CENTER  
in GOVERNOR'S BUDGET PROPOSAL for 1989-90 (JANUARY 25, 1989)**

## DEPARTMENT OF HEALTH SERVICES

714/744 P STREET  
SACRAMENTO, CA 95814  
(916) 445-1248



January 25, 1989

JAN 31 1989

David Werdegar, M.D., M.P.H.  
Director  
Department of Public Health  
City and County of San Francisco  
101 Grove Street  
San Francisco, CA 94102

Copies to:  
Mayor Agnos  
Deputy Mayor Snyder  
Health Commission  
San Francisco legislators

Dear Dave:

In follow up to our telephone conversation the morning of January 23, I wanted to let you know that upon further investigation as to why funds for the San Francisco General Hospital AIDS Research Center were not included in the fiscal year 1989-90 proposed Governor's Budget, I was advised that the funds would not be put into the Budget until the Legislature approves the project's preliminary plans and that has not yet occurred. I believe this problem falls into the category of "technical glitches". Indeed, I know of no change in policy regarding this project, and I cannot imagine the item being deleted from the Budget as a matter of policy without either Cliff Allenby or myself knowing about it. Thus, at this time, it is our intent to submit a Finance Letter in the spring budget revision to continue funding for the project, assuming legislative approval of the plans has been achieved.

Sincerely,

A handwritten signature in black ink that reads "Ken".

Kenneth W. Kizer, M.D., M.P.H.  
Director

cc: Mr. Clifford L. Allenby, Secretary  
Health and Welfare Agency  
1600 Ninth Street, Room 450  
Sacramento, CA 95814

APPENDIX III:

LETTER from DIRECTOR of FINANCE/RELEASE of PRELIMINARY PLANS  
(FEBRUARY 14, 1989)

DEPARTMENT OF FINANCE  
OFFICE OF THE DIRECTOR

FEB 14 1989

FEB 14 1989

Honorable William Campbell, Chairperson  
Joint Legislative Budget Committee

Honorable Alfred E. Alquist, Chairperson  
Senate Committee on Budget and Fiscal Review

Honorable Robert Presley, Chairperson  
Senate Appropriations Committee

Honorable John Vasconcellos, Chairperson  
Assembly Ways and Means Committee

SECTION 28.00 NOTIFICATION - DEPARTMENT OF HEALTH SERVICES, OFFICE OF AIDS -  
SAN FRANCISCO GENERAL HOSPITAL

Pursuant to the provisions of Section 28.00, Budget Act of 1988, the following report is respectfully submitted.

The Department of Finance has received the attached Section 28.00 Application from the Department of Health Services, Office of AIDS, for the purpose of allocating \$5.7 million to the City/County of San Francisco for the construction of a multidisciplinary AIDS research center at the San Francisco General Hospital. This request is being submitted in accordance with Item 4260-490(1), Budget Act of 1988, which reappropriates \$5.7 million for this purpose and requires Section 28.00 notification and the submittal of preliminary plans prior to the allocation of these funds.

This notification does not include the preliminary plans, as required by the Budget Act language, because the plans have already been delivered to the Joint Legislative Budget Committee due to the large volume of the materials. This request does, however, include the following material: 1) proposed construction cost estimates, 2) design review comments by the Department of General Services, Office of Project Development and Management (DGS/OPDM), 3) responses to DGS/OPDM's comments by the City/County of San Francisco, 4) completed architectural review by the San Francisco Fire Department, 5) copies of construction consultation correspondence, and 6) architectural time lines.

According to the Department of Health Services and the revised architectural schedule, the project is progressing on schedule with construction to begin in June, 1989. The construction cost estimate still remains at \$12 million which is the amount originally anticipated for this project.

Further, in accordance with Item 4260-490(1), the Department has contracted with DGS/OPDM for assistance in expediting and reviewing preliminary plans and any subsequent changes in the project scope or cost. The Department has also been providing monthly progress reports to the Chairpersons of the Joint Legislative Budget Committee and the respective fiscal subcommittees detailing the ongoing status of the project.

We will be approving the Section 28.00 Application not sooner than 30 days from the above date.

If you have any questions or need additional information regarding this matter, please call Wayne E. Sauseda, Principal Program Budget Analyst, at 445-6423.

JESSE R. HUFF  
Director of Finance

By



RUSSELL S. GOULD  
Chief Deputy Director

Attachment

cc: Honorable William Baker, Vice Chairperson, Assembly Ways and Means Committee  
Honorable Marian Bergeson, Vice Chairperson, Senate Committee on Budget and  
Fiscal Review  
Honorable Bill Greene, Chairperson, Senate Budget and Fiscal Review  
Subcommittee No. 3  
Honorable Terry Friedman, Chairperson, Assembly Ways and Means  
Subcommittee No. 1  
Ms. Elizabeth G. Hill, Legislative Analyst (3)  
Mr. Clifford L. Allenby, Secretary, Health and Welfare Agency  
Mr. Kenneth W. Kizer, M.D., Director, Department of Health Services  
Ms. Pam Rich, Budget Officer, Department of Health Services

**Memorandum**

To : A-15  
Theresa Parker  
Program Budget Manager  
Department of Finance  
915 L Street, Ninth Floor  
Sacramento, CA 95814

Date : January 25, 1989

Subject: Section 28  
No. 88-09 --  
Office of AIDS --  
San Francisco General  
Hospital  
Multidisciplinary  
AIDS Research Center  
Construction Project

Via : John A. Ramey *John Ramey 1/26/89*  
Deputy Secretary  
Program and Fiscal Affairs  
Health and Welfare Agency  
1600 Ninth Street, Room 450

From : Office of the Director  
714 P Street, Room 1253  
Sacramento, CA 95814  
322-2185

Pursuant to Section 28.00 of the Budget Act of 1988, the Department of Health Services is requesting notification to the Joint Legislative Budget Committee of intention to allocate \$5,700,000 for the construction of a multidisciplinary AIDS research center at San Francisco General Hospital, in accordance with Item 4260-490(1).

The required project drawings and preliminary plans have been submitted by the City and County of San Francisco to the Department (Office of AIDS). Due to the large volume and bulky nature of the materials, they have already been delivered to the Joint Legislative Budget Committee. Included in this request are: 1) proposed construction cost estimates as submitted by the Department of Public Works for the City and County of San Francisco, 2) design review comments by the Department of General Services, Office of Project Development and Management (DGS/OPDM), 3) responses to DGS/OPDM's comments by the County of San Francisco, 4) completed architectural review by the San Francisco Fire Department, 5) copies of construction consultation correspondence and, 6) architectural time lines provided by the project architect.

Also in accordance with Item 4260-490(1), the Department has contracted with DGS/OPDM for assistance in expediting and reviewing preliminary plans and any subsequent changes in project scope and/or cost. In addition, the Department has been providing monthly progress reports to the Chairperson of the Joint Legislative Budget Committee and the Chairperson of the fiscal subcommittees of the Legislature detailing the ongoing status of the construction project.

Teresa Parker  
Page 2  
January 25, 1989

If you have any questions regarding this matter, please contact Pam Rich, Chief, Budget Section, at 5-0893.

*Marie Ashcraft*  
Stanley Cubanski  
Chief Deputy Director

**Attachments**

cc: Marie Ashcraft  
Deputy Director  
Administration  
714 P Street, Room 1253  
Sacramento, CA 95814

Barbara Fitzer, Chief  
Financial Management Branch  
714 P Street, Room 1140  
Sacramento, CA 95814

Chief, Accounting Section  
714 P Street, Room 1140  
Sacramento, CA 95814

Pam Rich, Chief  
Paula Suto  
Deborah Aldama  
Roger Davis  
Budget Section  
714 P Street, Room 1040  
Sacramento, CA 95814

APPENDIX IV:

LETTER from LEGISLATIVE ANALYST/ANALYSIS of PRELIMINARY PLANS  
(FEBRUARY 21, 1989)



CHAIRMAN  
WILLIAM CAMPBELL

# Joint Legislative Budget Committee

VIC CHAIRMAN  
JOHN VASCONCELLOS

## SENATE

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ROBERT G. BEVERLY  
BILL GREENE  
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JOSEPH B. MONTOYA  
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WILLIAM LEONARD  
MAXINE WATERS

## CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST  
ELIZABETH G. HILL

925 L STREET, SUITE 650  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-4656

February 21, 1989

Hon. William Campbell, Chairman  
Joint Legislative Budget Committee  
1100 "J" Street, Room 522  
Sacramento, California 95814

Dear Senator Campbell:

In a letter dated February 14, 1989, the Director of Finance transmitted the preliminary plans and associated documents for construction of an AIDS research center at San Francisco General Hospital. This transmittal is required by language under Item 4260-490 of the 1988 Budget Act. The language provides for a 30-day review of the preliminary plans by the Joint Legislative Budget Committee and the fiscal committees prior to the release of project construction funds to the City and County of San Francisco. The language further provides that the Joint Legislative Budget Committee "report on the adequacy of the plans within 30 days" of the transmittal.

### Background

The 1986 Budget Act included an initial funding of \$1.5 million from the General Fund for this project. This appropriation was to the Department of Health Services (DHS) for allocation to the City/County of San Francisco for preliminary plans and working drawings. In an effort to expedite this project, the Legislature appropriated an additional \$5.7 million from the General Fund in the 1987 Budget Act as the first of two installments to construct the project. For a variety of reasons beyond legislative control, the project is a year behind the original schedule. The \$5.7 million was reappropriated in the 1988 Budget Act. Budget Act language stipulates legislative intent that the balance of construction funds (estimated at that time to be \$4.8 million) will be included in the 1989 Budget Act. In addition, because preliminary plans were not available, the Legislature included Budget Act language requiring the legislative review that is the subject of this letter.

**Analysis**

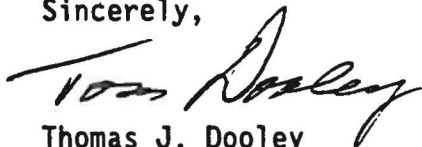
The Director's letter indicates that the current project budget is \$12 million (the same budget as anticipated last year). The Director, however, makes no mention of the fact that the Governor's Budget does not include the balance of construction funds (\$4.8 million) and makes no reference to how this additional funding will be provided. Consequently, while we have specific recommendations that, if adopted could reduce the total project cost by \$850,000 (please see Attachment A), the major issue facing the committee is how the administration and the City/County of San Francisco plan to proceed.

The proposed AIDS Research Center is a two-story addition to an existing three-story laboratory building at San Francisco General Hospital. Construction of the center will require at least an additional \$3,950,000 (see Attachment A). Under the current project schedule, the City/County would solicit construction bids for the full project in April 1989. This schedule was based on an assumption that the Governor's 1989-90 Budget would include the balance of funds needed for the project. It was never intended that construction work be bid in separate phases and this is not proposed now. Moreover, the project is not designed for nor does it lend itself to a phased bidding approach. In the absence of a commitment by the state to budget the additional funds, it is unreasonable to expect the City/County to either solicit or award construction bids.

This project is of high priority to the Legislature and already has experienced delays totaling more than a year. To avoid further unnecessary delay requires resolution of the issue of additional funding. We therefore recommend that you (1) convene a hearing of the Joint Legislative Budget Committee, (2) ask the Department of Finance to testify before the committee regarding how the administration plans to proceed with the project, including how it will budget additional necessary funds and (3) ask the City/County to testify regarding its plans to proceed with the project. Upon satisfactory resolution of this overriding issue, the committee may wish to consider our recommended reductions to the project scope/cost (Attachment A).

If you concur with the above, I recommend you sign the enclosed suggested letter to the Director.

Sincerely,



Thomas J. Dooley  
Chief Deputy Legislative Analyst

Enc.

cc: Members of the Joint Legislative Budget Committee

February 21, 1989

ATTACHMENT A

Analysis by the Legislative Analyst of  
Preliminary Plans for the AIDS Research Center  
at San Francisco General Hospital, as Submitted by  
Section 28.00 Letter Dated February 14, 1989

We have been able to expedite our assessment of the preliminary plans because of DHS (along with City/County staff) bi-monthly project status briefings given to my staff (required by budget language) and because we were provided an advance copy of the preliminary plans. Furthermore, staff of the City/County of San Francisco have been most helpful and cooperative in providing information and facilitating our review. These factors have made it possible for us to submit our analysis to you within such a short time period after receiving the Director's letter.

It should be noted that the preliminary plans were completed in mid-October 1988, three months behind the schedule provided to the Legislature at the 1988-89 budget hearings. Once completed, the preliminary plans were not submitted to the legislative committees for another four months. The current project schedule, however, shows completion of construction in September 1990 which is unchanged from the schedule approved by the Legislature. This is possible because the City/County proceeded immediately into preparation of working drawings instead of waiting for legislative review of the preliminary plans.

Our review of the preliminary plans indicates that the project is overbudgeted in a number of areas and includes construction work that was not part of the original program proposed to the Legislature. Consequently, we recommend an \$850,000 reduction in the project cost as summarized below:

- o ***Project Includes More Laboratory Space Than Originally Proposed (savings \$163,000).*** We recommend that the state not fund a cantilevered extension on the new building. This extension was not part of the program proposed to the Legislature, nor is it clear why the additional unfinished laboratory space made possible by the extension is needed.
- o ***Proposed Work on Existing Building Should be Deleted (savings \$42,000).*** We recommend deletion of solar film on existing windows and painting of existing window frames. Neither of these items are needed in order to add the new space for the AIDS research center.
- o ***Excessive Inflation Adjustment (savings \$60,000).*** We recommend that the project budget be reduced to correct for an excessive allowance for anticipated inflation.
- o ***Excessive Budget for Design/Construction Services (savings \$265,000).*** We recommend that the budget be reduced to provide the level of design/construction services originally approved by the Legislature.
- o ***Art Enrichment (savings \$100,000).*** We recommend that the state not budget for unspecified "art enrichment".
- o ***Excessive Contingency Budget (savings \$220,000).*** To be consistent with state practice regarding construction contingency, we recommend a reduction in the amount budgeted for this purpose.

We discuss these issues in detail below.

### **Project Includes More Laboratory Space than Originally Proposed**

The original project approved by the Legislature provided for 16,600 assignable square feet (asf), including 13,720 asf of laboratory and vivarium (research animal area) space. Under this program, the AIDS research center was to be contained in two new floors constructed on top of an existing three-story laboratory building at San Francisco General Hospital.

The preliminary plans provide for 22,350 asf (an increase of 5,750 asf or 35 percent), including 5,200 asf for unfinished laboratory space.

To allow for 5,200 asf of unfinished laboratory space, the City/County have moved 1,255 asf of conference room and other administrative space to a new cantilevered semi-circular extension of the research center. This conference/administrative activity, however, could be readily incorporated into planned unfinished space. According to City/County staff, the cantilevered design was incorporated into the addition in order to increase the amount of unfinished space that would be available for future laboratory use. This does not appear to justify the resulting increase in project cost (an estimated \$163,000). The City/County has not been able to specify why or how much unfinished space is needed to accomplish the program of AIDS research proposed to the Legislature, other than to indicate that the need for research space can be expected to grow over time. The building addition would still have 3,945 asf of unfinished laboratory space (5,200 asf minus 1,255 asf) if the conference room/administrative activities are constructed within the building rather than the cantilevered extension. This would reduce the

project cost and at the same time allow for a potential 27 percent future increase in laboratory space. Therefore, we recommend disapproval of this portion of the preliminary plans for a savings of at least \$163,000. According to City/County staff, redesigning the building to eliminate the cantilevered portion would cost \$28,000 and require 15 days to redesign. Since this was a change to the program as approved by the Legislature, we believe any such cost should be paid by the City/County.

City/County staff have stated that if the state will not pay for the cantilevered extension, the City/County will pay for it with nonstate funds. If this is done, we recommend you advise the Director that the cantilevered extension be bid as an "additive alternate" in order to accurately determine and assign costs.

#### **Proposed Work on Existing Building Should be Deleted**

The preliminary plans include placement of solar film on existing windows on the three-story building and painting of existing window frames. This work is not needed to add the new space for the AIDS research center and should be deleted for a savings of \$42,000.

#### **Excessive Inflation Adjustment**

The project budget adjusts the estimated cost of the construction contracts for anticipated inflation from the date of the cost estimate to the mid-point of the construction period (November 1988 to February 1990). An adjustment for this purpose is a normal procedure. There is general agreement that during this time, an annual inflation rate of 4 percent is anticipated. On that basis, the estimated contract cost should be increased by approximately 5 percent. Instead, the estimated contract cost was incorrectly increased by 5.7 percent. The project budget should be reduced by \$60,000 to correct this error.

### **Excessive Budget for Design/Construction Services**

The original budget approved by the Legislature included \$1.5 million for design/administrative services--such as architectural/engineering fees, surveys, tests and project administration. This was 15 percent of the then estimated construction contract cost, which is within the range generally experienced on state construction projects. The project budget has been increased by \$265,000 for these design/administrative services. The complexity and basic scope of this project, however, have not changed. Consequently, there should be no need for the state to finance a higher cost for these design/administrative activities. Thus, we recommend that the budget be reduced by \$265,000 to provide the level originally approved by the Legislature.

### **Art Enrichment**

The current cost estimate includes \$100,000 for unspecified "art enrichment." This item was not included in the original budget approved by the Legislature. According to City/County staff, the City/County requires that up to 2 percent of the cost of new buildings or major renovations be set aside to provide art at the building. Under most circumstances, it would be reasonable for the state to follow this directive. In this case, however, the new facilities are somewhat isolated from public traffic and because of the research activities within the building the general public would not enter the building. Consequently, we recommend that the state not provide funds for this purpose.

### **Excessive Contingency Budget**

The current estimate includes \$864,000 for "project contingency." This simply appears to be the amount left over from the original project

budget of \$12 million after costs have been estimated for all other project purposes. According to City/County staff, the project contingency would be available for any project purposes. This interpretation is inconsistent with state practice regarding contingency. The use of construction contingency funds on state construction projects is limited to funding revision or additional work under construction contracts that may become necessary due to unforeseen circumstances. We know of no reason to make an exception for this project.

Generally, contingency amounts on state construction projects involving substantial renovation/modification to existing buildings are limited to 7 percent of construction contract amounts. The amount budgeted for contingency in this project is 9.3 percent of the estimated construction contract amount. We recommend that the amount budgeted for contingency be reduced by \$220,000 to be consistent with state practice.

#### Summary

The above recommendations would reduce the project budget to be funded by the state by \$850,000 from the \$12 million proposed under the preliminary plan submittal. Thus, the additional General Fund appropriation necessary to complete the AIDS Research Center would be \$3,950,000 rather than \$4.8 million. This amount may need to be adjusted on the basis of construction bids.



APPENDIX V:

**LETTER from CITY and COUNTY of SAN FRANCISCO/RESPONSE to  
REVIEW OF PRELIMINARY PLANS by LEGISLATIVE ANALYST  
(FEBRUARY 23, 1989)**



FEB 23 1989

February 23, 1989

Honorable William Campbell, Chairman  
Joint Legislative Budget Committee  
1100 J Street Suite 522  
Sacramento, CA 95814

Dear Senator Campbell:

I am writing in response to the issues concerning the Multidisciplinary AIDS Research Center raised in Attachment A of the Legislative Analyst's recommendations on project scope and cost. While the City and County of San Francisco plans to reply to these at the hearing scheduled for Monday, February 27, 1989, we thought it would be helpful to address the issues in writing beforehand.

With regard to the comments on page 1 regarding project delay, it is important that the committee recognize that the schedule presented at the 1988-89 budget hearings was developed before the architects and project manager joined the project, and that the schedule had been developed on the assumption that the contract with the State would be signed far earlier than occurred. The project has completely made up the time lost by delays in the contracting process, has met every milestone since that original time schedule was revised, and is prepared to go to bid on April 3, 1989.

We will comment section by section on the budget issues raised by the Legislative Analyst's Office.

**Project Includes More Laboratory Space Than Originally Proposed (savings \$163,000):**

It was the decision of the AIDS Research Steering Committee in early 1988, after reviewing the program, that space for future scientific growth was necessary. This space could be used by special projects or additional scientists as necessitated by changes in microbiology and virology research. The architects developed a very cost effective way to gain future lab space by consolidating vivarium space and separating conference, computer research library and data analysis areas from the bench laboratory space (the cantilever). Adding space later would be far more costly. The Steering Committee believes so strongly in the value of additional space for future laboratory expansion that the University of California has made the commitment to meet the cost of the cantilever (using Federal research grant and other non-State funding sources).

**Proposed Work on Existing Building Should Be Deleted (savings \$42,000):** The painting of existing window trim and the addition of solar film is an attempt to integrate the design of the new addition with the existing building. This was suggested by the Civic Design Committee of the Arts Commission and subsequently approved by them in the phased hearing process culminating in total project approval on February 22, 1989. Other, more costly suggestions for integrating the new with the existing structure, were eliminated after earlier discussions with the Legislative Analyst's Office. This is a very low cost proposal for design integration and should be retained.

**Excessive Inflation Adjustment (savings \$60,000):** We are trying to verify with our architects whether the difference of 5% and 5.7% reflects a different base figure than that agreed upon or simply an error in the estimate as the Legislative Analyst points out. We note, however, that the inflation rate has increased markedly during the past month (see national and local c.p.i.s) so that our agreed inflation rate is probably too low and should be raised, not lowered. We suggest that the inflation rate applied to the project be reestimated using projections more current than those used last autumn when this budget was prepared.

**Excessive Budget for Design/Construction Services (savings \$265,000):** We believe that the increase of \$265,000 over the original program budget is justified. The expense can be attributed to additional costs actually incurred in preparation of the program (\$15,000); the cost of the design consultation (\$160,000 more than anticipated); and the required costs for the Department of Public Health project management during the entire period of the project administration (about \$100,000 over 18 months). Careful oversight by the DPH during the past year has regained much of the time lost, and kept costs within the bounds originally set by the State. The project could not go forward efficiently without this management and administrative oversight, which is needed as much during construction as during the design phase.

**Art Enrichment (savings \$100,000):** The \$100,000 for Art Enrichment is included by City Ordinance. The local requirement calls for 2% of construction costs or \$190,000. We negotiated with the Arts Commission to reduce the amount to just over 1% or \$100,000. We asked the State earlier whether they could request that the Art Enrichment requirement be dropped and were told that the State preferred not to make such requests of local government.

Honorable William Campbell  
February 23, 1989  
Page Three

**Excessive Contingency Budget (savings \$220,000):** This is another area where there is a difference between State and City/County policy. The State has a limit of 7% of the construction budget for project contingency. As budgeted, the contingency is 9.3%. Actually, the City's policy is to have no less than a 10% project contingency. This is because of San Francisco's high construction costs, Human Rights Commission requirements, and the variable bid climate. While we appreciate the opportunity to seek adjustment in the event of higher construction bids, we believe that the project contingency should remain at its present level.

One area that this contingency may have to cover is asbestos removal. While we have not yet received the report from the firm performing the asbestos tests and inspections, we will give asbestos removal top priority. The only money available to pay for this will be the contingency fund.

I would like to reiterate that the project team has striven during the current fiscal year to respond to suggestions from the Legislative Analyst's Office and the Office of Project Development and Management to lower costs and control expenses. Through careful planning and design, we have been able to reduce costs in several areas while still maintaining the integrity of the project. Nonetheless, it is important that we operate with a realistic funding level rather than with a situation that will force compromises that result in less efficient space or quality in the final project.

We appreciate your continued support and that of the Joint Legislative Budget Committee as we construct a laboratory that will substantially advance the fight against this viral disease which has claimed the lives of so many Californians. It is anticipated by all that this laboratory will be one of the world's leading centers for research on the relationship of viruses, immune system, cancer, and HIV infection. The initiative and support of the California Legislature in this project is recognized and commended in all major scientific gatherings on AIDS.

Sincerely,



David Werdegan, M.D., M.P.H.  
Director of Health

cc: Members of JLBC  
San Francisco Delegation

DW/MPL

**APPENDIX VI:**

**LETTER from DIRECTOR of FINANCE/1989-90 BUDGET PROPOSAL  
CHANGE to PROVIDE FUNDING for CENTER  
(FEBRUARY 24, 1989)**

**DEPARTMENT OF FINANCE**  
**OFFICE OF THE DIRECTOR**

FEB 24 1989

Honorable John Vasconcellos, Chairperson  
Assembly Ways and Means Committee

Attn: Mr. Tim Gage, Chief Consultant (2)

Honorable Alfred E. Alquist, Chairperson  
Senate Committee on Budget and Fiscal Review

Attn: Mr. Steve Larson, Staff Director (3)

AMENDMENT TO BUDGET BILL ITEMS 4260-001-001, 4260-001-890, 4260-111-001, and 4260-111-890, DEPARTMENT OF HEALTH SERVICES

It is requested that Items 4260-001-001, 4260-001-890, 4260-111-001, and 4260-111-890 of the Budget Bill be adjusted as follows:

FAMILY HEALTH

A reduction of \$5,043,000 (General Fund) and an increase of \$1,843,000 (Federal Fund) for maternal and child health services is requested. This requested action is twofold: 1) a \$3,200,000 reduction in General Fund due to the availability of federal Maternal and Child Health (MCH) block grant funds, and 2) a \$1,843,000 shift from General Fund to federal funds to reflect a maximization of funding available for pilot projects targeting pregnant substance abusers and their substance-exposed infants. The Governor deleted \$5,112,000 (General Fund) from the MCH budget in 1988-89 to reflect the availability of federal funds for this program. To ensure services through this program, we restored \$3,200,000 during development of the 1989-90 Budget, assuming that federal funds would no longer be available. We are now aware that an additional \$3,200,000 in federal funding is available and is contained in the proposed 1989-90 MCH budget, negating the need for the \$3,200,000 General Fund augmentation for the block grant program. The overall effect of this action is a reduction of \$343,000 to Item 4260-001-001 and a corresponding increase to Item 4260-001-890, a reduction of \$4,700,000 to Item 4260-111-001, and an increase of \$1,500,000 to Item 4260-111-890.

OFFICE OF AIDS

An increase of \$4,800,000 (Item 4260-111-001) to provide continued funding to complete construction of the Multidisciplinary AIDS Research Center at the San Francisco General Hospital. This request will provide the third and final appropriation necessary to complete construction of the facility. With this augmentation, a total of \$12,000,000 will have been provided for this purpose consistent with the current cost estimate for the project and intent language contained in the 1988 Budget Act.

The net effect of these requested adjustments is a reduction of \$243,000 to the General Fund and an increase of \$1,843,000 in federal funds. The effect of my requested action is reflected on the attached forms.

If you have any questions or need additional information regarding this matter, please call Wayne E. Sauseda, at 445-6423.

JESSE R. HUFF  
Director of Finance  
By



RUSSELL S. GOULD  
Chief Deputy Director

Attachments

cc: Honorable William Baker, Vice Chairperson, Assembly Ways and Means  
Committee  
Attn: Mr. Mark Watts, Staff Director  
Honorable John Seymour, Vice Chairperson, Senate Committee on Budget and  
Fiscal Review  
Attn: Mr. Lee Bennett, Staff Director  
Honorable Ross Johnson, Assembly Minority Leader  
Honorable Kenneth L. Maddy, Senate Minority Leader  
Honorable Terry Friedman, Chairperson, Assembly Subcommittee No. 1  
Honorable Bill Greene, Chairperson, Senate Budget and Fiscal  
Review Subcommittee No. 3  
Ms. Elizabeth G. Hill, Legislative Analyst (4)  
Mr. Clifford L. Allenby, Secretary for Health and Welfare Agency  
Mr. Kenneth W. Kizer, M.D., Director, Department of Health Services  
Ms. Pam Rich, Budget Officer, Department of Health Services  
Ms. Karen French, Staff Director, Senate Appropriations Committee

APPENDIX VII:

**LETTER from CHAIRMAN of JOINT LEGISLATIVE BUDGET COMMITTEE/  
OUTLINE OF COMMITTEE ACTION to DIRECTOR of FINANCE with REGARD  
to REVIEW OF PRELIMINARY PLANS and PROJECT FUNDING  
(MARCH 7, 1989)**



CHAIRMAN  
WILLIAM CAMPBELL

# Joint Legislative Budget Committee

VICE CHAIRMAN  
JOHN VASCONCELLOS

## SENATE

ALFRED E. ALQUIST  
ROBERT C. BEVERLY  
BILL GREENE  
MILTON MARKS  
JOSEPH B. MONTOYA  
NICHOLAS C. PETRIS

GOVERNMENT CODE SECTIONS 9140-9143

## ASSEMBLY

WILLIAM BAKER  
JOHN L. BURTON  
ROBERT CAMPBELL  
ROBERT C. EKAZI  
WILLIAM LEONARD  
MAXINE WATERS

## CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST  
ELIZABETH G. HILL

925 L STREET, SUITE 650  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-4656

March 7, 1989

Mr. Jesse R. Huff, Director  
Department of Finance  
Room 1145, State Capitol  
Sacramento, California 95814

Dear Mr. Huff:

In a letter dated February 14, 1989, you transmitted the preliminary plans and associated documents for construction of an AIDS research center at San Francisco General Hospital. Language in the 1988 Budget Act (under Item 4260-490) requires that the Joint Legislative Budget Committee "report on the adequacy of the plans within 30 days" of that transmittal.

On March 6, 1989, the Joint Legislative Budget Committee approved the preliminary plans with the following two changes recommended by the Legislative Analyst: (1) the University of California will provide nonstate funds to the City/County of San Francisco to finance the cantilevered extension shown on the plans (a \$162,000 savings to the state), and (2) the placement of solar film on existing windows and the painting of existing window frames will be deleted from the state-funded project (a \$42,000 savings to the state). The committee referred the Legislative Analyst's other recommended reductions in project cost to the fiscal subcommittees for consideration in hearings on the 1989-90 Budget Bill. (Please refer to the analysis of the preliminary plans by the Legislative Analyst in Attachment A of my letter to you dated February 24, 1989).

Pursuant to the 1988 Budget Act language, the Joint Legislative Budget Committee's approval of the preliminary plans permits \$5.7 million appropriated for the project in the 1988 Budget Act to be released to the City/County. Mr. Samuel Yockey, the Controller of the City/County, testified before the committee on March 1, 1989, that he would not solicit

Mr. Jesse R. Huff


-2-

March 7, 1989

construction bids (scheduled for April 1989) until the fiscal subcommittees approve additional funds needed to complete the project. In a Budget Change Letter dated February 24, 1989, you proposed adding \$4.8 million from the General Fund to the 1989-90 Budget Bill in order to provide the funding needed to complete the project. Your letter tied the addition of the \$4.8 million to corresponding General Fund reductions for the maternal and child health services program and pilot treatment projects for pregnant substance abusers and their substance-exposed infants.

I have sent letters to the Chairs of the Senate Budget and Fiscal Review Committee and the Ways and Means Committee to communicate the sense of the Joint Legislative Budget Committee that those committees act expeditiously to approve additional funds for the project so that the City/County may go to bid as soon as possible. The Members of the Joint Legislative Budget Committee, however, understand that the final amount to be budgeted for the project and the appropriate source of funding are matters to be considered by the budget committees in each house.

Sincerely,

  
William Campbell  
Chairman

cc: Members of the Joint Legislative Budget Committee

**APPENDIX VIII:**

**LETTER from CHAIRMAN OF JOINT LEGISLATIVE BUDGET COMMITTEE/  
OUTLINE of COMMITTEE ACTION to BUDGET CHAIRMEN with REGARD to  
PROJECT FUNDING and REVIEW of PRELIMINARY PLANS  
(MARCH 7, 1989)**

CHAIRMAN  
WILLIAM CAMPBELL

# Joint Legislative Budget Committee

VICE CHAIRMAN  
JOHN VASCONCELOS

SENATE  
ALFRED E. ALQUIST  
ROBERT C. BEVENLY  
BILL GREENE  
MILTON MARKS  
JOSEPH B. MONTOYA  
NICHOLAS C. PETRIS

GOVERNMENT CODE SECTIONS 9140-9143

ASSEMBLY  
WILLIAM BAKER  
JOHN I. BURTON  
ROBERT CAMPBELL  
ROBERT C. FRAZEE  
WILLIAM LEONARD  
MAXINE WATERS

## CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST  
ELIZABETH G. HILL

925 L STREET, SUITE 650  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-4650

March 7, 1989

Hon. Alfred E. Alquist, Chairman  
Senate Budget and Fiscal Review Committee  
Room 5100, State Capitol  
Sacramento, California 95814

Dear Senator *Alquist* Alquist:

As you know, on March 6, 1989, the Joint Legislative Budget Committee approved preliminary plans for the AIDS research center at San Francisco General Hospital. The committee's action included the following changes: (1) the University of California will provide nonstate funds to the City/County of San Francisco to finance the cantilevered extension shown on the plans (a \$163,000 savings to the state), and (2) the placement of solar film on existing windows and the painting of existing window frames will be deleted from the state-funded project (a \$42,000 savings to the state). The committee also referred other recommendations made by the Legislative Analyst to the fiscal subcommittees for consideration in hearings on the 1989-90 Budget Bill. (Please refer to the analysis of the preliminary plans by the Legislative Analyst in Attachment A).

Pursuant to the 1988 Budget Act language, the Joint Legislative Budget Committee's approval of the preliminary plans permits \$5.7 million appropriated for the project in the 1988 Budget Act to be released to the City/County. Mr. Samuel Yockey, the Controller of the City/County, testified before the committee on March 1, 1989, that he would not solicit construction bids (scheduled for April 1989) until the fiscal subcommittees approve additional funds needed to complete the project. In a Budget Change Letter dated February 24, 1989, the Director of Finance proposed adding \$4.8 million from the General Fund to the 1989-90 Budget Bill in order to provide the funding needed to complete the project. His letter tied the addition of the \$4.8 million to General Fund reductions for the maternal and child health services program and pilot treatment projects for pregnant substance abusers and their substance-exposed infants.

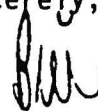
Hon. Alfred E. Alquist

-2-

March 7, 1989

It was the expressed sense of the Joint Legislative Budget Committee at the March 6 hearing that the budget committees in each house act expeditiously to approve additional funds for the project so that the City/County may go to bid as soon as possible. The Members of the Joint Legislative Budget Committee, however, understand that the final amount to be budgeted for the project and the appropriate source of funding are matters to be considered by your committees.

Sincerely,



William Campbell  
Chairman

Enc.

cc: Members of the Joint Legislative Budget Committee

CHAIRMAN  
WILLIAM CAMPBELL

# Joint Legislative Budget Committee

VICE CHAIRMAN  
JOHN VASCONCELLOS

## SENATE

ALFRED E. ALQUIST  
ROBERT C. BAKER  
BILL CRITTE  
MILTON MARES  
JOSEPH B. MONTOYA  
NICHOLAS C. PETRIS

GOVERNMENT CODE SECTIONS 9140-9143

ASSEMBLY  
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WILLIAM LEONARD  
MAXINE WATERS

## CALIFORNIA LEGISLATURE

LEGISLATIVE ANALYST  
ELIZABETH G. HILL

925 L STREET, SUITE 650  
SACRAMENTO, CALIFORNIA 95814  
(916) 445-4656

March 7, 1989

Hon. John Vasconcellos, Chairman  
Ways and Means Committee  
Room 6026, State Capitol  
Sacramento, California 95814

Dear Assembly Member Vasconcellos:

As you know, on March 6, 1989, the Joint Legislative Budget Committee approved preliminary plans for the AIDS research center at San Francisco General Hospital. The committee's action included the following changes: (1) the University of California will provide nonstate funds to the City/County of San Francisco to finance the cantilevered extension shown on the plans (a \$163,000 savings to the state), and (2) the placement of solar film on existing windows and the painting of existing window frames will be deleted from the state-funded project (a \$42,000 savings to the state). The committee also referred other recommendations made by the Legislative Analyst to the fiscal subcommittees for consideration in hearings on the 1989-90 Budget Bill. (Please refer to the analysis of the preliminary plans by the Legislative Analyst in Attachment A).

Pursuant to the 1988 Budget Act language, the Joint Legislative Budget Committee's approval of the preliminary plans permits \$5.7 million appropriated for the project in the 1988 Budget Act to be released to the City/County. Mr. Samuel Yockey, the Controller of the City/County, testified before the committee on March 1, 1989, that he would not solicit construction bids (scheduled for April 1989) until the fiscal subcommittees approve additional funds needed to complete the project. In a Budget Change Letter dated February 24, 1989, the Director of Finance proposed adding \$4.8 million from the General Fund to the 1989-90 Budget Bill in order to provide the funding needed to complete the project. His letter tied the addition of the \$4.8 million to General Fund reductions for the maternal and child health services program and pilot treatment projects for pregnant substance abusers and their substance-exposed infants.

Hon. John Vasconcellos

-2-

March 7, 1989

It was the expressed sense of the Joint Legislative Budget Committee at the March 6 hearing that the budget committees in each house act expeditiously to approve additional funds for the project so that the City/County may go to bid as soon as possible. The Members of the Joint Legislative Budget Committee, however, understand that the final amount to be budgeted for the project and the appropriate source of funding are matters to be considered by your committees.

Sincerely,



William Campbell  
Chairman

Enc.

cc: Members of the Joint Legislative Budget Committee

APPENDIX IX:

AGENDA of COMMITTEE PUBLIC HEARING  
(FEBRUARY 27, 1989)



CHAIRMAN  
WILLIAM CAMPBELL

# California Legislature

VICE CHAIRMAN  
JOHN VASCONCELLOS

## SENATE

ALFRED E. ALQUIST  
ROBERT G. BEVERLY  
BILL GREENE  
MILTON MARKS  
JOSEPH MONTOYA  
NICHOLAS C. PETRIS

# Joint Legislative Budget Committee

## ASSEMBLY

WILLIAM BAKER  
JOHN BURTON  
ROBERT CAMPBELL  
ROBERT C. FRAZEE  
WILLIAM LEONARD  
MAXINE WATERS

## SAN FRANCISCO AIDS HOSPITAL DEFICIENCIES

State Capitol, Room 112  
Sacramento, California

Monday, February 27  
3:00 p.m.

1. Ed Mendoza  
Department of Health Services
2. Dr. David Werdegarr  
City/County of San Francisco
3. Jesse Huff  
Director, Department of Finance

APPENDIX X:

TRANSCRIPT of COMMITTEE PUBLIC HEARING  
(FEBRUARY 27, 1989)

1 HEARING

2 JOINT LEGISLATIVE BUDGET COMMITTEE

3 STATE OF CALIFORNIA

4  
5  
6 "CURRENT YEAR BUDGET DEFICIENCIES AND  
7 SAN FRANCISCO AIDS HOSPITAL DEFICIENCIES"

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10 STATE CAPITOL

11 ROOM 112

12 SACRAMENTO, CALIFORNIA

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15  
16 MONDAY, FEBRUARY 27, 1989

17 3:23 P.M.

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24 Reported by:

25  
26 Evelyn Mizak  
27 Shorthand Reporter

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1   APPEARANCES

2   SENATE MEMBERS PRESENT

3       SENATOR WILLIAM CAMPBELL, Chairman

4       SENATOR ALFRED ALQUIST

5       SENATOR MARIAN BERGESON

6       SENATOR ROBERT G. BEVERLY

7       SENATOR BILL GREENE

8       SENATOR MILTON MARKS

9       SENATOR JOSEPH MONTOYA

10                                       ASSEMBLY MEMBERS PRESENT

11      ASSEMBLYMAN JOHN VASCONCELLOS, Vice Chairman

12      ASSEMBLYMAN WILLIAM BAKER

13      ASSEMBLYMAN JOHN BURTON

14      ASSEMBLYMAN ROBERT CAMPBELL

15      ASSEMBLYWOMAN MAXINE WATERS

16                                       STAFF PRESENT

17      TOM BURNS, Staff Director

18      GARY W. ADAMS, Principal Consultant

19      TERRY PILLSBURY, Committee Secretary

20                                       ALSO PRESENT

21      ELIZABETH G. HILL  
22      Legislative Analyst

23      GAIL LYLE, Executive Director  
24      State Commission on Finance

25      ROBERT BALDO, President  
26      Association of Regional Centers

27      JEFF THOMPSON, Legislative Advocate  
28      California Correctional Peace Officers Association

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ED MENDOZA  
Department of Health Services

SAMUEL D. YOCKEY, Controller  
City and County of San Francisco

DAVID WERDEGAR, M.D., M.P.H.  
Director of Health  
City and County of San Francisco

TERRI PARKER  
Department of Finance

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The following text details the Committee deliberations only on the AIDS Research Center, which was the second of two subjects under review during the February 27, 1989 public hearing.

1 ASSEMBLYMAN BAKER: I want to compliment you on the  
2 positions that you've taken, because you certainly do have  
3 problems within your system. And I think what you're saying is,  
4 you don't want to be on the firing line when the final budget's  
5 put together to get another \$90 million chop, which is what  
6 happened last year.

7 MR. THOMPSON: That's correct.

8 ASSEMBLYMAN BAKER: You're saying in advance: watch  
9 out. We do have certain problems of overcrowding. You don't go  
10 out and recruit the people that come to you; the courts send them  
11 to you.

12 MR. THOMPSON: That's correct.

13 ASSEMBLYMAN BAKER: And you want your visibility, and I  
14 think you've done a good job getting it.

15 MR. THOMPSON: Thank you.

16 CHAIRMAN CAMPBELL: Any other questions?

17 If not, thank you very much.

18 MR. THOMPSON: Thank you, Senator.

19 CHAIRMAN CAMPBELL: Next, we're going to switch issues  
20 at this point. Liz, if you'd come back up here, and we'd like to  
21 talk about the issue of the allocation of funds to the City and  
22 County of San Francisco for the construction of a  
23 multidisciplinary AIDS research lab at San Francisco General  
24 Hospital.

25 MS. HILL: Thank you, Mr. Chairman and Members.

26 First --  
27  
28

1           CHAIRMAN CAMPBELL: On this, Members, we have a letter  
2 from Finance to the Committee as part of the packet.

3           MS. HILL: Right, and you have a response form us back  
4 to the Committee, dated February 21st.

5           I'd like to start out in terms of talking about the AIDS  
6 building in San Francisco by first complimenting the City and  
7 County of San Francisco. Throughout this long process, from the  
8 time that the Legislature originally authorized construction of  
9 the two floors on top of San Francisco General Hospital, we've  
10 had a very cooperative working relationship with the City and  
11 County. They've been very open to suggestions and comments to  
12 make this project a go.

13           In terms of the issue before you today, there are really  
14 a couple of factors. First, you have what I would call maybe the  
15 macro issue, which is the funding source. And as you started out  
16 the hearing, Mr. Chairman, as you indicated, the budget prior to  
17 last Friday did not reflect any funds, the \$4.8 million, that  
18 would be needed to complete the funds, along with the 5.7 million  
19 that was appropriated in the 1988 Budget Act.

20           A guaranteed funding source of those two figures  
21 together -- the 4.8 and the 5.7 -- would be needed in order for  
22 the City and County to out to bid.

23           So, the first issue that you have before you is the  
24 1988-89 -- excuse me, the 1989-90 funding because absent that, it  
25 would be difficult for the City and County to go out to bid on  
26 the project.

27

28

1           Secondly, we pointed out in an attachment to our  
2 February 21st letter a number of issues with regard to the  
3 specifics of the building. If I could just jump ahead for a  
4 moment to that, there are only two components of those issues in  
5 Attachment A -- a cantilevered design on the building; and  
6 \$42,000 for improvements on the existing building -- that would  
7 really affect going out to bid by the City and County of San  
8 Francisco.

9           It's our understanding, after conversations with the  
10 City and County, that they have agreed to waive the \$42,000  
11 improvement on the existing building, and that the University of  
12 California has identified nonstate funds to support the  
13 cantilevered design.

14           The remaining issues that we identified in the  
15 attachments are ones that you could defer to subcommittee action,  
16 both in the Assembly and Senate, on the Department of Finance  
17 amendment letter on the 4.8, and that would be my recommendation  
18 to you; that because those two issues that affect the bid have  
19 effectively been resolved, if the Committee agrees, that that  
20 would -- the rest of the issues, which are primarily cost  
21 inflation increases and those sort of issues, could be resolved  
22 in subcommittee hearings.

23           With regard to the funding issue itself, the Department  
24 of Finance, as you indicated, Mr. Chairman, sent a Finance  
25 amendment letter to Senator Alquist and Assemblyman Vasconcellos  
26 and their respective committees last Friday, identifying a  
27 funding source for the \$4.8 million for '89-90. The funding  
28



1 sources as identified by the Department of Finance reflect  
2 recommendations we have made to you in our analysis of the budget  
3 bill that was identified and delivered to you last Wednesday.  
4 And I would be happy to comment on those recommendations if the  
5 Committee desires. Basically, they were funding sources  
6 identified by us for the Legislature's consideration in the  
7 course of our review of the Department's budget.

8 CHAIRMAN CAMPBELL: I haven't had an opportunity to talk  
9 to Mr. Vasconcellos yet, but I have talked with Senator Alquist  
10 and Senator Greene. Senator Greene's Subcommittee would deal  
11 with this issue, and I think the concern is that the \$4.8  
12 million, I think there's a strong commitment from the Legislature  
13 to provide the \$4.8 million, and that through the normal  
14 legislative process, the subcommittees and the full committee  
15 deal with the issue of how to offset the funding, if they have to  
16 do that on the \$4.8 million.

17 But Senator Greene had a comment at this point.

18 SENATOR GREENE: Ms. Hill's proposal would encompass the  
19 issue as I discussed it with Senator Kopp, who is the one that  
20 directly, even from last year, came to our subcommittee on it.  
21 And we committed that we would put it through for them.

22 Her suggestion encompasses what we have there in  
23 Recommendation Number 2, which would be to approve the 5.7, a  
24 commitment for the 4.8, but give the subcommittees the  
25 opportunity to flesh that out.

26 CHAIRMAN CAMPBELL: To determine where the money comes  
27 from.

28

1           SENATOR GREENE: Right.

2           One concern I have with just closing the doors on this  
3 now is that we maybe could flesh it out from several sources.  
4 All they want is \$4.8 million. It would affect by three months'  
5 time their going out to bid. That needs to be on the table.

6           But in going to the source that they suggest, number  
7 one, we would question it. I do not think the Analyst's coverage  
8 of that area is complete enough. They give us no information as  
9 to what the potential for need is. Not that I'm under any  
10 illusion that we're going to be able to make it, but we can move  
11 money around differently, possibly.

12           In fact, I have a letter coming to you pointing that out  
13 and asking that that work be done. Your analysis makes no  
14 mention whatsoever. It doesn't even reflect back to last year's  
15 needs. So whoever the analyst was, it was a new analyst I  
16 understand, I would submit that their work is incomplete for our  
17 purposes.

18           We might want to do that. We might not want to take all  
19 of it there.

20           And additionally I point out from a policy point of  
21 view, in that area, some of those new births, given the evidence  
22 that's coming out now as to the condition of AIDS among newborns,  
23 I just know some of those newborns are going to also be AIDS  
24 patients. So, I think this is something we ought to approach  
25 carefully.

26           However, the commitment is there.  
27  
28

1           CHAIRMAN CAMPBELL: On that issue, and I think we should  
2 -- why don't we bring some of the other witnesses up here at this  
3 point.

4           I think one of the questions that we have is, can San  
5 Francisco go to a bid based on the \$5.7 million plus the  
6 commitment?

7           If we could have Ed Mendoza also from the Department of  
8 Health up here, and let me ask Terri Parker from the Finance also  
9 to come forward. She's the Program Manager for Health. And Liz,  
10 don't run away.

11           Ed Mendoza, do you want to start?

12           MR. MENDOZA: I'm Ed Mendoza, Department of Health  
13 Services.

14           I'd like to defer to the City and County of San  
15 Francisco to answer your first question.

16           MR. YOCKEY: Mr. Chairman, Members of the Committee, my  
17 name is Sam Yockey. I'm the City Controller for the City and  
18 County of San Francisco.

19           If I understand your question correctly, Mr. Chairman,  
20 would the City -- would I go ahead and authorize the funds if you  
21 released the 5.7 in order to go to bid? The answer is no.

22           I would not release the funds unless the 4.8, the  
23 additional remaining portion of the construction funds, were at  
24 least included in the Governor's budget at the time we go to bid.

25           CHAIRMAN CAMPBELL: So if the subcommittee in both  
26 Houses adds that, is that an indication from the Legislature that  
27 the commitment is there to provide the money?

28

1 MR. YOCKEY: Yes, Senator, then I would feel comfortable  
2 going to bids, with the normal caveat that we're still subject to  
3 the final approval of that budget, but the funds were included.

4 CHAIRMAN CAMPBELL: Mr. Baker, go ahead.

5 ASSEMBLYMAN BAKER: Mr. Yockey, what would that cost you  
6 in time if we didn't take action today and instead waited until  
7 -- Senator Greene said three months? What would that mean  
8 practically to you?

9 MR. YOCKEY: That practically means three months. It  
10 depends on when you do take action.

11 I'm very pleased to hear the Senator's commitment today.  
12 And if he wanted to follow that through by amending the budget,  
13 we could adjourn this hearing and solve it all right now.

14 SENATOR GREENE: But that's what I'm saying we're going  
15 to do, and that's what I'm recommending be done in the  
16 subcommittees.

17 The commitment was made last year to Senator Kopp. Of  
18 course, I didn't know what was going to transpire with the  
19 Department of Finance and have nothing to do with that, or you  
20 would have had it already. But the commitment still stays, but  
21 what I'm appealing for is to give these subcommittees some leeway  
22 in terms of who we produce that 4.8, but the commitment to  
23 produce it is there.

24 It will be, and I commit to you, it will be put into the  
25 budget on my side, and then the leadership on the other side, I'm  
26 sure you've got enough people over there to see that on the other  
27 side you've got the same thing.

28

1           It's not walking out on you. It's just asking to not  
2 have our hands tied in March or in April. But you will have it.  
3 It will be in my portion of the budget when it comes out.

4           You've got the leader over there, Senator Campbell's  
5 here, so for half of the Legislature we can commit that to you.

6           ASSEMBLYMAN BAKER: Mr. Yockey's been somewhat of an  
7 embarrassment to us. According to my analyst, you've been on  
8 time on every bit of this project, up to date.

9           I want to know what three months does? Is it good, bad,  
10 indifferent?

11          MR. YOCKEY: I would defer that question to  
12 Dr. Werdegar, who's the Director of Public Health, to discuss the  
13 program implications.

14          ASSEMBLYMAN BAKER: Well, I'm talking about the building  
15 of the building.

16          DR. WERDEGAR: My own sense is -- I'm Dave Werdegar, and  
17 I'm the Health Director in San Francisco. I do appreciate the  
18 support this Committee has given to the project.

19          I would say that one of the themes of last year's  
20 conference on this subject, or hearings on this subject, was the  
21 time urgency.

22          We're prepared to go to bid in April, which means  
23 construction would start in July, which means the project would  
24 be done in the fall of next year and we can begin to occupy the  
25 building.

26          My own views are that for the State --  
27  
28

1           CHAIRMAN CAMPBELL:  Would you give me that time table  
2 again?  Construction could start in the fall of next year?

3           DR. WERDEGAR:  No, if we -- we're prepared to go to bid  
4 in April.  If we had the item and if our Controller would allow  
5 us to go to bid, if we had the item in the budget, we could go to  
6 construction in July, and the project would be completed in the  
7 fall of the following, so that by fall, 1990, we're in business.

8           Now, I think time urgency is really a factor.  Three  
9 months doesn't sound like very much time, but we are, after all,  
10 fighting an epidemic that takes lives every day.  I don't want to  
11 recount the whole story of the epidemic, but we've had 17,000  
12 cases in California thus far, and 10,000 deaths.  And the numbers  
13 are going to increase three or four fold over the next several  
14 years unless we can intervene.

15           I would say statewide, there are approximately 450 new  
16 cases reported every month.  So, we are really dealing with an  
17 epidemic on the move.

18           All parties concede that this would be one of the most  
19 powerful research centers in the world when put together, and  
20 we'll have very important implications at every level -- for  
21 vaccine development, for drug development, for prevention of  
22 transmission of virus to newborn babies.

23           So I think we should look at the -- you know, we regain  
24 the time.  Everybody at State level and City level worked hard on  
25 this, and your State offices, your General Services  
26 Administration, your AIDS Office, your Legislative Analyst's  
27 Office, all worked with us to regain time that was lost.

28

1           And I would say, if we're all convinced the money is  
2 going to be there, to do the job now so that we really can go to  
3 bid and get the project underway. I think every month is  
4 important.

5           CHAIRMAN CAMPBELL: Let me clarify for everybody's  
6 information.

7           On Friday afternoon, late Friday afternoon, Finance  
8 submitted to us a \$4.8 million letter with a funding source which  
9 proposed a reduction of \$3.2 million from the Maternal and Child  
10 Health Law grant funds, which is why Marian Bergeson is here, and  
11 the remaining money would be realized by maximizing the federal  
12 funds available for pilot projects targeting pregnant substance  
13 abusers and their substance-exposed infants.

14           So, that's the issue.

15           ASSEMBLYMAN BAKER: Let me ask Ms. Hill. I'm glad we're  
16 getting into this because I think we have two choices here.  
17 Everyone seems to be in favor of approving the over \$5 million  
18 portion, but we're going to eventually wrangle over the Finance  
19 letter and the 4.7 million [sic].

20           Ms. Hill apparently recommended that we approve the  
21 Finance letter. I wonder if we could discuss that a little bit.  
22 Apparently the Governor put money into this particular area, the  
23 Family Health area, not feeling we were going to get federal  
24 funds -- the opposite of what happened today on the Floor -- and  
25 lo and behold, the federal funds appeared.

26           Does anyone feel that he's not going to shift that money  
27 back into another program? That the Family Health program's  
28 going to stay at \$3.2 million above where it was budgeted?

1 MS. HILL: The last part of your question, Mr. Baker, is  
2 probably better to go to Ms. Parker than me in terms of what the  
3 Governor will do.

4 But I can certainly comment about our recommendations in  
5 the analysis.

6 There are two recommendations in the analysis. And  
7 while we haven't reviewed the Department of Finance letter  
8 formally for you, they incorporate our recommendations, so,  
9 starting out with that context.

10 First let me clarify for the record, there's two  
11 components of that. The \$1.8 million is going to the Substance  
12 Abused Infants, and there's a \$3.2 million. The \$3.2 million was  
13 proposed by the Administration, it's our understanding, because  
14 last year, during some of the negotiations, it was thought that  
15 federal funds were only available on a one-time basis.

16 But the Department of Finance actually did two things in  
17 the budget. It turned out that federal funds were in fact  
18 available for an additional year, and that 3.2 million is already  
19 in the budget to sustain the level of service. But because of a  
20 technical error, thinking that it was not in the budget, 3.2  
21 million from the General Fund was also added. So you actually  
22 have 3.2 million more in the budget than what you have in the  
23 current year.

24 With regard to the 1.8, which is a different factor from  
25 the Maternal and Child Health block grant, we identified that you  
26 could use some federal funds that is not in the budget for this  
27 activity, freeing up the General Fund, which you then, the  
28



1 Legislature, can use to restore Family Planning, or whatever  
2 other project that you might want. And that was what was  
3 governing us in making the recommendation, because federal funds  
4 were available; we could free up General Fund for use of any  
5 legislative priority, and it still leaves \$4.1 million of federal  
6 funds that's not currently reflected in the budget.

7 So, in addition to these funds that I've just outlined,  
8 you have \$4.1 million more that you will be deciding how you want  
9 to allocate, whether it be to Maternal and Child Health, or for  
10 whatever purpose. But the Maternal and Child Health \$4.1 million  
11 is available and could be used for that purpose.

12 So, that was what guided our analysis. I'd certainly be  
13 happy to answer questions about that.

14 ASSEMBLYMAN BAKER: I think what makes this Finance  
15 letter potentially political is that we could be attacked for  
16 reducing the support of Family Health in the two programs you  
17 mentioned.

18 But you in fact have stated they double-budgeted in one  
19 of those.

20 MS. HILL: On the 3.2, it is a double-budgeting.

21 That's not to say that you may not want to do more than  
22 that. We certainly recognize that.

23 ASSEMBLYMAN BAKER: No, but assuming that we're not  
24 going to augment without somebody saying so, either the Governor  
25 or the Legislature, we do have this available then to fund the  
26 San Francisco project and not reduce the contribution to this as  
27 budgeted?

28

1 MS. HILL: That's correct. It would not reduce Maternal  
2 and Child Health.

3 ASSEMBLYMAN BAKER: Now, the last \$1.8 million, the  
4 shift there is to federal funds you've identified as available?

5 MS. HILL: That's correct.

6 ASSEMBLYMAN BAKER: Mr. Chairman, at the end, then,  
7 after we thrash this over, I'm going to recommend we go ahead and  
8 approve this so that they can go to bid today, or April.

9 But I don't want to get into the position we were on  
10 earlier today, that this becomes either the Governor's program or  
11 the Legislature's program. I think the subcommittees still have  
12 the right to entirely redo this section of the budget and  
13 negotiate with the Administration over how the final product will  
14 look if we have these sources of funds available.

15 SENATOR GREENE: Question on that point.

16 CHAIRMAN CAMPBELL: All right, on the point.

17 SENATOR GREENE: How would we be able to do that, Mr.  
18 Baker?

19 ASSEMBLYMAN BAKER: Apparently she's identified the \$4.1  
20 million [sic] in unallocated funds.

21 SENATOR GREENE: I understand everything that she said,  
22 but how do we still have the kind of latitude that you stipulate?  
23 That's the question.

24 ASSEMBLYMAN BAKER: We're going to reduce the  
25 double-budgeting and allow only the 3.2 million that we thought  
26 we had in the budget, except we had it twice, and give it to the  
27 San Francisco project, and we're going to substitute, in the 1.43  
28

1 million, federal funds that are available for General Fund and  
2 give that to this project. That's to put this project on track,  
3 which you will do anyway.

4 SENATOR GREENE: We'll do it, but you see, what is being  
5 stipulated now is not as clear and as certain as is being  
6 represented.

7 ASSEMBLYMAN BAKER: It's written in the Finance letter,  
8 and I was just asking the Legislative Analyst to give --

9 SENATOR GREENE: I understand the Finance letter says  
10 that, but Finance letters frequently give us information that is  
11 not totally correct.

12 ASSEMBLYMAN BAKER: That's why I'm asking the  
13 representative from the Legislature for her opinion.

14 SENATOR GREENE: Well, I would have a problem with the  
15 analysis of it because the analysis in this area doesn't speak to  
16 the area of last year's funding, it doesn't speak to need, it  
17 doesn't speak to anything. It just makes a recommendation with  
18 no discussion.

19 In fact, I've sent a letter indicating that in my  
20 opinion, as a Subcommittee Chairman, the analysis in this entire  
21 area is weak because it does not cover -- it does not give us  
22 enough information on which to make a decision.

23 ASSEMBLYMAN BAKER: Senator Greene, you're the Chairman  
24 in this area, and if you're not satisfied, then that's fine with  
25 me.

26 All I'm trying to do -- and I have no ax to grind. This  
27 certainly isn't in my district. If it were, I wouldn't be here.

28

1 But I think if we're going to do this, and everyone says  
2 we're going to do it, the question is when.

3 SENATOR GREENE: What I'm recommending is that we  
4 approve the 5.7, and the rest of it we put in the budget when we

5 --

6 CHAIRMAN CAMPBELL: Let me clarify what we have before  
7 us.

8 We have before us the \$5.7 million. That letter is  
9 before us because that's in the current year.

10 The other letter that was issued on Friday went to the  
11 two finance committees, or went to the Senate Finance and  
12 Assembly Ways and Means because it deals with the budget.

13 SENATOR GREENE: Right.

14 CHAIRMAN CAMPBELL: So, that one is not before us. We  
15 can make a recommendation to the committees in that regard, but  
16 the only one before us right now is the \$5.7 million, but it's  
17 directly tied to what happens with the \$4.8 million; otherwise,  
18 you're not going to go to bid.

19 I'd like to call on Mr. Vasconcellos.

20 ASSEMBLYMAN VASCONCELLOS: So you didn't mean to imply  
21 that there's not an additional need for Maternal and Child Health  
22 service?

23 MS. HILL: Not at all. Not at all.

24 ASSEMBLYMAN VASCONCELLOS: There is such a need  
25 outstanding.

26 MS. HILL: We recognized it in our analysis last year,  
27 and we continue to recognize it, as there are many unmet needs  
28 throughout the budget, I might add.

1 ASSEMBLYMAN VASCONCELLOS: See, the problem I have is,  
2 this is another instance -- this is the third one today -- of  
3 robbing somebody to get by something else that's more immediate.

4 This morning I had a bill in Senate Finance,  
5 Appropriations, to pay judgment claims for this year, \$7 million.  
6 The Administration wanted to postpone that payment until next  
7 year. The Committee said no.

8 On the Floor this morning with SB 50, where they decided  
9 they want to borrow from next year to keep the centers open now,  
10 and I opposed that. I was one of two votes against the bill.

11 And now, we have a choice of an AIDS hospital research  
12 base or Maternal Child Health care.

13 That's a disgrace. It's really Black Monday in  
14 California when we are put to these kinds of choices for lack of  
15 leadership about the real fiscal situation in which we find  
16 ourselves.

17 So, even though it's nice to say we'll give you the  
18 money, Sam. Go ahead and build it all, and then the Governor  
19 will negotiate about Maternal Child Health services. There's not  
20 a chance in the world of that. They've said where their  
21 priorities are: forget the women and kids, that's a place we can  
22 rob them, deplete their services -- what a disgrace -- and build  
23 a hospital and keep them happy.

24 What choice is there? I don't think I can vote for  
25 this.

26 ASSEMBLYMAN BURTON: What's your option?

27 ASSEMBLYMAN VASCONCELLOS: What's my option?  
28

1 ASSEMBLYMAN BURTON: Yes.

2 ASSEMBLYMAN VASCONCELLOS: I guess just to call a halt  
3 to everything until we can fix it.

4 ASSEMBLYMAN BURTON: Well, you know, I'd like to invest  
5 in a mortuary. Anybody got a better option than that?

6 ASSEMBLYMAN VASCONCELLOS: Well I guess the option would  
7 be generally to rob from somebody to pay someone else.

8 ASSEMBLYMAN BURTON: Maybe Senator Campbell or Senator  
9 Greene can explain this to me, or Ms. Hill: why is it -- in  
10 other words, Finance or somebody screwed up last year or we  
11 wouldn't be here today; right?

12 CHAIRMAN CAMPBELL: That's correct.

13 ASSEMBLYMAN BURTON: All right. So, is it not possible  
14 to deal to correct that situation and not have to rip it off, you  
15 know, from the program that they're talking about?

16 ASSEMBLYMAN VASCONCELLOS: That's what the Governor  
17 wants to do.

18 ASSEMBLYMAN BURTON: I know it's what the Governor wants  
19 to do. I'm asking if it's not possible to do that, not  
20 withstanding what the Governor wants to do right now.

21 ASSEMBLYMAN VASCONCELLOS: Take 54 votes in our House  
22 and 27 in the Senate, but I don't think that's possible.

23 CHAIRMAN CAMPBELL: I think the point Senator Greene  
24 made was that there is a commitment to do it, not necessarily  
25 with the same kind of funds that the Governor is recommending.

26 However, the only thing before us, and the only thing  
27 that will give any kind of credibility to the bidding process, as  
28

1 I understand it, is that you have to have a strong indication to  
2 San Francisco that there is a commitment to provide the \$4.8  
3 million. That commitment Mr. Yockey is asking to have in the  
4 budget, that \$4.8 million.

5 The question is, how do we get it in there, and at the  
6 same time maintaining the commitment to all of the programs that  
7 are significant programs that provide health and assistance to  
8 people?

9 SENATOR GREENE: Maybe, Mr. Chair, we could take the  
10 action of Senator Alquist Thursday, last Thursday, when he put  
11 items back in the budget.

12 SENATOR ALQUIST: I don't think anyone questions the  
13 need or the urgency of this project. And no one questions the  
14 fact that the Legislature has made this matter one of its highest  
15 priorities.

16 But the fact remains that the Governor has not  
17 identified the source of the \$4.8 million which he agreed to put  
18 in the budget this year. He has not done so.

19 Until the Department of Finance and the Administration  
20 can identify that source of funding, why then we can proceed and  
21 consider.

22 CHAIRMAN CAMPBELL: I think in a letter to you and Mr.  
23 Vasconcellos he did identify the sources, and that's the argument  
24 right now, as to whether those were the correct sources, Senator.  
25 The letter that indicated using the \$3.2 million from the  
26 Maternal and Child Health block grant funds.

27  
28

1           SENATOR ALQUIST: I think the Legislative Analyst's  
2 recommendations, in her letter to you, Mr. Chairman, states the  
3 problem very clearly:

4           "This project is a high priority to  
5 the Legislature and has already  
6 experienced delays totaling more  
7 than a year. To avoid further  
8 unnecessary delay requires resolution  
9 of the issue of additional funding.

10          We recommend you convene a hearing of  
11 the Joint Legislative Budget Committee,"

12 which you have done,

13          "and ask the Department of Finance to  
14 testify regarding how the Administration  
15 plans to proceed with the projects,  
16 including how it will budget additional  
17 necessary funds."

18          Now, I want to know that. I want to hear from the  
19 Administration, Mr. Chairman.

20          CHAIRMAN CAMPBELL: All right.

21          Ms. Parker, would you care to respond.

22          MS. PARKER: Senator, we have sent the Finance letter,  
23 which has been discussed today, on how we propose to have the  
24 AIDS project funded.

25          SENATOR ALQUIST: I want to see that in writing.

26          MS. PARKER: Would you like a copy of the letter? We  
27 brought extras.

28



1           SENATOR ALQUIST: I haven't seen it yet, and your  
2 actions on --

3           MS. PARKER: I apologize.

4           SENATOR ALQUIST: -- on SB 50 this afternoon certainly  
5 didn't generate any degree of confidence.

6           MS. PARKER: Senator, as Ms. Hill suggested, basically  
7 what the intent of our letter was to do was to basically correct  
8 what we saw as two technical errors in our budget. One, the fact  
9 that we did not include the funds for San Francisco General for  
10 the AIDS Research Project.

11           And the second one, which was to correct what we had  
12 intended in the MCH program, which was basically to keep the  
13 funding for the program at the current level, not to provide  
14 program expansion. But on the other hand, it was not a program  
15 that we had proposed to make any reductions in. It's also a  
16 program that had been proposed for funds that may be needed for  
17 the implementation of SB 2579; however, estimates at the current  
18 time project that there will be no funding out of the MCH program  
19 needed to provide the implementation of SB 2579. So we --  
20 basically our intent in the budget was to keep the MCH program at  
21 the current level.

22           So the Finance letter merely is making a technical  
23 correction to those two issues.

24           CHAIRMAN CAMPBELL: Let me see if I can place the issue  
25 here before us again.

26           There is a letter before this Committee requesting that  
27 \$5.7 million be disbursed to the City and County of San Francisco  
28

1 for the express purpose of going to bid for the addition of an  
2 AIDS Research at San Francisco General Hospital.

3 We have not before us, but as part of this general  
4 discussion, a letter from the Department of Finance to the budget  
5 committees, a budget letter, proposing to augment the 1989-90  
6 California budget with \$4.8 million additional to go to the City  
7 and County of San Francisco to pay for the construction of that  
8 facility.

9 Now, the difficulty at this point is that the City and  
10 County of San Francisco cannot go to bid unless they have some  
11 sort of assurance that the money is going to be there; otherwise,  
12 people aren't going to respond to the bid, or they're not going  
13 to waste their time responding if the money's not going to be  
14 there to eventually get the contract.

15 So, is it possible to give assurance to San Francisco,  
16 through the budgetary process, that the commitment is there by  
17 the Legislature?

18 I don't know whether this means convening a special  
19 order, Senator Alquist, of the two subcommittees to add this to  
20 the budget right away so it becomes part of the official  
21 document.

22 I guess that's what you're looking for, Mr. Yockey.

23 MR. YOCKEY: That would be ideal, Mr. Chairman.

24 CHAIRMAN CAMPBELL: Now, what if they added the money  
25 without a comment as to where that money came from? Because what  
26 we're discussing now, and what seems to be the dilemma, is where  
27 does the \$4.8 million come from in next year's budget?  
28

1 I think the frustration is that, I think everybody  
2 recognizes that the budget is tight. We may be short as opposed  
3 to having excess revenues.

4 The question is, is it possible for the Assembly and the  
5 Senate to, at some time within the next few days, to make some  
6 sort of commitment by the fiscal committees that would, in the  
7 budgetary process, would give some aid and assistance to the City  
8 of San Francisco? That's the question before us.

9 ASSEMBLYWOMAN WATERS: Let me ask a question.

10 CHAIRMAN CAMPBELL: In addition to that -- let me finish  
11 -- apparently Ms. Hill says that we have double-budgeted one item  
12 for \$3.2 million, and that there is \$1.8 million in federal funds  
13 that may be available that are not yet committed; is that  
14 correct?

15 MS. HILL: That's correct.

16 Now, it is predicated, as Ms. Parker said, that the  
17 Legislature would want to keep the Maternal and Child Health  
18 program at the current level. If you want to do more, then the  
19 effect of this adoption would be --

20 CHAIRMAN CAMPBELL: Is to find additional money  
21 elsewhere, if there is any. That's what we don't know at this  
22 time.

23 Senator Bergeson, and then Ms. Waters, and then Senator  
24 Marks.

25 SENATOR BERGESON: I appreciate the opportunity to sit  
26 in on this hearing. I'm not a Member of the Committee, but very  
27 much interested in this item, since I was the author of the bill  
28 that authorized the expansion of prenatal programs last year.

1 My understanding, certainly, was that the commitment was  
2 not just to keep it, but to expand upon those programs. And that  
3 was the understanding, as the federal monies became available,  
4 which would then provide greater access, and then, in turn, would  
5 certainly expand the program.

6 So, I feel opposed to in any way jeopardizing any funds  
7 that are going to that source, or not keeping with the commitment  
8 that was made by the Legislature and the Governor last year.

9 ASSEMBLYMAN VASCONCELLOS: Could I just footnote that  
10 same comment?

11 CHAIRMAN CAMPBELL: All right.

12 ASSEMBLYMAN VASCONCELLOS: My staff advises me that  
13 pursuant to the agreements last year, the letter sent to  
14 Mr. Allenby saying, "This is the understanding we had, and that's  
15 that next year the federal funds will be in, and the General  
16 Funds will go back in for expansion. If you don't agree with us,  
17 let us know."

18 They didn't let us know, and so we assumed that you  
19 people agreed with that. Now you're betraying your promise on  
20 that.

21 It's very hard to be tolerant.

22 CHAIRMAN CAMPBELL: Ms. Waters.

23 ASSEMBLYWOMAN WATERS: Mr. Chairman, I'd just like to  
24 share with you that this is almost too much for one day. You  
25 know, just coming off of the Assembly Floor with SB 50, and the  
26 way that we ended up basically allocating money from the next  
27 budget through a fancy foot work, and the talk about borrowing  
28

1 and paying back, and in the final analysis what we did was, we  
2 just did early allocation of monies that we don't have. We don't  
3 have an opportunity to develop good policy around based on what  
4 we know is not there. This money is not there.

5 So, this is really bothering me. It almost feels as if  
6 I'm thrust into the budget process here, quite early, and without  
7 information, and you're absolutely correct.

8 I'm not so sure that I want to sit here now and develop  
9 policy that says that we keep the Maternal and Child Health care  
10 program at the same level.

11 Now, let me just say this, because I care so very much  
12 about expenditures in both of these areas. And I don't know how  
13 we sit here and commit the Legislature, and say that we guarantee  
14 in some way we're going to put this money back in, and it's going  
15 to work. I don't know how we really do that, to begin with. It  
16 feels kind of good to say you can make all that happen sitting  
17 here today, but I'm not so sure.

18 I think that the only way that I can do anything today  
19 -- because again, I'm overwhelmed with the way things are moving  
20 in this Legislature -- is to say that I think the Governor made a  
21 request in his budget for a reserve. What was that reserve  
22 amount?

23 MS. HILL: In the budget it's 870 million.

24 ASSEMBLYWOMAN WATERS: I would reduce the Governor's  
25 reserve. I'd be glad to support that today, because I know the  
26 Governor wants to keep his commitment to both. I would be happy  
27 to go on record in support of reduction of the requested reserve,  
28

1 with money set aside to fund the continuation of the hospital so  
2 that they can be on target in going out to bid and not having to  
3 be concerned about a delay of three months.

4 I think that is much more reasonable than putting me in  
5 a position where -- I come from a district where the increase in  
6 the incidence of the AIDS virus is pronounced, and where our  
7 attempts not only to deal with what is happening in the minority  
8 community as where we have to go as priority in this state, but  
9 the work that we do with mothers and babies is extremely  
10 important.

11 So, I don't like being put in this position, and I don't  
12 like being said, "Make a choice and make a decision."

13 Most of what the Governor put in his budget level of  
14 funding I don't agree with. And without even looking at this, I  
15 know I don't agree with it.

16 So the fact of the matter is, if the Governor wants to  
17 reduce the requested reserve by this amount, I agree with that.  
18 I would support it and fight for it so that we can continue the  
19 funding for the hospital.

20 CHAIRMAN CAMPBELL: Well, I'm going to call on Senator  
21 Marks, but that's what Senator Greene recommended early on, that  
22 we commit to put the money in, and then find a place for it, Ms.  
23 Waters.

24 Senator Marks.

25 SENATOR MARKS: I'm a little bit unable to understand  
26 the reason why we're so concerned, and we should be. Why we're  
27 so concerned about where this money comes from.

28

1           The Finance Department has asked for it. Why are we  
2 concerned where it comes from if the Finance Department has asked  
3 for it?

4           CHAIRMAN CAMPBELL: They submitted a letter and  
5 stipulated as to where the funds would come.

6           ASSEMBLYMAN VASCONCELLOS: Because they're taking it out  
7 of Maternal and Child Health services. That's why we're  
8 concerned, Milton.

9           SENATOR MARKS: I'm not in favor of that.

10          ASSEMBLYMAN VASCONCELLOS: I didn't think you could be.

11          CHAIRMAN CAMPBELL: Senator Greene and then Mr. Burton.

12          SENATOR GREENE: Mr. Chairman and Members, let me point  
13 out that my recommendation that we went over, to consider to  
14 protect everyone's position -- the San Francisco, the only  
15 possible negative for San Francisco would maybe be three months  
16 in starting going to bid; that we cannot avoid -- and trying to  
17 protect all the other positions, give us all the latitude that we  
18 possibly can have to fulfill the commitment to you in the budget,  
19 and leave as much flexibility for everything else that's being  
20 discussed.

21          But we came with that, thinking that met, to the best of  
22 our ability, the needs and the thinking of what we knew was going  
23 to be concern with various Members of the Legislature.

24          Now, for our side, I can commit it because I have the  
25 people here who are going to support me on that commitment to San  
26 Francisco.

1 I can't do it and shouldn't be able to do anything in  
2 the other House. However, I think we see the thinking and the  
3 concern here.

4 So, for our side, I can commit. We've got our committee  
5 Chair here; the Republican leadership here, they're part of it  
6 and they're listening and what have you.

7 And it was designed to protect everybody's interest.  
8 Senator Bergeson, her position is protected. The position of  
9 Assemblywoman Waters, that's protected.

10 I think that's, you know, from my humble mind, that's  
11 the best potential I can come up with, and at the same time, to  
12 maintain the integrity and maintain the flexibility of the  
13 membership.

14 CHAIRMAN CAMPBELL: Thank you, Senator Greene. Mr.  
15 Burton.

16 ASSEMBLYMAN BURTON: Is it not a possibility that if  
17 this letter was adopted that took the, quote, "double-budgeted"  
18 money -- although I don't necessarily think that's a fair  
19 statement of it -- to fund the AIDS hospital now, that the  
20 subcommittees can find monies to, in effect, replace this \$3.6  
21 million the same way they could find the money to fund the  
22 hospital; right? In other words, just talking about finding  
23 another 3.6 somewhere.

24 Did you follow that? Or 3.8, whatever it was, 4.8.

25 In other words, one of the things Senator Greene's  
26 position is, you know, hold it all in abeyance; we'll find the  
27 money somewhere and do something.

28



1 My situation --

2 CHAIRMAN CAMPBELL: But commit to San Francisco the  
3 monies --

4 ASSEMBLYMAN BURTON: I understand, and I didn't mean,  
5 you know, to do something in a pejorative way; I mean to do the  
6 J-O-B.

7 My position is, one, in three months -- these first  
8 three months may not mean a hell of a lot; three months at the  
9 end of the thing, the way the epidemic's growing, could mean a  
10 lot in the way of death and suffering.

11 Could we not, accepting this letter -- and it's not yet  
12 a proposal, but it's a question -- accept the letter, that then  
13 the subcommittees can still find whatever monies it were to make  
14 San Francisco whole, monies to augment the program that's being  
15 cut here.

16 CHAIRMAN CAMPBELL: Let me clarify.

17 We cannot deal with the budget letter, because that's  
18 not before us. That's before the budget committees.

19 We can only -- the language required the Finance to come  
20 before the Joint Legislative Budget Committee before they release  
21 the money. So, our recommendation was that we hold up. Why  
22 release the money if they're not going to be able to use it?

23 And I think that's the recommendation before us today:  
24 do we sign off on the \$5.7 million and allow that to be released  
25 to San Francisco without the commitment?

26 What San Francisco's looking for is an additional  
27 commitment on the \$4.8 million so they can go to bid. Without  
28 that, they can't go to bid, is what they've told us.

1 ASSEMBLYMAN BURTON: I mean, it would appear to me that  
2 they got the commitment that that money's going to come. I mean,  
3 the money doesn't have to come --

4 ASSEMBLYWOMAN WATERS: Where is it going to come from?

5 ASSEMBLYMAN BURTON: The same place anything's going to  
6 come from, from the will of the Members of the subcommittees and  
7 the full committees that deal with the budget process. That's  
8 where it's going to come from.

9 Doesn't have to come from the mothers and the children,  
10 I don't think. I mean, I don't see anything that's -- Moses  
11 didn't come down and say that if you find the money, it's got to  
12 come out of here, even if it's what the Governor wants --

13 CHAIRMAN CAMPBELL: That was the 13th Commandment, John.  
14 You missed that one.

15 ASSEMBLYMAN BURTON: I did, okay. I was away for a  
16 while.

17 (Laughter.)

18 ASSEMBLYWOMAN WATERS: The only thing that I'm saying,  
19 Mr. Burton, is that if we're going to help the Governor keep his  
20 commitment, that the Governor should be a part of how we keep  
21 that commitment.

22 And I'm telling you, the competition is so keen in this  
23 budget that we need to have a commitment that he's going to  
24 reduce the amount of the requested reserve in order to keep this  
25 commitment.

26 ASSEMBLYMAN BURTON: With all respect, Maxine, you don't  
27 know that's it. Maybe he's going to get lucky, buy a lottery  
28 ticket, win the big spin off and give it to us.

1 I mean, you know, you don't necessarily say it's got to  
2 come out of the reserve. I'm not great fan of the high reserve.

3 What I'm a fan of is trying to do something that ends up  
4 saving people's lives. And I don't know what the three months'  
5 delay means.

6 DR. WERDEGAR: Senator Campbell, if I might just --

7 CHAIRMAN CAMPBELL: Yes, Doctor.

8 DR. WERDEGAR: -- intrude on your Committee's  
9 discussions.

10 I would like to make clear that the Research Center's to  
11 serve the entire state. And in earlier testimony before this  
12 Committee, it was agreed, with representatives from all around  
13 the state and scientists from all around the state, that this was  
14 the ideal place to build the Research Center because of the  
15 people who are there, and the numbers of patients, and so forth.  
16 But it is intended to serve the entire state.

17 My second point would be that this Research Center does  
18 help with regard to HIV infection mothers and children, as it  
19 looks at a fundamental level at what's going on with regard to  
20 HIV infection.

21 Third, which I mentioned, time is of the essence.

22 And fourth, with really great respect for all of the  
23 Members of your Committee, as a doctor and a health director, the  
24 maternal and child health issues are very important to me as  
25 well. I don't know the intricacies of the State financing  
26 mechanisms, and I recognize what's going on here in holding one  
27 important -- potentially holding one important project in  
28

1 abeyance because of lack of clarity about another important  
2 project.

3 And it is my hope -- and I'm speaking for the state now,  
4 not for San Francisco -- it is my hope, since this was said to be  
5 a clerical error, the commitments were made earlier, to fund the  
6 Center and let it go.

7 CHAIRMAN CAMPBELL: I don't think there's any doubt in  
8 anybody's mind on that, Doctor.

9 I think the question now is where the \$4.8 million comes  
10 from, because due to a "technical glitch," it wasn't put in the  
11 budget. Had it been put in the budget, we could have signed off  
12 on the \$5.7 million, and you could have gone to bid.

13 I think one of the questions we have to resolve today  
14 is, do you want me to sign off on the release of the \$5.7  
15 million?

16 SENATOR GREENE: So move.

17 CHAIRMAN CAMPBELL: Okay, we have a motion.

18 Is there any discussion on that motion?

19 SENATOR ALQUIST: I don't have any objection to that,  
20 but I want the Department of Finance to know that I deeply resent  
21 their actions in dealing with these deficiency appropriations.

22 We approved \$23 million of deficiency appropriations  
23 this afternoon through some fancy foot work and subterfuge of  
24 borrowing from the Department of Motor Vehicles, without even a  
25 letter, a Section 28 letter, requesting the deficiency  
26 appropriation. Not a word about how they intend to repay that  
27 \$23 million that we approved.

28

1           And here they come before us with a letter on the 24th  
2 that I get today, the day that you're having the hearing, with  
3 more fancy foot work about how they're going to provide this \$4.8  
4 million.

5           I don't like that. And I want Mr. Huff to know that.  
6 Of course, he's too busy to come before the Committee.

7           CHAIRMAN CAMPBELL: We will make sure Mr. Huff gets that  
8 message, Senator.

9           SENATOR ALQUIST: We can approve the \$5.7 million, and  
10 we will hold for further explanation where they're going to get  
11 the 4.8.

12           CHAIRMAN CAMPBELL: I think the thing the San Francisco  
13 wants -- and I'm not sure we're going to be able to give it to  
14 you today -- is how you get a commitment, an early commitment, to  
15 get that budget letter adopted and money into the budget so they  
16 can see it in writing.

17           SENATOR GREENE: Comment on my motion.

18           CHAIRMAN CAMPBELL: Senator Greene.

19           SENATOR GREENE: On the motion for the approval of 5.7,  
20 I had kept quiet and hadn't made this statement.

21           I do not accept the Department of Finance's response  
22 that it was a glitch. I do not accept that at all, and I do not  
23 accept it because Mr. Lenz, who is sitting here to my left, has  
24 been on top of this ever since last year. And he was able to get  
25 no responses. He's coordinated with other staff people, and they  
26 were able to get no responses out of the Department of Finance.

27  
28

1 I do not accept it that it was an error, or what have  
2 you.

3 I wasn't going to say that because I wanted to try and  
4 keep from making that kind of statement, but I think it needs to  
5 be said on the record that our staff has been on top of this, and  
6 they never could get any kind of information at all.

7 I make the motion that we approve the 5.7.

8 CHAIRMAN CAMPBELL: All right. Any other comments on  
9 that?

10 SENATOR ALQUIST: I'm afraid I didn't understand your  
11 motion, Senator Greene.

12 SENATOR GREENE: That we approve the 5.7 million, and  
13 that's all.

14 CHAIRMAN CAMPBELL: Subject to the changes that Ms. Hill  
15 indicated.

16 MS. HILL: Assuming that the project could go out to  
17 bid, and that you'll have to ask Mr. Yockey, but there are two  
18 points that affect going out to bid: a cantilevered design,  
19 which is beyond the scope of the project as you approved it, and  
20 the University of California is now, as we understand it,  
21 prepared cover those costs with nonstate funds; and secondly,  
22 some renovation or some painting and window trim on the existing  
23 building, \$42,000. It's our understanding that the City and  
24 County of San Francisco are willing to forego State expenditure  
25 of those funds on the project.

26 Absent those two issues, the rest of the issues could be  
27 debated in subcommittee, assuming that the project was biddable.

28

1 Frankly, I don't know if you do release the money, the  
2 5.7, whether the project can proceed. That's something you just  
3 need to be aware of as you debate the issue, because they won't  
4 have the 4.8 to put out to bid.

5 CHAIRMAN CAMPBELL: Senator Marks.

6 SENATOR MARKS: Is San Francisco willing to forego those  
7 other points that she made?

8 MR. YOCKEY: Yes, Senator, yes. We are agreeable to  
9 those two adjustments.

10 CHAIRMAN CAMPBELL: All right.

11 Are there any further questions?

12 ASSEMBLYMAN BAKER: Well, is there a question as to  
13 whether they can go to bid, or whether we're going to wait three  
14 months?

15 CHAIRMAN CAMPBELL: No, the question right now is on  
16 whether or not we sign off on the \$5.7 million. That's the  
17 question before us.

18 Call the roll.

19 ASSEMBLYMAN BURTON: What about the other --

20 CHAIRMAN CAMPBELL: Then we're going to come to the  
21 other issue.

22 MR. BURNS: Mr. Baker.

23 ASSEMBLYMAN BAKER: Yes, I'm for going halfway.

24 MR. BURNS: Mr. Burton.

25 ASSEMBLYMAN BURTON: Aye.

26 MR. BURNS: Mr. Campbell.

27 ASSEMBLYMAN CAMPBELL: Aye.

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MR. BURNS: Mr. Frazee. Ms. Waters. Mr. Vasconcellos.

ASSEMBLYMAN VASCONCELLOS: No.

MR. BURNS: Senator Alquist.

SENATOR ALQUIST: Aye.

MR. BURNS: Senator Beverly.

SENATOR BEVERLY: Aye.

MR. BURNS: Senator Greene.

SENATOR GREENE: Aye.

MR. BURNS: Senator Marks.

SENATOR MARKS: Aye.

MR. BURNS: Senator Montoya. Senator Petris. Senator Campbell.

CHAIRMAN CAMPBELL: Aye.

Before I announce the vote, we don't have enough Assembly votes to disperse the \$5.7 million, to make a recommendation on that dispersal, unless --

SENATOR BEVERLY: What's needed? Four in each --

CHAIRMAN CAMPBELL: Four in each House.

ASSEMBLYMAN BAKER: What about the other 4.8 million?

CHAIRMAN CAMPBELL: It's not before us.

ASSEMBLYMAN BAKER: I understand that, but since they've said they're not going to bid, when do we plan to meet again?

CHAIRMAN CAMPBELL: Let me --

ASSEMBLYMAN VASCONCELLOS: This Committee has no jurisdiction on the 4.8. That's in the budget bill.

ASSEMBLYMAN BAKER: I understand that.



1 ASSEMBLYMAN VASCONCELLOS: And so long as that money is  
2 tied to Maternal and Child Health in the Administration's mind, I  
3 can't vote for that and I can't vote for this.

4 ASSEMBLYMAN BAKER: It's going to be tied to something.

5 ASSEMBLYMAN VASCONCELLOS: You know what it'll be tied  
6 to.

7 ASSEMBLYWOMAN WATERS: Don't leave, John.

8 I'm prepared to support an allocation, this allocation,  
9 and prepared to even work for the additional funding. If the  
10 additional funding is what determines whether or not they can go  
11 forward, then that issue is paramount.

12 I don't hear anybody talking about any commitment that  
13 would not leave Maternal Health project funds, that would give  
14 some thought to expanding those from the amount that was put in  
15 the budget, which is just current year funding.

16 Now, let me ask Finance, if in fact we went through the  
17 budget process --

18 CHAIRMAN CAMPBELL: Well, Ms. Waters, let me put the  
19 vote on call at this point, then we'll have discussion.

20 ASSEMBLYWOMAN WATERS: All right.

21 CHAIRMAN CAMPBELL: Go ahead, now you may continue.

22 ASSEMBLYWOMAN WATERS: Since the Governor has made a  
23 commitment and he wants to see this hospital built, if in fact we  
24 go through the budget process, and this Legislature determines  
25 that it wishes to expand the funding in Maternal Health and  
26 Infant Health, whatever it's called, and the money is still  
27 needed, the 4.8, what are you willing to do or what is the  
28

1 Governor willing to do? Is he willing to reduce the requested  
2 budget reserve or anything else that you can think of in order to  
3 keep this commitment?

4 MS. PARKER: Ms. Waters, let me respond to that as best  
5 I can at the moment.

6 I think, first of all, we sent the letter because we  
7 were concerned at this particular point in time, because we were  
8 concerned about the time frame of trying not to keep San  
9 Francisco from meeting its bid date. And we had earlier looked  
10 at -- before we had become aware of the bid date of April 3rd --  
11 we had thought to wait on this when we looked at May Revise to  
12 see if there were additional revenues. But because of the  
13 urgency and the opportunity presented with respect to the  
14 Legislative Analyst's analysis, we thought it would be important  
15 to get this letter to you as quickly as possible.

16 If -- you know, what happens over the next couple of  
17 months are really -- you know, many things can change. We can  
18 have more revenues. The budget bill that you send down to us can  
19 be structured, you know, much differently. I really -- unless we  
20 have a chance to see all the things that are in it, I really  
21 can't respond.

22 I think if your question to me is, will the Governor  
23 take the money out of the reserve, I think his proposal at this  
24 particular point in time is, this is the proposal.

25 What the budget would look like when it comes down, if  
26 there's more revenues, I can't answer that.

27 ASSEMBLYMAN BURTON: Could I ask a question?  
28

1 I mean, there are other ways to find the revenues even  
2 besides the reserve and besides doing what none of us want to do.

3 Isn't that right, Ms. Hill?

4 MS. HILL: We have other recommendations, for instance,  
5 Mr. Burton, in our analysis.

6 ASSEMBLYMAN BURTON: I hope they're all as nice as this.

7 MS. HILL: Well, they're all controversial. They all  
8 take money from somebody. There's not a recommendation --

9 ASSEMBLYWOMAN WATERS: What are the other  
10 recommendations? Coming from where?

11 MS. HILL: For example, we've proposed that \$44 million  
12 be transferred from the State Water Project to the California  
13 Water Fund that could be appropriated by you for any General Fund  
14 purpose. That's \$44 million, at least, that is available to you  
15 for legislative priorities.

16 That's not to say that no one will be angry about that,  
17 but that is one option also available to you that we identified  
18 in our analysis.

19 ASSEMBLYMAN BURTON: I think the point is, Maxine, is  
20 that there are availabilities to find this kind of money that  
21 don't necessarily, you know, mean the reserve -- which doesn't  
22 bother me, as you can well imagine -- but also doesn't mean  
23 following the Analyst's recommendation, which does bother me.

24 CHAIRMAN CAMPBELL: Or following the Governor's  
25 recommendation.

26 ASSEMBLYMAN VASCONCELLOS: Except you know, John, that  
27 you can find the money somewhere, but in the place you're going  
28

1 to be looking under the Governor's budget as he's given it to us,  
2 there's a billion-and-a-half dollars missing already. So, to  
3 find it somewhere, it's theoretically possible, but it's more  
4 pain than the pain already. That's the dilemma.

5 ASSEMBLYWOMAN WATERS: The other pain is, Mr. Baker is  
6 not going to agree with you and I and John on any attempt to do  
7 things like you're proposing on the Water Project, or to borrow  
8 money, when we want to do it.

9 ASSEMBLYMAN BURTON: He's going to agree with this one  
10 because he thinks it's a hell of an idea. I mean, you know, why  
11 not deal with saving one life at a time?

12 ASSEMBLYWOMAN WATERS: Well no, he's not; he doesn't.  
13 He's not --

14 ASSEMBLYMAN BURTON: We've got our own responsibility,  
15 regardless of what Mr. Baker did, and why don't we deal with  
16 trying to save one life at a time and do the other stuff?

17 SENATOR ALQUIST: What are we debating, Senator  
18 Campbell.

19 ASSEMBLYMAN BURTON: You know, you and your God damned  
20 speeches.

21 SENATOR ALQUIST: Senator Campbell, would you announce  
22 the vote?

23 CHAIRMAN CAMPBELL: Yes, I will.

24 SENATOR ALQUIST: So we can get out of here?

25 (Discussion off the record between  
26 Assemblypersons Burton and Waters.)

27  
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1 CHAIRMAN CAMPBELL: Ms. Waters, would you care to vote  
2 before you leave? I guess not.

3 The Committee vote is five yes in the Senate, three yes  
4 in the Assembly, but the measure is defeated and we will not  
5 recommend approval of the letter to disburse the \$5.7 million to  
6 San Francisco.

7 ASSEMBLYMAN BAKER: Before you announce this  
8 permanently, who are the other Members of this Committee?

9 CHAIRMAN CAMPBELL: Frazee and a vacancy.

10 SENATOR ALQUIST: Well, I would move for reconsideration  
11 and that you schedule another hearing of this Committee.

12 CHAIRMAN CAMPBELL: All right, we have a motion for  
13 reconsideration. All those in favor say aye.

14 (Ayes.)

15 CHAIRMAN CAMPBELL: Opposed, no.

16 ASSEMBLYMAN VASCONCELLOS: I might suggest to Finance  
17 that if there is some other source of funding that is acceptable  
18 for the next year's money, then I'm willing to vote yes on this  
19 one.

20 CHAIRMAN CAMPBELL: I might suggest to San Francisco,  
21 you understand what our problem is and why we're where we are.

22 All right, thank you all very much. The meeting is  
23 adjourned. Thank you for attending.

24 (Thereupon this hearing of the Joint  
25 Legislative Budget Committee was  
26 adjourned at approximately 5:10 P.M.)

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APPENDIX XI:

TRANSCRIPT of COMMITTEE PUBLIC HEARING  
(MARCH 6, 1989)

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HEARING  
JOINT LEGISLATIVE BUDGET COMMITTEE  
STATE OF CALIFORNIA

"SAN FRANCISCO AIDS HOSPITAL"

STATE CAPITOL  
ROOM 3191  
SACRAMENTO, CALIFORNIA

MONDAY, MARCH 6, 1989  
4:03 P.M.

Reported by:

Evelyn Mizak  
Shorthand Reporter

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APPEARANCES

SENATE MEMBERS PRESENT

- SENATOR WILLIAM CAMPBELL, Chairman
- SENATOR ALFRED ALQUIST
- SENATOR ROBERT G. BEVERLY
- SENATOR BILL GREENE
- SENATOR MILTON MARKS

ASSEMBLY MEMBERS PRESENT

- ASSEMBLYMAN WILLIAM BAKER
- ASSEMBLYMAN JOHN BURTON
- ASSEMBLYMAN ROBERT CAMPBELL
- ASSEMBLYMAN ROBERT FRAZEE

STAFF PRESENT

- TOM BURNS, Staff Director
- GARY W. ADAMS, Principal Consultant
- TERRY PILLSBURY, Committee Secretary



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P R O C E E D I N G S

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3 CHAIRMAN CAMPBELL: Let's go. The meeting will come to  
4 order.

5 Good afternoon and welcome to the second hearing of the  
6 Joint Legislative Budget Committee on the issue of the San  
7 Francisco Multidisciplinary AIDS Research Hospital.

8 With me today are Senators Alquist, Bob Beverly, Marks,  
9 and Assemblypersons Frazee, Baker, Burton and Campbell.

10 The issue before the Committee is the approval of the  
11 notification by the Department of Finance of its intention to  
12 allocate \$5.7 million to the City and County of San Francisco for  
13 the purpose of building a research hospital.

14 Last week we heard testimony from a number of witnesses,  
15 and in the interest of time, I'll briefly restate what was said  
16 last week. You also have before you a background memo put  
17 together for you by staff.

18 First of all, Ms. Hill had two major areas of concern.  
19 First was the fact that the Administration had failed to include  
20 in the budget \$4.8 million necessary to complete the project.  
21 Second, she had identified a number of areas of potential cost  
22 savings.

23 The Committee then turned to Sam Yockey, who is the  
24 Controller for the City and County of San Francisco. When asked  
25 if the City and County of San Francisco would proceed to bid  
26 without a commitment for the remaining \$4.8 million necessary to  
27 complete the project, he responded, "no."

28

1           Finally, the Committee had testimony presented to it by  
2 Ms. Terry Parker with the Department of Finance that the  
3 Department was recommending a change to its budget as introduced.  
4 Specifically, the proposed change would allocate \$4.8 million in  
5 extra savings realized by using extra federal dollars, monies,  
6 available for the Maternal and Child Health block grant funds and  
7 the Pregnant Substance Abuser and Their Substance-Exposed Infants  
8 Program, thereby freeing General Fund monies for the research  
9 hospital.

10           The Committee then had a great amount of discussion on  
11 the issue of whether it was appropriate to reallocate these  
12 federal fund monies as proposed by Finance. A motion was made to  
13 approve the allocation of the \$5.7 million, with the stipulation  
14 that San Francisco would realize a savings in the building  
15 program of \$163,000 for the cantilevered space by having the  
16 University of California, using non-State funds, pay these costs,  
17 and by deleting \$42,000 for the window treatments.

18           The remaining issues raised by the Analyst should be  
19 addressed by the fiscal committees when they review them.

20           The motion to release the funds failed, lacking the  
21 necessary majority in the Assembly.

22           We are back today. We are here only to discuss the  
23 question of approving the allocation of \$5.7 million. I would  
24 hope that we would not spend too much time, if any, discussing  
25 the \$4.8 million, because that issue is simply not before this  
26 Committee for consideration. That is before the budget  
27 committees.

28

1 We've invited back the same witnesses who testified last  
2 week. If any Committee Member wishes to ask additional  
3 questions, the witnesses may be recalled; otherwise, I am open  
4 for a motion on the question of the \$5.7 million.

5 ASSEMBLYMAN BURTON: Move.

6 CHAIRMAN CAMPBELL: Moved by Mr. Burton, seconded by Mr.  
7 Campbell.

8 Any questions? Any discussion?

9 Secretary will call the roll.

10 MR. BURNS: Assemblyman Baker.

11 ASSEMBLYMAN BAKER: Aye.

12 MR. BURNS: Assemblyman Burton.

13 ASSEMBLYMAN BURTON: Yes.

14 MR. BURNS: Assemblyman Campbell.

15 ASSEMBLYMAN CAMPBELL: Aye.

16 MR. BURNS: Assemblyman Frazee.

17 ASSEMBLYMAN FRAZEE: Aye.

18 MR. BURNS: Assemblywoman Waters. Assemblyman  
19 Vasconcellos. Senator Alquist.

20 SENATOR ALQUIST: Aye.

21 MR. BURNS: Senator Beverly.

22 SENATOR BEVERLY: Aye.

23 MR. BURNS: Senator Greene.

24 SENATOR GREENE: Aye.

25 MR. BURNS: Senator Marks.

26 SENATOR MARKS: Aye.

27

28

1 MR. BURNS: Senator Montoya. Senator Petris. Senator  
2 Campbell.

3 CHAIRMAN CAMPBELL: Aye.

4 By unanimous vote the motion carries.

5 Is there any other business before the Committee today?  
6 Hearing none, this meeting is adjourned.

7 ASSEMBLYMAN BAKER: Mr. Chairman.

8 CHAIRMAN CAMPBELL: Excuse me.

9 ASSEMBLYMAN BAKER: Could we recommend to the two budget  
10 committees, since Mr. Yockey also made testimony that he wasn't  
11 going to go to bid or release the money until we took action on  
12 the \$4 million portion of this, could we make recommendations to  
13 the two fiscal committees that they approve the Finance letter,  
14 or would that be getting us in yogurt?

15 CHAIRMAN CAMPBELL: I don't think there's any problem  
16 for us to recommend that some sort of action take place in the  
17 committees to give credence or --

18 ASSEMBLYMAN CAMPBELL: Second that recommendation.

19 CHAIRMAN CAMPBELL: -- or give some sort of support to  
20 Mr. Yockey in his ability to go to bid. But it would be  
21 nonbinding, obviously.

22 ASSEMBLYMAN CAMPBELL: We understand that.

23 CHAIRMAN CAMPBELL: I think that is the sense of the  
24 Committee, and I think we can relay that to the committee  
25 chairmen. Senator Greene is chair here for the subcommittee,  
26 Senator Alquist for the full committee.

27 Who heads the subcommittee --  
28

1 ASSEMBLYMAN BURTON: Terry Friedman. I'll speak for  
2 him.

3 CHAIRMAN CAMPBELL: All right. We'll let all four --

4 ASSEMBLYMAN BURTON: Vasconcellos, I'm not sure if I'll  
5 speak for him.

6 (Laughter.)

7 ASSEMBLYMAN BAKER: You will speak for Maxine Waters,  
8 however.

9 (Laughter.)

10 CHAIRMAN CAMPBELL: I think it is the sense of this  
11 Committee that we support the inclusion of the \$4.8 million into  
12 the budgets as quickly as possible.

13 SENATOR ALQUIST: The question is, where are we going to  
14 get it?

15 CHAIRMAN CAMPBELL: That's up to you, Senator. That's  
16 why the budget committees are meeting, and that's why we have  
17 great faith in the committee process in the California  
18 Legislature, because we know they'll find it.

19 SENATOR ALQUIST: We appreciate your confidence.

20 CHAIRMAN CAMPBELL: I always have confidence in you, Mr.  
21 Chairman.

22 The meeting is adjourned.

23 (Thereupon this meeting of the  
24 Joint Legislative Budget Committee  
25 was adjourned at approximately  
26 4:15 P.M.)

27 --oo0oo--

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