

MEETING
STATE OF CALIFORNIA
CALIFORNIA PERFORMANCE REVIEW COMMISSION
INFRASTRUCTURE PUBLIC HEARING

UNIVERSITY LECTURE HALL
BUILDING 76
UNIVERSITY OF CALIFORNIA, RIVERSIDE
RIVERSIDE, CALIFORNIA

FRIDAY, AUGUST 13, 2004

10:00 A.M.

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

GOVERNOR

Governor Arnold Schwarzenegger

INTRODUCED BY

France Cordova, Chancellor
University of California, Riverside

COMMISSION MEMBERS

Bill Hauck, Co-Chairperson
President, CA Business Roundtable

Joanne Kozberg, Co-Chairperson
Partner, CA Strategies

Jim Brulte, Senator
California State Legislature

Patricia Bates, Assembly Member
California State Legislature

Denise Ducheny, Senator
California State Legislature

Leland Yee, Assembly Member
California State Legislature

Jess "Jay" Benton, Executive Vice President
ABM Industries

Dale Bonner, Partner
Epstein Becker & Green, P.C.

James Canales, President & CEO
The James Irvine Foundation

Mike Carona, Sheriff
Orange County

Patricia Dando, Vice-Mayor
City of San Jose

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES (CONT.)

COMMISSION MEMBERS (CONT.)

David Davenport, Distinguished Professor
Pepperdine University

Joel Fox, President
Small Business Action Committee

Steve Frates, Ph.D.
Claremont-McKenna College

Russ Gould, President
The Gould Group

Irene M. Ibarra, Executive Vice President
The California Endowment

J.J. Jelincic, President
CA State Employees Association

Steve Olsen, Vice Chancellor
Finance & Budget
University of California, Los Angeles

Beverly O'Neill, Mayor
City of Long Beach

Carol Whiteside, President
Great Valley Center

TRANSPORTATION PANEL

Robert L. Balgenorth, President
State Building and Construction Trades Council
of California, AFL-CIO

Mark E. Boitano, Executive Vice President and
Chief Operating Officer
Granite Construction Incorporated

Professor David Dowall, Director
Institute of Urban and Regional Development,
UC Berkeley

Gary Gallegos, Executive Director
SANDAG

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES (CONT.)

TRANSPORTATION PANEL (CONT.)

David Grannis, President
Planning Company Associates, Inc.

Bob Wolf, President
Germania Construction Corporation

HOSPITAL, HOUSING AND SCHOOL CONSTRUCTION PANEL

Terry Bradley, Ed.D., Superintendent
Clovis Unified School District

Duane Dauner, President
California Healthcare Association

G. Allan Kingston, President/CEO
Century Housing Corporation

James P. Previti, Chairman/Chief Executive Officer
The Empire Companies

WATER AND ENERGY PANEL

Joe Canciamilla, Assembly Member
California State Legislature

Steve Hall, President
Association of California Water Agencies

Richard Katz, Consultant
Richard Katz Consulting, Inc.

Jan Smutny-Jones, Executive Director
Independent Energy Producers

Mike Wade, Executive Director
California Farm Coalition

A. Brad Wilkins, Chief Financial Officer
TAMCO Steel

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES (CONT.)

STAFF

Chon Gutierrez, Co-Executive Director
California Performance Review

Joan Borucki, Team Leader
CPR infrastructure Team

Andrew Chong
CPR Infrastructure Team

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

I N D E X

	Page
Welcome France Cordova, Chancellor UC Riverside	29
Opening Remarks Governor Schwarzenegger	33
Call to Order Bill Hauck and Joanne Kozberg Co-Chairpersons California Performance Review	1
CPR Overview Chon Gutierrez Co-Executive Director California Performance Review	6
CPR Infrastructure Recommendations Overview Joan Borucki Team Leader CPR Infrastructure Team (Resumed)	14 37
Transportation Panel Gary Gallegos, Executive Director SANDAG	56
David Grannis, President, Planning Company Associates, Inc.	60
Bob Wolf, President Germania Construction Corporation	66
Mark E. Boitano, Executive Vice President and Chief Operating Officer Granite Construction Incorporated	72
Professor David Dowall, Director Institute of Urban and Regional Development UC Berkeley	76
Robert L. Balgenorth, President State Building and Construction Trades Council of California, AFL-CIO	80

I N D E X (CONT.)

	Page
Lunch	96
Hospital, Housing and School Construction Panel	
Terry Bradley, Ed.D., Superintendent Clovis Unified School District	97
Duane Dauner, President California Healthcare Association	103
James Previti, Chairman/Chief Executive Officer The Empire Companies	106
G. Allan Kingston, president/CEO Century Housing Corporation	112
Water and Energy Panel	
Steve Hall, President Association of California Water Agencies	125
Richard Katz, Consultant Richard Katz Consulting, Inc.	130
Mike Wade, Executive Director California Farm Coalition	134
Joe Canciamilla, Assembly Member California State Legislature	138
Jan Smutny-Jones, Executive Director Independent Energy Producers	142
A. Brad Wilkins, Chief Financial Officer TAMCO Steel	146

I N D E X (CONT.)

	Page
Public Comment	
Doug Parsons, City of Long Beach Marine Bureau	168
D.E. Kessinger	170
Chris Codioli, Pelley	172
Gary McGavin, Architect	175
Russ Lightcap, Engineer	176
Roger Ball, Rick Engineering Co. CELSOC	178
Cheri Campbell Grandmother	181
Raymond Torres, Tribal Chairman Torres-Martinez Desert Cahuilla Indians	182
Marvin Schachter, L.A. County Area Agency on Aging	186
Ken Kramer California State Lifeguard Association	189
Norm Niver Imperial County Planning	191
Pam Touschner American Institute of Architects	193
Susan Hackwood California Council on Science and Technology	
Betty Anderson School Employee	198
Ernest Soczka Consultant	201

I N D E X (CONT.)

	Page
Public Comment (Cont.)	
Teddie Joy Remhild Personal Assistance Services Council	203
Jay Malinowski Colorado River Association	205
Pamela Lee Bailey Shimizu, CEO First Nations Tribal Family Center	208
Terri Dossey	211
Joseph Campbell, A.F.R.A. Grandfather	213
Becky Bailey-Findley Orange County Fair and Exposition Center	216
Doug Lofstrom California Fairs Alliance	219
Ray Bizal, NFPA	222
George Ell, Retired Executive Manager Operations Facilities ITT Gulfland	225
Gene Waggoner, CSEA	228
Adjournment	230
Certificate of Reporter	231

1 P R O C E E D I N G S

2 COMMISSION CO-CHAIRPERSON HAUCK: Can you hear me
3 out there? All right, ladies and gentlemen, we're going to
4 get started.

5 My name is Bill Hauck. Along with Joanne Kozberg,
6 I'm the co-chair of this Commission.

7 We appreciate your all being here this morning.
8 We know it's because you came to see us. Isn't that the
9 case? Oh, absolutely.

10 Just a quick reminder, please, if you have cell
11 phones and pages, please turn them off. That also goes for
12 members of the Commission, by the way.

13 I want to introduce Joanne Kozberg, the Co-Chair
14 of the Commission.

15 COMMISSION CO-CHAIRPERSON KOZBERG: Well, I'm very
16 pleased to add my welcome to all of you. And while we are
17 waiting for the Governor to arrive, if we could ask all of
18 the Commission members to do a very brief self introduction,
19 three-sentence. And I'm going to start with the extreme
20 left. Nothing intended.

21 (Laughter.)

22 COMMISSIONER LEE: I've been busy being a lobby
23 over here on this side, that's why. My name's Leland Yee,
24 I'm Speaker Pro Tem of the California State Assembly.

25 COMMISSIONER WHITESIDE: And I'm Carol Whiteside,

1 I'm the President of the Great Valley Center, in the Central
2 Valley.

3 COMMISSIONER O'NEILL: I'm Beverly O'Neill, Mayor
4 of Long Beach, California.

5 COMMISSIONER OLSEN: I'm Steve Olsen, I'm Vice
6 Chancellor for Finance and Budget at UCLA.

7 COMMISSIONER JELINCIC: I'm J.J. Jelincic, I'm
8 President of the California State Employees Association, and
9 my state job is I'm an investment officer with PERS. And I
10 think I'm to the left of Leland.

11 (Laughter.)

12 COMMISSIONER IBARRA: Good morning. I'm
13 Irene Ibarra, I'm the Executive Vice President of the
14 California Endowment.

15 COMMISSIONER GOULD: I'm Russ Gould, I'm President
16 of the Gould Group.

17 COMMISSIONER FRATES: Steve Frates, Senior Fellow
18 at the Rhodes Institute of State and Local Government.

19 COMMISSIONER FOX: My name's Joel Fox, I currently
20 serve as President of the Small Business Action Committee.
21 And as someone once said, I have a long rap sheet in this
22 business, so I should tell you I also served as President of
23 the Howard Jarvis Taxpayers Association and was on the
24 Governor's campaign team, where part of my responsibility
25 was starting the project that ended up with this long

1 volume.

2 And I want to compliment the team for putting
3 together such a great, great project.

4 COMMISSIONER DAVENPORT: I'm David Davenport,
5 Professor of Public Policy at Pepperdine University and a
6 Research Fellow at the Hoover Institution at Stanford.

7 COMMISSIONER DANDO: Good morning. I'm
8 Pat Dando, Vice Mayor of the City of San Jose, and it's a
9 pleasure to be a part of this Commission.

10 COMMISSIONER CARONA: I'm Mike Carona, I'm the
11 Sheriff of Orange County, California.

12 COMMISSIONER CANALES: Jim Canales, the President
13 of the James Irvine Foundation.

14 COMMISSIONER BRULTE: Senator Jim Brulte, I
15 represent the Inland Empire in the State Senate.

16 COMMISSIONER BONNER: Dale Bonner, I'm a private
17 attorney in Los Angeles, and member of the City Ethics
18 Commission.

19 COMMISSIONER BENTON: I'm Jay Benton, retiring
20 Chief Operating Officer, currently Executive Vice President,
21 ABM Industries.

22 COMMISSIONER BATES: Good morning, I'm Pat Bates.
23 I'm representing the 73rd Assembly District, which is South
24 Orange County and North San Diego.

25 COMMISSIONER DUCHENY: I'm State Senator

1 Denise Moreno Ducheny. I represent all of Imperial County,
2 and eastern portions of Riverside County, and Southern San
3 Diego County.

4 COMMISSION CO-CHAIRPERSON HAUCK: Now, you can
5 come from the far right to the middle.

6 Again, we appreciate your all being here.

7 (Interruption from audience.)

8 COMMISSION CO-CHAIRPERSON HAUCK: Sir, you'll have
9 time to make a statement during the public hearing portion.
10 We have public testimony set aside. We have a process that
11 we're going to follow so we're going to proceed.

12 And at the point at which the Governor arrives,
13 why, we'll interrupt wherever we are in the program and
14 obviously permit him to make some opening remarks.

15 Just a brief background, in February of this year
16 the Governor asked Billy Hamilton and Chon Gutierrez to form
17 a team of seasoned state government veterans to
18 comprehensively review state government functions,
19 operations, and structure.

20 Over the past several months Billy and Chon
21 assembled 275 of the state's most insightful employees to
22 fulfill the Governor's directive.

23 The team interviewed over 1,800 subject matter
24 experts from around the world, government employees from the
25 local, state, and federal level, and California citizens

1 from up and down the state.

2 They assessed the opportunities and ultimately
3 came up with over 1,100 recommendations that they presented
4 to the Governor.

5 We're now in the next phase of this process,
6 forming a government for the people.

7 The Governor has asked this Commission to gather
8 testimony and other ideas from throughout the state, to make
9 certain that we can best meet California's needs.

10 Throughout the next two months the Commission will
11 be holding a series of hearings, up and down the state, to
12 gather the thoughts of Californians on the proposal
13 presented in the CPR project.

14 We want to hear your ideas and opinions to make
15 government better.

16 With that, I want to ask Chon Gutierrez to begin
17 by giving us an overview and a background of how he, and
18 Billy Hamilton, and others went about this task, and then
19 we'll proceed from there.

20 Chon Gutierrez is a career state executive, a
21 person that the people of California can be very proud of.
22 He worked very hard on this project. Chon.

23 CO-EXECUTIVE DIRECTOR GUTIERREZ: Thank you.
24 Thank you, Mr. Chairman, Madame Co-Chair, members.

25 My name is Chon Gutierrez, I am currently the

1 Director of the Department of Motor Vehicles, and I am the
2 Co-Executive Officer of the California Performance Review
3 effort.

4 As you know, the genesis for the CPR was an
5 Executive Order, signed by Governor Schwarzenegger, creating
6 both the CPR and creating you, the Commission of the CPR.

7 Our responsibility was to do a top to bottom
8 review of government to look for ways of making it more
9 efficient and more responsive to the people that we serve.

10 Our initial focus or initial vision in dealing
11 with the CPR -- could you let me know if the mike goes?

12 COMMISSION CO-CHAIRPERSON KOZBERG: Can you hear
13 in the back?

14 (Audience feedback.)

15 COMMISSION CO-CHAIRPERSON KOZBERG: Chon, you may
16 need to use both mikes in case one of them isn't working.

17 CO-EXECUTIVE DIRECTOR GUTIERREZ: All right, is it
18 any better in the back?

19 (Audience feedback.)

20 CO-EXECUTIVE DIRECTOR GUTIERREZ: Thank you.

21 We have a presentation that I'm going to go
22 through very quickly. I know you have a very full schedule,
23 I want to be responsive to your schedule. I do want to give
24 you a little overview of how and who produced this document,
25 and what our findings were.

1 We started off with a vision. We believe that we
2 can cut the cost of government. We believe we can make it
3 more efficient. We believe that we can improve the services
4 that the State of California provides to its citizens. We
5 believe that we can manage the taxpayers' dollars better and
6 that we can manage government in a more strategic fashion,
7 that is to say set long-term goals and objectives and move
8 towards accomplishing them.

9 We believe that technology is a critical tool that
10 can make government more efficient and improve the delivery
11 of services.

12 And with that in mind, we took two focuses. The
13 first focus was to focus on the way government delivers its
14 programs and services to the people.

15 We believe it could be done more efficiently, so
16 we focused on that area, looked for new ideas on how to
17 deliver programs more efficiently.

18 The second area is California government, the
19 structure of California government that involves 11
20 agencies, 79 departments, and around 340 boards and
21 commissions.

22 We looked at that organizational structure to try
23 to find a way to make it leaner, to make it more responsive,
24 to make it more efficient.

25 The Governor gave us the authority to do this

1 review through his Executive Order, but we went through the
2 codes looking for different authorities that give us that
3 same kind of opportunity to review government.

4 And we found that the Government Code provides an
5 excellent description of what should be done periodically,
6 and that's in the section that's up there, that really says
7 that the Governor -- this was signed by Pat Brown and -- I
8 can get closer to the mike, thank you, Madame Chair.

9 This is a statute signed by Pat Brown, authored by
10 Howard Way, of the Central Valley, that basically says the
11 Governor is responsible for periodically reviewing how
12 government works and making recommendations to the
13 Legislature through something that we call the Little Hoover
14 Commission process.

15 And we looked at it to find more ways to make
16 government more effective, to reduce expenditures, to
17 increase efficiency, to group, consolidate, and coordinate
18 agencies to make them more responsive, to reduce the number
19 of agencies by consolidating them, having similar functions
20 under a single head, and to eliminate overlapping and
21 duplication.

22 So those were the goals and the authority that we
23 used to look at state government and its organization.

24 How did we do this? We assembled 14 teams. The
25 Governor put out an e-mail, he did a press release. We

1 followed up and contacted as many state employees as humanly
2 possible, and invited them to be part of this historic
3 reform effort.

4 We had about 1,500 resumes that were submitted.
5 I, personally, went through every one of them, produced a
6 subset of potential candidates and had the team members
7 interview them.

8 The resultant team of 275 employees had a
9 cumulative experience with state government of some 3,700
10 years of service. The average state employee had 18 years
11 of service. They were seasoned people that know the system
12 and would hit the ground running.

13 We then asked Billy Hamilton, who has had 12
14 different experiences in CPRs, nine of them in Texas, one at
15 the national level, and two as a consultant to other states,
16 to join us, to bring his methodology and bring his
17 experience to guide us through the process.

18 The 14 teams were separated into seven teams that
19 had functional focus. That is to say they looked at Health
20 and Human Services as one area of focus.

21 We had seven teams that did a horizontal review of
22 government. Information technology, for example. At the
23 State of California, the priority for technology has been
24 sort of on hold for the last several years, primarily since
25 the Y2K experience. We looked to see how that would help

1 across, in a horizontal fashion, throughout government.

2 The perspective that we brought to government, and
3 I already talked a little bit to the organizational side of
4 it, is number one, how can we improve services to the
5 customer?

6 The organization chart is the best vehicle for
7 determining the efficiency of an organization, so we looked
8 first to make sure that we were providing important services
9 to the customers. That we were responsive to the customers,
10 responsive to change. That we reduced or eliminated, if at
11 all possible, duplication. Greater accountability in a flat
12 organization chart that could communicate directly to the
13 Governor.

14 In the areas of issues, where we were looking for
15 greater efficiency, again we put people first. Customer
16 service was the underlying theme that we used. Improvement
17 of the delivery of services, do it in an efficient way so
18 that tax dollars are optimized.

19 Be creative and innovative. Do things better,
20 don't just rely on doing things because that's the way we've
21 always done it.

22 And we should be performance driven, that we
23 should have a reason for coming to work in terms of
24 accomplishing a specific objective, rather than putting in
25 our eight hours.

1 This was an extraordinarily open process. I
2 really want to make that point. We had contacts with over
3 10,000 Californians.

4 We did it in the form of 800 numbers, where people
5 called in and left their observations, their
6 recommendations, their suggestions.

7 We had a webpage, where we invited Californians to
8 give us their ideas, to give us their thoughts.

9 We went out to members of the Legislature. We
10 went out to the caucuses in the Legislature.

11 We went out to organizations that represent
12 Californians, asked them to give us their thoughts, their
13 ideas.

14 We went to the Little Hoover Commission. We went
15 to the Legislative Analyst's office. We went everywhere
16 where there is a tradition of examining how government works
17 and how to improve the performance of government.

18 We kept track of every one of them. That's why
19 today we can tell you that we had 10,000. We wanted to make
20 sure that if there ever was a question about who we were
21 talking to, we kept the list.

22 We did an extensive analysis of all of these
23 different ideas that we got. And for ease and for
24 practicality, we tried to reduce it down to a manageable
25 document.

1 I know some of you will say, my God, this document
2 in front of us is manageable? It is. It reflects 2,500
3 ideas, some 1,300 recommendations.

4 It has the potential of saving as much as \$31
5 billion, all funds, over the course of five years, if all of
6 the recommendations were implemented, based upon our fiscal
7 assumptions.

8 You will find in there a number of recommendations
9 that we put in could not be estimated, simply because we did
10 not want to take a chance of putting together numbers that
11 would not be supported by a subsequent review. So we tried
12 to be as conservative as possible.

13 Our commitment was to find a way to make
14 government more efficient, to respond to the challenge of
15 the Governor. The 275 men and women that constituted this
16 effort are very, very proud of what they've accomplished.
17 It reflects their experience, it reflects their vision for a
18 more efficient and effective government.

19 And we certainly look forward to this process that
20 you're engaging in today, to get input from the people.
21 Because I think that is a critical component that needs to
22 happen.

23 We are confident that we are leaving this document
24 not in good hands, but in excellent hands. We stand willing
25 and able to assist you in any way that we can.

1 We are no longer the 275 people that we were once,
2 we are a much smaller cadre, and we are here to support you
3 however we can.

4 Thank you very much.

5 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

6 (Applause.)

7 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
8 Chon.

9 Any questions of members of the Commission?

10 Okay, we'll proceed here. Our first panel is on
11 infrastructure and the recommendations related to the
12 state's infrastructure.

13 And to begin that, the CPR Team Leader, Joan
14 Borucki, is going to describe for you all the
15 recommendations and the rationale that the CPR team
16 developed to make those recommendations. Joan.

17 COMMISSION CO-CHAIRPERSON KOZBERG: Joan, if we
18 could proceed with your remarks, but then we will break if
19 the Governor should come in.

20 TEAM LEADER BORUCKI: Good morning. As
21 Commissioner Hauck mentioned, I'm representing, I was the
22 Team Leader for the infrastructure focus team of CPR.

23 I had a great team of staff from throughout state
24 government, some I had met previously and some I had never
25 met, and I hope to remain in contact with. They were all

1 very good people.

2 The presentation I'm going to put you through
3 today will, hopefully, give you some idea of what's in the
4 chapter four or volume four, as well as walk you through the
5 organization proposal and the form-follows-function
6 document.

7 To begin with, let me tell you a little bit about
8 how we defined infrastructure, so that you know what I'm
9 talking about as we go through here.

10 Infrastructure was very broadly defined for the
11 team, and it included transportation, it included housing,
12 it included buildings and construction, it included energy,
13 it included water, it included telecommunications. It also
14 included the state's entire assets portfolio and the
15 management of that assets portfolio.

16 So we had a very broad mission for only having 15
17 members on the team.

18 On the reorganization, let's start there with the
19 organizational proposal that was included in volume two, the
20 form follows function.

21 Here, what we were trying to do was make
22 government make sense, and to align our state programs by
23 function, but yet maintain identities of those key programs.

24 The citizens of California should not have to
25 figure out how to coordinate state government in order to

1 get their services. It should be very open, it should be
2 very accountable, and it should be very intuitive.

3 When we started looking at the existing structure
4 in California, of infrastructure, and who actually is in
5 charge of infrastructure, we actually saw this. The yellow
6 boxes are the highlights of the agencies that have some say
7 in all those pieces of infrastructure.

8 And I would note that there are a lot of boxes
9 that are not on that chart, that still make up those 32 very
10 varied, very disparate, separate agencies that all have a
11 say in infrastructure.

12 Infrastructure investment is not a coherent
13 process. The needs assessment is inadequate in some areas
14 of infrastructure and in some areas it's done very well.
15 There are not clearly defined programmatic goals for
16 infrastructure.

17 Infrastructure is not something that you just
18 decide to do and it's done within a year. It's a long-term
19 program, it needs a long-term commitment, it needs a long-
20 term vision.

21 There's also no statewide priority criteria,
22 either singly between each of the stovepipes of
23 infrastructure, or across the body of the infrastructure
24 programs. And of course, the lack of stable funding.

25 Our recommendation was to take all these various

1 functions and decision making processes, and combine them
2 into a single infrastructure department that would look more
3 like this.

4 And it's probably really difficult to read that
5 fuzzy slide in the back of the room.

6 But the concept here was to take a lot of the
7 administrative duplication, the inefficiencies and
8 inconsistencies in processes and house them together,
9 eliminate that duplication.

10 We wanted to look at managing our infrastructure
11 assets to maximize the investment, spend resources on
12 delivering infrastructure rather than on overhead.

13 And we wanted this process to be open and
14 accountable to the people.

15 Let me just, for those who are in the back of the
16 room and can't really see what's up here on the slide, walk
17 you quickly through the concept here.

18 There would be a Secretary of the Infrastructure
19 department. The Secretary's office would be where you would
20 consolidate the majority of your administrative and staff
21 functions.

22 There would also be a separate Infrastructure
23 Finance Office, as well as the Research and Development.

24 The planning, the programming, and the evaluation
25 office would be consolidated for all of infrastructure

1 within the Secretary's office.

2 And then we would continue to have the California
3 Housing Finance Authority, that's what you see on the right
4 side of the screen, reporting to the Secretary's office.

5 On the left side of the screen, at the top, you
6 see the California Infrastructure Authority. And this is a
7 nine member Authority, appointed by the Governor, with the
8 concurrence of the Senate, that basically would provide the
9 public deliberative process that needs to happen in the
10 infrastructure area.

11 We take a lot of the functions that now reside
12 places, like the California Transportation Commission, the
13 Building Standards Commission, the State Lands Commission,
14 just to name a few, and those are now housed within this
15 Infrastructure Authority, as well as the Energy Commission
16 is another one. And those are now housed within the
17 Infrastructure Authority.

18 The doing part of infrastructure, the line
19 operations, are what you see down below the Secretary's
20 office. And that would be headed up by an Undersecretary
21 for each of those what we now call divisions.

22 And what we did is we took divisions for
23 telecommunication, a division for energy, consolidated all
24 of the various 13, or 9, or 12, depending on how you count
25 them, places that now deal with energy, and put them now in

1 one place in the Energy Division.

2 We also combined the housing, the buildings, and
3 the construction together into one division.

4 We have a Division of Transportation. It looks
5 somewhat like the California Department of Transportation,
6 but they'd lose some functions to the Secretary's office,
7 such as their planning and financing issues.

8 We also have the Division of Boating and Waterways
9 as a stand-alone.

10 And then we combine some functions, and pull out
11 of what is the existing Department of Water Resources, into
12 the Water Division.

13 Infrastructure is probably unique from the others
14 that you're going to hear, because whereas some of the other
15 organizational proposals where we were able to pick up and
16 take whole departments, infrastructure very much is taking
17 bits and pieces that are scattered throughout existing state
18 government right now, and consolidating them, and trying to
19 make sense of them into one place.

20 This organization also allows, for the first time,
21 the state to start joining their planning for all this
22 different infrastructure, along with the planning guidance
23 that we send down to the city and counties.

24 The Office of Planning and Research functions, for
25 General Plan guidelines, would now be housed in the

1 Planning, Programming, and Evaluation office.

2 That's the organization proposal. Let's move onto
3 the issues.

4 COMMISSION CO-CHAIRPERSON HAUCK: Joan, before you
5 do that --

6 TEAM LEADER BORUCKI: Sure.

7 COMMISSION CO-CHAIRPERSON HAUCK: -- can you talk
8 a little bit more about the Infrastructure Authority and how
9 it -- how would it be composed? You said nine members, with
10 the Secretary chairing.

11 Is it the nine Undersecretaries or is it nine
12 separate people. And, more specifically, what were you
13 envisioning the function of the Authority to be?

14 TEAM LEADER BORUCKI: The Infrastructure Authority
15 would be nine members, who are appointed by the Governor.
16 Eight members, who are appointed by the Governor. The Chair
17 of the Infrastructure Authority is proposed to be the
18 Secretary of the Infrastructure Department.

19 So the members would come from at large, and they
20 would also represent the various functions within the
21 Infrastructure Department, as well as having some kind of
22 expertise, either in financing, or some of the other more
23 cross-cutting issues that the Infrastructure Authority would
24 have to deal with.

25 COMMISSION CO-CHAIRPERSON HAUCK: Would they be

1 state employees or would they not be?

2 TEAM LEADER BORUCKI: No, they would not be state
3 employees. They would be much like what we do today with
4 appointments to boards and commissions.

5 The Infrastructure Authority basically --

6 COMMISSIONER DUCHENY: Excuse me, I'm sorry. Let
7 me just -- a couple questions in that regard then. So is it
8 your envision that they would be full time employees, like
9 the State Water Resources Control Board is, currently, or
10 more like the CTC is, currently?

11 TEAM LEADER BORUCKI: We did not specifically
12 include a recommendation in there and that would be one of
13 the details that would have to be worked through, about
14 whether or not these would be full time, paid commissioners,
15 much like the Integrated Waste Management Board is.

16 Or would they be like the California
17 Transportation Commission, where they are not full time.
18 Although I would argue that those commissioners spend a lot
19 of time on that commission and are only paid a per diem.

20 COMMISSIONER DUCHENY: I guess the question is
21 partly, too, if you think about it, I mean these are just
22 all things for all of us to think about in the long run, but
23 just nine people trying to have expertise in seven or eight
24 major areas of importance. I mean, the CTC focuses on the
25 stip. Is it your sense that this Commission, then, would be

1 the only public hearing commission, so it would have to do
2 the stip?

3 TEAM LEADER BORUCKI: This Commission, this
4 Authority, the Infrastructure Authority would take over the
5 functions of the Energy Commission, or the Transportation
6 Commission, or the Building Standards Commission.

7 So the public hearing, public participation
8 process would be before the Infrastructure Authority. They
9 would be the ones doing the allocations of revenues, making
10 decisions on transmission and power facility siting. That
11 would be the public deliberative.

12 COMMISSIONER DUCHENY: But to have nine people
13 that would know both energy, and transportation, and water
14 is sort of a -- I mean, that's a long stretch.

15 One other question, and then I'll let it go for a
16 moment. But just back to the process question, when you
17 said the team and the people that participated in proposing
18 this, was that only state employees or did it include
19 environmental interest groups, I don't know, people that
20 might have had an interest in some of these things,
21 transportation people throughout the state? I mean, did
22 your team include anybody that were not state employees?

23 TEAM LEADER BORUCKI: All of the CPR team members
24 were state employees, who had volunteered, and they
25 identified which they wanted to be on.

1 Having said that, though, the diversity that I had
2 on my infrastructure team was very interesting. I had
3 employees from the Department of Food and Ag. I had
4 employees from the California Department of Transportation.
5 I had employees from General Services. We bounced all over
6 state government with the employees and their backgrounds.

7 COMMISSIONER DUCHENY: But you didn't have public
8 sector participation? There was nobody that wasn't a state
9 employee that might have --

10 TEAM LEADER BORUCKI: That's right, they were all
11 state employees.

12 COMMISSIONER DUCHENY: -- the kind of people that
13 appear before all the commissions that you were talking
14 about, on a weekly basis?

15 TEAM LEADER BORUCKI: We had all state employees.
16 I don't know what other kind of private, personal
17 affiliations they had but --

18 COMMISSIONER DUCHENY: No, I just meant the kind
19 of people that like appear before those commissions.

20 COMMISSION CO-CHAIRPERSON KOZBERG: Chon, did you
21 want to respond?

22 CO-EXECUTIVE DIRECTOR GUTIERREZ: Madame Chair,
23 yes. Just the one very small comment. We used the CPR, the
24 performance review methodology that Billy Hamilton had used
25 in 12 other states.

1 That methodology involved selecting a group of
2 state employees and having them go through a deliberative
3 research effort, looking at works that other people have
4 done, considering academic work, and then applying that to a
5 particular problem or to a recommendation, and then we write
6 it up and give it to the Governor.

7 The public hearing process that one would expect
8 for that process is what you're doing here, today. So we
9 had no members, other than state employees, and people that
10 submitted written material, 10,000 people that we
11 communicated with. But we had no public members in this
12 process.

13 COMMISSION CO-CHAIRPERSON KOZBERG: Are there any
14 other questions of the Commission members on the proposed
15 Infrastructure Department? Though I will remind you that we
16 will be having a separate session on the organization, and
17 also we'll be hearing from the panelists on their opinions
18 of some of the organization, as well as the issues.

19 COMMISSIONER LEE: Madame Chair?

20 COMMISSION CO-CHAIRPERSON KOZBERG: Yes.

21 COMMISSIONER LEE: If I can ask a question, just
22 on the Authority. Is the intention to allow the Authority
23 to issue bonds, and is the intention that the Authority
24 would then, upon the receipt of bond money, determine the
25 expenditures of those dollars? Exactly how would that

1 Authority be structured relative to funding of projects?

2 TEAM LEADER BORUCKI: The Authority doesn't take
3 on any new authority, other than what's in current state
4 law. So for instance, in the area of transportation you
5 would still follow the same, what we call the SB 45 process,
6 for programming of transportation dollars.

7 And what they would do now is take on the
8 functions that now reside in the California Transportation
9 Commission.

10 That's true for the others, that there would be
11 other commissions and boards that they would be assuming.
12 There's no change in existing relationships proposed.

13 What this is, is just a reorganization at the
14 state level of the various responsibilities, and functions,
15 and activities.

16 COMMISSIONER LEE: So in reality, this Authority
17 would substitute the California Transportation Commission?

18 TEAM LEADER BORUCKI: That's right. As well as
19 the Building Standards Commission, the California Energy
20 Commission, and others.

21 COMMISSIONER LEE: So that it would not assume any
22 more authority, let's say just in the area of the
23 transportation arena, that this Authority would not assume
24 any more authority than the CTC?

25 TEAM LEADER BORUCKI: That's right.

1 COMMISSIONER LEE: Thank you.

2 COMMISSIONER WHITESIDE: Just a question of
3 clarification. Would you explain, again, where the planning
4 function resides?

5 TEAM LEADER BORUCKI: Yes. And if I knew how to
6 go backwards in the slides, I'd bring it back up.

7 But what there is now is there's now created a
8 Planning, Programming and Evaluation Office in the
9 Infrastructure Department. And what we've done there is
10 housed there all of the planning functions from the
11 different stovepipes within infrastructure, as well as
12 taking over the functions that currently reside in the
13 Governor's Office of Planning and Research.

14 And so now it's all housed within one Office of
15 Planning, Programming and Evaluation.

16 That's not to say that there still wouldn't be
17 individual plans for each of those areas, but there would
18 also now be the ability to pull those plans together and to
19 have one statewide vision, as well as coordinate it with the
20 locals and regionals General Plan process.

21 COMMISSIONER WHITESIDE: So, I'm sorry, where is
22 it in the structure?

23 TEAM LEADER BORUCKI: If you'll look up to the
24 right-hand side, off of the infrastructure.

25 COMMISSIONER WHITESIDE: Okay, got it. Okay,

1 sorry.

2 COMMISSION CO-CHAIRPERSON HAUCK: Go ahead, Joan,
3 I think -- go ahead and finish your --

4 COMMISSION CO-CHAIRPERSON KOZBERG: We're ready to
5 move to issues.

6 TEAM LEADER BORUCKI: You're ready to move to
7 issues, okay.

8 Issues. Of course, revenues in the transportation
9 area is a big issue right now. Has been and probably will
10 be. And they aren't keeping up with demand for
11 transportation improvements, and that's whether we're
12 talking about new capital, new construction, or whether
13 we're talking about rehabilitation and maintenance. And
14 that's at all levels of government.

15 We also are seeing declining federal funds for our
16 state transportation projects. And the maintenance of our
17 infrastructure, in particular our transportation, is being
18 delayed, which is only going to add to the cost in the long
19 run.

20 We are seeing increasing congestion. We are
21 seeing declining funding. And the cost and time to deliver
22 transportation projects is not going down.

23 And we also saw no emphasis at looking at life
24 cycle cost when we are deciding on new capital construction.

25 The recommendations that we came up with are wide

1 and varied. We have a number of recommendations dealing
2 with funding and developing alternative sources for funding
3 transportation projects.

4 Some of those are increased use of some bonding
5 programs as well as loan programs. We also are urging that
6 as time progresses here, and our vehicle fleet starts to
7 change, we need to start thinking about a different way of
8 raising revenue for transportation, other than the
9 traditional gas tax.

10 Eventually, we'll get to a point where perhaps our
11 vehicle fleet will change out, gas tax will now be no longer
12 relevant, nor a substantial source of income for
13 transportation. That is what we have traditionally relied
14 on.

15 We highlighted a pilot project that Oregon is
16 going to be working on, that would look at charging fees for
17 vehicle miles driven, rather than a tax on gas. And we were
18 suggesting that we need to start studying and looking at
19 those different options, now. Not necessarily implementing
20 them now.

21 We also would like to see more flexibility in
22 delivery of transportation improvements. We have a lot of
23 emphasis in this report about how to change project
24 management within the Department of Transportation, a
25 greater emphasis on that.

1 As well as implementing some different project
2 delivery tools, such as design-build, design-build-operate,
3 allow for some private partnerships out there on road
4 building, lowering bonding requirements, and going to
5 performance-based specifications and warranties, rather than
6 the current, long-standing practice of what we call recipe
7 specifications, where they have to tell a contractor
8 everything, every little thing that they're going to do and
9 use.

10 In the area of housing, of course we all know the
11 story here in this state, high prices, low affordability.
12 We're not keeping up with the demand for affordable housing
13 and it's going to get worse.

14 We also have a situation where we have poor
15 coordination among our agencies for different agencies that
16 are primarily responsible for housing in the state, that
17 function with 32 some different separate programs for
18 affordable housing.

19 And each of those require a separate application
20 process, each of those 32 programs.

21 If you talk to the developers in the housing
22 industry, in order to put a package together for an
23 affordable housing development, they have to go to several
24 of those to put together a financing package. That adds
25 time, that adds costs that go into overhead, rather than

1 going into the affordable housing.

2 There are also conflicting statewide priorities
3 and strategy in the housing area, that often get in the way
4 of each other and add to this complication of the fragmented
5 application.

6 COMMISSION CO-CHAIRPERSON HAUCK: Should we pause?

7 COMMISSION CO-CHAIRPERSON KOZBERG: Yeah. We're
8 going to pause for a moment. And if we could have the
9 Chancellor of UC Riverside, France Cordova, who I believe
10 has just greeted the Governor.

11 (Applause.)

12 CHANCELLOR CORDOVA: Good morning, esteemed
13 commissioners, panelists, and guests.

14 I'm France Cordova, Chancellor of the University
15 of California at Riverside.

16 On behalf of the campus and the entire UC system,
17 I want to welcome you here today. We're delighted to be
18 chosen as the site of the first hearing on the report
19 generated by the California Performance Review.

20 As a public and, therefore, nonpartisan
21 institution, committed to serving the people of California,
22 we feel that the selection of UCR as a venue for these
23 discussions is highly appropriate.

24 I would like to acknowledge the co-chairs of the
25 Commission, whom you've met, Joanne Kozberg, who is also a

1 Regent of the University of California and a great friend to
2 UCR, and William Hauck, who serves as a Trustee of the Cal
3 State System. Thank you both for your leadership to this
4 very important effort.

5 I also want to extend a special welcome to each of
6 the Commissioners who is here with us today, particularly
7 Senators Jim Brulte and Denise Ducheny, who have represented
8 our region so well, and Assembly Members Leland Yee and Pat
9 Bates.

10 Finally, I'd like to recognize several of our
11 local Assembly Members, John Benoit, Russ Bogh, Bob Dutton,
12 and John Longville, and the mayors and city council members
13 who are in the audience today.

14 Every institution, indeed every one of us, must
15 occasionally step back and take stock. Are we doing things
16 as efficiently as we can? Are we meeting our goals? Are
17 those goals still timely and appropriately focused?

18 Just as the California Performance Review is
19 asking those questions of state government, UCR and indeed
20 the entire UC system is asking those questions.

21 We've initiated, also, a strategic planning
22 process to help us examine our short- and long-term goals
23 and how effectively we are meeting them. We, too, must be
24 responsive.

25 The Inland Empire, comprising 17 percent of

1 California's geography and 10 percent of its population,
2 seeks to improve healthcare delivery, environmentally
3 sustainable growth, high technology jobs, and a full
4 spectrum of educational and cultural opportunities.

5 UC Riverside is responding to those needs by
6 launching initiatives in genomics, health sciences,
7 environmental sciences, digital arts, and management, and
8 policy.

9 All are in partnership with companies, regional
10 government, private and public foundations and institutions.
11 With Riverside City and County, we've built a 39-acre
12 University Research Park, home to enterprising start-ups,
13 including those of our own faculty members.

14 And UC Riverside's reach extends well beyond our
15 region. Our research in outreach programs provide vital
16 support to California's \$27 billion agricultural industry.

17 Our faculty have established international
18 reputations in nanotechnology, computer science, and
19 bioengineering.

20 Our highly diverse student body, drawn from all
21 over the state, has the chance to conduct hands-on research
22 alongside our faculty, working on issues relevant to today's
23 hearing, transportation systems for the future, alternative
24 fuels, clean and renewable energy sources, and water quality
25 policy and economics.

1 Our scientists have conducted pioneering research
2 into the development of hydrogen-fueled internal combustion
3 engines.

4 Research on the technology and infrastructure for
5 water conservation and recycling is critical to meeting
6 future water needs for the state.

7 Today's hearing, as you've already been introduced
8 to, will focus on how the state has organized itself to
9 respond to these issues.

10 As the review process unfolds, I hope the
11 Commission will keep in mind the valuable resource provided
12 by UC Riverside and the entire University of California
13 System.

14 And now it is my privilege to introduce your
15 Governor, Arnold Schwarzenegger, who first created the
16 California Performance Review in February of this year.

17 The Governor, in initiating this process, has
18 caused all of us to more carefully examine how we do
19 business.

20 Governor, you are holding the state and
21 institutions, such as the University of California,
22 accountable to the people we serve.

23 I personally want to thank you for both your
24 commitment to excellence and your support of higher
25 education. I welcome you to UC Riverside and I hope you,

1 and the Commissioners, have a productive and informative
2 hearing.

3 (Standing applause.)

4 GOVERNOR SCHWARZENEGGER: Thank you very much.
5 Thank you for the wonderful introduction.

6 I want to thank the Chancellor, France Cordova,
7 for having us here at Riverside, at UC Riverside, to open up
8 these facilities, which are spectacular. It's always nice
9 to come down here to Riverside, I love this area. It's the
10 best place around California, I can tell you that. That's,
11 at least, what Jim Brulte tells me.

12 (Applause.)

13 GOVERNOR SCHWARZENEGGER: So it's nice to be here.

14 Anyway, in my state-of-the-state address I
15 promised to shake up government and to get rid of all the
16 waste and inefficiency, and to make government smarter,
17 faster, and a better servant to the people.

18 Today, with our first California Performance
19 Review public hearing, we are making a great step towards
20 that goal. This report is a top to bottom look, and may I
21 remind you that hasn't been done in decades, at how to
22 improve our government, its performance, its practice, and
23 how to make it more efficient, and how to lower its costs.

24 And it is already -- it is already paying off.

25 (Interruption from audience.)

1 GOVERNOR SCHWARZENEGGER: Well, this is, as you
2 can see, this is a report and something that we do that
3 shakes up government so much that the special interests are
4 very much against it. So we know that, it was expected.

5 Anyway, this report is already paying off.

6 (Applause.)

7 GOVERNOR SCHWARZENEGGER: See, I'm used to this.

8 (Laughter.)

9 GOVERNOR SCHWARZENEGGER: Even when I was a body
10 builder there were some people screaming, "you're too big."

11 (Laughter.)

12 GOVERNOR SCHWARZENEGGER: Anyway, it's already
13 paying off. And in June I announced the CPR plan to improve
14 state purchasing, which will save our taxpayers hundreds of
15 millions of dollars every year.

16 And CPR is helping the state identify surplus
17 properties that it owns.

18 The next step in our process is to get full public
19 review of the entire CPR, of all the ideas. I appointed
20 this CPR Commission, co-chaired by William Hauck and Joanne
21 Kozberg, to conduct hearings around the state to go directly
22 to the people and to hear your ideas.

23 I want to hear directly from you. I am asking
24 every citizen on how we can make your government be a better
25 servant to you. I want everyone to know that we will listen

1 to your ideas. You don't have to be a Sacramento insider to
2 have your voice be heard.

3 We are listening, we are listening right here
4 today.

5 This is a very important part for me because
6 government serves you, not the other way around. And you
7 deserve a say on how your state government functions.

8 This is the greatest virtue of this entire effort,
9 it is the partnership between the people and the government
10 that we will strengthen and restore as we work to give
11 California the best government in the country.

12 You know that California needs many reforms, from
13 energy reform, prison reform, government reform, education
14 reform, and the list goes on, and on, and on.

15 And it's going to be tough work, but together
16 we're going to meet all of those challenges and much more.

17 We cannot just chip away at the edges of our
18 state's problems. Sometimes a surgeon has to cut in order
19 to save the patient.

20 Ninety-four years ago, when Governor Hiram Johnson
21 came into office, the people were getting run over by the
22 special interests. Government was failing the people.
23 Johnson did not tell them that change was impossible. He
24 did not look inside the Capitol for the answers. He did not
25 call on the lobbyists, and the special interests, and the

1 union bosses to help him save the problems. No, he went
2 directly to the people.

3 He gave them the initiative process. He gave them
4 the referendum. He gave them the recall. And he basically
5 gave the power and the control of government back to the
6 people.

7 Ninety-four years later we will do exactly the
8 same. With this report, with the recommendations, and with
9 your input we can fundamentally restructure and reorganize
10 the way our state operates.

11 We will make every use of the CPR to create an
12 efficient, responsive government, a 21st century government
13 for the future of California.

14 And now, I will turn these hearings over to
15 William Hauck and to Joanne Kozberg. And most importantly,
16 turn these hearings over to you, to get your ideas before
17 the final proposals come back to me.

18 I want to thank you all in advance for your
19 creative inputs. Thank you very much for being here today.
20 Thank you.

21 (Standing applause.)

22 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Joan.

23 COMMISSION CO-CHAIRPERSON KOZBERG: Tough act to
24 follow, Joan.

25 COMMISSION CO-CHAIRPERSON HAUCK: Joan, wait just

1 a second.

2 Okay, let's resume, Joan. Maybe you can back up
3 just a couple of steps to get everybody back in gear here.

4 TEAM LEADER BORUCKI: All right. We were in the
5 middle of talking about housing.

6 COMMISSION CO-CHAIRPERSON HAUCK: Why don't you
7 start again with housing.

8 TEAM LEADER BORUCKI: And so let's start. Our
9 issues with housing, basic issues, too many different
10 applications, too little affordable housing in the state.
11 Not enough emphasis on what we're doing about it or what we
12 are doing about it doesn't seem to be doing the job, or in
13 some cases may be getting in the way.

14 We have 30 separate housing programs that are
15 aimed at multi-family, or affordable housing in the state,
16 that are administered by four different agencies in the
17 state, separate application processes for every one of those
18 programs.

19 Different goals and requirements of each of those
20 applications, as well.

21 Having looked at all that, and talked to a lot of
22 different housing advocates throughout the state, as well as
23 regional and local government, our recommendations are we
24 need a one-stop application, we need one application for all
25 of those programs.

1 The state could create a state Lending Task Force,
2 you could call it something else, but to have one place in
3 the state to go to get access to those state loan programs.

4 We'd also like to see expansion of the housing
5 element self-certification that is going on in San Diego
6 right now, and less of continually coming to Sacramento for
7 permission, and let's push some of those decisions back down
8 for self-certification purposes.

9 We'd also like to see housing linked with the
10 other statewide infrastructure goals. We have several
11 recommendations in our planning issue papers to link up our
12 infrastructure goals across all the different stovepipes
13 within infrastructure, housing being one of those.

14 We also would like to see the use of some new
15 affordable housing models, such as real estate investment
16 trust models, to promote multi-family and affordable housing
17 in the state.

18 This is done in at least 40 other states across
19 the country, it's done very successfully. There's several
20 different private, nonprofit organizations -- or I shouldn't
21 say nonprofit, private organizations who do very well with
22 this for a small investment on the part of states.

23 The next area is hospital construction issues.
24 And as you all know, we have a mandate on our hospitals to
25 get them seismically retrofitted. There's a tremendous

1 project backlog that exists right now in getting those plans
2 and specifications for repairs of the hospitals backlog, to
3 the point that the current review process in Sacramento is
4 taking up to two years. That's unacceptable.

5 Our recommendations include reducing the review
6 time to 90 days. We'd also like to see some new review
7 standards added. Right now it seems to change with each set
8 of plans that are submitted to the state for review.

9 We'd also like to see a greater use of -- trying
10 to staff up to take care of the backlog probably isn't the
11 most efficient way to do it. Let's get some other people in
12 the state certified, capable of doing it, and rely on some
13 consultant reviewers as well.

14 And then over the long term we need to go in and
15 we need to do a very specific process review in this area,
16 of what this function is entailing and taking care of.

17 In the area of school construction, I spared you,
18 but it is included in the report, several flow charts that
19 talk about the process that school districts and their
20 consultants have to go through to get school site approval
21 and their funding.

22 I thought my staff was joking with me when they
23 brought me the flow chart, and then I noticed on the
24 footnote that it really was an established process that
25 carried over for two pages.

1 It's cumbersome, there's too many people that can
2 say no and not enough people that can say yes. Anywhere
3 between 4 to 40 agencies that have a say in this process.
4 And many times it is not go, and they all get it at once,
5 it's a consecutive process. If you screw up anywhere along
6 the way, you go back to go again with your plans.

7 This, of course, delays much needed school
8 construction around the state and it increases the cost.

9 On the other hand, it has established a great
10 small business opportunity in the state for, if you can get
11 these plans through, any school district will then use you
12 to get in line ahead of everybody else. So there is an
13 upside.

14 Our recommendations are primarily to get out of
15 the second-guessing business in Sacramento. We'd like to
16 see the consolidation of the school site facility and
17 financial approvals.

18 We would also like to see someone begin to look at
19 switching to a student-based funding allocation for capital
20 construction in the school programs, instead of the way it
21 is done today.

22 We would also like to see some better building
23 standards for our schools. Right now our emphasis is on
24 more schools, get them done, get them faster, but we're not
25 thinking through the building standards for those schools

1 and they have a lot to do with the quality of education that
2 our children receive in those schools. Not to mention
3 health and safety, as well.

4 We also had a recommendation, it's not on the
5 screen here, that we don't really know the state of repair
6 of the school facilities around the state. There is no
7 inventory anywhere, where we can go in.

8 A lot of this, a lot of the recommendations, have
9 to do with new school construction, but we also need to be
10 looking at the life cycle cost of that new school
11 construction and we need to be looking at the maintenance
12 and rehabilitation of our existing schools that are out
13 there as well, because we need the full package in the area
14 of schools.

15 And we have some recommendations in here that deal
16 with developing an inventory so we know what our state of
17 our school facilities are and where and what our needs are
18 for the future.

19 In the area of water, just to begin with that's
20 fractured. Our water policy and planning is fractured in
21 the state. We do not have good emphasis on maintaining and
22 operating our State Water Project, nor have we established
23 good performance measures for that project or for CALFED, as
24 well.

25 And although we've passed a lot of different bonds

1 in this state that address some of our water issues, they're
2 really not going for -- the emphasis in those has not really
3 been for some of the areas that we would like to see them
4 emphasized, or in maintenance of levies or repairs of levies
5 being one of them.

6 Our recommendations in this area are to update and
7 integrate the California Water Plan. We'd like to see some
8 emphasis on regional water planning. Again, there's a lot
9 that can be done at the regional level in all of our
10 planning for infrastructure, across all of the different
11 stovepipes within infrastructure.

12 And we also were recommending that we look at some
13 other operational and maintenance models for the State Water
14 Project in this state, including use of perhaps a Joint
15 Powers Authority, or some contracting with the state water
16 contractors for the maintenance of some of the facilities.

17 There are some cases where there's portions of the
18 State Water Project and there's only one water contract that
19 we're dealing with, and those may be opportunities to do
20 something different.

21 In the area of energy, again I sound like a broken
22 record. Fragmented, dispersed, regulation and policy
23 development across many different agencies.

24 The approval authority for power generation
25 facilities and transmission line permitting and planning is

1 separated, it's not coordinated.

2 We, of course, are dealing with the high energy
3 costs. We're also dealing with the supply of energy in this
4 state and the inadequate energy investment that has been put
5 into both maintaining and rehabilitating our existing
6 facilities, as well as any additional facilities that we
7 need.

8 We're also concerned about the conservation
9 program and the performance of the conservation program, and
10 is that money getting us anywhere at this point?

11 And then we also think that the state needs to
12 start addressing the transportation fuel market. And it's
13 limited, it's not very healthy, and we need to start coming
14 up with some alternatives.

15 Our recommendations. We would like to see one-
16 stop permitting. We would like to see the transmission line
17 permitting and planning housed together with the power
18 facilities within one energy division. That would mean
19 taking some of that from the current California Public
20 Utilities Commission and housing it together either with the
21 California Energy Commission, using their current process
22 that they use for power generation facilities, for
23 transmission line citing, or whoever the successor of the
24 California Energy Commission is.

25 We would also like to see some improvements and

1 some performance measures laid out for the public goods
2 charge, which is primarily where we get a lot of our funding
3 for our conservation programs in the state.

4 And we would also like to see some of that money
5 established for a loan program in a type of a revolving
6 account that would continue to be replenished, and would go
7 out and focus on specific higher need projects, than just
8 the energy rebates and types of programs that are used now.

9 We had recommendations in there, one of the issues
10 was statewide energy policy and planning, and there's some
11 recommendations in there to follow the Cal ISO needs
12 determinations.

13 And we also specifically addressed the need to
14 develop a fuels strategy in this state and to look at other
15 alternatives, whether you're looking at biomass, whether
16 you're looking at hydrogen highways. But we do need to move
17 on with that.

18 Bottom line, we had 38 issues, separate issues on
19 here, 126 recommendations included in those 38 issues.
20 \$3.32 billion in savings over the five years, most of which
21 get plowed back into infrastructure because of the special
22 fund nature of most of those programs. So although there's
23 savings, we'd like to see those not go for more overhead,
24 but to go out into program.

25 And I would also point out that the issues and

1 recommendations in here were developed separate, or
2 independent, so that they could stand alone whether
3 organization or changes to organization went through.

4 Some of the issues and recommendations, though, do
5 address a need for change in organization in order to get
6 the effectiveness and efficiencies that we want to see here.

7 The organization proposal just strengthens the
8 recommendations contained in the issues. With that --

9 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Joan,
10 thank you. Senator Brulte.

11 COMMISSIONER BRULTE: Thank you. Actually, I was
12 most impressed with this concept because there is no
13 advocate with infrastructure that speaks with a
14 comprehensive voice, so I think this is one of the best
15 recommendations in the report.

16 And particularly in a term-limited environment in
17 the Legislature, where you have politicians who want
18 immediate gratification, the idea of having an agency that
19 looks at the long-term needs of California, helps plan, and
20 advocate, and speaks with one voice is critical.

21 I have a couple of questions, though, for you
22 specifically, and then Chon, one for you for every program
23 area and I don't need the answer today for that, but I do
24 need it ultimately.

25 There are a couple of areas that some people

1 consider infrastructure that are not a component part of
2 this. For example, you don't address state parks, at least
3 within the model that I've seen. You don't address state
4 prisons.

5 So could you enunciate for us the areas you left
6 out of this, that might be considered infrastructure and why
7 they were left out of this particular agency or are they
8 contained in the construction block, but not specifically
9 enumerated?

10 TEAM LEADER BORUCKI: Actually, a very good
11 question, it gives me an opportunity to explain that
12 housing, buildings, and construction area.

13 We specifically are dealing with more of the
14 manmade assets of the state and what we create. The land
15 management side and the natural resources side you'll hear
16 about later, when we talk about resources, and land
17 management, and the other areas.

18 And so under that particular issue parks and
19 recreation would not be included as infrastructure in here.

20 However, the recommendation is in the
21 organizational proposal under the buildings, and
22 construction, and housing division, that as the department
23 that would be responsible for the state's assets and the
24 portfolio management of that, and also setting building
25 standards.

1 That we would impact areas like prisons, and other
2 infrastructure in the state, by setting performance
3 standards and setting some goals that those other areas
4 would have to follow without actually having to do it for
5 them, as is currently right now. Like the Department of
6 General Services would go out and do things for other
7 departments.

8 COMMISSIONER BRULTE: I understand that and GSA
9 manages the state parks. But you create the California
10 Infrastructure Authority?

11 TEAM LEADER BORUCKI: Yes.

12 COMMISSIONER BRULTE: And the purchase of state
13 parks -- not the management of state parks, but the purchase
14 of state parks is, in fact, infrastructure under most
15 concepts. So you separate the purchase of them out?

16 TEAM LEADER BORUCKI: Yes, we did. We separated
17 out the purchase of those and I believe they still go to the
18 Wild Life Conservation Board. I'd have to double check on
19 that, though.

20 COMMISSIONER BRULTE: Okay.

21 TEAM LEADER BORUCKI: But the other types of
22 purchases and other functions of the Public Works Board
23 would be part of the Infrastructure Authority.

24 COMMISSIONER BRULTE: Okay. Second question, and
25 I don't need a specific answer to this but, Chon, I'd like

1 to have it across all the program areas. You've asserted
2 that there's 32 billion in savings over five years, 11 in
3 the General Fund, and I think that's probably about
4 accurate.

5 I'd like to have you, at some point, enumerate for
6 me in writing, out of that 32 and 11 how much of that is as
7 a result of a fee increase that somebody else pays, that
8 offsets what the state's paying, how much of that is a cost
9 shift to another government entity, so we can get a clear
10 picture of that.

11 If somebody else ends up paying more money to the
12 state, we really don't get a savings, what we do is take
13 money from someone else and use it for an offsetting line
14 item. That doesn't save anybody any money, it actually
15 costs us more. We just get to claim a savings there.

16 So rather than go through the 126 recommendations
17 and the 3.32 in savings over five years for infrastructure,
18 I'd like to have that across every program area, if I could,
19 prior to the conclusion of whatever report we're going to
20 present to the Governor.

21 CO-EXECUTIVE DIRECTOR GUTIERREZ: Mr. Chair,
22 Madame Chair, we will provide that to you and then you can
23 distribute it to your membership, and we'll do that right
24 away.

25 COMMISSION CO-CHAIRPERSON HAUCK: Okay. Joel?

1 COMMISSIONER FOX: Thank you, Mr. Chairman. Just
2 a couple of questions. In process, when you put forward the
3 idea that we should study or look at the idea of a tax or
4 fee on miles driven, in the process did you look at
5 different revenue raising ideas and you thought this was the
6 best one to present to the Commission and to the people of
7 California? I'm curious how that came about.

8 Also, on that particular issue, is that in
9 addition to the current taxes we're paying or a substitute
10 for them?

11 And my final question, if I could put it out and
12 just as a broader one, I've seen studies and polls over the
13 years that the term "infrastructure" is not a familiar term
14 to the general public. Since you're seeking clarity, so
15 that the people can understand how the government does
16 business, is an infrastructure commission the best term to
17 use or is there another way we can tell the people what
18 we're about?

19 TEAM LEADER BORUCKI: We're open to suggestions on
20 the infrastructure title. Actually, our fear was that it
21 would be California Infrastructure Authority or CIA, so
22 we've tried to stay away from that.

23 (Laughter.)

24 TEAM LEADER BORUCKI: And we had the same problem
25 with the California Infrastructure Department, or CID. So

1 we're open to suggestions on that.

2 The vehicle miles driven tax or fee is actually in
3 lieu of your gas taxes, and that's the way Oregon is
4 proposing it, also.

5 The reason why that was highlighted and emphasized
6 in the report is because that's about to go on the ground
7 and be operational.

8 Actually, the National Transportation Research
9 Board is in the middle of a major study effort to look at
10 alternatives to gas and diesel taxes, and that won't be out
11 for another year.

12 And so we're looking forward to that report to see
13 what comes out from the best and the brightest thinkers
14 around the country about what other alternatives do we have.

15 And we just highlighted that one because it was
16 close to operational, as far as a test case goes in Oregon.

17 COMMISSIONER FOX: Okay, thanks.

18 COMMISSIONER CARONA: Mr. Chairman, just a point
19 of clarification, not a point of debate, but I think
20 guidance from you. When I looked at the recommendations
21 that were put forward, I saw them as exemplary, not
22 exhaustive.

23 And so there were recommendations that were made,
24 for example under infrastructure, where you were talking
25 about fares, and the best and highest use of property, or

1 chunks of property in San Diego that belong to the state and
2 the highest and best use.

3 And my sense is that the question that was asked
4 by Senator Brulte is a great question because we have prison
5 sites that may not be the highest and best use, and then
6 there are other places where we may want construction or
7 parks, and the same debate may need to take place.

8 And so my question, Mr. Chairman, I think for
9 guidance for us, are we to assume that these are all the
10 recommendations that would come forward or once the
11 structure's in place that we would hope that this new
12 structure would then allow for input for additional things
13 to come on their radar screen?

14 COMMISSION CO-CHAIRPERSON HAUCK: The latter.

15 COMMISSIONER CARONA: Okay, sir.

16 COMMISSION CO-CHAIRPERSON HAUCK: Pat?

17 COMMISSIONER DANDO: Thank you, Mr. Chair. One
18 comment and a question. First of all, let me say that with
19 the restructure I was very pleased to see that local control
20 with individual cities and towns will be considered,
21 especially when it comes to land use and general plan. I
22 think that's a great direction.

23 And then a question. You had mentioned looking at
24 new models for affordable housing, and you mentioned several
25 states. Could you give an example of one or two states that

1 we might be able to further review for our own information?

2 TEAM LEADER BORUCKI: Yes, I can. If you go
3 to -- it's actually detailed in infrastructure issue number
4 21. And there's a very prominent one in New York State,
5 called the Community Development Trust, that has done
6 excellent work and has done a lot to increase the stock of
7 affordable housing in that state.

8 And then another one would be AIMCO, A-I-M-C-O,
9 and they actually operate in several different states, and
10 in almost 40 states, actually, since 1999.

11 COMMISSIONER DANDO: Great. Thank you.

12 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Russ?

13 COMMISSIONER GOULD: Thank you, Mr. Chairman.
14 First, to Joan and Chon, thank you for the clarity of the
15 presentation this morning, it's extremely helpful.

16 One issue that I'm curious as to how you've
17 addressed is the demand for infrastructure, both new and
18 repair of existing infrastructure in California, has
19 historically outstripped the capacity to finance that, and
20 so there has to be a process of selecting where is the
21 highest priority and determining who's going to do that.

22 But also there's the question about where is the
23 state's responsibility and where are local communities
24 really responsible for the infrastructure in their
25 communities.

1 Did you look at the question of how to determine
2 and what process there would be to delineate between where
3 is local and where is state responsibility? It is, at best,
4 muddled currently.

5 TEAM LEADER BORUCKI: We looked at that in terms
6 of the planning effort and what the state does or does not
7 bring to the table in the area of planning, versus what
8 cities, counties, and regional agencies bring to the table
9 in terms of planning. And so you'll see two or three issue
10 papers in there where we discussed the need for that being
11 coordinated, not just across state agencies, but also
12 horizontally down through to the city level.

13 We did not specifically focus on changing existing
14 relationships or trying to draw that line in the sand that
15 says this is state and this is someone else's, and mainly
16 just lack of time to get into such a very large issue.

17 COMMISSION CO-CHAIRPERSON HAUCK: Okay. One more,
18 Denise, and then we're going to move on, folks.

19 COMMISSIONER DUCHENY: Only a brief follow up on
20 Senator Brulte's question. When you think about, is it the
21 notion that this Department of Building Construction and
22 such would do -- you mentioned an inventory for schools,
23 maintenance and whatever -- would that department be
24 charged, also, with doing the same thing for prisons, for
25 state buildings? And would they then take that

1 responsibility that now may be DGS or prison in terms of the
2 actual construction management, and how do you see that?

3 TEAM LEADER BORUCKI: They actually take on the
4 responsibility for all of the state buildings, whether
5 leased or owned.

6 As far as the prisons go, what they would be doing
7 is setting the standards and the guidelines that we would
8 expect Department of Corrections and the agency, or whatever
9 their successor is, to be following and doing the inventory,
10 and then providing it so that we have one statewide
11 inventory.

12 COMMISSION CO-CHAIRPERSON HAUCK: Okay. Joan,
13 thank you. And I'd echo Russ's comments, we appreciate the
14 thinking and all of the work, because it was a lot of work.

15 We're going to go beyond this now, and
16 specifically into a major aspect of the state's
17 infrastructure, and that is transportation. And we've
18 assembled and invited a panel to speak to that issue.

19 And I'm going to ask the panelists to come
20 forward, please.

21 Okay, is everybody there? Since this lectern's in
22 front of me -- we're going to take care of that at the
23 break.

24 Let me ask each panelist just to introduce himself
25 quickly and then let's start with Bob, and we'll move down

1 in that direction.

2 PANEL MEMBER BALGENORTH: Is this my microphone?

3 Yeah.

4 COMMISSION CO-CHAIRPERSON HAUCK: Yes.

5 PANEL MEMBER BALGENORTH: I'm Bob Balgenorth. I'm

6 President of the State Building and Construction Trades

7 Council, a union representative. Not a labor boss.

8 And I'd like to ask the Governor to consider

9 respecting workers in the state and not being derogatory in

10 his public comments about the elected representative of

11 workers.

12 (Applause.)

13 PANEL MEMBER DOWALL: My name's David Dowall. I'm

14 the Director of the Institute of Urban and Regional

15 Development at UC Berkeley.

16 PANEL MEMBER BOITANO: Good morning. I'm Mark

17 Boitano and I'm a contractor. I'm Executive Vice President

18 and Chief Operating Officer for Granite Construction,

19 Incorporated.

20 PANEL MEMBER WOLF: Good morning. I'm Bob Wolf, a

21 local developer here in the area, former member of the CTC,

22 former Undersecretary for Transportation for the state.

23 PANEL MEMBER GRANNIS: Good morning. My name's

24 David Grannis, I own a small business, Planning Company

25 Associates, and we work on strategic transportation policy

1 and implementation.

2 PANEL MEMBER GALLEGOS: Good morning. My name's
3 Gary Gallegos, I'm the Executive Director for the San Diego
4 Association of Governments, also known as SANDAG. And prior
5 to that I spent close to 20 years working for CALTRANS, the
6 California Department of Transportation.

7 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
8 gentlemen. Gary, I'm going to ask you to start. I want to
9 remind everyone that we're asking you to do five minutes
10 each, and no more. Those big lights over there are going to
11 give you a good indication of when you're coming to the end
12 of your allotted time. We need to stay on scheduled here as
13 much as possible.

14 So Gary, thank you for being here and take it
15 away.

16 PANEL MEMBER GALLEGOS: Thank you, Mr. Chairman.
17 And I used to time those, so I will respect the lights that
18 you have there.

19 So Commissioners, thank you for this opportunity
20 to participate in this very important effort. I think we've
21 handed a package out and if you have it, I'm going to be
22 relying on some pictures, because I think pictures sometimes
23 tell a better story.

24 But first, let me start by commending the
25 California Performance Review team for their broad review

1 and recommendations to reform government programs and
2 operations. While you've covered some 38 areas in the area
3 of infrastructure, and some 126 recommendations, given our
4 short time I would like to focus my testimony in the area of
5 revenues for transportation.

6 In San Diego, like many other regions across the
7 state, we're really at a crossroads. Our region is
8 continuing to grow, our economy is strong and prospering,
9 but our infrastructure is not keeping pace.

10 Ask San Diegans what they think is the major
11 issues facing them today and most will tell you that it's
12 population growth and traffic congestion.

13 With a population of just under 3 million today in
14 San Diego, we project that overall population to grow to 4
15 million within the next 20 years.

16 But as we look back at several decades in terms of
17 how we've made transportation investments, we can see that
18 they have not kept pace with the demand.

19 And I would direct your attention to the first
20 chart, that I call attachment A. In the early 1980s the San
21 Diego region was investing about \$120 million per year in
22 transportation infrastructure.

23 By the mid-eighties we had seen that investment
24 fall to just under \$60 million per year. And in the
25 nineties we saw it fall to just over \$20 million per year.

1 During this same time, looking at attachment B, we
2 saw our population in the San Diego region grow by some 60
3 percent, and employment increase by 96 percent, and the
4 vehicle miles traveled on our transportation system by 128
5 percent.

6 Obviously, growing demands, coupled with
7 decreasing revenues, is really not a model for success. At
8 the root of the problem, I believe, is how we pay for
9 transportation.

10 While the gas tax has been a major source of
11 funding for transportation, this per-gallon tax cannot keep
12 pace with the demand that we see today.

13 Additionally, we cannot keep robbing Peter to pay
14 Paul. Limited transportation revenues continue to be used
15 for other purposes. These issues are well documented in
16 your California Performance Review report. And we concur
17 that without revenue sources tied to actual system usage,
18 revenues will never be sufficient to meet the demands for
19 improving our transportation system.

20 At the very least, we should be looking at
21 indexing the gas tax to keep its buying power constant.

22 But as we look at these revenues, we should also
23 not forget what's happening at the local level, and what we
24 call the self-help counties.

25 In the late 1980s, with transportation revenues

1 declining, several counties around the State of California
2 passed sales tax measures to help fund specific
3 transportation projects. San Diego was one of these self-
4 help counties. In 1987 the voters of San Diego approved a
5 one-half percent sales tax dedicated to specific
6 transportation projects in the San Diego region, covering a
7 20-year period.

8 This measure has generated over \$3 billion of
9 additional transportation investment for the San Diego
10 region and today represents about half of the transportation
11 revenues for highways that we have in our region.

12 But the bad news is that this measure is set to
13 expire in 2008. And we, in San Diego, plan to go back to
14 the voters this November to get that measure extended for
15 another 40 years. If we're successful at doing this, we
16 would generate an additional \$14 billion.

17 This additional funding is critical for the
18 transportation system in San Diego and when coupled with the
19 state and federal funds will help us keep an edge on traffic
20 congestion.

21 And you know, this gives me an opportunity to talk
22 a little bit about our approach in San Diego of doing what I
23 call "wow projects," or what we call wow projects. Wow
24 meaning wow, they started, wow meaning wow, they work, and
25 wow meaning, wow, they're finished. We've been too

1 incremental in our approach.

2 And so let me conclude by saying that this is
3 really an opportunity for us to really think big in
4 transportation and be looking at big corridors, instead of
5 our incremental approach of chasing a problem and having
6 that problem move to other areas.

7 Thank you, Mr. Chairman.

8 COMMISSION CO-CHAIRPERSON HAUCK: Thank you, Gary.
9 Dave.

10 PANEL MEMBER GRANNIS: Mr. Chairman, members of
11 the Commission, thank you very much. I'd like to thank
12 Governor Schwarzenegger for his leadership in this very
13 necessary and massive undertaking to make California more
14 competitive, more responsive, and more efficient. I'm very
15 honored to be a participant in this panel.

16 I think it's important that we really look at the
17 statement of the situation of transportation in California.
18 It's no secret that transportation's on life support in
19 California. We find ourselves short on cash, bereft of
20 project delivery, and unloved by the federal keepers of our
21 transportation trust funds.

22 We've been here before, Commissioners, and we'll
23 be here again unless we change.

24 Our system of transportation funding is inherently
25 flawed in terms of ever-declining value for our dollar. Our

1 project delivery system ensures ongoing budget busting and
2 stifles the creative ingenuity that defines our California
3 history.

4 In these two areas, funding and project delivery,
5 I wish to focus my remarks.

6 Transportation infrastructure is the structural
7 key to a strong economy and a liveable environment.

8 Unfortunately, oftentimes budget demands position roads
9 versus kids, that's a no-brainer.

10 What was a gift of foresight and sacrifice by our
11 parents and grandparents, the best transportation system in
12 the country, is going to be a burden to our children, a
13 crumbling system with no stable source of funding and a lack
14 of vision for the needs of the 21st century.

15 My wife and I are in the process of adopting a
16 child and this is not a legacy I wish to leave to my baby.

17 CPR contains excellent recommendations that are
18 consistent with public policy, financing, construction,
19 experts' recommendations. Our key for success is a vision
20 for the future.

21 Our transportation, maintenance, and mobility
22 needs tally up to \$125 billion in today's dollars. Our
23 financial ability, even in the best of times, don't come
24 close to matching that need.

25 Many of the recommendations are positive steps for

1 change, but as a context we might want to think bigger. Do
2 these proposals give us a 21st century goods and people
3 movement system? Do the proposals support our economy and
4 environment? Do the proposals improve safety?

5 As we look to change together, this is the context
6 within which CPR should be executed.

7 SB 45, led by the gentleman to my left, Bob Wolf,
8 recognized that locals and regions were best suited to
9 establish priorities in partnership with the state. This
10 partnership is an essential element to our future success
11 and needs to be built upon as part of CPR's implementation.

12 To this point, were it not for a strong
13 partnership between the CTC and regional agencies, virtually
14 no state transportation projects would be under construction
15 today. Let's recognize the value of that partnership
16 between the state and local governments.

17 Now, a quick reality check in terms of the
18 recommendations of CPR. Transportation funding has lost \$5
19 billion over the last three years. Nothing from Proposition
20 42 has gone to transportation. The federal government will
21 not and doesn't intend to bail us out.

22 The state gas tax, as you heard, is worth less
23 every year. In fact, it's worth about 13 cents of the 18
24 cents that was in effect in 1994.

25 And our only funding growth, as Mr. Gallegos

1 indicated, is in local measures or self-help.

2 However, it's my view that these realities set up
3 a perfect storm for change for positive outcomes.

4 What to do? In terms of the CPR recommendations,
5 stabilizing revenues is a top priority. First of all, the
6 recommendation in chapter 4, item 15, to firewall
7 Proposition 42 is strongly applauded and I urge its quick
8 adoption.

9 Secondly, not to be repetitive, but as
10 Mr. Gallegos said, at least on a transitional basis why not
11 California do what many other states already do and keep up
12 with inflation, index the gas tax.

13 With respect to CPR's recommendations for the
14 infrastructure bank and leveraging of our funds, that's an
15 essential element that we have not taken advantage of in
16 California. Many other places do. The State of Texas,
17 notably. And we could benefit greatly from leveraging our
18 dollars.

19 The recommendations for user fees and tolling. My
20 only comment is that we might want to look more at our
21 Golden State corridors, our corridors of goods movement. We
22 have a gem of an example, a national model in California,
23 called the Alameda corridor, that demonstrates California's
24 ingenuity and pioneering spirit. It should be a California
25 model for goods movement delivery.

1 In addition, to the recommendations on user fees
2 and tolling, I might suggest that, as other states have
3 done, let's establish a California mobility fund, whereby
4 the revenues thrown off from some of these opportunities get
5 reinvested in the transportation system on a regular
6 leverage basis.

7 Finally, I'd like to conclude by indicating that
8 funding is very important but, in my humble opinion, it's
9 meaningless without a complete overhaul of our
10 infrastructure delivery system.

11 The recommendation in CPR item one, in chapter
12 four, proposes a suite of contracting methods to improve
13 delivery. All I can say is amen.

14 Few projects in the funding pipeline are delivered
15 on time or on budget, and very few have been delivered ahead
16 of time or under budget. We do have two examples, the
17 Alameda corridor and the Pasadena light rail line. Both
18 were done through a JPA as a construction authority.

19 Let me call on this Commission to expand the
20 recommendations in CPR with regard to project delivery to
21 focus more on regional mobility authorities. This is what
22 Virginia and Texas are doing. It is essentially recognizing
23 that fundamental partnership between local government and
24 state government, and it's giving the local governments the
25 authority to go get the job done.

1 So in summary, I'd like to just say, with respect
2 to funding, the recommendations in CPR are excellent. I
3 think there's a few other things that could be done.
4 Firewalling Prop. 42 is a good start, a statement of faith
5 and trust with the voters.

6 Leveraging revenue through the state
7 infrastructure bank, to me, is a critical element that we
8 need to take better advantage of. And the toll and user fee
9 revenues that are proposed should also apply equally to
10 goods movement.

11 But most importantly, regional mobile -- or mobile
12 authorities, excuse me, give local and regional government
13 the opportunity and the ability to go and build these
14 systems more efficiently, more quickly, and more
15 effectively.

16 Thank you very much.

17 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
18 Dave. Bob.

19 PANEL MEMBER WOLF: Well, Mr. Chairman and Madame
20 Chairperson, and distinguished Commission members, I am
21 delighted and honored to invited here today to visit with
22 you on a subject that has truly become a passion in my life,
23 and that's transportation. Obviously, with my distinguished
24 colleagues, I'm more than honored.

25 California's economy and the lifestyle of its

1 citizens are greatly dependent upon a high level of
2 mobility. Without adequate transportation infrastructure
3 businesses cannot get their goods to market and commuters
4 spend endless hours in traffic.

5 Governor Schwarzenegger's stated goal of bringing
6 businesses back to California and improving the environment
7 for businesses that are already here cannot be attained
8 without addressing the transportation infrastructure and its
9 regulatory environment.

10 The CPR effort has highlighted the need for
11 reform. However, no amount of reform can overcome the
12 physical challenges of a transportation infrastructure in
13 great need of enhancement and repair. I would challenge you
14 all to drive Highway 5 from here to Northern California.

15 To maintain our existing system and to expand it,
16 and to meet the needs of our vibrant society, and those that
17 are yet to come, requires great amounts of money. We can
18 either raise additional dollars and spend them the way we
19 have been spending them or we can try to streamline and
20 reform the process to get more bang from the existing buck.

21 It is on this latter approach that I focus my
22 brief comments today. I came with an assumption that my
23 colleagues would speak to funding, and I find that that's
24 going to be true right through.

25 During past administrations transportation

1 financing reform was instituted with the blueprint in the
2 1980s, in SB 45, during the Wilson administration. Although
3 the scope of these reforms was and is limited by the
4 practicalities of government, they did much to generate
5 additional funding through the blueprint and much
6 empowerment of local decision makers through SB 45. Empower
7 the people, hold them accountable, secret to our success.

8 What was not done and what must be accomplished to
9 maximize the taxpayers investment in infrastructure, and to
10 deliver the much-needed transportation projects in a much
11 more timely manner, is to reform the methodology currently
12 employed to deliver transportation projects in California.

13 These reforms, that I just described, place much
14 of the decision making, and rightly so, in the hands of the
15 local official. The key to project delivery is partnership
16 with the locals, as my good friends pointed out and,
17 frankly, government at the lowest possibly competent level
18 is the most efficient government. I find it hard to make an
19 argument against that.

20 The overarching goal was and is to provide
21 empowerment, with its corresponding responsibility, to local
22 government.

23 Project selection, one of the cornerstones of
24 empowerment has, to some great degree, been compromised
25 through the PSR process. The CPR report insightfully points

1 out that the Department has regained some leverage over
2 local project selection and local decision making by
3 manipulating, and in a loving sense I use the word, the PSR
4 process.

5 Currently, a project must have a PSR completed to
6 be programmed in the stip. With the Department controlling
7 the money available for the completion of PSRs and assigning
8 the work internally, they're able to some great degree to
9 determine which projects get programmed and which projects
10 gets constructed.

11 This leads me to my first specific recommendation.
12 I would suggest that each region, as a part of their
13 allocation under SB 45, be able to "program" some of their
14 own money into a fund for a completion of PSRs within their
15 own specific region. They would then be free to contract
16 for the work or even contract back with the Department,
17 should they wish.

18 This would expand the amount of money, this would
19 expand the amount of people working on it, this would
20 deliver projects quicker.

21 This reform would allow the regions to complete
22 their priorities, within their planning timelines, in
23 concert with the overarching goals of the state. By
24 distributing the task and allowing for flexibility, the
25 resources can be compounded.

1 Within the theme of empowerment, as my second
2 point today, I'd like to address the project management
3 approach to project delivery.

4 Again, the CPR report describes the challenges,
5 and quite adequately, associated with having a
6 fractionalized approach to project delivery, with each
7 discipline within the Department performing only their
8 specific task.

9 Ladies and gentlemen, what we get is very akin to
10 that Johnny Cash song of the 1950s, where he worked in a
11 Cadillac factory and every year stole a part and finally,
12 when he retired, he owned a 1952, '53, '54, '55, '56
13 Cadillac, because there was no holistic approach. We do it
14 piecemeal and sometimes the animal we create was not the
15 animal we designed.

16 Project management in the 21st century requires
17 that a project manager be empowered to see a project through
18 from conception to completion and have the responsibilities
19 and authorities necessary to make that happen.

20 My anecdotal observations with the department is
21 where it has been attempted people have not been truly
22 empowered, have not been given the adequate resources and,
23 therefore, are unable to take the authority to get things
24 done.

25 I would suggest, as my second specific

1 recommendation, a new approach to project management where
2 project managers are given the resources and the authorities
3 they require to make a success out of the process.

4 My third point today focuses on the talented
5 people of CALTRANS. And Madame Chairperson, Mr. Chairman, I
6 focus on those things that can happen today. We don't need
7 legislation that's going to be done today.

8 The Department is made up of thousands of well-
9 educated and dedicated individuals who, when empowered, do
10 magnificent work. I would offer the remarkable work done by
11 the Department after the Northridge earthquake as testimony.
12 There are a great number of disciplines within the
13 Department.

14 However, currently, if you want to recognize an
15 excellent engineer and promote them, the only methodology
16 available after a point is to put them in management. I
17 would submit that this isn't necessarily the best thing for
18 an engineer and this is not necessarily the best thing for
19 the Department.

20 I would ask you to consider two career tracks
21 within the Department, those who wish to stay on and
22 engineer, and do the excellent work they do, to be able to
23 be recognized and advanced with that discipline, and those
24 who wish to enter the arena of management to be able to do
25 so free of any of the artificial constraints usually foisted

1 upon them in an engineering environment.

2 And I know I've read -- and I'm going quickly, I
3 apologize.

4 My fourth point today, and I think probably most
5 germane, and I heard Joan speak to it obliquely, is an
6 acknowledgement of the social responsibility foisted upon
7 the Department for years. The Department of Transportation
8 is the repository of requirements of social engineering. I
9 can cite example after example whether the Department is
10 tasked with things that have nothing to do with
11 transportation.

12 Wouldn't it be more efficient if we took those
13 responsibilities, identified them, and placed their delivery
14 responsibility in those departments best equipped to do so,
15 and I can cite example after example, if you wish.

16 In summation, Madame Chairperson, Mr. Chairman, I
17 would suggest that the Department be asked to reexamine its
18 core objectives. The irony is that because of its poly-
19 modality challenge, it's hard to find what its core
20 challenge or core business is.

21 I would recommend that the distinct parts of
22 CALTRANS be divided into more distinct bureaus, transit,
23 highways, airports, and other sundries, and each one of
24 equal opportunity to policy and decision makers. So that
25 when we talk about transportation infrastructure for the

1 21st century and for the State of California each and every
2 modality has equal opportunity to those who made the
3 decision at the policy level and can allocate the funds.

4 I appreciate the couple of seconds I ran over and
5 I thank you for the opportunity to be here today.

6 COMMISSION CO-CHAIRPERSON HAUCK: Thank you, Bob.
7 Mark.

8 PANEL MEMBER BOITANO: Good morning and thank you
9 for this opportunity to address all of you.

10 Let me briefly explain to you that I represent
11 Granite Construction Company, we're headquartered in
12 Watsonville, California, we've been there since the
13 twenties, and we will continue to be there, hopefully, well
14 into the future.

15 We work across the country. We do major civil
16 contract work, but California's our home and California is
17 our largest market. So when I speak today, I speak from the
18 viewpoint of someone who's building the transportation
19 infrastructure throughout the state.

20 As you can see from attachment one, that was in
21 the handout that you have, it lists the ten top contractors
22 in the state by value of contracts underway at this point in
23 time. And you can also see that Granite builds seven times
24 more projects than the next closest person on that list.

25 We are in a position to be able to comment and

1 understand what it takes to get transportation work built in
2 California today.

3 Over the last three years we've produced
4 aggregates and we've supplied projects in the tune of about
5 \$2 billion in this state.

6 The CPR task force clearly identified that
7 adequate funding, and I think you heard it from my
8 colleagues here this morning, as being critical to meeting
9 California's transportation infrastructure needs.

10 Today, I'd like to really focus on the funding
11 priorities and make sure that the dollars that are earmarked
12 for transportation are clearly used for that purpose.

13 In 2002 every county approved Prop. 42, with a
14 statewide yes vote that approached 70 percent. The reality
15 has been that Prop. 42 funds, and that's the sales tax on
16 gasoline, have been diverted to the General Fund to the tune
17 of more than \$3 billion over the last three years.

18 Granite, and the transportation community,
19 applauds the CPR recommendation that these funds be given
20 further constitutional protection, and that's why we
21 strongly support ACA 24, that requires repayment, with
22 interest, within three years, of Prop. 42 dollars that have
23 been diverted to the General Fund.

24 It's difficult to overstate the economic
25 implications of undernourishing the state's transportation

1 coffers. For every billion dollars not spent on
2 transportation, thousands of jobs are lost. A business pays
3 a huge price for the time lost in moving goods and services
4 and people on our congested highways.

5 Motorists are out of pocket hundreds of dollars
6 each as a result of congested and substandard roads that
7 reduce gas mileage and increase repair costs.

8 Time is money and when highway rehab is needed, if
9 it's delayed by two years, the price tag goes up four times.
10 That's a big, a very big number.

11 Granite was also very pleased to see the call for
12 flexibility in project contracting approaches. Our firm
13 participates in design-build projects throughout the
14 country, and it's a source of frustration that our own state
15 precludes design-build contracting from the state highway
16 system.

17 The state and regional transportation authorities
18 should be given the opportunity to utilize the most
19 appropriate methodology for each project, whether it be
20 design-bid-build, or design-build.

21 Another attachment that you have in the handout
22 lists the number of design-build projects that have taken
23 place across the country, that have been completed and are
24 currently underway, and California is barely represented on
25 that list, and only through a couple of prototype type

1 projects.

2 California is not among a group that has been able
3 to accelerate their construction activity and save dollars
4 as a result of performing their contracts on a design-build
5 basis.

6 Another area I didn't see addressed by the CPR is
7 the concept and practice of value engineering our
8 construction work. This needs to change. Currently, and in
9 effect right now, we are precluded from value engineering
10 any design changes in our roadway design or our bridge
11 design. And the types of dollars and the effect that this
12 has on the way in which our dollars are spent are truly --
13 we're ashamed that we're in a position where we cannot react
14 to those kinds of dollar savings.

15 I think, furthermore, the CPR has recommended that
16 performance specifications and warranty work should be
17 promoted and implemented as a normal contract requirement.
18 We don't have that with us today. You heard about it
19 earlier. It's something that will go a long way in
20 providing better value for the taxpayers.

21 The bottom line is that there are opportunities to
22 do things better, smarter, and more efficiently. It takes
23 funding, flexibility, and innovation. If this process is to
24 be successful, and I think it will be, the state will
25 benefit, the government will benefit, the construction

1 industry and our workers will benefit, and the business
2 community, and most importantly the public will benefit.

3 Granite and our entire industry, we're anxious to
4 work with your Commission, with the Administration, with the
5 Legislature, and other stateholders to help this California
6 Performance Review process produce tangible results for our
7 state. Thank you very much.

8 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Mark,
9 thank you very much.

10 David.

11 PANEL MEMBER DOWALL: Great, thank you.

12 Madame Chair, Mr. Chair, Commissioners, it's a
13 pleasure to be here.

14 Let me just start with a little bit of background
15 to offer some points on the work of the CPR. I've spent
16 about 25 years of my career working on infrastructure
17 planning and policy issues in about 40, 45 different
18 countries, both developing and developed countries.

19 Over the last five years I've spent a great deal
20 of time working on California, where I've looked at
21 transportation, water, and educational facilities. So my
22 sort of perspective has been more cross-cutting.

23 But I just want to start by offering one key
24 observation that's come out of the discussion so far. The
25 first is that saving \$3.3 billion over the next five years

1 is not going to solve the state's infrastructure problem.

2 The state faces a major challenge.

3 During the 1950s, during the Earl Warren, Pat
4 Brown era, we were spending on the order of \$150 to \$160 per
5 capita, per year on infrastructure. This is in 1996
6 dollars.

7 Now, we're spending around 20, 25 dollars.
8 There's a table in the CPR report that shows you the data.
9 This is not sustainable. We have to have more spending.

10 At the same time, I think that the political
11 climate suggests that people want value for money and people
12 want to see efficiency.

13 So the question I think before you, on the
14 infrastructure front, is how do you push through efficiency
15 gains and at the same time recognize that there's a need for
16 more funding, as some of my colleagues have mentioned?

17 Let me sort of leave you with five, I think, key
18 priority areas that the state needs to focus on in
19 infrastructure.

20 The first is the state really needs a vision about
21 the future to plan and prioritize its infrastructure
22 investments. No one is thinking beyond two to five years.
23 Infrastructure is lumpy, it takes long to plan, design, and
24 build. We need to have a 25-year horizon. That doesn't
25 exist.

1 If you're going to guide infrastructure and have
2 the commanding imperative to guide it, you need to have the
3 vision. Perhaps the authority might be able to give that by
4 organizing things.

5 Secondly, there needs to be much more attention
6 given to demand management in the infrastructure planning
7 process. What do I mean by demand management? I mean, by
8 really thinking about managing the demands for services that
9 are provided by infrastructure.

10 We oftentimes confuse or conflate infrastructure
11 assets with infrastructure services. People don't think
12 about the assets, the pipes in the ground. They think about
13 the service, the water supply. They think about freeway
14 mobility and speeds. It's the service that we should be
15 focusing on. And the way to manage these systems is to
16 really focus on both demand and supply. For far too long
17 the state has emphasized supply side solutions.

18 The third point. We need to review user fees and
19 charges to really look at how we're going to close this
20 finance gap. Doing it smarter, better, cheaper, yes, it's
21 important, but it's not going to close the financial gap.
22 There has to be other sources of funding to do this. User
23 fees, charges are important.

24 Although they're politically contentious. People
25 say, well, what about the poor? Well, if you study across

1 infrastructure, you'll find that in the areas of energy,
2 telecommunications, there are well-established, effective,
3 efficient mechanisms for offsetting ability to pay. You can
4 essentially offset, you can short circuit out the impacts on
5 low and moderate income households. We do it with lifeline
6 rates and so forth. The same could apply with
7 transportation.

8 We need to introduce accountability measures to
9 foster enhanced project delivery. I think Mr. Wolf, well,
10 all my colleagues have all touched on this and have been
11 very eloquent about the importance of enhancing project
12 delivery. That's important.

13 The last point I want to make about infrastructure
14 is life cycle costing and management. We have a serious
15 problem with infrastructure maintenance, deferred
16 maintenance. We could talk about transportation. I've
17 studied the UC and CSU educational systems. The systems
18 are, frankly, a disgrace. The systems are not maintained,
19 there's no money budgeted for maintenance. This is really
20 not a sustainable process.

21 So it's both life cycle and it's also developing
22 the financial mechanisms to put in place to properly manage
23 the assets so that they can deliver the services the
24 taxpayers want and need.

25 Thank you.

1 COMMISSION CO-CHAIRPERSON HAUCK: Thanks, David.
2 Bob.

3 PANEL MEMBER BALGENORTH: Madame Chair,
4 Mr. Chairman, and members of the Commission, thank you very
5 much for inviting me to speak today.

6 I'm encouraged to see that the report clearly
7 recognizes the need to build and maintain our highways and
8 transportation systems. However, you can make all the
9 operational improvements in the world, but in the absence of
10 adequate funding and good leadership, the improvements will
11 have no effect.

12 Transportation funding has an enormous impact on
13 California's economy. The Federal Highway Administration
14 estimates that 25,000 construction industry jobs are created
15 for each one billion spent on transportation, and another
16 20,000 jobs are created from the ripple effects.

17 Transportation requires predictability of revenue
18 to do long-term planning, purchase property, complete the
19 environmental process and finally award the construction
20 contract.

21 Proposition 42, approved in 2002 by nearly 70
22 percent of the voters, should have provided a much-needed
23 predictable revenue stream. Clearly, it's failed because of
24 a loophole that allowed its funding to be diverted to fill
25 state budget gaps.

1 Since 2002 a combination of loans, transfers, and
2 diversions has robbed the transportation industry of more
3 than \$3 billion. The funding shortage is so severe that the
4 California Transportation Commission has been unable to make
5 a single allocation to capacity-increasing projects since
6 June of 2003.

7 Even the most basic rehabilitation projects are at
8 risk if either Propositions 68 or Proposition 70 win in
9 November. Yet, the report does not address the funding
10 issue in a meaningful way.

11 The cost to the economy of failing to maintain our
12 transportation systems has left California, the wealthiest
13 state, in the richest nation on the planet, with the
14 roughest roads in the country at a cost of more than \$20
15 billion a year in lost productivity.

16 The report identifies a number of recommendations
17 that would improve the system, such as performance measures
18 and use of warranties. Additionally, we agree that the
19 capital costs should not be the only consideration in
20 project selection. The report's proposal to consider life
21 cycle costs makes sense.

22 Owner-controlled insurance programs also make
23 sense. The specifications should include a safety
24 requirement. Unqualified or careless contractors should not
25 have their insurance risks spread over the pool of safety-

1 conscious contractors.

2 An early use of OCIPs was right here in Riverside
3 County. The Metropolitan Water District's \$2 billion
4 reservoir in Hemet saved the public \$30 million in insurance
5 expenses by including a negotiated worker's comp program.

6 State agencies should be required to assess the
7 cost savings of including a negotiated worker's comp
8 program. The employers who have participated in those
9 programs reported a 15 to 18 percent decrease in claims
10 costs.

11 Some of the recommendations raise concern.
12 Design-build should proceed with caution. Safeguards must
13 be put in place to ensure California contractors and
14 California workers build California projects.

15 For example, the pilot program for schools put
16 California contractors at a competitive disadvantage and the
17 first design-build school was awarded to an out-of-state
18 contractor. I'm concerned that design-build will limit
19 competition.

20 The recommendation to require contractors to
21 submit their qualifications under penalty of perjury is
22 right on the mark. During the project, contractors should
23 be required to automatically submit copies of certified
24 payrolls and proof of worker's compensation payments.
25 Something's wrong with a system that allows unscrupulous

1 contractors to steal their workers' wages with only a small
2 fine, while someone who steals a carton of milk faces jail.

3 Both prime and subcontractors should be subject to
4 a strong prequalification requirement that includes a
5 demonstrated safety record and healthcare for workers.

6 A number of the report's recommendations limit
7 policy development to the executive branch. An essential
8 element of good leadership is ensuring that a broad range of
9 views are considered before policy is set.

10 For example, I believe the Governor's State Plan
11 Coordination Council should contain representatives
12 appointed by the Assembly and the Senate. This would
13 provide for the broadest range of input, but still allow the
14 Governor to set policy.

15 And finally, this report should recognize the
16 partnerships necessary to build a transportation system that
17 will grow the California economy. We must have the vision
18 and leadership necessary to bring all the stakeholders,
19 public sector and private sector, together in an open and
20 inclusive process that will be critical for success.

21 Thank you.

22 COMMISSION CO-CHAIRPERSON HAUCK: Thank you, Bob.

23 We have a few minutes, if there are any questions
24 from the Commission.

25 J.J., go ahead.

1 COMMISSIONER JELINCIC: Yeah, one of the things
2 that I was glad to hear was the need for funding, and the
3 acknowledgement that there is a competition for funds, and
4 ultimately we're going to have to address that.

5 But I would like somebody to comment on the use of
6 sales tax to pay for streets, which is largely a regressive
7 tax.

8 And I also want to commend Dave for raising what
9 was a real fundamental issue, and that is our kids. And
10 some -- you know, what kind of world do we want to leave our
11 kids and how do we get there.

12 Now, I realize that was not the topic of the CPR,
13 it was how to do it cheaply. But I do want to commend Dave
14 for raising that issue. Really, what should we be doing,
15 not just how should we do it cheaper.

16 COMMISSION CO-CHAIRPERSON HAUCK: Go ahead, Gary.

17 PANEL MEMBER GALLEGOS: Since nobody's jumping in,
18 I'll jump in and try to address the sales tax issue. I
19 think historically, if you look at in the late eighties we
20 had reached a point where the revenues coming in from the
21 gas tax system were probably being overtaxed by just the
22 cost of maintaining the system.

23 So if I remember correctly, then-Governor
24 Deukmejian passed a gas tax increase, which is the last one
25 we saw in the late eighties, early nineties. And during

1 that time counties throughout California jumped in to try to
2 help themselves through self-help counties. I forget,
3 there's 20, 20-some self-help counties, almost half of the
4 48 counties in the state. There's ten others that are going
5 to the ballot this next election.

6 And that's become really the bread and butter, to
7 the point that last year, when the State could not pass its
8 budget, we stepped up to the State and said, you know, maybe
9 we could loan the State money to keep projects going,
10 because the cost of shutting down the projects was going to
11 outweigh the cost of borrowing the money.

12 And so what's happened over time is that the gas
13 tax has deteriorated. And I'm not arguing whether sales tax
14 is the fair way to do it, but it's been the only way that
15 we, at the local and regional level, had been able to try to
16 keep up and it's, in essence, become our bread and butter.

17 But it's getting tougher. The threshold to go to
18 two-thirds makes it a lot tougher. In the last election
19 cycle there were five counties in California that tried to
20 get their measures extended or renewed. Only one,
21 Riverside, passed. The other four failed, all over 50
22 percent. Some a little over 60 percent, but just failed.

23 And we really need this Commission's help and we
24 need the Governor's help to try to get these measures
25 passed.

1 There's currently ten measures on the ballot for
2 this next cycle. Together I think they generate about \$25
3 billion. And so it's been the bread and butter and it's
4 been the place where we've gone to try to augment our
5 transportation financing.

6 PANEL MEMBER BALGENORTH: I think it's absolutely
7 necessary that we find multiple sources of revenue. We need
8 to index the money that comes into transportation. We
9 passed our last sales tax increase in 1993. Cars have
10 become more fuel efficient. You have now ethanol introduced
11 into our gasoline, which diminishes the money that goes to
12 the federal highway account, and diminishes the money that
13 comes back to the state.

14 And if we don't plan for the future and look at
15 all types of alternatives, like maybe the vehicle miles
16 traveled, and begin to put money into our transportation
17 system, we're going to face gridlock, we're going to lose
18 the ability to move goods, move people, and compete as a
19 state. So I think we have to look at all kinds of things.

20 COMMISSION CO-CHAIRPERSON HAUCK: Okay.
21 Assemblyman Yee?

22 COMMISSIONER O'NEILL: Yes, I'm Beverly O'Neill
23 from Long Beach, and I --

24 COMMISSION CO-CHAIRPERSON HAUCK: Beverly, I've
25 got a list and I'm --

1 COMMISSIONER O'NEILL: Pardon me. Oh, I beg your
2 pardon. Well, I'm so eager here. Okay, thank you.

3 COMMISSION CO-CHAIRPERSON HAUCK: We'll get
4 Assemblyman Yee, and then we'll go to Pat Bates, and then
5 Denise, and then Beverly. And then at that point we're
6 going to recess for lunch.

7 COMMISSIONER LEE: I just have a comment and then
8 maybe a process question for the Chair. Clearly, this panel
9 and the staff report talk about how cumbersome things may be
10 in the contracting process, not only in transportation, but
11 some of our public facilities and I do understand that.

12 I think, coming from local government, we hear
13 that often, and at the state level we hear that often.

14 But I think that there has got to be some kind of
15 a balance whereby part of some individuals' understanding of
16 cumbersomeness, may be for other individuals their sense of
17 salvation. Meaning that it is important that we make the
18 process a little bit more cumbersome so that there is some
19 oversight about workers' protection, whether or not people
20 are being paid prevailing wages.

21 So that I think that there is some necessity for
22 that cumbersomeness for taking care of a social goal. These
23 are not private dollars, these are public dollars. And I
24 think the public does expect some sense of protection when
25 workers are out on some of these jobs, or that they are

1 being paid a fair wage.

2 So it seems to me that we've got to find that
3 particular balance.

4 What I want to come back in terms of process
5 question, Mr. Chairman, is that in your letter to us, that
6 we are to somehow synthesize public input for the Governor's
7 review, when we hear all this input, and so on, are we going
8 to somehow consolidate all this input and is the body,
9 itself, going to come to some consensus of that synthesis
10 before we give it to the Governor, and do we vote on some of
11 this input? And to what extent might there be some other
12 panelists that we might ask to come to talk about some other
13 aspects of these issues, so that maybe we get a more
14 balanced presentation or input before we provide and
15 synthesize that input to the Governor? Mr. Chairman?

16 COMMISSION CO-CHAIRPERSON HAUCK: The answer to
17 that question is we're going to do what you described, we're
18 going to summarize and synthesize what we're hearing, report
19 that to the Governor for his consideration with respect to
20 making decisions about moving forward with whatever
21 recommendations in the report, or modifications thereof that
22 he chooses.

23 It is not our task to come to a consensus on
24 making recommendations to him. Each member of the
25 Commission will be free to do that individually and directly

1 to the Governor.

2 COMMISSIONER LEE: Thank you very much.

3 COMMISSION CO-CHAIRPERSON HAUCK: The next is
4 Pat Bates.

5 COMMISSIONER BATES: Thank you. Just a brief
6 question for Mr. Balgenorth. Bob, because you mentioned in
7 your testimony your concern about broad public input, which
8 is currently available through the Transportation Commission
9 process, could you just reflect on the potential for the
10 nine-member infrastructure body and how you might see your
11 job in the current work in that new system?

12 PANEL MEMBER BALGENORTH: I do have the pleasure
13 of serving on the California Transportation Commission, and
14 one of the important things that the CTC has is
15 independence. We're appointed by the Governor, we're
16 confirmed by the Senate. And we're a broad, diverse group
17 of people who comes together and makes a decision.

18 And I think that when you concentrate power into
19 just a few people's hands, that that's not a good thing. I
20 think that, yes, you could probably eliminate some
21 commissions and consolidate some commissions, but doing away
22 with them in their entirety I don't think is good public
23 policy, and I don't think it's good for the State in the
24 long run.

25 COMMISSION CO-CHAIRPERSON HAUCK: Go ahead.

1 COMMISSIONER DUCHENY: I had one specifically for
2 Mr. Boitano, and a couple more that are just real quick.

3 Actually, maybe I'll start the other way around
4 and follow up on Pat's question, because that went to one of
5 mine on the Transportation Commission. And you have a
6 former commissioner, as well as Mr. Balgenorth here.

7 But I guess the question is how much expertise it
8 takes to do that when we talk about the question I asked
9 earlier, about an overall infrastructure authority that
10 tries to look at water, and energy, and transportation all
11 at one time. It just seems like the job you already do is a
12 big challenge.

13 And then my other question, though, in the
14 consolidation side is I'm not sure I've ever quite
15 understood why CTC is separate from CALTRANS. If you're
16 going to make -- I understand the policy side, and I do
17 think the independence of the commission in terms of putting
18 the stip. together is important. But I also think why
19 wouldn't you then combine the how do we do the overview of
20 the construction management, the prioritizing of projects
21 under the same commission?

22 Thoughts, anyone, on that one, and then just one
23 more quick one.

24 PANEL MEMBER BALGENORTH: Two things. The first
25 thing that you addressed was the stovepiping and whether you

1 could in fact have one person that could oversee all that
2 stuff. And I don't think you can.

3 I've been in the construction industry since 1965,
4 I'm an electrician by trade, and this is what I've done all
5 my life. I'm pretty knowledgeable about a lot of different
6 projects. I've worked on nuclear power plants, schools,
7 I've worked on water projects. And I don't feel competent
8 to be the person that is knowledgeable on all those
9 subjects, and I don't think there's anyone in the state that
10 would be.

11 And I think when you concentrate the power into
12 just nine people's hands, that's going to leave the one
13 person who knows the most about that subject that everyone
14 else will have to defer to. I think that's a very bad
15 situation. I think if you have a person who is very
16 knowledgeable and provides good leadership, you might be all
17 right for the short term. But if you don't, you'll really
18 make a big mistake.

19 The second thing that you alluded to was the
20 oversight of CALTRANS, and that's an important function of
21 CTC. We're constantly asking questions about CALTRANS as to
22 how they manage their projects, why they bring projects
23 forward, and making decisions on what to do based upon their
24 recommendations. So I don't think the two should be
25 incorporated. I think they have separate functions. I

1 don't think that they should be incorporated together
2 anymore than you would incorporate the environmental review
3 agency with the business analyses.

4 COMMISSIONER DUCHENY: I have one general question
5 that a couple of people, maybe Gary or somebody else would
6 comment on, and I'll just put them both together. The other
7 one is specifically for Mr. Boitano, based on comments in
8 your comments.

9 The general one, and I just thought Ms. Bates
10 would ask this one instead, which is what does anybody think
11 about this notion of shifting responsibilities to locals?
12 Nobody mentioned it in their presentation, and I just think
13 we need to bring it out, this question of -- and it sort of
14 goes to Mr. Brulte's question about cost shifting, the
15 notion that local -- we should transfer more authority for
16 maintaining roads to local governments.

17 And then in Mr. Boitano's written comments there
18 was this example of where, you know, you came up with a
19 great idea and you couldn't somehow change it. And I guess
20 what I'm concerned about, what is the thing that in current
21 situation does not allow you to have the flex -- or doesn't
22 allow CALTRANS, what was the legal impediment to them
23 accepting a cost-saving way of approaching a project?

24 PANEL MEMBER BOITANO: Well, I'm glad you asked,
25 because when the red light went off I had to blow by that

1 particular example. But it was a very brief example, but it
2 is a problem that we do face.

3 And for the audience, that example was a proposal
4 for an overlay, as opposed to a chip seal on a particular
5 piece of roadway in the high desert. And we offered a
6 particular savings to the state to allow us to overlay the
7 road as opposed to chip seal it, and it involved a number of
8 different things.

9 But to cut to the chase, it was a \$70,000 savings
10 to the state on a very small project. And they, as I
11 understand it, are prevented from accepting any design
12 changes, through legislation, that deal with roadway design
13 and/or bridge design. And that came from their legal
14 representation at CALTRANS.

15 COMMISSIONER BRULTE: Is that a result of the fact
16 that the project was competitively bid and after you won the
17 bid you wanted to change the complexion --

18 PANEL MEMBER BOITANO: That is correct, it was a
19 competitively bid project. But we value engineer all kinds
20 of processes on a competitively bid project. But the
21 exclusions remain around bridge design and roadway design.

22 And as I understand it, specifically because the
23 designs become proprietary on the part of CALTRANS and they
24 have very little flexibility in terms of changing those
25 designs once they've been established.

1 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Gary can
2 you shed any light on this?

3 PANEL MEMBER BOITANO: Maybe you can follow up
4 with us a little later on that.

5 COMMISSIONER BRULTE: I'd be happy to.

6 COMMISSION CO-CHAIRPERSON HAUCK: We need to move.

7 PANEL MEMBER GALLEGOS: I'm sorry, sir?

8 COMMISSION CO-CHAIRPERSON HAUCK: If you can shed
9 any light on this issue, go ahead.

10 PANEL MEMBER GALLEGOS: Well, on the last issue,
11 my experience in the past is that there is a provision in
12 all CALTRANS contract that's called a CRIP, a cost reduction
13 incentive proposal, so it does allow contractors to figure
14 out how to build a better mousetrap and we share in the cost
15 savings. So the contractor comes forward with the CRIP,
16 they save money. The State has to determine that it's an
17 equal design of equal value, and then we share in that cost.

18 So there's a cost savings to the people, the State
19 gets half and the contractor gets half.

20 COMMISSION CO-CHAIRPERSON HAUCK: Okay, we'll get
21 more into this and figure out what the law is, but we can't
22 do that here today.

23 Mayor O'Neill.

24 COMMISSIONER O'NEILL: Thank you very much,
25 Mr. Chair. When you were looking this way earlier, you were

1 looking at Mr. Yee. I thought you were looking at me, so I
2 started to --

3 COMMISSION CO-CHAIRPERSON HAUCK: I was looking at
4 you, too.

5 COMMISSIONER O'NEILL: Oh, okay. I do want to say
6 just one comment, because we have a panel of experts on
7 transportation here today, and I was glad Mr. Grannis
8 brought up the point about the Alameda corridor, it was on
9 time and it was on budget.

10 But I think that we still have to be very
11 concerned about the movement of goods, and I'm here to make
12 sure that all of you are aware of T-21. We are talking
13 about the funds that we need for California. That is being
14 very slow in its implementation. If it's funded at 318
15 billion, we still will have movement of goods financing with
16 mega projects.

17 So I just want to make that comment because that
18 is funding, and I hope whatever influences you have, you use
19 them. Thank you.

20 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

21 All right. Thank you to each member of the panel,
22 we greatly appreciate you being here today, as well as
23 submitting the written comments that you have submitted.
24 They will become a part of the record. And we appreciate,
25 all around, the effort.

1 We will recess now and resume at 1:00 p.m., and we
2 will resume at 1:00 p.m.

3 (Thereupon the luncheon recess was
4 held off the record.)

5 --oOo--

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 A F T E R N O O N S E S S I O N

2 COMMISSION CO-CHAIRPERSON KOZBERG: And if we
3 could get the Commissioners to be seated.

4 The next panel that we're going to hear from is
5 Hospital, Housing and School Construction Panel.

6 And before we get the housekeeping piece that I
7 was going to tell you is please speak very closely to the
8 mike. And for those that are having trouble hearing, if you
9 could either move forward, and we also have a reserved
10 section for hearing impaired that is just off to the side.

11 Also, I was told to remind you that there are rest
12 rooms in the rear of the auditorium.

13 If we could have the Panel introduce themselves
14 and their area of expertise. Thank you.

15 PANEL MEMBER KINGSTON: Thank you. I'm Allan
16 Kingston, I'm President and CEO of Century Housing, and
17 which is an example of a state entity which was successfully
18 privatized, I might add. And I also serve as the current
19 Chairman of the National Housing Conference.

20 PANEL MEMBER PREVITI: Good afternoon. I'm Jim
21 Peviti, I'm Chairman and Founder of Empire Companies,
22 formerly Forecast Homes, which had built 35 or 40 thousand
23 houses in this region, and former president of CBIA.

24 PANEL MEMBER DAUNER: I'm Duane Dauner, President
25 and CEO of the California Healthcare Association,

1 representing the hospitals in California.

2 PANEL MEMBER BRADLEY: My name is Terry Bradley,
3 I'm the Superintendent of Schools of the Clovis Unified
4 School District in Fresno County. I'm representing the
5 Coalition of Adequate School Housing and School Facilities.

6 COMMISSION CO-CHAIRPERSON KOZBERG: Terry, I think
7 we'll start with your testimony.

8 PANEL MEMBER BRADLEY: Okay, thank you.

9 Co-Chair Hauck and Co-Chair Kozberg, and
10 Commission Members, my name is Terry Bradley, I'm
11 Superintendent of Clovis Unified School District in Fresno
12 County. Thank you for the opportunity to testify today on
13 school facility issues.

14 As past chair for the Coalition for Adequate
15 School Housing, and I'll call it CASH, I will be testifying
16 on behalf and in response to the California Performance
17 Review recommendations regarding the one-stop shop proposal
18 for school facilities programs.

19 Since 1986 our school district has built 21
20 schools and anticipates building at least six to eight
21 additional schools during the next decade. We have also
22 completed many additions to existing campuses and have
23 completed more than 36 modernization projects since the
24 early 1990s.

25 Our school district and CASH members have great

1 expertise and experience in school construction. CPR
2 proposals regarding school facilities are very general in
3 nature. Consequently, CASH has general responses to their
4 recommendations.

5 Also, I'd like to point out that our responses
6 today have also been endorsed by the California Association
7 of School Business Officials.

8 Subject to more specific information which,
9 hopefully, will be developed through more substantive
10 discussion with the school facility program practitioners,
11 CASH will be able to provide more specific responses.

12 We appreciate the opportunity to be able to
13 provide input on the CPR recommendations because we believe
14 there are important opportunities to streamline and expedite
15 the school construction process. These opportunities will
16 enable the students and local communities to have new
17 schools when they need them.

18 A good example of streamlining that would make the
19 school construction process more expedient and more
20 efficient would be to address the overly complex process of
21 environmental oversight by requiring the Department of Toxic
22 Substances Control to establish specific standards for
23 school site acquisition and school site clean up.

24 CASH also supports an alternative environmental
25 review process for school settings, where schools can meet

1 environmental standards without facing lengthy and costly
2 delays due to unnecessary litigation on many of our school
3 construction projects.

4 CASH believes these two proposals would
5 consolidate review functions and speed up the approval
6 process.

7 CASH is concerned that the proposal to eliminate
8 the State Allocation Board would reduce a school district's
9 ability to appeal bureaucratic regulatory interpretations
10 and would not provide the necessary legislative policy
11 oversight.

12 The State Allocation Board incurs virtually no
13 state costs, yet the Board provides significant oversight
14 and policy function to support school construction.

15 Depending on how the concepts of the CPR report
16 are actually implemented, CASH believes that some of the
17 recommendations potentially could increase efficiency, but
18 might not increase effectiveness.

19 For example, the new process could be more
20 efficient, but not as effective if it eliminates the amount
21 of school district certifications and results in excessive
22 State second guessing on school district decisions.

23 The current school facility program that was
24 established in 1998, and some of your Commission members
25 were a part of that process, was a program that shifted

1 state involvement in school facility construction from a
2 project-by-project approval process to a grant program,
3 whereby school districts gained increasing responsibility
4 for local funding match, and assumed flexibility in meeting
5 local community needs.

6 Unfortunately, since 1988 that process has
7 changed. The intent of SB 50 is not what it was when it was
8 first adopted by the Legislature and signed by then-Governor
9 Wilson.

10 While the CPR recommendations conceptually
11 couldn't prove the current delivery process, if effectively
12 implemented, CASH is concerned that too much change, too
13 quickly, could result in a lack of understanding of the new
14 process. Difficulty in transferring projects in the funding
15 pipeline, revamped to the new program, loss of institutional
16 foundations of the school facility funding process, et
17 cetera.

18 Consequently, the one-stop shop recommendation
19 provides an opportunity to make the process faster and more
20 efficient but, of course, the devil is always in the
21 details.

22 For example, rather than having all review
23 processes in a single location, consolidating all site
24 approval processes in the California Department of
25 Education, all plan check processes in the Division of State

1 Architect, and all fiscal control in an agency similar to
2 the Office of Public School Construction could result in an
3 equally efficient program delivery.

4 The structural reorganization recommendations and
5 the effectiveness proposals made by CASH can result in
6 reducing the time requirement to construct and modernize our
7 public schools, which will result in state and local cost
8 savings because time is money.

9 Saving in time means savings to local school
10 districts and less pressure on future state bonds.

11 CASH does not believe the state reorganization,
12 alone, will reduce the line items expenditures. But the
13 efficiency and effectiveness proposals can save future State
14 General Fund money and local expenditures.

15 In addition, and this is one item that really we
16 didn't find anywhere in their recommendations, we believe
17 that well-maintained schools are a critical component of the
18 educational process. Furthermore, CASH believes that
19 sufficient funding for the maintenance of schools is
20 particularly important in the light of the voter approvals
21 of Prop. 47 and Proposition 55, the largest two state school
22 bonds in the country and probably in the world.

23 Proper maintenance is mandatory and it was
24 included in Senate Bill 50. But once again the Legislature
25 has played around with our requirements and school districts

1 no longer are required to provide the necessary funding in
2 an account called the restricted maintenance account.

3 Finally, CASH recognizes the CPR recommendations
4 are the first step in a long process. CASH believes that
5 more hearings with practitioners and a more thorough review
6 of the school facilities recommendations will be needed
7 prior to developing implementation or implementing
8 legislation.

9 As clearly demonstrated, the CPR recommendation of
10 school construction is a very complex process. We need to
11 take the time if we're going to get it right.

12 CASH looks forward to working with the Governor
13 and Administration on their recommendations contained in the
14 CPR.

15 We will submit additional written testimony on the
16 other recommendations on the infrastructure chapter of the
17 CPR related to school facilities, as well as other parts of
18 the report that affect the school facilities community.

19 Thank you very much.

20 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

21 In case you were not here for the first panel,
22 we've got a stop sign over there that will let you know when
23 your time runs out.

24 PANEL MEMBER BRADLEY: Oh, I'm sorry.

25 COMMISSION CO-CHAIRPERSON KOZBERG: And also,

1 we'll take questions at the end of the panel.

2 Duane Dauner.

3 PANEL MEMBER DAUNER: Thank you, Co-Chairs Kozberg
4 and Hauck, and members of the Commission.

5 As you know, we represent the hospitals in the
6 state and we are pleased that this report recognizes
7 hospitals as a part of the infrastructure of this state.

8 The report is on target, in our view, with respect
9 to hospital construction. Seismic safety in hospitals is
10 important, but the length of time that it takes for a plan
11 review does several things on the negative side. It thwarts
12 economic growth, it prevents jobs from being online, and
13 patient safety is being compromised.

14 To give you an example, last year 45 percent of
15 the hospitals that received approval to go forward, it took
16 over a year for the plan review cycle. During the first
17 seven months of this year more than 70 percent of the
18 hospitals that received approval had taken more than a year
19 to go through the plan review process, and it's getting
20 worse.

21 Today, more than \$5 billion in hospital projects
22 are tied up in the plan review process.

23 Now, all of this is clearly not just the fault of
24 the Facilities Development Division that handles this,
25 hospital designers also contribute to it. And we, as an

1 organization, along with the State and the designers are
2 developing a manual to streamline this process, make sure
3 that the plans are to code and that it works more
4 expeditiously.

5 With respect specifically to the CPR report, we
6 support the recommendations that are there. You heard them
7 described this morning, A, B and C. The first one is that
8 the initial project review be completed within 90 days.

9 The second is that the state should contract out
10 various aspects of the plan review to outside entities that
11 are qualified, and then certify that they meet the standards
12 and that the codes are met in these plans.

13 The last recommendation is that a complete
14 business review process be conducted and that the intent of
15 the Seismic Safety Act be achieved along with the State's
16 goals for economic development and improved patient care.
17 And we support that recommendation, as well.

18 In addition, we recommend that the Facilities
19 Development Division be housed in the proposed Health and
20 Human Services Department, so that it can be aligned with
21 licensing and certification.

22 Now, there is an agency that licenses hospitals,
23 and then we have this agency that approves the buildings and
24 the projects. And they need to be aligned because they are
25 intertwined as a hospital goes through the development,

1 construction, and then licensing process. They also handle
2 certification for MediCare and that's a part of it as well.

3 We concur that the building code development
4 should be centralized in the Infrastructure Department. As
5 you know, hospitals do have some unique characteristics, as
6 well as they are complex. And, therefore, the Facilities
7 Development Department and the Hospital Building Safety
8 Board should have direct input into that process.

9 The good news is these recommendations can be
10 implemented expeditiously and without additional cost to the
11 State. They will stimulate the economy, improve seismic
12 safety. They will save the State money in two ways. One,
13 by reducing the construction costs for State-owned hospitals
14 and, secondly, ultimate capital costs for the MediCal
15 program. And lastly, and most importantly, it will improve
16 access to hospital services.

17 We look forward to working with the Governor and
18 the Administration in this effort and we thank you for
19 considering hospitals in these infrastructure deliberations.
20 Thank you.

21 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

22 James Previti.

23 PANEL MEMBER PREVITI: Good afternoon. I'm
24 Jim Previti, the Chairman of Empire Company and we've been
25 in business --

1 COMMISSION CO-CHAIRPERSON KOZBERG: Can you speak
2 into the mike, please?

3 PANEL MEMBER PREVITI: Sorry. Okay. We've been
4 in business in this region, in land acquisitions,
5 homebuilding, and commercial since 1971. Today I'll focus
6 my comments primarily on the part of the report that
7 concerns the financing, approval, and delivery of school
8 facilities.

9 Under financing, the report recommends eliminating
10 the existing system of financing school facilities. And I'm
11 surprised because in my experience with the existing
12 program, it seems to be working fairly well.

13 Since 1998, with the passage of SB 50, which I'm
14 proud to say the homebuilding industry was a key
15 participant, more classrooms have been built, more existing
16 facilities have been modernized, and more California
17 students have been housed in the comparable period.

18 It's my experience that the program is considered
19 a model for how leading edge state and local infrastructure
20 financing partnerships should look.

21 For most new school facilities, costs are
22 balanced --

23 COMMISSION CO-CHAIRPERSON KOZBERG: Jim, can I ask
24 you to lean into the mike, some of the audience is having
25 trouble.

1 PANEL MEMBER PREVITI: For most new school
2 facilities costs are balanced between the State and
3 homebuilding on a 50/50 basis. The way it works is the
4 State picks up half the cost of purchasing the land,
5 developing the site, and constructing the buildings and
6 school districts, backstopped by builder contributions,
7 which picks up the other half.

8 Moving away from funding real live projects to a
9 pupil entitlement approach could well jeopardize what I
10 think most California builders see as a successful and
11 accountable program.

12 Since 1998, when the new funding program was put
13 into place, the public approved nearly 35 billion in state
14 and school bonds, and most recently being in March of this
15 year.

16 Granted, asking voters to approve bonds has been
17 risky, but the bond campaigns have been successful because
18 they can actually identify facilities in local neighborhoods
19 and communities that will be constructed or modernized as a
20 result. Voters want to know that they are getting something
21 tangible. The school facility program has a track record of
22 delivering.

23 Two years ago voters affirmed their willingness to
24 go even further and provide the resource for our state and
25 local partnerships by approving Prop. 39, which lowered the

1 voting threshold for local and school boards to a 55
2 percent. Millions of local dollars have been approved since
3 then.

4 The point I'm making here is that in my experience
5 the existing funding program is working well, has public
6 confidence, delivers product, is not in need to be
7 dramatically overhauled.

8 The report recommends that the state approval
9 process be streamlined and consolidated. I'm generally
10 supportive, and the industry's supportive of streamlining.
11 The only caveat I would offer is that we would want to make
12 sure the streamlining does not impair the operations of an
13 already effective infrastructure program.

14 From 1999 through the middle of this year the
15 state has processed, approved, and funded over 17 billion in
16 facility needs. By any standard, that's an impressive
17 record. Somebody must be doing something right.

18 We just need to make sure the duties and program
19 responsibilities currently carried out are not lost in the
20 name of efficiency, a consolidated work force is not
21 required to assume an unrealistic work load.

22 We need the one-shop shopping -- we need to avoid
23 the one-stop shopping from becoming a one-stop stopping.

24 One of the beauties of SB 50 is that it opened up
25 opportunities for creative public/private partnership for

1 the construction and delivery of new schools.

2 Four years ago I delivered one of the first
3 developer-built schools under the State program, Woodrow
4 Wilson Elementary School in the City of Corona. The school
5 serves grades kindergarten through sixth and provides a
6 quality learning environment for 940 students.

7 A few years later I built another school in the
8 City of Fontana, Sycamore Hills Elementary School. That
9 school opened in 2002 and serves grades K through 6, and
10 it's home for nearly 600 students.

11 I'm proud to say that both schools offer a quality
12 learning environment and were built at no cost to the school
13 district and went online the same time that the residents
14 were moving into their homes.

15 The beauty of the developer-built school is it's a
16 team approach between a developer and a school district.
17 The district brings to the table the professional knowledge
18 of education needs and specifications, and the private
19 sector brings to the table a professional knowledge of how
20 to build a quality product and manage the construction
21 process.

22 Working together in this public/private
23 partnership, school sites can be mutually selected by the
24 district and the developer and integrated as part of an
25 overall community plan. The timing of construction can be

1 directly linked to actual students coming into the region.

2 The developer's responsible for ensuring that all
3 the environmental and state agency site approval is secured.
4 Prevailing wage and labor compliance requirements are
5 completed with the process mirror, the same process that
6 would occur on a district-built school.

7 Before the school facility is turnkeyed, the
8 district must approve and certify the construction of the
9 school, the title, and ensure the developer's compliance
10 with all terms and conditions of the construction.

11 Let me also encourage you, as Commissioners, to
12 look at ways of enhancing State design standards so that
13 they can serve more children in the school facilities that
14 are being built today.

15 Encouraging economies to scale, particularly
16 taking a second look at the size and scale of nine teaching
17 stations, core facilities, will be helpful in achieving in a
18 cost-sensitive way.

19 Another opportunity is a joint use. A great
20 benefit of a developer-built school is a joint use, where
21 available. School sites are identified that can be linked
22 to community parks, libraries, football fields, gyms. And
23 in short, schools become an integrated part of the master
24 plan design.

25 In my experience, average cost savings run 20 to

1 25 percent for a developer-built school.

2 Some suggestions in areas of cost savings can
3 occur by reducing construction costs by eliminating
4 significant change orders, or integrating both on and off
5 site development activities, and blending hardscape and
6 landscape with the surrounding areas.

7 That's the text of my preliminary testimony. We
8 think this reliable source, with the Prop. 39 money is
9 something that's essential, and there are many, many schools
10 being planned, again, for that money. So a drastic change
11 could be counterproductive.

12 Thank you for your attention.

13 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

14 Allan Kingston.

15 PANEL MEMBER KINGSTON: Hello, I'm Allan Kingston
16 of Century Housing. I appreciate your all being here
17 because I know that when I was at Berkeley, I always avoided
18 classes right after lunch. So I appreciate your attention.

19 I assume that it is not news to any of you that
20 California has a severe housing crisis. The more than
21 11,000 homes, for instance, which Century has helped to
22 finance in the Southern California area, is a mere drop in
23 the bucket compared to what the need is. Housing production
24 has not kept pace with population and household formation
25 for at least a decade.

1 And the production of moderate priced housing for
2 rent and sale has not recovered from the recession of the
3 early nineties.

4 The Los Angeles Metro area has become the most
5 overcrowded area in America. And recent news reports have
6 said that California's builders are going to produce more
7 than 200,000 new homes. The news reports went on to say
8 that that was not enough, that 225,000 to 250,000 homes were
9 needed just to keep up with our growing state work force.
10 And even that figure would not address the backlog of need
11 created by 15 years of too few homes and apartments being
12 built in our state.

13 For instance, with a median income of \$56,000 and
14 a median home price of \$445,000, even in Los Angeles County
15 housing is simply unaffordable to most of our state work
16 force. We must address both the supply and the price of
17 housing if our economy is going to thrive.

18 Some of the CPR recommendations, by improving
19 access to services, do address those issues. But I urge you
20 to dialogue among yourselves about how to innovatively
21 address California's housing issues and problems.

22 After all homes, for instance, are where jobs go
23 to spend the night. We must do more to provide a better
24 balance between the jobs our economy is producing and the
25 homes available to our workers.

1 I applaud BT&H Sunne Wright-McPeak's efforts to
2 link public facilities and infrastructure in housing, and
3 her initiatives to require planning for longer periods and
4 assuring that facilities are available to provide for both
5 business and residence.

6 That plan should be part of your performance
7 review and I urge you to look at it seriously.

8 Regarding the review's recommended consolidation
9 of infrastructure agencies into a super agency that would
10 deal with all infrastructure, if it reduces the visibility
11 of housing issues and programs, or leads to reduction of
12 resources, then I'm going to say the same thing you're going
13 to hear from probably everybody else, that it could be
14 unfortunate for the people of this state in many ways.

15 Consolidation for the sake of consolidation or
16 merger, alone, brings no effectiveness to the state's
17 housing finance systems, I can tell you that.

18 If the consolidation results in less management
19 focus on the problem of housing and/or a shift of resources
20 to other, no matter how deserving, infrastructure needs,
21 then there is a question of who in state government will be
22 left to ensure and address the needs of the state's
23 stockholders. And those stockholders are the workers who
24 need affordable homes, and the employers who recognize the
25 need for their workers to have affordable homes.

1 Affordable housing developers, of course, would be
2 pleased to see a consolidated application process that would
3 provide simple access to multiple forms of subsidy for new
4 projects.

5 And consolidation of state programs related to
6 housing production would be beneficial if it leads to better
7 usability by the customers of these programs, whether they
8 be seniors, low income families, or working people.

9 Certainly, many programs could benefit from
10 standardization of forms and practices and increased
11 coordination of program goals and processes.

12 To the extent that consolidation would reduce
13 redundancy, it could also reduce costs and increase
14 efficiency. To that end I wonder why the recommendations do
15 not propose to bring all housing, finance, and development-
16 related agencies together. Or for instance, to take a real
17 giant, innovative step and privatize the California Housing
18 Finance Agency.

19 School construction is the 900-pound gorilla of
20 urban infrastructure today, with billions of dollars
21 allocated to address the shortfall in classrooms and fast-
22 growing areas. While this is admirable and necessary, it is
23 being done in a vacuum, with little or no consideration for
24 the impact urban school development is having upon the
25 surrounding communities.

1 Just in Los Angeles and San Diego, alone, it is
2 estimated that more than 2,000 units of housing are being
3 lost to school construction.

4 Consolidation of infrastructure planning, properly
5 managed, would help in efforts to coordinate public facility
6 development and housing.

7 And housing, as well, is the key component of any
8 effort to address the continuing issue of homelessness. The
9 need is for permanent housing affordable to those
10 individuals and families with disabilities and very low
11 incomes. And that should be addressed by CPR because the
12 burden of solutions falls to government in this area, like
13 it or not. And there has been much talking and not much
14 walking in that particular area.

15 I make more recommendations in my expanded written
16 comments, and I hope you have the chance to read them, which
17 have been provided to you.

18 I appreciate the work which the many staff
19 members, stakeholders, and others have contributed to the
20 CPR work, and everybody is to be commended for their effort.

21 As a provider of housing and as a California
22 native, born and grown, I thank you for this opportunity,
23 however brief, to address the important issues of housing in
24 our state. Thank you.

25 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

1 Are there questions for the panel?

2 Senator Ducheny.

3 COMMISSIONER DUCHENY: I appreciate Mr. Kingston's
4 comments on the housing. And I think a couple things. One
5 is this sense that you mentioned about the planning versus
6 the oversight and such, because it is important that we not
7 lose housing. And in fact, it seems to me, if there's any
8 value to this consolidation in part it might be to focus
9 more on housing as the center. So that you say there's
10 housing and it has to have roads to go to it, and it has to
11 have schools in it, and it has to have parks in it, and it
12 has to have energy to go to those houses and those schools,
13 and it has to have water to go to those houses. I mean, to
14 look at the planning question as a big one.

15 I think your question on the financing is huge.
16 And I wanted to ask, because I didn't hear anybody comment
17 on it, about this notion that's in one of the
18 recommendations about the REIT, these real estate investment
19 trusts. I've heard contradictory things about it, whether
20 they're effective, are they being used currently. You know,
21 why would they do affordable housing, as opposed to
22 unaffordable housing, which we have an abundance of, and
23 whether that's something that works anywhere or there's some
24 change in how we approach it that might work better?

25 PANEL MEMBER KINGSTON: There's several questions

1 there, I'll try to be brief.

2 COMMISSIONER DUCHENY: Sorry, the general.

3 PANEL MEMBER KINGSTON: REITs have done really
4 well and then they've not done so well as private enterprise
5 opportunities. Jim might be more qualified than I to
6 actually talk about REITs in the private sector.

7 Whether a REIT could be effective given the
8 state's housing finance, and given the federal programs of
9 housing finance that are so interrelated to what the state
10 does, I think that's a real question. But I welcome the
11 fact that somebody was thoughtful enough and innovative
12 enough to start talking about something like a REIT for
13 California's housing program.

14 COMMISSIONER DUCHENY: When you answered that one,
15 just one more, because he'll do -- there was a contradiction
16 between what two of you said about Prop. 50. And since
17 Senator Brulte and I were two of those folks who were there,
18 and worked on Prop. 50, I'm interested in the sort of it
19 works, but it doesn't work thing that --

20 PANEL MEMBER BRADLEY: Well, I can. I think it
21 was Senate Bill 50 that we were talking about, in 1998,
22 and --

23 (Thereupon a cell phone rang loudly.)

24 COMMISSION CO-CHAIRPERSON KOZBERG: Can I ask the
25 people to turn off their cell phones, please?

1 PANEL MEMBER BRADLEY: You know, the intent of
2 Senate Bill 50 was outstanding. It provided a partnership,
3 actually a three-party partnership between the state, local
4 school districts, and developers.

5 And the intent was to streamline the process
6 whereby more schools would be able to be built faster, and
7 time certainly is money.

8 However, what has happened since Senate Bill 50
9 was adopted in 1998 is that the agency that controls the
10 administrative responsibilities related to school
11 construction has become more and more bureaucratic. Things
12 that we felt we were no longer going to have to submit to
13 the Office of Public School Construction are now, once
14 again, having to be submitted.

15 One example would be all of our construction
16 contracts. We were supposed to just be able to certify that
17 you had entered into your construction contract in a timely
18 manner. We're now having to submit it to the State of
19 California. And you can go on and on about some of the very
20 technical things that school districts are now having to do,
21 that when Senate Bill 50 was adopted, was not the intent.

22 I also mentioned, you know, the Department of
23 Toxic Substance Control. And obviously it is something that
24 we have to deal with. But at the same time it's costing
25 school district's money, it's costing school district's

1 time, and schools are not getting built in a timely manner.

2 COMMISSIONER DUCHENY: But for instance, and this
3 is just a -- you know, if we had a green fields policy, or
4 brown fields policy that we've been trying to work on for a
5 long time, it should apply equally to houses and schools and
6 then maybe we get around DTSC for everybody.

7 I mean, I think there's a way to look at how you
8 combine in field developments to say, you know, we're
9 looking at brown fields and we want housing there, and we
10 want some of it to be affordable, and we want roads that go
11 to it, and we want schools built in it.

12 And the other one, have we ever done something
13 that a lot of us talked about, I think even during Prop. 50,
14 but where if you built one model school that worked
15 someplace, and you had a design for it, and then the only
16 other question was siting to a different site, could you
17 kind of use the same plans?

18 PANEL MEMBER BRADLEY: Yes.

19 COMMISSIONER DUCHENY: Or what are schools
20 facilities folks asking for now?

21 PANEL MEMBER BRADLEY: It's being used more and
22 more, especially in school districts that are growing.
23 There are many, many school districts that are using the
24 same plans over, and over, and over again.

25 COMMISSION CO-CHAIRPERSON KOZBERG: Jim, did you

1 want to comment?

2 PANEL MEMBER PREVITI: Yeah. Senator, I think
3 that -- I don't want my remarks to be misconstrued. I'm for
4 streamlining, the same as the gentleman here. In fact, if
5 not more so.

6 But the fact -- the reliable source of financing
7 that Senator Brulte and you worked on, we don't want to
8 tamper with that. We have to know, when we're planning
9 schools two years ahead, that the money will be there when
10 we start or when our master plan's ready.

11 So I want it streamlined, my industry wants it
12 streamlined, the process, if we can, but we don't want to
13 tamper with the bond financing.

14 COMMISSION CO-CHAIRPERSON KOZBERG: J.J.?

15 COMMISSIONER JELINCIC: The question was asked.

16 COMMISSION CO-CHAIRPERSON KOZBERG: Okay, thank
17 you.

18 Assemblyman Bates.

19 COMMISSIONER BATES: On the affordable housing
20 issue, when I arrived in the Legislature in '98, the big
21 focus at that time was construction defect litigation
22 issues, and that was the industry's biggest problem.

23 Over the course of my service much has been done
24 in that area legislatively. Is the industry responding to
25 that, presently, or has the land value issue gotten in the

1 way?

2 PANEL MEMBER PREVITI: We think it's a good start.
3 The problems still exist. I think responsible builders want
4 to do good after-care service for their homebuyers, and they
5 do for the most part. The abuses aren't fully rectified. I
6 think that there needs to be more work in the Legislature to
7 produce affordable housing. We need total reform, I mean
8 it's just that simple.

9 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.
10 Any further questions?

11 COMMISSIONER BRULTE: Yeah, I've got a couple to
12 Mr. Kingston. Do you think affordable housing gets enough
13 visibility already in Sacramento? You're concerned about
14 collapsing housing into a super agency that diminishes the
15 visibility. Are you happy with the visibility?

16 PANEL MEMBER KINGSTON: No, that was my statement
17 and I believe that's correct. I think it depends on, of
18 course, the local districts. In some place like here, where
19 you have examples of SoCal housing and other entities that
20 are doing a lot of good work here, and in other places, that
21 may not be the case.

22 But in Sacramento, as a whole, housing is
23 competing as is every other kind of infrastructure and needs
24 to gain more visibility. And I can remember just a few
25 years ago when we would talk about it not being on the

1 radar, not being on the radar screen at all. It has
2 improved some, it's moved up a little bit.

3 COMMISSIONER BRULTE: Okay. Terry, if you could
4 enumerate in writing to Ms. Ducheny, and maybe Mr. Yee, and
5 Pat Bates, and I, the bureaucratic expansion post-SB 50.
6 You know, we don't have a director of OPSC, the Governor is
7 in the process of selecting one, and maybe we can impact
8 that on the front end, but let's not take the time at the
9 hearing.

10 PANEL MEMBER BRADLEY: We will be happy to do
11 that.

12 COMMISSIONER BRULTE: Thank you.

13 COMMISSION CO-CHAIRPERSON KOZBERG: I'd like to
14 thank the Panel very much.

15 And we're now going to have the Panel on Energy
16 and Water come forward.

17 David Davenport has a process question he'd like
18 to ask at the Panel, as we assemble the Panel. This is for
19 the Commissioners, a question.

20 COMMISSIONER DAVENPORT: Yes, this is, Madame
21 Chairwoman, about the process in general, maybe for staff to
22 think about or for other Commissioners to react to.

23 It seems to me one of our challenges is that a lot
24 of the experts who come before us come from a particular
25 issue. They come from the education world, the housing

1 world, the transportation world and naturally talk to us
2 about various elements of that world, some of which are in
3 this report, some of which are not.

4 Our report, on the other hand, really comes at the
5 question of how to organize government most effectively. We
6 can't solve all the housing problems, we can't solve all the
7 education problems. We're really addressing how can we make
8 government more efficient in these areas.

9 So if there were a way, I mean I think today we're
10 sort of feeling our way in the process. If there were a way
11 in future hearings to maybe ask panelists to particularly
12 focus on -- for example, I would love to hear panelists say
13 I agree with 80 percent of the recommendations in this area,
14 especially these three. I have concerns about these three.
15 And there may be three things that weren't even included
16 here, that should have been included.

17 I think that might help join a government report
18 with the issue-oriented expertise that we have, if people
19 could comment more specifically on their agreements and
20 points of disagreements, and then additional areas that they
21 wish could be addressed.

22 COMMISSION CO-CHAIRPERSON KOZBERG: You make a
23 very good point and we will try and improve it as we
24 approach our next hearings. Thank you.

25 All right. Our next, we have quite a large Panel

1 assembled here, quite a serious issue.

2 If I could start with Steve Hall, if you could
3 identify yourself?

4 PANEL MEMBER HALL: Good afternoon, Co-Chairs and
5 Commissioners. My name is Steve Hall, I'm the Executive
6 Director of the Association of California Water Agencies.

7 PANEL MEMBER WILKINS: Good afternoon. My name is
8 Brad Wilkins, I'm the Vice President and Chief Financial
9 Officer of TAMCO Steel, located in Rancho Cucamonga,
10 California.

11 PANEL MEMBER SMUTNY-JONES: Thank you very much.
12 I'm Jan Smutny-Jones, I'm the Executive Director of the
13 Independent Energy Producers.

14 PANEL MEMBER KATZ: Thank you. I am Richard Katz.
15 I am the owner of Richard Katz Consulting, and also a member
16 of the State Water Resources Control Board.

17 PANEL MEMBER WADE: Good afternoon. I'm Mike
18 Wade, I'm Executive Director of the California Farm Water
19 Coalition.

20 PANEL MEMBER CANCIAMILLA: And I'm Joe
21 Canciamilla, the Chair of the Assembly Committee on Water,
22 Parks and Wildlife.

23 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

24 If we could start with Steve Hall. I'll be
25 identifying first and last names so that the audience is

1 aware of who is speaking.

2 And again, to the speakers, you do have a
3 timekeeper over there, and you almost have to be on top of
4 the microphone to be heard.

5 PANEL MEMBER HALL: Thank you. Again, my name is
6 Steve Hall.

7 I will try, in my oral remarks, to be responsive
8 to Mr. Davenport's request.

9 We represent local water districts. They're the
10 folks that deliver the water to your homes, farms and
11 businesses. And like all of the other stakeholders, we like
12 very much many of the concepts laid out in the report with
13 regard to water.

14 We, of course, like everyone else, reserve the
15 right to hate the details. But we do commit to work with
16 you on them.

17 The report, in our view, rightly calls for a
18 comprehensive review of the planning, financing,
19 construction and operation of water infrastructure in
20 California. We would point out that water is somewhat
21 unique. Certainly, by the time it gets to our homes and
22 businesses it's part of the infrastructure.

23 But it begins as a renewable resource that is
24 vital to our environment and to our way of life. And so
25 it's a little bit different than many of the other features

1 of our infrastructure. And I think we all ought to consider
2 that as we talk about reforming the way we deal with it.

3 The report recommends that we have a statewide
4 water plan, that it be built on regional plans, and that
5 planning process should be overseen by a water policy
6 council, which was part of the Wilson Administration, but
7 does not now exist.

8 With respect to that planning, we agree. There is
9 currently no political center of gravity on water in
10 California. Hasn't for as long back as I can remember. And
11 so water planning tends, because there is no political
12 mandate to move in a particular direction, it tends to sink
13 to the lowest common denominator.

14 Therefore, the plans that the State Department of
15 Water Resources puts out are based upon scant and, in many
16 cases, antiquated data. The analysis is somewhat
17 superficial because the resources aren't there to dedicate
18 to them. And the recommendations, frankly, are pretty timid
19 because there's no political will behind them.

20 Now, that can change. But we believe that must
21 begin with robust regional plans. Water in California is
22 very much a regional resource.

23 And because the state and federal governments have
24 largely gotten out of the business of developing aggressive
25 plans, regional and local water agencies have stepped in to

1 fill the void. And so regional and local plans are often
2 pretty robust, themselves.

3 In fact, the report cites Texas as a state which
4 encourages regional planning, and I'm somewhat familiar with
5 that. I agree that there are incentives provided by the
6 State of Texas for regions to develop plans, and they're
7 responding.

8 I would point out that in California local and
9 regional districts have already gone a long way, and I think
10 in many respects are ahead of Texas in developing regional
11 plans, of necessity. First, because the state and federal
12 governments haven't done it and, secondly, there is
13 currently law on the books that requires them to develop
14 plans to meet present and future needs, and they do that.

15 What's lacking is state enterprise to link all of
16 those regional plans together into a plan that we can all
17 have confidence will meet the needs of the state overall.

18 The report does call for legislation directing
19 these regional plans and, frankly, we do not believe that
20 legislation is required. We do believe that what does need
21 to be done can be done through executive and administrative
22 action.

23 Secondly, the report talks about the distribution
24 of water bond funds. There have been a number of water
25 bonds passed in recent years and right now, the

1 responsibility for distributing those bond funds is spread
2 over several agencies.

3 The report calls for that to be consolidated, and
4 we agree, conceptually. Obviously, there are some details
5 that we're very concerned about. There needs to be adequate
6 expertise brought to the table at the staff level, and there
7 needs to continue to be competition for those bond funds
8 because we believe competition among local and regional
9 projects brings out the best projects as those being funded.

10 And lastly, we believe that that has to be coupled
11 with a regular schedule of bond issuances. We all know that
12 we're behind in funding all infrastructure, including water.
13 We should schedule water bonds on a regular basis so that
14 the process can begin with that scheduling and end with a
15 distribution of bond funds that is rational and based upon
16 competition.

17 Next, the report talks about the CALFED process,
18 which is a state and federal partnership. And it's supposed
19 to rule over the largest and most contentious water shed in
20 the state. There's been progress with that, but there are
21 also problems.

22 The report largely recommends things that would
23 improve efficiency of CALFED. We agree with those, but we
24 think it needs to go further. Because frankly, CALFED is in
25 some respect a microcosm of what we've faced throughout this

1 report, and that is that there's a balance that needs to be
2 struck between efficiency, while maintaining the missions
3 and the statutory responsibilities of existing state
4 agencies.

5 And that's a -- CALFED is a good place, a good
6 case study, if you will, for us to begin.

7 I'll skip, lastly, to the State Water Project
8 because I don't have time to talk about flood control.

9 The report recommends the State Water Project
10 should be constituted as a stand-alone authority and we
11 agree with the recommendations of the report with that
12 regard.

13 On our other larger, more formal comments before
14 the hearings are completed, we will talk about the
15 advisability of separating the water quality and water
16 rights functions that are currently embedded in the State
17 Board, and we will also talk about the need for the State to
18 begin contracting out with design/build/operate contracts
19 with outside interests.

20 With that my time is up, I'll conclude. Thank
21 you.

22 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

23 Next, we're going to turn to Richard Katz.

24 PANEL MEMBER KATZ: Thank you very much. I sit
25 here in sort of an interesting and unique position. One is

1 that having authored legislation years ago that would have
2 eliminated all of the super agencies in the name of
3 efficiency, actually having done it twice, having it vetoed
4 by Jerry Brown and George Deukmejian in consecutive years, I
5 come to -- you know, I view your task with some appreciation
6 for what you're doing and wish you luck.

7 And I also find myself in the unique position of
8 maybe causing grief for my good friend, Steve Hall, by
9 agreeing with a lot of what he said, which might hurt him
10 with his membership.

11 I do also want to add that I think Senator
12 Brulte's comments earlier, about the need to focus on
13 infrastructure are critically important. Having dealt in
14 energy and transportation, as well as water, that kind of
15 focus of the Senator, and Senator Ducheny and others have
16 talked about is very, very important.

17 But having said that, let me also say that, and I
18 think Steve acknowledged this also, that all infrastructure
19 is not created equal. And that water, I believe, needs to
20 be looked at differently.

21 And that would be one criticism I would have of
22 part of the report. I think that we, in California, have
23 had a 30-year struggle to recognize water as a resource as
24 opposed to a utility. And in California, water is governed
25 by the public trust doctrine, concrete is not. And there's

1 a world of difference in the two.

2 And to the extent that we move away from the
3 public trust doctrine and start thinking of water just like
4 we think of concrete and other pieces of infrastructure, we
5 do great harm to many of the things that have made
6 California great. And I think that needs to be factored in
7 to what the report's considering when you look at how you
8 deal with water.

9 I think Steve's right in addressing how projects
10 are built and a variety of other infrastructure criteria.
11 But again, water is different and it needs to be recognized
12 it is different than other components of infrastructure.

13 There's a key role for the public in this process,
14 as well. You know the water boards, while needing reform,
15 just like other boards in California, may not always be the
16 most efficient process center in the world, but they are
17 public participation. And democracy ain't always pretty.
18 But it is -- you know and it isn't always efficient. But it
19 is grounded in public participation.

20 When you take a lot of the decisions that are made
21 today by water boards, and you put them behind the closed
22 door of administrators, even though in both cases they're
23 appointed by the Governor and, in the water board case,
24 approved by the Senate, decisions made behind closed doors
25 are not subject to the open meeting laws that the water

1 board decisions are. The public does not have the
2 opportunity to participate in that process.

3 And while it may be cumbersome and in need of
4 reform, I think it's important that while we strive for
5 efficiency we maintain the public participation that has
6 been the hallmark of open government in California.

7 And again, I would ask the Commission to look
8 closely at those recommendations that move these kinds of
9 decisions behind closed doors and away from the public
10 process.

11 Lastly, let me focus on, and then briefly, I have
12 just two last, quick comments. One is there is a huge hole
13 in the state that we all sort of recognize, but those of us
14 in the Legislature, or past, present included, try to deal
15 with occasionally, but largely ignore because of politics,
16 and I hope you can be above that, and that's groundwater.

17 The great scandal in California is that we do
18 nothing, nothing to protect our groundwater in terms of the
19 quantities, the over-drafting, the management, or even an
20 inventory of what's out there and how it's used. It is such
21 a touchy political fight. I still bear the scars of the
22 attempt I made 20 years ago to try and deal with that. And
23 I would urge this Commission to take a real hard look at
24 groundwater and get it into the water, because it impacts on
25 so many other decisions. How we deal with discharge, how we

1 deal with chemicals, how we manage our water, how we trade
2 our water.

3 And finally, in terms of water rights versus water
4 quality and separating the two, that's not a new idea. It's
5 a pre-1967 idea, which is when the Legislature and the
6 Executive Branch, after much study, decided that you cannot
7 deal with water rights and water quality separately.

8 If you look at the Bay Delta, if you look at what
9 the water board did in the Mono Lake decision, or look at
10 what the water board did in the Imperial County/San Diego
11 water trade, you'll recognize that water rights and water
12 quality go hand-in-hand.

13 And that while the bigger problem that needs to be
14 addressed may be the byzantine structure that's created in
15 water law that's equivalent to property rights, separating
16 water quality and water rights into different agencies will
17 not allow a more efficient system. In fact, it will create
18 a system where one hand won't know what the other's doing.

19 CALFED speaks to that. The Bay Delta speaks to
20 the need to deal with water rights and water quality at the
21 same time.

22 And we can go into more detail, and the water
23 board will be submitting, through Cal EPA, more detailed
24 examples of how we think we can improve the system along the
25 lines you want to improve it, without throwing out a lot of

1 the value that's been created over the last several years.

2 Thank you very much.

3 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

4 Mike Wade.

5 PANEL MEMBER WADE: Well, thank you again.

6 As a representative of the California Farm Water
7 Coalition, it's important to note that our organization's
8 been around for 15 years, and we were set up with the intent
9 of providing fact-based information on agricultural water
10 use to the general public.

11 The subject at hand is water. And California's
12 water supply is one of our most vital, but one of our most
13 misunderstood resources. California's water supply is
14 abundant. Unfortunately, we often act as though we've
15 developed all of the water that we're ever going to get.

16 When, in fact, with conservation, recycling, and
17 sensible water development policies Californians far into
18 the future can enjoy the same benefits that we're receiving
19 from our forefathers.

20 California consumers have been hoodwinked into
21 thinking that our water resources are inadequate to meet the
22 state's needs when, in fact, there are existing unused and
23 unclaimed flows to the Pacific Ocean that are not part of
24 any current regulatory or contracted use.

25 What is lacking is the will to finish what's been

1 started, and that's the State Water Project and the CALFED
2 Bay Delta program, implementing the record of decision from
3 2000 in full.

4 On the State Water Project, the CPR report
5 recommends that we made the SWP a separate entity within the
6 resources agency, and I think this is a good idea. The
7 state water contractors, who are the users of the project,
8 are required to pay all of the costs to build, operate, and
9 maintain it. It must, therefore, represent the interests of
10 the users and not the interests of outside agencies or
11 organizations.

12 It's also important to assure that state
13 activities are run as efficiently as possible. That means
14 embracing innovative solutions, such as the proposed
15 recommendation calling for management of certain SWP
16 functions by the State Water Contractors Joint Powers
17 Authority.

18 In addition, improved efficiency can also be
19 achieved by turning over operation and maintenance of
20 certain portions of the aqueduct system to the state water
21 contractors. This model's already been successfully applied
22 by the federal government with the Central Valley Project,
23 and it can successfully be applied to the State Water
24 Project as well.

25 On CALFED, the reason CALFED was initiated was the

1 fact that the Delta water supplies were being seriously
2 reduced because of the presence of threatened or endangered
3 fish. Fishery biologists were dictating operation of the
4 SWP and CVP export projects, while water users were taking
5 the brunt of droughts by regulations.

6 In the first four years of planning and
7 implementation of the CALFED ecosystem restoration program,
8 we find ourselves spending precious dollars on purchasing
9 land and easements to protect ducks, brush rabbits, wood
10 rats, and other terrestrial species, none of which have ever
11 been threatened by Delta export pumping.

12 In the meantime, all of the species that were
13 endangered at the beginning of the CALFED program are still
14 endangered. That's where we need to focus our attention if
15 we're to adequately serve the water needs of California
16 farms, homes, and businesses, is getting these fish
17 populations to the point where they can be delisted.

18 Projects, such as biased videos and educational
19 curriculum aren't helping accomplish this. We need to move
20 vigorously toward achieving the four goals of the CALFED
21 program, which are improving water quality, water supply
22 reliability, levy system integrity and ecosystem health,
23 with significant attention on reducing conflicts in the
24 system. Ducks, rabbits, wood rats, and videos aren't
25 helping us do that.

1 All of the recommendations in the report support
2 this direction.

3 With respect to the California Water Plan, there's
4 no flexibility left in California's water supply system.
5 The California Water Plan should be developed as a document
6 that supports regional efforts to solve water supply
7 problems.

8 The Plan should also provide state level support
9 for initiatives and projects that are beyond the reach of
10 regional supply efforts. Active involvement and policy
11 guidance from the Executive Branch would go a long way to
12 make the California Water Plan a true strategic plan for the
13 state's water resources.

14 The Water Plan can be a valuable tool for the
15 public and for lawmakers to determine how much unallocated
16 water currently exists and how to use it for the greatest
17 public benefit.

18 Thank you.

19 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

20 We're now going to turn to energy, and our first
21 speaker will be Assemblyman Joe Canciamilla.

22 Are you water?

23 PANEL MEMBER CANCIAMILLA: Well, actually, I'll be
24 the segue between both of them. I'll deal with two minor
25 issues in California today, water and energy in five

1 minutes.

2 COMMISSION CO-CHAIRPERSON KOZBERG: And you're
3 going to need to get closer to the mike, too.

4 PANEL MEMBER CANCIAMILLA: All right. I want to
5 first start by saying I agree with a lot of what's been said
6 about various components of the report. I think that the
7 CPR is in fact an excellent beginning and opportunity for us
8 to begin really addressing the need for reform in this
9 state.

10 Unlike Mr. Katz, I've not had the pleasure of
11 getting my reform measures to the Governor's desk. I've
12 seen them die generally in their very first committees. And
13 I'm hoping that the effort that's underway here will see
14 some real effort toward reform.

15 I want to comment on some specifics that are in
16 the report, and I'll first deal with the State Water
17 Project. I also agree that it makes sense to spin this off
18 as an independent project. But I also believe that we have
19 learned from our energy deregulation that by putting this
20 completely in the hands of contractors we run the risk of it
21 no longer being viewed as a system for benefit of the state.

22 As long as the integrity of the system is
23 maintained for the benefit of the residents of California,
24 particularly since some half of the state's water is
25 delivered through the project, it could make real sense.

1 CALFED, as was pointed out earlier, has been an
2 interesting model to watch. As a representative of a
3 district along the delta, and someone who's been involved in
4 this process for a number of years, the agency has the
5 opportunity to resolve a large number of conflicts. But not
6 until the Authority has full participation at the federal
7 level and has a clear sense of its own self and direction
8 are we going to see CALFED being able to move through the
9 morass of the bureaucracy and establish itself as being able
10 to maintain independent policy.

11 The California Water Plan and the update make
12 sense. It should have been done already. One of the
13 reasons that it hasn't been is because no one wants to look
14 at the issue of above-ground storage in California. It has
15 been a taboo subject.

16 As someone who authored a water bond just as the
17 state was going into its financial turmoil, I can tell you
18 that above-ground storage is expensive, it's difficult to
19 move through the process, but it is critical if not to be
20 implemented, to at least be discussed as an overall part of
21 the solution to water problems in California.

22 Regional water planning, as was pointed out, is
23 probably one of the most successful models of water politics
24 and decision making that we have seen in the state so far.
25 We need to be able to build on that, we need to be able to

1 support those regional efforts without losing, once again,
2 the fact that we're all part of one state-wide water system.

3 The CPR also talks about the grant programs as
4 being fragmented, cumbersome and inefficient. Absolutely.
5 Without having some consistency and some commonality of
6 goals and purpose, we are going to run into tremendous
7 problems as we use water bonds as the cover for park, open
8 space, wildlife preservation and other bonds, and the public
9 will get frustrated that they're not seeing an investment in
10 infrastructure to deliver services, and we won't be able to
11 go back to the bond well in order to get public support.

12 As far as flood control, no money, no flood
13 control. Simple as that. Without some kind of wide-
14 ranging, long-range plan to deal with flood control
15 subventions, it makes no sense to even discuss the issue.

16 I will point out that the recent break of the
17 levee on Jones Tract is an indication of how serious the
18 problem is. It not only threatened the agricultural land
19 impacted by the failure of the levee, but it jeopardizes the
20 integrity of the state water supply as a whole.

21 As to energy, very quickly, as the author of an
22 energy reorganization bill, AB 808, which died not in the
23 first committee, but shortly thereafter, I support fully
24 reorganizing the energy structure and the process in the
25 state.

1 I believe there should be a Secretary of Energy
2 appointed by the Governor, who ultimately has responsibility
3 for establishing policy, that we should have a PUC and
4 Energy Commission that can establish clear direction for
5 supply transmission, and that capitalizes on the public's
6 willingness, as we saw during the energy crisis, to conserve
7 and look at creative alternative and renewable options.

8 It's critical that we develop a decision making
9 process that has systemwide accountability, that depends on
10 long-term planning, and not on the politics of a term-
11 limited and attention-limited Legislature to come up with
12 timely ways of avoiding a crisis.

13 We are a great place to discuss, debate, and
14 deliberate. We are not a great place for emergency
15 response. So it has to be built in the system.

16 Whether it's a model as I proposed in 808, or in
17 some other form, I would urge you to strongly look at the
18 energy concepts that are in the CPR. And I believe
19 Mr. Jan Smutny-Jones probably has even more ideas on this
20 subject, and I will leave it to him to flesh that out.

21 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

22 Jan Smutny-Jones.

23 PANEL MEMBER SMUTNY-JONES: Thank you very much,
24 Madame Chair, Mr. Chair, and Commissioners. I'm
25 Jan Smutny-Jones.

1 And I'd like to talk a little bit about, actually,
2 four different areas. When I'm talking about
3 infrastructure, I'm talking about it in a little different
4 manner, I think.

5 Most of the infrastructure in the electricity
6 sector, with the exception of the municipal utilities, is
7 privately owned. Whether it's the transmission lines that
8 are owned by the utilities, or generation facilities that
9 are produced by members, such as mine, they are privately
10 owned. They have a tendency of being interstate in nature,
11 which leads to all kinds of interesting issues.

12 But there's a significant amount of environmental
13 and economic regulatory involvement in these facilities.

14 The idea of limiting the PUC to its constitutional
15 requirements, which is largely rate making, and shifting
16 other energy related activities out of the PUC and into
17 another agency, I think is a good idea. Obviously, the PUC
18 needs to be doing the economic regulation that it was
19 designed in the Constitution to do, but it's doing a lot of
20 other things as well, that could be perhaps better done
21 elsewhere.

22 There's no question that we have too many agencies
23 that are involved in energy. Ironically, as we deregulated,
24 we created more agencies. So I think the Electricity
25 Oversight Board, for example, needs to go away, or its

1 function shifted someplace else. The same thing with the
2 California Power Authority.

3 With respect to siting new generation and
4 repowering, I'm going to tell you something that's going to
5 sound contradictory, but it's not. We need to be very
6 cautious when you shift the siting authority to a new
7 agency, that the process, the integrity of the process
8 remains intact.

9 The fact of the matter is there has never been a
10 license issued by the California Energy Commission that's
11 ever been judicially overturned. So it's a very difficult
12 process, but once you've got a license to build, it's
13 bankable. And that's very important. So if we shift it to
14 some other agency, we need to be sure that that process
15 remains, the integrity of that process remains intact.

16 Having said that, and making the mistake of
17 polling my members in terms of what they think about the
18 process, and I'll give you a much longer list written down
19 on this, but there definitely needs to be an audit of how
20 things go about there. It's extremely time consuming, very
21 expensive. I have one member that is currently into a
22 process for more than \$15 million, and this is before they
23 put one shovel of dirt, or turn one shovel of dirt over.
24 So that's a critical issue there.

25 The report identifies some, but perhaps there

1 needs to be greater detail in some of the cross-
2 jurisdictional problems that are faced between the
3 California Energy Commission, the Coastal Commission, the
4 air boards, and a whole variety of other agencies that have
5 very important, legitimate functions, but that there is some
6 lack of clarity there that needs to be dealt with.

7 And we obviously need to keep public participation
8 as an integral part of this.

9 The third area I want to talk briefly about is
10 moving the siting of transmission facilities out of the
11 California Public Utilities Commission. It's there for
12 historical reason, it makes no sense, and they've been God
13 awful at it. Not that I feel strongly about it.

14 (Laughter.)

15 PANEL MEMBER SMUTNY-JONES: So this needs to move
16 either to a new siting agency, or over to the California
17 Energy Commission, where there is basically expertise on
18 CEQA. But the ISO, we think, has done a fairly good job to
19 try to coordinate longer-term plans.

20 And the third area on that is I think the State
21 needs to be looking at its infrastructure transmission
22 corridors on a longer term base.

23 As the State moves out into the valleys and out
24 into the desert, your opportunities to where to put
25 transmission lines collapse very quickly. And so taking a

1 longer term view of how we're actually going to get
2 electrons to people of California 20 years from now needs to
3 be carefully thought through.

4 Last, but not least, the natural gas
5 infrastructure actually has been undergoing a fair amount of
6 improvement over the last few years. However, it's very
7 clear that the concept of LNG, liquified natural gas, is an
8 issue that the State is going to have to confront here in
9 the very near future. There is really, a significantly
10 reduced amount of natural gas that is attainable basically
11 in the United States, or Canada, for that matter.

12 This is a big issue. Those of you who are
13 fortunate enough to represent coastal areas, welcome to the
14 fight. I think we need to figure out where or how these
15 facilities get sited. Currently, the PUC is in a
16 jurisdictional fight with the Federal Energy Regulatory
17 Commission over who gets to site power -- not power plants,
18 who gets to site these LNG facilities. I'm not certain that
19 the PUC is the right land use or coastal use agency to be
20 handling this issue. They may well be, but I think from a
21 longer term perspective it's something that I think the
22 State really needs to look at that.

23 And with that, we will be happy to submit some
24 additional comments to the Commission, and thank you for
25 involving us.

1 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.
2 Brad Wilkins.

3 PANEL MEMBER WILKINS: Good afternoon and thank
4 you again for this opportunity to speak in front of the
5 Commission.

6 Our company, TAMCO, is a steel producer located in
7 Southern California and recycles scrap metal into usable
8 steel. Mainly steel reinforcing bars, which are used in the
9 construction of reinforced concrete structures.

10 Our steel rebar is used throughout California's
11 infrastructure, in highways, bridges, parking structures,
12 buildings, many, many things. About a hundred thousand tons
13 of our steel will be used in the construction of the first
14 phase of the new Oakland Bay Bridge. And by the way, 70,000
15 tons of our steel was put into the Alameda corridor a couple
16 of years ago.

17 As is the case with many other heavy industrial
18 companies, we are dependent on energy to manufacture our
19 products. Therefore, natural gas and electricity policies
20 are extremely important to us, especially as it relates to
21 reliability and price.

22 We convert about 600,000 tons of scrap metal into
23 rebar each year. Our process requires 330,000 megawatt
24 hours of electricity and over 1 million MM BTUs of natural
25 gas each year to melt and roll the steel rebar we sell.

1 Energy accounts for about 30 percent of the cost
2 to convert scrap metal into the finished product.

3 We believe that the energy crisis of 2000-2001,
4 and its aftermath, was exacerbated by the fractured decision
5 making of the State agencies that had and continue to have a
6 hand in California's energy planning and regulation.

7 The effect on TAMCO and other heavy industrial
8 companies has been substantial. We have seen our power
9 costs double in the last few years. Energy now costs TAMCO
10 more than all salaries, wages, and benefits combined for all
11 of our 320 employees.

12 Presently, we face major uncertainty with respect
13 to the future direction of energy policy and power markets
14 in the state, making it very difficult for us to plan for
15 the future.

16 Furthermore, we are concerned that issues related
17 to electricity generation, transmission, natural gas
18 pipelines, and LNG terminals are not being addressed
19 adequately to ensure long-term supply and reliability in the
20 state. We support the energy-related recommendations
21 detailed in the infrastructure chapter of volume four of the
22 California Performance Review.

23 Consolidating energy-related infrastructure
24 licensing authority from the various state agencies to
25 improve overall statewide planning and coordination, and

1 improving accountability through a clear line of authority
2 from the Governor will help to more capably address more of
3 the energy issues we face in the state.

4 With respect to energy conservation and
5 efficiency, we are happy to see that the report recognizes
6 the importance of the role of demand reduction programs in
7 managing peak load.

8 TAMCO is an interruptable electricity customer,
9 and we can reduce loads substantially within a half-hour, if
10 called upon to do so. We believe that the interruptable
11 program is oftentimes a better alternative to managing peak
12 load than supplying more power to the grid by firing up old
13 polluting generating plants.

14 Also, we support the recommendation that the state
15 use strong performance measurement and verification
16 protocols to ensure the public goods charge monies are used
17 as effectively as possible, whether the program being funded
18 is for loans or for grants. We believe grants can be an
19 effective means to accomplish program goals, but agree that
20 loan programs are preferred.

21 Well-managed loan programs will not only help
22 preserve some of the capital in the public goods fund, but
23 will also act as an incentive to those implementing energy
24 efficiency projects to make sure the project truly does save
25 energy in order to pay back the loan.

1 In conclusion, while I cannot speak for every
2 manufacturer in California, we at TAMCO support many of the
3 energy-related infrastructure recommendations made by the
4 California Performance Review report.

5 The state's need for centralized decision making
6 on critical electric transmission and energy supply
7 proposals, such as the siting of new LNG facilities, has
8 never been greater. The economy is recovering, but growth
9 will be hampered unless we site the plants and
10 infrastructure we need to serve that growth.

11 Confusion and conflicts between state agencies
12 regarding solutions to our energy infrastructure challenges
13 should be minimized with the recommendations of the CPR for
14 agency reorganization.

15 It's encouraging and refreshing to see that our
16 government is willing to take a fresh look at how it
17 conducts our operations, just as we, in business, must from
18 time to time review our -- and review and recognize
19 our -- reorganize our organizations to stay competitive in
20 our industries.

21 Thank you.

22 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.

23 Questions for the panel?

24 David Davenport.

25 COMMISSIONER DAVENPORT: It seems like one

1 recurring conversation we've had today, which is very
2 useful, is sort of a dilemma in this infrastructure area.
3 On the one hand we all realize we have some very serious
4 infrastructure problems.

5 I'm thinking of Mr. Katz, maybe you might want to
6 take the first swing at this.

7 We have lots of very serious infrastructure
8 problems and we're not taking a coordinated, sort of senior
9 level look at it.

10 On the other hand you, and several others have
11 said if we consolidate that too much, we might lose the
12 expertise we need in some of these highly technical areas,
13 and we might lose the sense of public participation. Which,
14 I mean, I think that is an important dilemma.

15 I think what the performance review report says is
16 we're too far on the side of the scale of independent boards
17 and independent actions, we've got to do more in a
18 coordinated, statewide way.

19 Could we do that, do you think, form this new
20 Secretary of Infrastructure, new nine-member commission, and
21 perhaps have voluntary boards at the undersecretary areas
22 for energy, and water, and so forth, that would not have
23 necessarily power, but would have expertise and public
24 participation? Is that a way to manage a dilemma or are
25 there other ways?

1 PANEL MEMBER KATZ: Well, I think you've hit on
2 one of the key questions and I guess the flip answer would
3 be, if it had been easy, we would have done it already, to a
4 large extent.

5 And I think the question that Senator Ducheny
6 raised earlier about if you have a nine-person board, do you
7 have one person that's the repository of all the
8 transportation knowledge, or all the water knowledge, or all
9 the energy knowledge. It's a little frightening on one hand
10 and I don't know that it's achievable.

11 The concern I would have would be with voluntary
12 boards and commissions. Certainly, for some of it, the
13 answer would be yes, there's clearly a role for that.

14 I look at the job that regional water boards try
15 and do now, with volunteer \$100-a-day members, and they're
16 swamped and overwhelmed. Now, some of that can be fixed, I
17 think appropriately, by transferring some of the power to
18 the executive officer of the regional board to clear out
19 some of the clutter.

20 But in terms of making some of the kinds of
21 decisions they're making, particularly on an infrastructure
22 basis, what you'll wind up with is a staff-driven process
23 where the person that has the vote or the authority will
24 come in and ratify, because they simply don't have time if
25 they're going to work and taking care of their job, or doing

1 whatever it may be. And that's what you'll wind up with,
2 more than a true public participation process. That would
3 be my concern.

4 I think there are some things, though, that would
5 work in a more hybrid system. We do need to coordinate
6 more. In the past we've had the luxury of people willing to
7 spend what it takes to build the University of Californias,
8 the state water system, or the highway system, without
9 having to choose, do I build UC Merced or do we finish the
10 State Water Project.

11 Today we're more at that choice and that calls for
12 a different kind of prioritization. And I've heard some
13 people mention the notion of sort of a priority list of
14 projects, sort of weighing them one against the other, when
15 they're all really interrelated.

16 And the great example of that, the largest
17 consumer of power in California is the State Water Project.

18 COMMISSION CO-CHAIRPERSON KOZBERG: Does anyone
19 else on the Panel want to respond. Dale Bonner.

20 COMMISSIONER DUCHENY: And the largest consumers
21 of water are power plants.

22 COMMISSION CO-CHAIRPERSON KOZBERG: Dale Bonner.

23 COMMISSIONER BONNER: I had a question for
24 Mr. Katz, and if anyone else wants to respond, please feel
25 free to do so. You posed a question and I'm not sure I

1 caught your answer to it, and that is whether water is
2 fundamentally a utility or a resource. And if you could
3 just briefly address that and also the implication of one
4 view versus the other?

5 PANEL MEMBER KATZ: Water, if you go back through
6 the history of water in the west, or California, started out
7 with the view that if you don't use every drop of it, you're
8 wasting it, because it's there to take, and to bend demands,
9 pleasure, or desire, or build, or dream.

10 And over time we've evolved, I think, I would say
11 evolved, to a more holistic view of where water fits as a
12 resource in the whole picture.

13 Now, a part of the problem with that evolution is
14 we still have a very antiquated system of water rights,
15 which go back, some of it pre-1914 rights in California,
16 which are untouchable and quasi-property rights, so it makes
17 it very difficult.

18 But the bigger picture would be that water, we
19 have come to view, is something that is a resource that
20 needs to be managed, protected, and in many parts of the
21 state improved, because it's been degraded.

22 And if you view it simply as a utility that's
23 done, that's viewed in terms of infrastructure, you're sort
24 of back to the use it or lose it principle that we were when
25 we became a state, which was use every last drop because

1 otherwise waste is, by definition -- if you're not using
2 every last drop, rather, to develop more, you're by
3 definition wasting water.

4 We've come to realize, I think, that leaving water
5 in the stream is a good thing. And that frankly, leaving
6 water and streams pristine actually enhances property value
7 and the quality of life in California.

8 And while some, I think, would say we've gone too
9 far in that direction, I think we need to stop way short of
10 going way back to where we were when it was a use it or lose
11 it kind of concept. We need to make a more efficient use of
12 a very scarce resource, and I think you can do that in ways
13 that benefit both the environment and the state as a whole.
14 That's the balance I would ask you to see.

15 COMMISSIONER BONNER: So it's your view it's
16 fundamentally a resource as opposed to a utility?

17 PANEL MEMBER KATZ: I believe it's fundamentally a
18 resource that is to be managed well, but protected and
19 enhanced where possible.

20 COMMISSION CO-CHAIRPERSON KOZBERG: Yes,
21 Steve Hall.

22 PANEL MEMBER HALL: I mostly agree with Richard,
23 so I guess I'll undermine his credibility, as well.

24 (Laughter.)

25 PANEL MEMBER HALL: The way I view it is, and the

1 way state law views it, I believe, is that there is a
2 fraction of water that is a public resource and it's the
3 first fraction. State law mandates, and federal law as
4 well, mandates that the environment must be protected and
5 water is a part of that safety net.

6 And so the first fraction of water must go to the
7 environment as a resource.

8 What's left is a utility, whether it is used in a
9 home, in a business, or on a farm, it's a utility service.
10 And I think that's a division between that resource and
11 utility that we can accommodate.

12 Because what has happened is science has informed,
13 and will continue to inform us as to what, how large that
14 first fraction for the environment needs to be. And
15 whatever it needs to be, it will be. I believe that will
16 continue into the future.

17 But as we get better data, we'll make better
18 decisions as to in any given water year, whether it's wet,
19 dry, or in between, how much needs to go to the environment
20 and how much can be for human purposes.

21 As to water rights, Richard's right, it's an
22 antiquated system, but we've also learned to accommodate
23 that with the water market. People keep their property
24 right, but they're allowed to sell that water, and in that
25 way it's redistributed in a win-win proposition, as opposed

1 to taking it from them, which is a lose proposition for
2 them.

3 COMMISSION CO-CHAIRPERSON KOZBERG: Bill Hauck.

4 COMMISSION CO-CHAIRPERSON HAUCK: This is for Joe.
5 Let's put your energy hat on here, Joe. As soon as I get
6 this microphone straightened out.

7 I mean, you had tried to advance some energy
8 reorganization measures and you've looked at the report, the
9 CPR report. You mentioned in the remarks that you made that
10 you would favor a Secretary of Energy. The report really
11 doesn't recommend a Secretary of Energy.

12 Do you agree or do you disagree with what is
13 recommended in the report?

14 PANEL MEMBER CANCIAMILLA: I disagree with the
15 report insofar that it does not have a policy leader in the
16 Executive branch of the Administration that can drive a
17 debate on the policy, or can be the focus for decision
18 making within the Administration. I think there has to be a
19 voice. I think we're running into the same problem in the
20 area of education. Who's in charge? Who establishes the
21 policy, who sets the direction?

22 If the decision is that it's going to be strictly
23 done at a local or a subregional level, then that's -- then
24 we should be prepared to leave it there and run that risk,
25 and not criticize if one part of the state has more of a

1 resource or is doing better than another.

2 But I don't think that's the way to run an
3 integrated multi-state system. You need one person who's
4 going to be able to -- if not be the one person that makes
5 all the decisions, because I don't believe that's warranted,
6 particularly with the constitutional authority of the PUC,
7 but you do need to have one person that's going to set the
8 tone, and I believe that should be an energy Secretary.

9 COMMISSION CO-CHAIRPERSON KOZBERG: Denise, and
10 then J.J. And if I see no other hands go up, that will be
11 the last question. Okay.

12 COMMISSIONER DUCHENY: A couple different
13 thoughts, as all of you were talking, and I think this is
14 going to come up in some other areas, but certainly today
15 all of these areas, and it came up a little bit with
16 transportation.

17 But the fundamental -- and I don't know that the
18 recommendations in here get to this. This problem between,
19 you know as much as we all might want to get rid of some of
20 these boards and commissions and I, frankly, am somewhat
21 supportive of the notion that energy transmission siting and
22 LNG siting ought to be done by the same folks who do power
23 plant siting, because it's kind of all the same thing.

24 So it's a good example, CEC versus PUC, or State
25 Water Resources Control Board versus Water Planning Policy.

1 The question of permitting and regulating boards
2 versus policy making boards, and where those conflicts of
3 interest -- and maybe, Richard, you might want to comment on
4 this, too. There's an inherent potential conflict of
5 interest in the people that are making the policy also being
6 the regulator or the permit granter. Or maybe there's not.

7 I mean, there's a question of sort of enforcement
8 and how we divide those public parts that are policy making
9 from the regulating, permitting sort of activities.

10 And you know, and the water discharge becomes a
11 thing. Can you really put water discharge under state water
12 planning policy?

13 Can you look at the CALFED model, with all its
14 flaws, and pluses, and minuses, and say you know, it really
15 is a cross-cutting thing and it involves these different
16 agencies, and if we put all of these together what happens
17 to it?

18 What happens if we really do get rid of regional
19 water quality boards and we don't have anybody locally who's
20 looking at that watershed to make those permitting
21 decisions?

22 Now, they're underpaid and overworked, and all of
23 those things, and so maybe that isn't right, maybe you can
24 go to a more regional -- you know, a state level.

25 But some of these boards and commissions that

1 we're discussing eliminating, you know, have real purpose in
2 life. And I guess the help that a lot of folks could give
3 us, and in multiple areas, is how do you distinguish between
4 them and those functions?

5 COMMISSION CO-CHAIRPERSON KOZBERG: Who would like
6 to be the first responder?

7 PANEL MEMBER CANCIAMILLA: I'll take a quick stab.
8 I agree, Senator, that it's going to be difficult to sort
9 through. I think that the question, though, needs to be
10 asked in terms of what do we see as the result, or what is
11 the product that we want to get out of the process, as
12 opposed to which commission should be doing it.

13 If we adopt a model similar to what Washington
14 State has done with their budgeting process, and apply that
15 to this kind of a decision making structure, and we ask what
16 is the result we want to get out, and then work through that
17 in a sense of what makes real sense as far as decision
18 making.

19 We may, on our own, decide which commissions go
20 and which stay.

21 Part of it needs to be, though, a debate about
22 what value is there in some of these commissions. Many have
23 a single purpose. Many have simply been used as a means of
24 setting up another roadblock or another barricade to a real
25 decision getting made.

1 If you've got a real public process that allows
2 people to participate, have the opportunity to be heard, and
3 yet makes a decision at the end of the day, I think we'd all
4 be better off. It's just knowing what those rules are going
5 to be up front.

6 COMMISSION CO-CHAIRPERSON KOZBERG: Richard.

7 PANEL MEMBER KATZ: What I would add to what the
8 Assemblyman said is, you know, when you look at, and I
9 certainly would support and I think the water board's on
10 record supporting reducing the number of members of local
11 boards and giving more authority, members on the boards
12 giving more authority to the Executive Officer to speed up
13 some of the processes there.

14 But I also think there's value in the fact that
15 they're local. For instance, the way people on the north
16 coast of region one views things is very different than the
17 way region nine on the Colorado River views things, or
18 Imperial County.

19 And they deal with water issues that are unique to
20 their area, with people who have an expertise or live in
21 that area, and you lose that if that all gets concentrated
22 in an individual who's appointed, who sits remotely
23 somewhere far away, and there's no public decision making
24 process for them to participate in. So you lose that
25 ability to craft your solution for the local realities.

1 The other piece I would add to that, and it goes
2 back to the question of water rights and water quality, and
3 Senator Ducheny knows this, as a leader in the fight to save
4 the Salton Sea, which is a water body the Governor, I
5 believe, calls out at the beginning of the CPR report, as
6 one of those significant bodies of interest in California
7 for maintaining.

8 The fact that the State Water Board, when we did
9 the water rights hearing, and the hearing on the transfer,
10 had both water rights and water quality, meant we were able
11 to deal with the water rights issue, itself, for the
12 transfer, and insist on maintaining the quality of water in
13 the Salton Sea, or the levels in the Salton Sea to maintain
14 the status quo while a solution was found.

15 Had those been separated into separate entities in
16 different parts of the government, there may be no
17 connection between the two. So I think that's a good
18 example of where keeping water rights and water quality
19 together make a lot of sense, because you need to look at
20 the bigger picture.

21 And so in crafting the solution, I do think
22 reforms can be made. But I really would hope that you'll
23 look seriously at why water rights and water quality were
24 consolidated, and also the role of local public
25 participation in impacting on decision making.

1 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.
2 J.J., and then the last question will be Dale Bonner.

3 Wait, we have one -- Jan wants to -- two
4 responders here on the panel. Steve Hall.

5 PANEL MEMBER HALL: Just very quickly to the
6 Senator's questions. We're still trying to think through
7 the wisdom of eliminating the regional boards. I tend to
8 agree with Richard on most of what he said. I happen to be
9 a fan of citizen boards. It's ugly, it's inefficient, but
10 it is transparent and people feel like they get their day in
11 court.

12 I do think, though, that there can be a balance
13 struck. Because right now you have nine regional boards
14 around the state and you have nine different policy
15 paradigms going on, and people don't have any sense of
16 consistency and that needs to be changed. Some of that
17 could be rectified by making the executive officers at the
18 regional level accountable to the Executive Officer at the
19 State Board, so that they don't run their little fiefdoms
20 the way they do now.

21 With respect to water rights and water quality,
22 there's a very sound reason why those two are together in
23 the State Water Board. We're still formulating our position
24 on the notion of separating them out, but I'm pretty sure
25 we're going to come down on the side of not separating them.

1 Because as Richard said, they are largely inseparable.

2 In what is by far our largest watershed, the Bay-
3 Delta Estuary that dumps into the San Francisco Bay, it
4 serves most of California, you cannot separate water quality
5 and water rights, and to try to do so would be a mistake.

6 COMMISSIONER DUCHENY: But then should you add to
7 them the water planning issue? I mean, does that take the
8 extra step or does that policy planning now go with the
9 permit?

10 PANEL MEMBER HALL: Right, I do think water
11 planning can be done separate from water rights and water
12 quality. It simply has to be, at some point, brought
13 together.

14 COMMISSION CO-CHAIRPERSON KOZBERG: Jan?

15 PANEL MEMBER SMUTNY-JONES: Yeah, Senator, you
16 caught me, too, because I did the easy one which is
17 basically, you know, siting is largely a land use and
18 environmental type of issue, and it's a very important one,
19 and in the process obviously there's a considerable amount
20 of what's recommended that can be done, I think very quickly
21 there.

22 I think where the big problem runs into, and where
23 the report needs to spend more time, is when you remove all
24 the other energy-related stuff away from the PUC, which I
25 agree with, it leads to the question of, well, what happens

1 with the role the PUC, which still has regulatory authority
2 of jurisdictions like jurisdictional authority over
3 utilities?

4 For example, if there's a state policy requiring
5 the utilities to do energy efficiency, and the PUC doesn't
6 want them to recover it in rates, what happens? And this is
7 not something that is a fantasy on my part, there's a long
8 history of tension between the California Energy Commission
9 and the California Public Utilities Commission over energy
10 planning, policy, and all kinds of things.

11 So I think a little more effort needs to be looked
12 at how do you do that, what does that mean, what are the
13 longer term implications? Because while I think that
14 there's too much redundancy between just those two agencies,
15 just collapsing it into sort of a super agency I don't think
16 resolves the problem. I still think there's going to be
17 tension there that ought to be looked at by the Commission.

18 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you.
19 The last question goes to J.J.

20 COMMISSIONER JELINCIC: Mr. Wilkins, you raised
21 what was kind of an intriguing thing to me. You said that
22 you actually preferred interruptable power over firing up
23 the peakers. And I was wondering if you could expand on
24 that why and --

25 PANEL MEMBER WILKINS: Why we do?

1 COMMISSIONER JELINCIC: Yeah, why that's your
2 preference?

3 PANEL MEMBER WILKINS: Well, it's just mainly for
4 the good of, I think, the people that use electricity. We
5 have the capability to shut down our equipment. Now, it
6 costs us money to do that, but shutting down our equipment
7 and reducing load, okay, we're not using up energy and we're
8 not emitting anything into the environment.

9 But if we continue to run, and the plants also
10 ramp up, which typically peakers tend to be the more sketchy
11 ones in terms of environmental impact, what do you have?
12 You have kind of a dual situation where you've got an impact
13 on the environment.

14 So we just feel that we can do that, and we can
15 just make up the lost production later. And by the way,
16 I'll admit it, we get paid to do that, too. We get a bit of
17 a discount to be ready to be called to interrupt our power.

18 COMMISSIONER JELINCIC: Thank you.

19 COMMISSION CO-CHAIRPERSON KOZBERG: Thank you,
20 excellent panel.

21 COMMISSION CO-CHAIRPERSON HAUCK: Yes, thank you
22 all.

23 COMMISSION CO-CHAIRPERSON KOZBERG: We're now
24 going into public testimony.

25 COMMISSION CO-CHAIRPERSON HAUCK: Okay. All

1 right, we're now going to move to the public testimony
2 portion of this hearing. It's about 2:30, we are going to
3 continue that process until four o'clock. We have more
4 people signed up to speak than we can accommodate between
5 now and four o'clock.

6 So here's what we will suggest. We will take
7 folks who wanted to testify in order, in the order in which
8 they filled out the card that was required to testify.

9 For the people that we are unable to get to in
10 this period, two or three things. First, we definitely will
11 accept any comments that you would like to write, either
12 directly to the Office of Planning and Research, or by mail,
13 or by e-mail, also, to the Office of Planning and Research.

14 Secondly, if you still wish to testify, we will
15 give you priority at another hearing, if you are able to get
16 to one of the other of now probably six or seven hearings,
17 regardless of the subject matter of that hearing.

18 In general, the ground rules here are you can
19 comment on any subject covered by the report, even if we
20 haven't discussed it in the panel portion of the hearing.

21 We're asking that you limit your comments to two
22 to three minutes, three minutes at the most. We understand
23 that's a short period of time, but in the interest of
24 hearing as many people as possible, please keep to that time
25 schedule.

1 We again will operate the lights over here on the
2 side of the room, and when you see the light go to red,
3 please conclude your remarks. And I would emphasize
4 again --

5 AUDIENCE MEMBER: What's your e-mail address?

6 COMMISSION CO-CHAIRPERSON HAUCK: Pardon me?

7 AUDIENCE MEMBER: What's your e-mail address?

8 COMMISSION CO-CHAIRPERSON HAUCK: We'll get you
9 the e-mail address.

10 COMMISSION CO-CHAIRPERSON KOZBERG: We'll get you
11 the e-mail address.

12 COMMISSION CO-CHAIRPERSON HAUCK: I don't have
13 that in front of me.

14 CPR TEAM MEMBER CHONG: There's a public inputs
15 forum on www.cpr.ca.gov. That's www.cpr.ca.gov.

16 COMMISSION CO-CHAIRPERSON HAUCK: Everybody get
17 that? It is on the card.

18 So what I'm going to do is ask the first five
19 folks, who asked to speak, to go to the back of the
20 auditorium so that you're ready to take the place of the
21 first person, after the first person is finished.

22 Any other questions? Okay. I'm going to give you
23 the names of the first five people that I have here on the
24 list. They are Doug Parsons, P-a-r-s-o-n-s, is first. I
25 think it's P.E. Kessinger, K-e-s-s-i-n-g-e-r. Chris

1 Codiroli. Gary McGavin. And Russ -- it looks like
2 Lightening, but I doubt that's -- L-i-g-h-t and it's -- I
3 can't read the last few letters of that name. Yeah, this is
4 a gentleman from Los Alamitos, so that should be enough to
5 identify who you are.

6 So those are the first five. We'll begin with
7 Doug Parsons. Okay, Doug, welcome.

8 MR. PARSONS: Is that close enough? Thank you.

9 Ladies and gentlemen, thank you very much, I
10 appreciate the opportunity to address you. I will try and
11 keep my minutes or my comments brief.

12 I am speaking on behalf of the Harbor Masters and
13 Port Captains Association of California, which is a boating
14 organization. And I am one person, in the one organization,
15 of organizations that put about 20-plus inches on your desks
16 in support of the Department of Boating and Waterways. We
17 still believe in it, and you responded to our requests very
18 much, and we thank you for that, in keeping and making the
19 recommendation that the department be kept mostly in
20 function in infrastructure.

21 However, the question is how can we make it more
22 efficient and effective, and I am asking you please to close
23 the job, and finish it, and by doing so you've made it
24 public that you would like that kept under infrastructure.
25 But we need the revenue source for the Department of Boating

1 and Waterways kept intact and delivered to the Department
2 and not sent directly to the infrastructure committee.

3 The Department of Boating and Waterways is self-
4 funding. It has revenue coming in from the gasoline tax
5 that the boaters buy at their facility, or on the rivers and
6 lakes in California. They get part of the revenue from the
7 boater registration, and they get part of their money from
8 the repayment of the loans that they have already made to
9 help the infrastructure, the marinas, launch ramps coming
10 back to the Department.

11 They are highly efficient, but they need all that
12 money, and there has been a tendency over the years to
13 divert all of the money. If that comes back in, they will
14 be totally self-sufficient and will be able to do an
15 excellent job on the demand that is there.

16 Most of our marinas and the boating structures are
17 aged and they are applying to the Department that the
18 current budget of \$16.7 billion that was allowed for loans
19 this year, is not sufficient to meet the demands, even when
20 it is phased out between and among all the marinas that have
21 applied.

22 So we really need your cooperation to make it
23 public and a recommendation that the funds that are supposed
24 to go to the boating and waterways go to boating and
25 waterways.

1 We'll speak later, my time is up. But the
2 commission, we feel, is paid for out of their own revenues.
3 They do an excellent job in screening and making public, and
4 we'd ask a second opinion on trying to keep that commission
5 separate.

6 Thank you very much for your time, I appreciate
7 the opportunity to speak with you.

8 COMMISSION CO-CHAIRPERSON HAUCK: Thank you, Doug.

9 The next person is P.E. Kessinger. Will you, yes,
10 please state and spell your name?

11 MR. KESSINGER: D.E. Kessinger, gubernatorial
12 candidate, 2003.

13 COMMISSION CO-CHAIRPERSON HAUCK: Will you spell
14 the last name? And you've got to speak into that
15 microphone.

16 MR. KESSINGER: Kessinger, K-e-s-s-i-n-g-e-r.

17 COMMISSION CO-CHAIRPERSON HAUCK: We can't hear
18 you.

19 MR. KESSINGER: Yeah, gubernatorial candidate,
20 2003.

21 The CPR results of August the 3rd, the CPR
22 developments, and issues, and recommendations of 10,000
23 Californians, of 2,500 pages was composed of 1,200
24 recommendations.

25 But at the conclusion it got whittled down to 126

1 recommendations. They started out with 250 issues and now
2 we end up with 38 issues.

3 The savings was 31 billion in potential savings
4 over a five-year period, and it was whittled down to 3.32
5 billion dollars savings over the five-year period.

6 I would like to be looking at an unabridged report
7 of all 2,500 pages, as identified in your flyer. So if you
8 could e-mail that to me, Kessinger@Kessinger.com, I will
9 take an e-mail attachment up to 25K.

10 COMMISSION CO-CHAIRPERSON HAUCK: All right, thank
11 you.

12 MR. KESSINGER: I reserve the balance of my time
13 to a subsequent speaker.

14 COMMISSION CO-CHAIRPERSON HAUCK: All right, thank
15 you. Thank you very much.

16 Chris Codioli.

17 MR. CODIROLI: Thank you, Commissioners, for
18 allowing us to speak on this today. Actually, I'm pretty
19 much going to limit my comments to transportation issues
20 from the infrastructure standpoint.

21 I'm actually here on behalf of the Professional
22 Engineers in California Government, PEGC. We're an
23 organization of about 10,000 state-employed engineers,
24 architects, landscape architects, engineering geologists,
25 and various other engineering fields.

1 As far as the transportation issues that are
2 concerned, one of the -- and basically, two things. The
3 revenue's not keeping up with demand. We've heard a lot of
4 testimony on that as far as today is concerned, as well as
5 project delivery.

6 On the revenue scheme, it seemed apparent that all
7 panel members agreed that the revenue stream is not keeping
8 up with demand. And one of their suggestions was, and we
9 support wholeheartedly, is that funds allocated or
10 identified for transportation issues be used for
11 transportation issues.

12 As you obviously heard from some of the panel
13 members today, for example Prop. 42, none of that money,
14 even though it was earmarked for transportation issues,
15 hasn't been done.

16 We also had several years where the state highway
17 account, which is primarily funded through the gas tax, has
18 been raided in the past and funds have been taken out of
19 that.

20 So we certainly support the idea that
21 transportation funds need to be for transportation. That
22 needs to be the majority, as far as that's concerned.

23 The other thing that I didn't hear on there, as
24 I'm looking at CPRs vision, and that is to cut costs. One
25 of the things that I didn't hear a whole lot about was cost-

1 cutting measures.

2 One of the things that we propose to look at as
3 far as cost cutting, there's obviously several ways to
4 increase your revenue stream. One is to increase the money
5 coming in, the other is reduce the amount of money coming
6 out.

7 Just as an example of that, one of the things
8 that's been going on for many years, particularly with
9 highway construction and design is that a lot of it has been
10 contracted out.

11 To give you some numbers, and these are not
12 numbers from us, these are numbers that actually come from
13 CALTRANS when evaluating the contracts they have with
14 engineering firms. A state-employed engineer costs \$105,000
15 a year, and that includes their salary, benefits, the whole
16 kit and caboodle.

17 CALTRANS, in reviewing their contracts, came up
18 with an average amount for a consultant engineer for the
19 same amount, 1PY, of \$218,000. That's what CALTRANS is
20 currently spending for doing that. So we'd like to
21 have -- but the report doesn't do anything to address that
22 issue.

23 As far as project delivery, again I think one of
24 the things that's been hindering project delivery, as far as
25 the state highway system in the past, has been the fact that

1 there are no funds. As Mr. Wolf testified, they haven't
2 allocated or programmed any money for any kind of project
3 since June of 2003, and we all understand what the problem
4 is as far as the funding resource is concerned.

5 One of the other things is, as far as project
6 delivery, is we now have a new buzz word, and that's design-
7 build.

8 And one of the things in going through this, and
9 when I was thinking about a lot of this, when we're looking
10 at changing things sometimes what we need to do is take a
11 step backwards.

12 COMMISSION CO-CHAIRPERSON HAUCK: Chris, you need
13 to wrap up your remarks.

14 MR. CODIROLI: Okay. At one time CALTRANS and the
15 state highway system was the model worldwide, that's when it
16 was done, that's where the priority was placed with
17 CALTRANS. Ever since the first buzz word of privatization
18 was put into place, CALTRANS and the state highway system
19 has eroded itself. Now, we have a new buzz word, design-
20 build, which is full of its own problems.

21 But I would ask that the Commission take a look at
22 what it used to be, when CALTRANS was a worldwide --

23 COMMISSION CO-CHAIRPERSON HAUCK: Chris, you've
24 got to wrap up.

25 MR. CODIROLI: Okay, that's it. Thank you.

1 COMMISSION CO-CHAIRPERSON HAUCK: Thank you.

2 Okay, next is Gary McGavin. And while he's coming
3 up, let me announce the next five folks, before you begin,
4 Gary. Roger Ball, Cheri Campbell, Ray Torres, Marvin
5 Schachter, and Dick Deboer, D-e-b-o-e-r.

6 Gary.

7 MR. MC GAVIN: Thank you very much. I'm Gary
8 McGavin, I am a small practicing architect from Redlands. I
9 also teach architecture at Cal Poly Pomona, and I had the
10 distinction of being able to serve Governor Wilson on the
11 Seismic Safety Commission for eight years in the 1990s.

12 I'm here to speak against the elimination of the
13 Seismic Safety Commission because, one, they don't receive
14 any funding from the General Fund. All of their funds come
15 from the sale of earthquake insurance. So anything that you
16 save from them, you might actually have to give back to the
17 people that buy earthquake insurance.

18 The Seismic Safety Commission is an independent
19 body that's able to provide the Legislature and the Governor
20 with unbiased scientific information. The Seismic Safety
21 Commission is made up of, many times, world-renowned
22 individuals that serve for virtually nothing, about a
23 hundred dollars a day, so they get a lot for their money.

24 Some of those people include Dr. Lucy Jones.
25 Every time we have an earthquake you turn on the TV, you

1 hear Dr. Jones. Dr. Bruce Bolt, who used to be on the
2 Commission. Jim Slossen and Leroy Crandall are amongst some
3 of those type of individuals.

4 The members and the staff of the Seismic Safety
5 Commission provide the State of California with an
6 invaluable service for virtually nothing.

7 I urge your removal of the Seismic Safety
8 Commission from the elimination list. Thank you very much.

9 COMMISSION CO-CHAIRPERSON HAUCK: The next is
10 Russ, from Los Alamitos.

11 MR. LIGHTCAP: It's Russ Lightcap. You're not
12 unique in not being able to read my writing. Thank you very
13 much.

14 COMMISSION CO-CHAIRPERSON HAUCK: Will you state
15 your name and spell it, please?

16 MR. LIGHTCAP: L-i-g-h-t-c-a-p.

17 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

18 MR. LIGHTCAP: I appreciate the opportunity to
19 comment before this group. I worked for CALTRANS for a
20 number of years, I retired about ten years ago, and I'm
21 doing my own consulting now. I was the district director of
22 Orange County when I retired.

23 It seems to me like we could look at why the self-
24 help counties have been a success. We need to look at the
25 key elements there that made that and build on that. I have

1 direct experience in what happened in Orange County.

2 First of all, some of the key elements are it was
3 a partnership between local agencies, CALTRANS, and also
4 private industry.

5 And the next thing there was an identified list of
6 projects, and with the cost and schedule identified. And
7 there was coordinated funding. There was measure funding,
8 state funding, and also federal funding.

9 The local agency was accountable for the delivery.
10 The private sector expertise was used for project
11 development, design, and project management, and CALTRANS
12 was used for oversight and also construction administration
13 and design.

14 Looking at that, I'd suggest these
15 recommendations. One is to provide continuing funding for
16 the regions. I'm thinking specifically of the measures,
17 some way to facilitate the passage of measures that are
18 going to be reinstated or coming up for more funding.

19 The next is to pass state and federal funds
20 directly to the regions for the regional transportation
21 improvement program.

22 The second thing would be to hold the regional
23 agencies accountable for delivery of the RTIP. And the
24 third thing would be to use the private sector expertise for
25 project management and development of projects.

1 Thanks.

2 COMMISSION CO-CHAIRPERSON HAUCK: Thank you.

3 Next is Roger Ball.

4 MR. BALL: Good afternoon. My name is Roger Ball,
5 I'm Vice President of Rick Engineering Company in San Diego.
6 I'm also the current President of CELSOC, the Consulting
7 Engineers and Land Surveyors of California.

8 Reform of the California state government is long
9 overdue and CELSOC certainly supports the work of the
10 Governor and this Commission.

11 The renewed focus on infrastructure, contained in
12 the CPR report, is very welcome. Our members have a great
13 deal of experience interfacing with many state agencies in a
14 variety of ways.

15 We've concluded that the most important reforms
16 are other than just adjusting the state's organization
17 chart, although that may be appropriate to do so. What is
18 most important is that the State adopt performance-based
19 systems and create real incentives for State agencies,
20 departments, programs, and officials to achieve tangible
21 results.

22 The State needs to eliminate its attitude of
23 process for process sake, and really hold its programs and
24 officials accountable for their actions and nonactions
25 alike. In the long run, we believe that that will provide

1 the best value to taxpayers.

2 Today, the State's systems for delivering
3 infrastructure projects are woefully slow and bureaucratic.
4 Specifically, transportation is the most glaring example.
5 And I have a few comparisons which will help illustrate
6 this.

7 This morning we heard repetitiously about the
8 shortage and actual decline in funding for state
9 transportation. Despite this fact, in the past five years
10 the capital outlay for staff at CALTRANS has grown over 50
11 percent, from 6,500 to over 10,000. Again, even though that
12 over that same period of time the actual funding for
13 transportation projects has become more problematic and
14 actually declined.

15 If you compare CALTRANS with the private sector
16 engineering and surveying firms, CELSOC's 1,100 member firms
17 average just 18 employees per firm. Our total of 20,000
18 employees, statewide, which is just twice what CALTRANS has
19 in capital outlay staff, provide services to the entire
20 private economy in the state, including the vast majority of
21 local and federal public works in the state and a
22 substantial proportion of the State's projects other than
23 transportation. You can also compare CALTRANS staff with
24 the other state agencies.

25 The current '04-'05 state budget authorizes

1 CALTRANS to use public/private partnerships for just over
2 seven percent of its work. Comparing this among other state
3 departments of transportations nationally, the average is 60
4 percent of its work is contracted out.

5 You can also compare CALTRANS project delivery
6 with California's self-help counties. Most of the county
7 agencies have very small staffs and they contract for their
8 engineering and surveying services in construction
9 management. If the firms don't perform, they don't get
10 paid. The accountability is immediate and ultimately
11 project delivery is faster and, therefore, less expensive.
12 It's a model that the State would do well to emulate.

13 When you examine all these comparisons, it's hard
14 to avoid the conclusion that CALTRANS is way over-staffed
15 for its mission, and resources, and the Department needs a
16 fundamental overhaul.

17 In compliance with Mr. Davenport's
18 recommendations, we have two specific items that we endorse,
19 in addition to those that I've mentioned. We endorse the
20 CPR report recommendation to stabilize CALTRANS project
21 delivery staff.

22 In addition, we endorse the recommendation in the
23 CPR report that CALTRANS be given more flexibility with
24 alternative methods for project delivery, including greater
25 use of public/private partnerships, design-build, and

1 design-build-operate.

2 COMMISSION CO-CHAIRPERSON HAUCK: Okay, you've got
3 to wind up, Roger.

4 MR. BALL: I'm done. Thanks for the opportunity.

5 COMMISSION CO-CHAIRPERSON HAUCK: Cheri Campbell.

6 MS. CAMPBELL: I'm a pastor's wife, and I am also
7 the maternal grandmother of two of our beautiful
8 grandchildren that were stolen by Department of Children's
9 Services without a warrant and without a court order, and
10 this is the most scandalous thing that our nation is facing
11 right now, and it's not even -- barely even on -- I don't
12 even think it's on your agenda.

13 I represent thousands of families that have been
14 ruined by these very people in this system, and some of them
15 are in the audience right now.

16 The immunity that they now have fuels corruption.
17 They need to be held accountable with mandatory state laws
18 that are already in place to protect us.

19 Department of Children Services is a \$25 -- I'm
20 sorry, I'm so nervous -- a \$25 billion a year industry. It
21 no longer protects our children. It has evolved into
22 predator status.

23 The real cost to our nation is broken and angry
24 people. DCS fails at every level nationwide. Our plants
25 and animals have more protection right now than our

1 children.

2 When social workers and police officers can kidnap
3 our children without a warrant or a court order, it has gone
4 way too far. DCS has placed every child in America at risk
5 within their current practices and procedure. The ripple
6 effect is staggering. We bear the scars, our children bear
7 the scars of unnecessary governmental intrusion, and we are
8 entitled to governmental redress.

9 COMMISSION CO-CHAIRPERSON HAUCK: Take your time.

10 MS. CAMPBELL: We, the people, speak with one
11 voice. The government needs to control itself and uphold
12 your office, your oath of office, and the United States and
13 California Constitution for the protecting of our God-given,
14 unalienable rights. These are our children, these are our
15 inheritance.

16 And the Department of Children's Services is huge
17 and people have been screaming about this for up to 20
18 years, and nobody seems to be able to do anything about it.
19 And I'm saying it needs to be done. You need to put this on
20 the priority list and you need to take care of it because
21 this is destroying our nation. You protect our future by
22 protecting our children.

23 (Applause.)

24 COMMISSION CO-CHAIRPERSON HAUCK: Thank you.

25 MR. SCHACHTER: My name is Marvin Schachter, I'm

1 the past president of the Los Angeles County Advisory
2 Council.

3 COMMISSION CO-CHAIRPERSON HAUCK: You're not the
4 next person on the list, sir.

5 MR. SCHACHTER: Pardon me?

6 COMMISSION CO-CHAIRPERSON HAUCK: You are not the
7 next person on the list.

8 MR. SCHACHTER: You called my name.

9 COMMISSION CO-CHAIRPERSON HAUCK: No. Ray Torres.
10 Ray Torres is next.

11 MR. TORRES: Good afternoon. My name's Raymond
12 Torres, I'm Tribal Chairman of the Torres-Martinez Desert
13 Cahuilla Indians.

14 Our lands are located in the eastern part of
15 Riverside County, extend into the northern part of Imperial
16 County. We have been working with both governments and have
17 a fine relationship with both counties and the governments.

18 We are a large, major stake landholders on the
19 north shore of the Salton Sea, and that's our concern as a
20 tribe, today, is the restoration project and program of the
21 Salton Sea restoration.

22 And our concerns are -- well, I thank you,
23 Chairman and Madame Co-Chair, and the Commission to hear the
24 Torres-Martinez concerns.

25 The Commission asserts that the people of

1 California do not want a government that is wasteful,
2 ineffective, or a drag on the state's economy. The state's
3 approach to the Salton Sea restoration is a perfect example
4 of exactly the opposite.

5 The current state restoration process is led by
6 the Department of Water Resources. It is a poster child for
7 inefficiency, duplication of effort, and funding
8 unnecessary, and expensive state bureaucracy.

9 The Commission consistently recommends cooperation
10 and collaboration as an effective and efficient approach to
11 government. The Salton Sea Authority, which has been funded
12 and has done research and testing at the Salton Sea, and
13 working with the federal government, has been pressing the
14 Department of Water Resources for months to enter into a
15 memorandum of understanding to align local and federal
16 resource efforts.

17 The Department of Water Resources continues to
18 sidestep and delay, and effectively highjacking the
19 restoration process from local and federal players.

20 And in 1998 Congress recommended that the State go
21 into an MOU with county, and local, and federal agencies.

22 The Department of Water Resources has created an
23 entirely new substructure, including staff, resources to
24 manage, and duplicate process. Department of Water
25 Resources entered into a \$20 million contract to study

1 restoration, ignoring the millions already spent by local
2 and federal players over the past ten years.

3 Department of Water Resources process is
4 duplicating efforts by the Salton Sea Authority and federal
5 governments. The Department of Water Resources is
6 positioning to move funding, generated regionally, from the
7 QSA, which is the quantification settlement agreement of
8 water transfers, to support restoration efforts outside the
9 Salton Sea basin, even though the impacts of the transfer
10 are predominantly at the Salton Sea.

11 COMMISSION CO-CHAIRPERSON HAUCK: Ray, you need to
12 wind up.

13 MR. TORRES: Okay. So what the tribe is asking
14 and recommending that the CPR do is first recommend -- we
15 recommend -- or we're recommending that you recommend that
16 the Department of Water Resources, our state agencies, work
17 with local and federal players to accomplish joint
18 restoration effectiveness.

19 Number two, recommend that the Department of Water
20 Resources enter into a memorandum of understanding with
21 local and federal agencies to accomplish, number one, align
22 restoration objectives. Number two, create joint work
23 programs, eliminate duplications of efforts and resources.
24 And last, enhance efficient and effective uses of resources.
25 Thank you.

1 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
2 Ray.

3 All right, Marvin, you're on now.

4 MR. SCHACHTER: It's all right, I jumped the gun.
5 I'm the former chairman and now the Legislative Chair of the
6 Los Angeles County Area Agency on Aging Advisory Council.

7 L.A. County has more seniors than any other county
8 in the United States, roughly a million and a quarter
9 seniors.

10 When I left my home this morning, my wife said to
11 me, "you're pushing 81 and you can't drive to Riverside." I
12 said, if I can't drive to Riverside, I can't get to
13 Riverside. And if I can't drive, I can't take my wife to
14 the doctor, and I can't go to the doctor, myself. And if I
15 can't drive, I cannot -- I eventually will have to move
16 because we could not go shopping, we could not go to the
17 supermarket, et cetera.

18 And in this market I would have to find a place to
19 live that's accessible, that's affordable, that's
20 appropriate for senior living.

21 The fact is that the three issues I've just
22 mentioned to you, housing, healthcare, and transportation
23 are not in the province of the Department of Aging. All of
24 those are in other departments.

25 We desperately need, if we are going to serve the

1 exploding population of seniors, an agency that will act as
2 a coordinator, an advisor to all of the departments. And
3 that includes the Attorney General, and it includes every
4 department of government that deals with senior issues.

5 And lo and behold we have such a body in state
6 government. We have a California Commission on Aging. And
7 in a proposal that passeth all understanding, the
8 Performance Review has proposed the abolition of that
9 commission.

10 That commission doesn't take a penny's worth of
11 General Funds, it's supported by federal funds. That
12 commission has no paid members, it's a commission made up of
13 experts and activists in the senior community, the leading
14 academic experts in California who function in that
15 commission.

16 Why that proposal was made is beyond belief to me.
17 It would seem to me that this -- I look at this Commission
18 here, listening to me, and you look like a bunch of
19 youngsters to me.

20 (Laughter.)

21 MR. SCHACHTER: But the fact is -- the fact is
22 that if you're lucky someday you, too, will be a senior.
23 And you, too, will have to face these issues.

24 And I urge this body, the proposals made are
25 proposals we accept, we understand the need for a more

1 efficient government, a more effective government. But the
2 Commission on Aging has a role of enormous importance if we
3 are going to have effective distribution of programs and
4 activities as far as seniors are concerned, involving all
5 the departments of government.

6 The last thing I wanted to say, you remember
7 Abigail Adams wrote to her husband during the Constitutional
8 convention, "remember the ladies." I ask this Commission,
9 when you make your final report, remember the seniors. This
10 is an issue of enormous importance to us. Thank you.

11 COMMISSION CO-CHAIRPERSON HAUCK: All right,
12 Marvin.

13 (Applause.)

14 COMMISSION CO-CHAIRPERSON HAUCK: Thank you for an
15 eloquent statement, Marvin.

16 Dick Deboer.

17 MR. KRAMER: Good afternoon, Mister and Madame
18 Chair.

19 COMMISSION CO-CHAIRPERSON HAUCK: Dick, before you
20 go forward, let me give you the next five names. Norm
21 Niver, N-i-v-e-r, Pam Touschner, Susan Hackwood, and Betty
22 Anderson. I think, is that five? That's four. One more.
23 Ernest, it looks like Sooka, S-o-o-k-a, from Carlsbad.

24 Okay, Dick.

25 MR. KRAMER: Good afternoon, Mister and Madame

1 Chair, and Commissioners. Ken Kramer, standing in on behalf
2 of Dick Deboer, and speaking on behalf of the California
3 State Lifeguard Association.

4 I think it's obvious to everybody in the audience
5 today, and to the Commissioners, that it's a no-brainer that
6 state government can do better. And we certainly recognize
7 that the California Performance Review is a healthy process
8 and would like to applaud the commitment and the personal
9 effort that each one of you is making on behalf of all
10 Californians.

11 We are concerned, however, that some of the
12 recommendations in the report could weaken the health of our
13 precious and public state park system, which, of course, is
14 equally owned by about 35 million Californians.

15 The state park system, to all Californians, I
16 should think, is a quality of life issue. We know that
17 Californians care about their public state park system.
18 This is evidenced by the fact that in the last five years
19 two voter-approved park bond measures have passed.

20 The California state park system has a proud 140-
21 year history of protecting the state's most precious
22 natural, cultural, historical, and recreational assets on
23 behalf of all Californians.

24 We know there's 278 park units enjoyed by about 85
25 million Californians today, and they represent some of the

1 very last places that we all have affordable access to, to
2 escape the everyday hassles and chaos of life.

3 In many ways the state park system is a model for
4 government efficiency. I would point out that about two-
5 tenths of one percent of the California budget is dedicated
6 to our state parks. And that park visitation creates about
7 \$2.5 billion in local spending by itself, there.

8 A dedicated streamlined, well-trained, multi-
9 disciplined work force exists and we represent the second
10 largest provider of public education to our school children,
11 just behind the public education system.

12 Perhaps a greater investment in our California
13 state parks could result in less investment in prisons, and
14 corrections, and our youth authorities.

15 I'd like to point out a comment in response to
16 Senator Brulte's question this morning, raised some grave
17 concern on my part. We talked about the infrastructure of
18 state parks and the answer was well, gee, we'll just kind of
19 deal with that somewhere on the environmental side.

20 But I would remind you that we have roads, trails,
21 historic buildings, campgrounds, museums, rest rooms and
22 parking lots, boating facilities, and other utilities in our
23 state park system that are vital for a healthy system.

24 A fragmented approach in CPR could compromise park
25 access, use, enjoyment and safety, and it would make parks

1 certainly vulnerable to special interest attacks and nonpark
2 mission uses in the future.

3 I'd ask each and every one of you to carefully
4 consider the impact of the recommendations on the future
5 health of the state park system, and all of us should try to
6 leave the park system stronger, rather than weaker, for
7 future generations. Thank you very much.

8 (Applause.)

9 COMMISSION CO-CHAIRPERSON HAUCK: All right, thank
10 you, Ken.

11 Okay, Norm Niver. Norm.

12 MR. NIVER: I'm Norm Niver, County Planning
13 Commissioner in the County of Imperial County. And what
14 Mr. Torres said a few minutes ago, of the Torres-Martinez
15 Indians, my county, my people, the whole west shores of the
16 Salton Sea, and every effort that I can do as a planning
17 commissioner, and I harp at the planning commission each
18 meeting, we're behind them one hundred percent on this
19 subject.

20 Duplicate study, duplicate study. 1974, 1975 a
21 database was created and dropped. Then the Deukmejian
22 original task force came in and I remember when Carol took
23 over, and she was a wonderful lady, scared the hell out of
24 me when I first saw her, to take over the task force. But
25 out of that came a Joint Powers Act and a database. More

1 studies, more money, more federal money. Lots of people
2 there with in-kind service.

3 And so the good thing about the Joint Powers Act
4 is because the two counties got together and we were always
5 told, if you want some power, get two counties together in a
6 common cause. Well, we have it. And we've watched for the
7 last seven years what has come from that Salton Sea
8 Authority, their effort, their sincere effort, and we're all
9 in accord right now with or without the DWR duplicate study,
10 and we think it a waste of taxpayer's money. It could be
11 better spent helping the Authority work with the federal
12 government. And we're looking forward to standing firm
13 behind them.

14 And if we go wrong, then we'll all go wrong
15 together. I'm real happy to say the people at the west
16 shores, particularly, and they can't be here, because every
17 meeting there is, every single meeting out here or on this
18 subject is at least 50 to 575 miles away from the
19 stakeholders. I want you people to know that. We do have a
20 big, big following.

21 I can't see the red light, but I'm going to stick
22 with it.

23 But Mr. Torres and these people have land under
24 the sea. We've waited in Salton City for a city. 44,000
25 people. Infrastructure. We've got sewers, we've got

1 everything out there. It's building, it's growing. There's
2 redevelopment going on and speculation that something's
3 going to happen. And we don't want a dried-up Salton Sea,
4 once and for all.

5 So that will be it for a while and I hope this can
6 be worked out with the DWR and I do hope that in the
7 future -- I wish you were still back in it, Carol.

8 COMMISSIONER WHITESIDE: Thank you.

9 MR. NIVER: She was a wonderful lady. Thank you
10 so much.

11 COMMISSION CO-CHAIRPERSON HAUCK: All right, thank
12 you, Norm, thank you very much.

13 MR. NIVER: Thank you.

14 COMMISSION CO-CHAIRPERSON HAUCK: Pam Touschner,
15 please.

16 MS. TOUSCHNER: Hi, I'm Pam Touschner. I'm an
17 architect and I'm a principal with WWCOT Architects. I
18 manage our Palm Springs and Riverside offices. And I would
19 say that 70 percent of our work focuses on K through 12,
20 higher education, and medical work.

21 I am also the Vice President of Legislative
22 Affairs for the American Institute of California Council.

23 I want to thank you for the opportunity to address
24 the Commission today, and the AIACC applauds the Governor
25 and the CPR team for its efforts to restructure the state

1 government.

2 We are pleased to have this opportunity to
3 continue to participate in the CPR process. We provided
4 information to the CPR task force group on April 19th, 2004,
5 and published our recommendations in a report.

6 The AIACC overview is we are a professional
7 organization of architectural professionals in California,
8 representing over 10,000 members statewide, in an endeavor
9 to improve the quality of life for all Californians by
10 creating a more liveable community.

11 We applaud the consolidation of the design and
12 construction industries into one department, the comments
13 that have been in the CPR report.

14 We agree that there's a fragmentation of authority
15 and the lack of being unified has troubled our profession
16 for years.

17 In reviewing the report, there are six issues that
18 we want to address, five that we agree with, one that we
19 oppose, and all of these issues are in our field of
20 expertise.

21 The first five that we strongly support, and
22 you've heard comments here today, are the use of alternate
23 project delivery methods as referenced in INF01. We have
24 developed a handbook of project delivery --

25 COMMISSION CO-CHAIRPERSON HAUCK: Pam, you're

1 going to have to go through those much faster.

2 MS. TOUSCHNER: Okay, thank you. We have
3 developed a handbook that we have made available to you,
4 that addresses these issues and addresses the alternate
5 delivery performances.

6 The other, the high performance that was talked
7 about today, we strongly support that for both our schools
8 and for the medical facilities. There needs to be, for both
9 of those types of facilities, a simplification in the
10 funding allocation process and the plan-check process.

11 And then the -- so those are the things that we
12 support.

13 The things that we -- the issue that we have a
14 problem with is the building standards adaptation reform
15 referenced. The report makes specific recommendations
16 concerning the future of the California Building Standards
17 Commission and the elimination of this commission.

18 This commission is very important. We were
19 instrumental, the AIACC, in creating the CBSC through the
20 sponsorship of AB 47. We realize that there have been some
21 issues recently, in terms of what happened, some good --
22 real quickly, let's make no mistake that the current
23 process, that this commission is very, very important to us.
24 And that if this is abolished, it's like throwing out the
25 baby with the bath water.

1 COMMISSION CO-CHAIRPERSON HAUCK: Okay, we'll
2 leave it at that.

3 MS. TOUSCHNER: Thank you very much.

4 COMMISSION CO-CHAIRPERSON HAUCK: Thank you, Pam.
5 Susan Hackwood.

6 MS. HACKWOOD: Good afternoon. My name is Susan
7 Hackwood and I'm with the California Council on Science and
8 Technology. My report, my comments will be brief because
9 I've already sent you a couple of pages in your briefing.
10 And they are brief because they'll be to the point.

11 In chapter four of the California Performance
12 Review there is a proposal to consolidate the research and
13 development programs that currently exist in the separate
14 state agencies in energy and in transportation, and in other
15 areas.

16 And the proposed amalgamation of these
17 organizations, we think, will have overall a very positive
18 effect on the way that research and development can support
19 the activities of the agencies.

20 And our council represents a very significant
21 number of science and technology leaders in the state who
22 have had significant experience of research and development,
23 both in industry and in government.

24 And there are a couple of points that I want to
25 bring forward on that issue. The first and the most

1 important is if this research and development office forms,
2 it's absolutely essential that it be tied to those who are
3 making policy, because there is a direct feed to the
4 policymakers and a feedback from the policymakers to make
5 sure that the R&D that gets done is in the best interest of
6 California and does take into account the big picture of
7 what's going on in the rest of the country and the rest of
8 the world.

9 The second point is that we have reviewed the
10 Public Interest Energy Research Program, for example, for
11 the last four or five years, and have direct experience of
12 knowing how what happens with feedback into the CEC
13 policies, and into the direction of the peer program.

14 The second issue that I'd like to raise to you is
15 that there's a recommendation to form an advisory committee,
16 an advisory organization to the research and development
17 office. There are number of organizations that are
18 suggested that can serve in that capacity.

19 On behalf of our organization, we would stand more
20 than ready and prepared to be able to provide any kind of
21 input to that advisory process. We are well-equipped to do
22 it. We already do it with many of your state agencies. We
23 enjoy doing it, we've got the right people, and we'll be
24 there to be able to serve the state in this capacity.

25 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,

1 Susan.

2 Betty Anderson.

3 MS. ANDERSON: In the area of infrastructure,
4 instead of gas or diesel tax, I would like to recommend
5 taking trucks entering California under NAFTA, taxing trucks
6 under NAFTA. This should be done because these trucks are
7 more polluting than U.S. trucks. And under the demands of
8 the EPA, there's no way to improve the quality of our air by
9 2010 if NAFTA trucks are allowed to pollute our air
10 unchecked.

11 This tax will help pay the EPA fine they will
12 impose on our state for failing to meet clean air standards.

13 I would also like to recommend that all trucks
14 leaving California be taxed if loaded with goods from the
15 ports.

16 Right now the ports of L.A. and Long Beach, and
17 the Alameda corridor are heavily traveled by trains and
18 trucks that are polluting the air and destroying the freeway
19 system running through the corridor. Most notably
20 Interstate 10 and State Highway 60.

21 The community I live in, Mira Loma, has the
22 highest particulate matter pollution in the country because
23 we have over 77 mega warehouse distribution centers and the
24 giant Union Pacific Auto Distribution Center. Thousands of
25 trucks run through our community every day, tearing up our

1 surface streets and adjacent Highway 60 and I-15.

2 By taxing these trucks that leave the state, they
3 can reimburse our state for the cost of maintaining our
4 streets and cleaning our air.

5 In terms of building better schools, I believe no
6 school should be near a freeway or highway. The South Coast
7 Air Quality Management District has stated that being within
8 1,500 feet of a source of a particulate matter pollution is
9 not safe for susceptible people, such as children.

10 Therefore, I recommend that no school be built
11 within 1,500 feet of freeways, warehouse distribution
12 facilities, or train facilities, such as in the Cities of
13 Commerce, Colton, Long Beach, and Mira Loma.

14 Under INF 37, in your report, streamlining
15 environmental review, CEQA, is one of the few items that
16 helps people in places like Mira Loma. If it were not for
17 CEQA, we might have even more mega warehouses. Developers
18 in Western Riverside County have been able to fast track
19 most of the mega warehouses through the planning process.

20 CEQA allows those people, who will be most
21 adversely affected by the pollution created by these
22 developments, a chance at least to slow down the
23 introduction of unhealthy developments in our community.

24 Now, as a school employee I undergo testing,
25 fingerprinting, and training that I never received as a

1 parent volunteer for over 15 years. Classified school
2 employees are an important part in the lives of our
3 students, as well as a vital part of the state economy.

4 I haven't stopped volunteering just because I'm a
5 school employee. School employees see their school as their
6 community and most employees I know volunteer in their
7 communities, too.

8 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Betty, you
9 need to wind up.

10 MS. ANDERSON: Okay. Chapter three, education
11 training and volunteerism implies that the school employees,
12 because they are members of a union, don't volunteer or are
13 greedy, and this is not true. We simply want to be paid
14 what we are worth and not treated as an excuse for state
15 budget or school budget shortfalls. Thank you.

16 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.
17 (Applause.)

18 COMMISSION CO-CHAIRPERSON HAUCK: Ernest, is it
19 Soczka?

20 Okay, before you begin, let me get the next five
21 people. Teddie Joy Remhild, Pamela Lee Bailey Shimizu, Jay
22 Malinowski. Okay, Debra Moor and Terri Dossay, D-o-s-s-a-y.
23 I assume that's two people. And Julia Greene.

24 Okay, Ernest, you're on.

25 MR. SOCZKA: Hi, I'm Ernie Soczka, it's Soczka

1 easy name, really.

2 (Laughter.)

3 MR. SOCZKA: I'm a self-employed consultant. I
4 live in Carlsbad. I work on energy issues, water issues,
5 and power plants.

6 And in general I agree with the findings that the
7 policy is fragmented for regulatory. There's high energy
8 cost generating in transmission, they're separated and
9 there's inadequate energy investment.

10 And I believe that a consolidation, as proposed,
11 generally will help those situations. You need regulatory
12 certainty in order to keep your infrastructure going. You
13 can't have the rules changing three times a year.

14 But there are a couple of things in the report.
15 One is it states that CEC does their process in 12 months.
16 Well, that's really not right. Most of the state agencies
17 try to say that they have a permit streamlining law, they
18 have to do it in 12 months, but what they do is they have
19 you sign a waiver that forgives them from that obligation
20 because they're not ready to do it in 12 months. So what
21 they do is say, if you don't sign the waiver, we turn you
22 down because we can't make positive findings, we don't have
23 enough time.

24 So that's the modus operandi, or else you have to
25 withdraw your application and reapply so that they don't go

1 over their permit streamlining limit.

2 So when you talk about the fee structure not
3 covering the costs, maybe that's one reason, they're not
4 doing it in the time they're supposed to.

5 So I think rather than giving them a blank check
6 to say oh, well, we ought to increase the fees to cover all
7 their costs, hey, and now you're having a state agency do
8 cost-plus work? How about having them take a look at how
9 they're efficient or not efficient?

10 Also, you have this conflict between the cost-
11 based rates in general, and then all the other agencies and
12 the Legislature doing things that increase costs, thereby
13 leading to higher energy costs. When you increase the fees
14 to the applicant, then what that does is make the transfer
15 of costs from the taxpayers to the ratepayers.

16 So, well, I can understand why you'd like to do
17 that because you're charged with the taxpayer part.

18 So at any rate, there's other things that ought to
19 be looked at. The repowering the use of existing
20 infrastructure on the repowering sites, and also
21 desalinization. Of course, most of them are coastal
22 related, so you'll be taking that up when you get to the
23 coastal related stuff later, but that's a bottleneck there.
24 Thanks.

25 COMMISSION CO-CHAIRPERSON HAUCK: Thank you.

1 Okay, Teddie Joy Remhild.

2 MS. REMHILD: Thank you very much. I'm very
3 pleased to meet all of you and to be here to listen and to
4 comment.

5 I am employed by the L.A. County Public Authority
6 for IHSS in L.A. County, the Personal Assistance Services
7 Council. And my job is to be a coordinator out in the
8 community on disability and senior issues.

9 In the progress of that job, or in the process of
10 that job I became very involved with the transportation
11 issue of L.A. County, and being employed in L.A. County and
12 being a person with a disability, transportation is a huge
13 challenge, let me say.

14 So, therefore, I became involved with what is
15 known as the paratransit program in L.A. County, which last
16 year provided 2.4 million rides to people with disabilities,
17 and people, and seniors. 2.4 million in the County of L.A.
18 Many of those folks are people that I serve in IHSS, my
19 public authority.

20 So I am now chairing the Board of Directors of
21 Access Services, Incorporated. And in that capacity I am
22 very aware of all of the problems of transportation, both
23 paratransit and public transportation.

24 Public transportation and paratransit are cousins,
25 they're all part of the big picture. MTA rules, is the God

1 up in heaven.

2 So anyway, the paratransit is continually growing,
3 the demand is increasing. And one of the reasons is that
4 public transit is either not available or not accessible.

5 I think that in the big picture of transportation
6 all throughout the state, if public transportation were more
7 available and more accessible, some of the congestion would
8 certainly be eliminated.

9 So I would like to, at some level, however you can
10 influence that, I would like to make that point. And that
11 our demand for paratransit just can't keep increasing and
12 nothing being done in the infrastructure of public
13 transportation.

14 So we have to work as partners, we have to
15 collaborate, and I certainly do encourage collaboration
16 among the agencies and the State government with the local
17 governments.

18 And I will have a lot more to say at your next
19 hearing on IHSS. Thank you very much.

20 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

21 Next is Jay Malinowski and after Jay is Pamela Lee
22 Bailey Shimizu.

23 MR. MALINOWSKI: The last name is spelled M-a-l-i-
24 n-o-w-s-k-i. And I am the unpaid General Manager of the
25 Colorado River Association, which supports the activities of

1 the Colorado River Board of California.

2 I want to thank the Commission for this
3 opportunity to provide input to the CPR process, both today
4 and in the future.

5 The Colorado River Association agrees that it
6 makes sense to periodically look at streamlining state
7 government and making it more efficient, cutting state
8 costs, and better serving the residents of the State of
9 California.

10 We recognize the California Performance Review as
11 an effort initiated by Governor Schwarzenegger to accomplish
12 that end.

13 However, the recommendation contained in the draft
14 CPR report regarding the Colorado River Board fails to
15 satisfy these objectives. The recommendation to abolish the
16 Colorado River Board and roll its functions into the
17 Governor's office, although appearing to streamline state
18 government in fact diffuses and weakens California's efforts
19 regarding Colorado River matters.

20 A staff with a background and an expertise in
21 Colorado River matters is required for this role because of
22 the diverse ongoing activities of the call for the
23 participation of California agencies with an interest in
24 Colorado River water and power.

25 This would result in a lack of inefficiency and

1 could lead to inconsistent representation of California's
2 positions. More importantly, entities that hold the water
3 and power contracts would be left to individually deal with
4 the federal government, further leading to inconsistencies
5 in representation by California and its entitlement holders.

6 It is important to note that the State of
7 California does not hold any water or power contracts for
8 the use of Colorado River water or power.

9 The Colorado River Board currently provides the
10 needed coordination among the contractual parties and the
11 state administration, and presents a consistent message to
12 the other basin states regarding Colorado River matters.

13 Currently, all of the funding for the operation of
14 the Colorado River Board comes directly from the six water
15 and power agencies represented by the Board. If the Board's
16 tasks are undertaken by others in the state, it would place
17 a greater financial burden on the state than currently
18 exists, because the funding mechanism would disappear with
19 the Board.

20 For the state to acquire, in the absence of the
21 Colorado River Board, the necessary Colorado River expertise
22 and working knowledge necessary to protect California's
23 interests would be both difficult and expensive, and would
24 result in a lack of centralized coordination and decision
25 making, duplication of efforts, potential conflicts, and an

1 inefficient and less-effective means of protecting
2 California's Colorado River water resources.

3 These results are counter to the purposes of the
4 CPR.

5 It would also be entirely inconsistent to extract
6 the State Water Project so it could be run, operated by its
7 users, a recommendation we support, and then simultaneously
8 unextract the Colorado River Board so it cannot be operated
9 by its users.

10 In sum, while I feel strongly that the Colorado
11 River Board should continue its role as it exists today, the
12 membership of the association is prepared to work with the
13 Commission in order to fashion some other structure, if
14 necessary, that retains the Board's expertise, nonstate-
15 funding sources, focus, and interstate and intrastate
16 influence. Thank you very much.

17 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
18 Jay.

19 Pamela Lee.

20 MS. BAILEY SHIMIZU: Bailey Shimizu, you do it
21 well.

22 COMMISSION CO-CHAIRPERSON HAUCK: Oh, thank you.

23 MS. BAILEY SHIMIZU: I'm the CEO at First Nations
24 Tribal Family Center in San Bernardino and I, too, come here
25 to talk to you about Children's Services, CPS, and Prop. 10.

1 What I want you to know is that we're told
2 constantly how they don't have any services that -- we had
3 one child that was seven years old, tried to strangle a
4 child at school, went home and tried to cut her legs off,
5 and the county told her it would be six weeks to get her a
6 therapist.

7 Now, we have lots of grass roots organizations,
8 like mine. Mine is native run, and we do it from a native
9 point of view, but we help all children in need. Mostly
10 ADA, ADHD and mental health issues. And we help the
11 families understand how to work with these children.

12 We have had awards from the State level and from
13 the Congressional level, from the Congress of the United
14 States. We were written up in Newsweek Magazine. And
15 because of the kindness of California Endowment, we still
16 have our doors open, they want to invest in the native
17 community.

18 The County of San Bernardino doesn't put a dime
19 into the native community and the little bit of funding I
20 was able to get was cut off recently. They used the excuse
21 that we obviously have funding problems.

22 Well, if you're not going to fund me, we're going
23 to have funding problems. Because we're in a very, very
24 poor neighborhood, nobody can afford our services.

25 Our services are the services that a child would

1 get if they were in Beverly Hills. They're not the typical
2 services for our neighborhood. But we're making a huge
3 difference. We're seeing children that can go to school for
4 the first time and are winning awards.

5 We're seeing families who understand that their
6 child has a neurological disorder and that when you get
7 frustrated, there's something to do besides beat the child.

8 We're seeing families reunited. We're seeing
9 families that are able to work with the conditions that they
10 have to work with in order to raise these children.

11 So ours is an important service and I do not
12 understand for the life of me why we need to be treated the
13 way we've been treated.

14 The other thing that frustrates me, and that
15 should impact you, is the fact that when I go somewhere, and
16 I talk, and I ask for help, and I've gone to all the
17 politicians I can think of and say, this is what's
18 happening, they're releasing bad information on my company,
19 they're not funding my company, and there are no indian
20 funds that go in anywhere.

21 I'm on a coalition with all of the nonprofits in
22 San Bernardino County that are Native American. Not one of
23 us is receiving one dime of state money or one dime of
24 county money.

25 So that's how underfunded we are. And I don't

1 know what country we're supposed to go to in order to get
2 anything fair. But you know we are -- this is our country,
3 so we should be getting something out of our tax money.

4 But there's 125,000 of us in San Bernardino
5 County, 80 of which are bingo indians. And the state thinks
6 nothing about going to them for money.

7 So now, why can't our tax money come back into our
8 community and do something in the way of servicing our
9 children, because we're receiving nothing now, not a dime.
10 And it's going to close me and everyone else that I know
11 down.

12 Not only that, but when you go to say something to
13 somebody and ask for help, all you hear is well, you know,
14 I'm about to leave office and I probably don't -- I'm not
15 the person to talk to. Or that's not really my department.

16 A good example is Prop. 10. Prop. 10, the tobacco
17 money was supposed to put nonprofit --

18 COMMISSION CO-CHAIRPERSON HAUCK: Okay, Pamela
19 Lee, you need to wind up.

20 MS. BAILEY SHIMIZU: I'm sorry. CBOs out into the
21 field. When you call the state, they say the county gets
22 the money. When you call the county, the county says we set
23 up a nonprofit that handles the money. Nobody's culpable.

24 So please get somebody up there that you can go
25 to, file a complaint, and they'll hear it and do something

1 about it. Thank you.

2 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

3 (Applause.)

4 COMMISSION CO-CHAIRPERSON HAUCK: Okay, next
5 is -- I don't know if you want to do this, it's Debra Moor
6 and Terri Dossey.

7 MS. DOSSEY: Hello, it's Terri Dossey.

8 COMMISSION CO-CHAIRPERSON HAUCK: Terri Dossey,
9 okay.

10 MS. DOSSEY: And I'm here to talk about -- I'm
11 basically just a family member. I have -- talk about the
12 families that have people who are in prison, who are
13 terminally ill, and trying to work with medication issues.
14 We're trying to work with different medical issues with
15 them. We're trying to handle medication, pain medication
16 for terminally ill.

17 Throughout my five years working through this
18 organization and different members of Sacramento, the prison
19 system, we've come across your prison hospice unit. We have
20 one hospice unit in the State of California that has 17
21 beds. More than one-third of our prison systems are full of
22 people with HIV and Hepatitis C. Yet, whenever you want to
23 talk about it, we go from department to department within
24 the State.

25 I have several senators at the moment that are

1 helping us. Larry Gable, here in Riverside, of the
2 Governor's office, is trying to help us.

3 In three and a half weeks here, with Larry, we've
4 not had phone calls returned through the Governor's office,
5 to find out about pain medication.

6 We've reduced medication that they've used
7 throughout the years, that my brother had lethal doses being
8 given to him, and now they've taken everything away, with no
9 pain medication. And their excuse is, we're not using that
10 medication any longer or there's no funding for it.

11 So we're kind of at an end. We don't know where
12 to go at this point, who to go to. I have submitted a
13 summary of palliative care for terminally ill. We've been
14 trying to get my brother transferred to terminally ill, to
15 your hospice unit, with no success in the last year. But it
16 seems like nobody wants to talk about it.

17 We get it moved from department to department in
18 Sacramento. Nobody wants to look at it, nobody wants to
19 return our calls. So I just thought maybe I could bring it
20 to your attention. Thank you.

21 COMMISSION CO-CHAIRPERSON HAUCK: Thank you.

22 Okay, let's do the next five. Julia Green, Joseph
23 Campbell. Larry, I think it's E-d-g, the person is from
24 Sacramento. I can't make out the rest of that. Becky
25 Bailey -- oh, Bailey-Findley, okay. Becky Bailey-Findley.

1 And Doug L-o-f, from Costa Mesa.

2 So we'll start with Julia Greene. Is Julia Greene
3 here?

4 (Audience response.)

5 COMMISSION CO-CHAIRPERSON HAUCK: Okay,
6 Mr. Campbell.

7 MR. CAMPBELL: My name is Joseph Campbell. Excuse
8 me, I'm kind of emotional. I'm a pastor of a Christian
9 church, and I'm also a state-licensed contractor, and I'm
10 also a member of AFRA, it's American Family Rights
11 Association, which hosts a membership right now of about
12 over five million.

13 And I'm here to speak, also, against the abuses of
14 CPS. We had two of our grandchildren taken from us and it's
15 over a year now that we've been fighting, trying to get them
16 back. I know that the CPS agency is not a thing that's been
17 talked about today on your agenda, but what has been talked
18 about is protecting groundwater and protecting resources.

19 And I want to suggest that the greatest resource
20 that we have in this country are our children, our
21 grandchildren. And I would like to ask if each member of
22 this Board today would put yourself in the position that
23 myself and my wife is in, and consider how important it
24 would become to you if your grandchildren had been taken or
25 if your children had been taken.

1 Our children, our grandchildren are in jeopardy in
2 this country right now because an agency, that is a
3 government-funded agency, takes children without proving our
4 guilt. And then after our children have been taken, we have
5 to fight for years to try to prove our innocence. There's
6 something wrong with the system in this great nation of the
7 United States when they would allow a government agency to
8 come into a home, in the middle of the night, without a
9 court order, without any proven guilt, and would take your
10 children or your grandchildren out of your home, place them
11 in another home and then make you have to go through a
12 battle for years to try to prove your innocence, when
13 there's been no proven record of any wrongdoing. That's
14 what we've had to go through and we're still going through
15 it.

16 Right now, in L.A. County, there's a director
17 named David Sanders, that this year alone has, because of
18 having a heart that wants to examine the truth of evidence
19 brought, has returned over 5,000 children that have been
20 taken unjustly out of homes.

21 We're not so fortunate to have that kind of a
22 director here in San Bernardino County. So my hope and plea
23 is that Governor Schwarzenegger and this Board will take it
24 upon yourself to examine this agency that operates under a
25 cloak of secrecy.

1 Their actions are done in secret and no one's able
2 to review them. My wife and my case right now is under a
3 review by a county board of supervisors, and we're not even
4 allowed to see whether or not they're examining our
5 rebuttals, or the proof that we submitted to the courts to
6 prove our innocence. We're not even allowed to see that.

7 My desire is that you and Governor Schwarzenegger
8 would take it upon yourself to move this agenda up, the CPS
9 agency, and look at it under close scrutiny and make a
10 determination if what we're saying is not just the ramblings
11 of some misguided people that are just rambling on. We're
12 honest citizens. I work hard. And I pastor integrity and
13 honesty, calling people to honor the government.

14 It's so hard, though, to honor a government when
15 this kind of injustice is being done.

16 COMMISSION CO-CHAIRPERSON HAUCK: Okay,
17 Mr. Campbell.

18 MR. CAMPBELL: My time's up. Thank you for
19 letting me speak.

20 (Applause.)

21 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

22 Larry. Is Larry here? Not here. Okay, next is
23 Becky Bailey-Findley.

24 MS. BAILEY-FINDLEY: Good afternoon. My name is
25 Becky Bailey-Findley, and today I represent or I'm speaking

1 on behalf of the Orange County Fair and Exposition Center,
2 located in Costa Mesa, California.

3 The Orange County Fair and Exposition Center, as
4 an agency of the State, recognizes and lives every day the
5 challenge of providing community benefit and services, while
6 meeting the inefficient, cumbersome, and inadequate
7 processes and procedures required by the State.

8 We salute and support the efforts and
9 recommendations presented in the California Performance
10 Review, that provide a prescription for meaningful reform to
11 support California's health, vitality, and prosperity.

12 We take strong opposition, however, to the
13 reference in the tapping surplus property asset section of
14 the report that the Orange County Fairgrounds is an example
15 of underused state property.

16 Rather, we'd like to present, today, facts that
17 show that the Orange County Fair and Exposition Center
18 actually contributes an annual economic and social benefit
19 of \$185.2 million for Orange, Los Angeles, and San Diego
20 Counties, and is one of the most vibrant and actively
21 utilized properties in Southern California.

22 Our mission at the Orange County Fair and
23 Exposition Center is to provide educational, entertainment
24 and recreational opportunities for the community, while
25 preserving the heritage of California agriculture.

1 To the fourth grader in Garden Grove, this means
2 an opportunity to display her science project at the Orange
3 County Fair and Exposition Center's annual Youth Expo.

4 To cultural organizations, such as the Southern
5 California Indian Council, it is an opportunity to share
6 their heritage with neighbors across the southland by
7 hosting festivals and special events.

8 To nonprofits, such as the All American Boys
9 Chorus, or American Cancer Society, it is a partner in
10 fundraising and the use of a high-profile venue for
11 awareness-building activities.

12 To businesses in the private sector, it is a
13 premier showcase and market for their products and services
14 to a diverse population.

15 To the people in Orange County, it is a farmer's
16 market, a swap meet, a star-studded entertainment in the
17 Pacific Amphitheater.

18 The Orange County Fair and Exposition Center is an
19 economic, social, and cultural treasure for our local
20 communities. It contributed roughly \$105.2 million dollars
21 in economic impact, created 2,184 jobs, and generated more
22 than \$2.3 million in local tax revenues.

23 Our fair attendance is 940,000. On a year-round
24 basis, through all of our events, we attract close to 4.3
25 million people, which is 126 percent of our county's

1 population.

2 These events and the attendees generate spending
3 of \$81.2 million. Each dollar spent by the fair
4 organization and year-round event participants, generates an
5 estimated 43 cents of additional spending in the county, for
6 a total impact of \$1.43 per dollar spent.

7 Funding for all of our programs is self-generated.
8 We do not receive --

9 COMMISSION CO-CHAIRPERSON HAUCK: Becky, you've
10 got to wind up, please.

11 MS. BAILEY-FINDLEY: All right. Through our
12 economic, and social, and cultural impacts, the Orange
13 County Fair and Exposition Center embodies what is the
14 social and economic well-being of the Golden State, and as
15 such do not see ourselves under-utilized or on the list to
16 be sold as surplus property. Thank you.

17 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

18 (Applause.)

19 COMMISSION CO-CHAIRPERSON HAUCK: Is Doug here?
20 Doug, can you spell your last name for us, please?

21 MR. LOFSTROM: L-o-f-s-t-r-o-m.

22 COMMISSION CO-CHAIRPERSON HAUCK: All right. Just
23 before you begin, the next folks will be Jim Hard, Ray
24 Bizal, B-i-z-a-l. George -- I can't --

25 (Audience comment.)

1 COMMISSION CO-CHAIRPERSON HAUCK: E-1-1. Okay.
2 Well, it's hard to see, yes. And Gene Waggoner.

3 You're on.

4 MR. LOFSTROM: Good afternoon, members of the
5 Commission, panelists, and guests. My name is Doug
6 Lofstrom, and I am here today as a member of the California
7 Fairs Alliance, representing California's entire network of
8 agricultural fairs, and also Western Fairs Association, the
9 trade association representing California's fair industry.

10 I've had the pleasure of serving on the executive
11 staff of several California Fairs, and currently serve as a
12 director of planning and project management for the Orange
13 County Fair and Exposition Center.

14 In addition, I've had the opportunity to serve as
15 president of the Western Fairs Association.

16 We believe that California fairs are economic,
17 social, and cultural engines that serve their communities as
18 valuable resources, and that for California fairs to reach
19 their full potential, they need to be free from burdensome
20 state processes.

21 Fairs are not only deep in tradition, but are
22 strategically positioned to play an integral part in the
23 future of the success of our communities, as well as this
24 great State of California.

25 We strongly support the recommendation identified

1 in the California Performance Review titled "Reorganize the
2 54 District Agricultural Associations and California State
3 Exposition and Fair as Public Corporations."

4 Fairs are valuable resources for their local
5 communities. They provide significant economic impact.
6 Fairs provide employment opportunities. Fairs serve as
7 catalysts for other economic opportunities. Fairs provide
8 opportunities for local nonprofit organizations to fundraise
9 and promote their missions and goals.

10 Fairs provide valuable educational learning
11 opportunities through fostering real life experiences and
12 hands-on in agricultural education.

13 Fairs provide a mechanism to celebrate community
14 achievement through our competitive exhibits program and
15 showcase community talent.

16 And finally, fairs are extremely critical
17 resources to the State of California and their communities.
18 Fair facilities continue to serve as key staging areas for
19 various public agencies assisting in emergencies and
20 disasters, such as floods, fires, and national security.

21 The Commission's recommendation would allow our
22 fairs to operate as local agencies, serving the various
23 needs of our communities, and free them from a structure
24 that hampers their ability to be the very best they can be.

25 As rightly identified in the Commission's report,

1 fairs need the flexibility to operate as business
2 enterprises outside of the state's procurement, contracting,
3 and personal management rules that were designed to manage
4 traditional state entities.

5 California fairs are revenue-producing enterprises
6 that compete daily in a highly competitive market with other
7 entertainment and event businesses to generate revenue by
8 attracting and motivating customers to our events.

9 Any net resources gained by fairs, through its
10 various activities, are reinvested in the facilities and
11 programs that are offered to the public.

12 Fairs deserve to function and flourish in an
13 environment void of undo restriction and bureaucratic
14 burden, and need to remain flexible in order to respond to
15 the ever-changing business climate.

16 On behalf of the California Fair Alliance and
17 Western Fairs Association, I want to thank the Commission
18 for its recommendation, and the fair industry truly looks
19 forward to providing any assistance or support required by
20 this Commission, as this vision for change moves forward.

21 Thank you.

22 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
23 Doug.

24 Okay, also I wanted to mention that we had
25 originally scheduled education, as well as infrastructure, I

1 believe next week, with Health and Human Services, next
2 Friday, in San Diego. We're going to separate those and
3 we'll do education on September 9, and we have yet to come
4 down on a location for that hearing.

5 So we'll be in session on the 9th and the 10th of
6 September.

7 The next person is Ray Bizal.

8 (Audience comment.)

9 COMMISSION CO-CHAIRPERSON HAUCK: The location
10 will be placed on the website, yes, when we get one.

11 MR. BIZAL: Thank you, Mr. Chairman, and Madame
12 Chairman, as well as members of the Commission.

13 My name is Ray Bizal, I'm with the National Fire
14 Protection Association, also known as the NFPA. I am also a
15 resident of California.

16 We are a nonprofit organization that has been
17 dedicated to developing public safety codes and standards
18 throughout the world for the last 100 years. In fact, codes
19 and standards developed by the NFPA, and our partners,
20 already serve as the basis for California State fire,
21 electrical, mechanical, and plumbing codes, which are in
22 Title 19 and Title 24.

23 NFPA recognizes the challenging task you have
24 conducting a state review of everything that goes on in
25 state government. And we are here today to ask you to make

1 that review as fair and objective as possible.

2 And we're here primarily on infrastructure Item
3 Number 26, the Building Standards Commission.

4 As the CPR report mentioned, after a detailed
5 review process last year, the State selected our model
6 building code, known as NFPA 5000, to serve as the basis for
7 the next edition of the California Building Code.

8 Given that the CPR report mentions that decision,
9 it is a surprise to us that no one from our organization, or
10 from any of the other organizations that supported the NFPA
11 5000 code were interviewed for the report.

12 So let me take a moment to clarify a couple of
13 issues that were raised in the report. The report states
14 that there was overwhelming opposition to this code.

15 Nothing could be farther from the truth. In fact,
16 NFPA 5000 was supported by hundreds of individuals and
17 groups throughout the state. During numerous public
18 hearings on this technical issue dozens and dozens of people
19 testified in support of NFPA 5000. NFPA supporters included
20 fire chiefs, fire fighters, representatives from the
21 disabled community, contractors, environmental groups, and
22 many others.

23 NFPA 5000 supporters backed the code for several
24 reasons. Number one, they believed in the open, inclusive
25 process by which the NFPA code was developed. Also a full

1 comparison of the two available codes showed that NFPA 5000
2 would provide the highest level of safety of any of the
3 choices that were out there.

4 That determination was what ultimately led to the
5 state selecting this model code as the basis for the
6 California Building Code.

7 Contrary to the report, the provisions of NFPA
8 5000 have been utilized in the United States for decades.
9 The bulk of this code is adopted and enforced in over 30
10 states and by many federal agencies.

11 The CPR report also inaccurately states that there
12 were many problems and deficits with the NFPA Code. In
13 fact, either of the available national model codes under
14 consideration would have required significant modifications
15 in order to consider the state-specific amendments.

16 To help, NFPA, in a public/private partnership,
17 offered and did pay for California-based experts to draft
18 the necessary amendments, saving the state a significant
19 amount of money.

20 COMMISSION CO-CHAIRPERSON HAUCK: Ray, you need to
21 wind up.

22 MR. BIZAL: Okay.

23 COMMISSION CO-CHAIRPERSON HAUCK: You have it in
24 writing, you can give it to us.

25 MR. BIZAL: I do, and I will present it to you.

1 COMMISSION CO-CHAIRPERSON HAUCK: Okay.

2 MR. BIZAL: Thank you very much. And we look
3 forward to working with you in the future.

4 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you,
5 Ray.

6 George. George is here. Pardon? Say it again?

7 MR. ELL: E-1-1.

8 COMMISSION CO-CHAIRPERSON HAUCK: E-1-1. George
9 Ell. Welcome, George, you're on.

10 MR. ELL: It's very easy to spell. Okay, anyway,
11 I'm George Ell. I'm the Retired Executive Manager of
12 Operations Facilities for ITT Gulfland, and I covered all of
13 Southern California.

14 Part of my responsibility was the infrastructure,
15 planning, acquisition, corrective maintenance, preventative
16 maintenance, energy, resources, toxics, and pollution. And
17 that's part of my job.

18 Okay, I had a long presentation, which I've cut
19 down to almost nothing. I've given you details in a folder,
20 that you can read at your leisure.

21 I'm part of the CPS problem, too. I lost four
22 grandchildren, and I'm going to address it just shortly
23 here.

24 COMMISSION CO-CHAIRPERSON HAUCK: Okay, go ahead.

25 MR. ELL: By the way, before I forget it, too, CPR

1 is a technique to save lives. CPR is a technique to save
2 California. You picked a good set of letters.

3 Okay, anyway, for years and years now they've been
4 taking children away from families. When they took my four
5 grandchildren, they took them away without a court order,
6 without a warrant or anything like that, and we haven't seen
7 them for years.

8 There's nothing wrong with my family. We've
9 offered to take them. I'm their grandparent. They didn't
10 put them in.

11 The same thing everybody's told you from all over
12 Southern California has happened to me, too.

13 Okay, now I'll continue on. Energy and resources
14 are finite resources of Southern California or, in fact, the
15 whole world. And by finite I mean it's the infinite fossil
16 fuels. And we better start thinking about it because we're
17 running out quickly. Fossil fuels are supplying our
18 electricity. Fossil fuels are supplying our transportation.
19 Fossil fuels are destroying our atmosphere, and our smog,
20 and everything else.

21 And I haven't seen anything in your booklet or
22 your presentation that you're addressing what's going to
23 happen pretty quick, if you watch your gasoline prices and
24 what's happening around the world.

25 Saudi Arabia, I guess today, increased the

1 withdrawal of fossil fuels to over a million barrels a day.
2 Pretty soon there's not going to be any barrels a day left,
3 and when that happens California's going to die. You won't
4 have water, you won't have electricity, you won't have
5 industry or anything.

6 And something in your planning should take in the
7 fact that we've got to do something now.

8 In 1970, the late 1970s, ITT had a meeting in St.
9 Louis, and in there they reviewed what's happening in the
10 world, and at that time they said let's go back to your
11 cities all over the world, ITT's an international company,
12 and start telling people to start planning ahead, because
13 around the year 2000, which is now, we're going to start
14 running out of cement, oil, gas, and all the major things
15 that all cities and civilizations are requiring.

16 Okay, I worked with California, Arizona, New
17 Mexico, and Texas representatives and we came up with some
18 concepts of what we could possibly do. You all know about
19 the high desert, and we have something called the sun up
20 here. We could tap into this sun and generate electric
21 power. Actually process sea water and make fresh water, and
22 in the process make more electricity. And it's only 35
23 miles up the Santa Clarita River from the Pacific Ocean,
24 Ventura, to where the aqueducts cross, the California
25 Aqueduct and the Los Angeles Aqueduct.

1 COMMISSION CO-CHAIRPERSON HAUCK: Okay, George,
2 you need to wind up.

3 MR. ELL: Okay. Anyway, you've got all this in a
4 folder. And thanks for letting me speak.

5 COMMISSION CO-CHAIRPERSON HAUCK: Okay, thank you.

6 All right, we will conclude today with
7 Gene Waggoner. Okay, Gene, go ahead.

8 MR. WAGGONER: I'm Gene Waggoner, I'm a resident
9 of California. I was born here, as a matter of fact.

10 I want to address three topics. The first one is
11 transportation, which has been alluded to by former
12 speakers. We should develop a mass transit system that's
13 available to all people throughout California, not just
14 specific areas.

15 We had some systems in place, when I was a little
16 boy, called the "red cars," but because of Standard Oil of
17 California, and General Motors we did away with them,
18 because we got these wonderful things called freeways, where
19 I can drive from my home to down the hill in about an hour
20 during rush hour, because it's so efficient.

21 I'd also like to encourage people to drive cars
22 that are economical, not gas guzzlers. We have cars that
23 get tremendous gas mileage, but people don't buy them. They
24 buy these big gas guzzlers that aren't efficient at all.

25 I also wanted to mention about our water. The

1 water is a very important commodity -- or not a commodity, a
2 resource in California, and we need to protect it, and we do
3 that through our Water Resource Boards, and the Water
4 Commission, as far as California is concerned. And I
5 encourage you that you develop this even more.

6 The third and last topic is energy. And I think
7 that we should use solar and wind power and quit our
8 dependency on oil and gas, which is slowly running out, or
9 fast running out.

10 Thank you very much.

11 COMMISSION CO-CHAIRPERSON HAUCK: All right, thank
12 you, Gene.

13 Thank you, all of you who came here today to
14 provide us with a point of view on these recommendations.
15 As I indicated, you can either e-mail them, e-mail your
16 comments or mail them to the Governor's Office of Planning
17 and Research. Or, if you choose, we will give you priority
18 at the next hearing, if you can get there.

19 No further business, we stand adjourned.

20 (Thereupon, the August 13th meeting
21 and public hearing of the
22 California Performance Review was
23 adjourned at 4:02 p.m.)

24 --oOo--

25 * * * * *

CERTIFICATE OF REPORTER

I, RONALD J. PETERS, a Certified Shorthand Reporter, do hereby certify:

That I am a disinterested person herein; that the foregoing State of California, California Performance Review Infrastructure Public Hearing was reported by my staff and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties in this matter, nor in any way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of August, 2004

Ronald J. Peters
Certified Shorthand Reporter
License Number 2780
Certified Manager of Reporting Services
Registered Professional Reporter

PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345