

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 22, 2008
POSITION: Oppose unless amended

BILL NUMBER: SB 1627
AUTHOR: P. Wiggins
RELATED BILLS: SB 1217 (Yee)

BILL SUMMARY: Pilot Commissioners - Transfer to BTH Agency

This bill would: (1) move the Board of Pilot Commissioners (Board) under the oversight of the Business, Transportation and Housing Agency (BTHA), (2) require a financial and performance audit of Board operations by the Department of Finance (Finance), and (3) establish two funds designated for pilot training and continuing education.

FISCAL SUMMARY

The BTHA estimates that they would require approximately \$1.0 million Board of Pilot Commissioners' Special Fund and 3.0 positions (one attorney, one AGPA, and one Assistant Secretary) ongoing to establish a memorandum of understanding with the Department of Fish and Game for investigative services, provide contracted fiscal services through the California Highway Patrol, review the Board's operations, and implement any necessary regulatory changes to provide adequate oversight. Audits conducted by Finance would require \$450,000 Board of Pilot Commissioners' Special Fund on a one-time basis. The Board's revenue would need to be increased by at least \$1.0 million on an ongoing basis to support these additional activities. There are adequate reserves to pay for the one-time audit costs. The Board's current revenue is \$2.3 million dollars. As these costs cannot be redirected within resources budgeted in 2008-09, an appropriation would be necessary to fund these activities. Absent an appropriation, the Board and BTHA may have to delay implementation of this bill until July 1, 2009.

Any request for resources as a result of this bill would be subject to review and approval through the annual budget process.

COMMENTS

The intent of this bill is to provide oversight and conduct an audit of the Board's operations. It would appear that the BTHA's roles in overseeing and promoting state commerce and transportation align with the Board's role in licensing pilots that safely navigate goods into the state. We note that neither the BTHA nor the Board have taken a position on this bill.

Analyst/Principal (0242) K. Shelton	Date	Program Budget Manager Todd Jerue	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

P. Wiggins

April 22, 2008

SB 1627

We oppose this bill unless amended because:

- It does not specify how Finance would be reimbursed for conducting audits, as specified.
- It does not provide adequate time after the completion of the fiscal year to conduct a financial audit. We recommend that the October 1, 2009 financial audit be moved back to December 1, 2009. Additionally, Finance requires that a CPA firm conduct an independent audit of the Board's financial statements for the year prior to a Finance audit.
- Establishment of two separate funds dedicated to training is not necessary when subaccounts can be established within the Board's primary fund to serve the same purpose. These provisions should be removed from the bill.
- Three reports on an annual basis regarding revenue and expenditures duplicates the annual budget process that the Board is already subject to. These provisions should be removed from the bill.

Existing law:

- Does not place the Board under the oversight of any state agency.
- Deposits all operational and trainee surcharges into the Board of Pilot Commissioners' Special Fund.

This bill would:

- Place the Board under the oversight of the BTHA.
- Require the Finance to conduct a financial and performance audit by October 1, 2009 and January 1, 2010, respectively.
- Require the BTHA to provide comments and recommendations on the above audits within six months of receipt.
- Require payment for any services provided to the Board by the BTHA from the Board of Pilot Commissioners' Special Fund.
- Establish the Pilot Trainee Fund and Pilot and Inland Pilot Continuing Education Fund to support the training and continuing education of Board pilots. Trainee surcharges currently deposited into the Board of Pilot Commissioners' Special Fund would be deposited into these new funds.

Sections 14.1 and 18.1 of this bill are joined to SB 1217 (Yee) and would only become operative if both bills are chaptered and this bill is chaptered last.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP	2007-2008		2008-2009		2009-2010			
	RV	98	FC	FC	FC	FC	FC	FC		
8860/Finance	SO	No		--		--	C	\$450	0001	
8530/Pilot Comm	SO	No		--	C	\$500	C	\$1,500	0290	
9000/Reimburs	RV	No		--		--	U	\$450	0001	
1200/Reg Tax&Licn	RV	No		--	U	\$500	U	\$1,000	0290	
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0290	Pilot Commissioners' Special Fd, Board									