TRANSCRIPTION OF RECORDED INTERVIEW

OF

Phil Jenkins

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Sacramento, California

Investigation of Department of Parks
and Recreation - Financial Irregularities

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MR. PATTON: Okay, we're on the record at 3:31. It's Wednesday, September 26th, 2012. I'm Thomas M. Patton, Deputy Attorney General. This is Michael Matson (ph.). He's an investigator for the Department of Justice.

And with us, if you would introduce yourself and spell your last name.

MR. JENKINS: I'm Phil Jenkins, last name J-E-N-K-I-N-S. I'm the acting Deputy Director for the Off-Highway Vehicle Division of California State Parks.

MR. PATTON: And you've been in that position --

MR. JENKINS: I've been acting since January.

MR. PATTON: Okay.

MR. JENKINS: Previous to that, I've been the chief of the division for about seven years working with Daphne Green.

MR. PATTON: So you -- Daphne was the deputy director and you were the next position below her?

MR. JENKINS: Yes. So Daphne was the governor-appointed position.

MR. PATTON: Oh, okay.

MR. JENKINS: And then I was the highest level civil servant as the chief.

MR. PATTON: Okay. Very good. And how long were you the chief under Daphne?

MR. JENKINS: I started as the chief in June of 2005, so seven years, roughly.

MR. PATTON: Okay. And before that?

MR. JENKINS: Before that, I was in Monterey District as a district superintendent.

MR. PATTON: Okay.

MR. JENKINS: And I came up through the ranks as a ranger/supervisor ranger/superintendent, that series. Worked as a maintenance chief for a while. Worked in interpretation. So I've kind of done a lot of different jobs in the department, but primarily law enforcement ranger/superintendent.

MR. PATTON: Okay, great. You've undoubtedly seen the news articles talking about a disparity in reports to the finance department and comptroller's office?

MR. JENKINS: Yes.

MR. PATTON: Regarding both the SPRF and the OHV. Let's start with had you ever heard of any disparity regarding the SPRF?

MR. JENKINS: I never heard of a disparity, per se.

MR. PATTON: Ah-huh?

MR. JENKINS: Over the years working with, you know, like when I was out in the districts, you know, budgets are always very fascinating to the district folks because we see our little piece of the budget and we're always like, "Where's the rest of the money?" and, "Have you given us all that we really deserve?" That's always the approach from the field. And so, you know, they've always discussed in the past that they would hold some back every year. So we've always been aware that there's an emergency kind of fund, but not in the way that this is being described in the news lately. In other words, with state parks, since so much of our budget is dependent on revenue generation, this is primarily in the operations side. On the OHV side, it's a little bit different.

MR. PATTON: Right.

MR. JENKINS: Not as much dependence on revenues as it is on the operations side.

But on the operations side, our budget -- our department budget is very dependent on those revenues from visitation, camping, and concession fees. And so it's a very volatile budget, in other words. If you have a year where you have bad weather on the 4th of July, or, you know, Memorial Day, you get bad weather on those major holidays, or on years when those holidays don't fall on a weekend, it can dramatically bounce our budget around. And then, if things happen, like if you have a bad winter and you get mud slides out on Big Sur and fires and -- there's a lot of things that can really take our budget and send us sideways. In other words, you can either have much lower income than is projected at the beginning of the year, or you can have much higher expenses due to various natural disasters that occur. And so there's always been kind of this awareness that the senior managers in Sacramento keep a pot aside. But it was the pot that then, at the end of the year, if you hadn't had the major disasters, they would distribute. So that's why I say we've always been aware of like some holdback money.

MR. PATTON: Yes.

MR. JENKINS: But not holdback money that was invisible, that nobody was aware of.

MR. PATTON: Okay.

MR. JENKINS: And the way I've read in the paper, at least, that this money existed, wouldn't have affected that anyway, because since it's not -- since nobody ever admitted it existed, apparently, I mean, I'm just reading the papers like everybody else at this point, there's no way you could have allocated it because you had no spending authority for it. What I’m talking about is money that we had spending authority for year-by-year, they would hold back until mid-year or so, you know, get through those kind of -- get an idea of, if you're going to make it to the end of the year, and then they'd give out the rest of the money.

MR. PATTON: Okay, now, that's a very good description. It's consistent with what we've been hearing from a number of sources; that there was some amount held in reserve of monies that were appropriated or approved for expenditure.

MR. JENKINS: Right.

MR. PATTON: In order to guard against a bad-year revenue -- revenues falling below projections so that the department didn't end up spending money it didn't have.

MR. JENKINS: Right.

MR. PATTON: So we've heard that. This, we are particularly looking at, indeed, what the finance department now is very convinced, there's no doubt that there was twenty million or more undisclosed, and just as you described; therefore, having not been disclosed to finance and gone through the appropriation process, there was no spending authority for it. So it really was an undisclosed amount. You've never heard of that type of an undisclosed fund?

MR. JENKINS: I have never heard of that type of fund for either of the accounts.

MR. PATTON: Okay.

MR. JENKINS: When we start going into the OHV fund, there are things that have raised my curiosity at times.

MR. PATTON: Okay.

MR. JENKINS: But I've never really been exposed to the SPRF account as a headquarters person as much. Because I've been working -- since I left the field and came to headquarters, I've been working exclusively with OHV trust fund.

MR. PATTON: Okay.

MR. JENKINS: So a lot of the really detailed machinations of how they do SPRF is just not in my -- I'm not in those conversations.

MR. PATTON: Okay. So what we did -- we realized that what you might be most knowledgeable about would be funding issues from year-to-year in OHV, since you've spent a lot of time there. So this is the spreadsheet from the finance department. And going back as far as 1993, the top section is reports regarding SPRF, and just because I'm sure you're probably interested to see, this is what the news reports are based on regarding the undisclosed amount in SPRF. And this is the twenty million dollars here for the last fiscal year ending June 30, 2011. And what this chart shows is the adjusted amount as reported to the comptroller and the amount reported in the fund condition statement to finance for budget purposes.

MR. JENKINS: Right.

MR. PATTON: And this is the twenty-million-dollar disparity.

MR. JENKINS: Right. And I mean, I just do have to say, it doesn't surprise me that, if there was this disparity, that it was never really -- the tone of discussions that I have been involved in --

MR. PATTON: Um-hum?

MR. JENKINS: -- over in the department over the years relating to SPRF and general fund has been that -- not in direct relation to this, but it kind of fits a pattern, if you know what I mean.

MR. PATTON: Yes.

MR. JENKINS: That the department -- the old department leadership -- they're all gone now at this point -- was always very hesitant to admit we had money, enough to do almost anything, because always the fear that, if we say that, "Oh, we came up with extra money here," then they would take money off of the general fund allotment first for that year. And so, for instance, we would have, you know, a few times, if Daphne were gone on vacation or whatever, I would sit in on exec staff meetings.

MR. PATTON: Um-hum.

MR. JENKINS: And there would be -- and I can't give you like a specific date and time and whatnot, but there would be discussions about, you know, we're supposed to try to find some more savings in our recycling, or, you know, various places where we're supposed to find savings. And kind of the banter, the discussion, the dialogue that would go on would be that, yeah, well, I heard about, you know, this other agency in state government that they said, "Yeah, we can find those savings," and, "Look, we have this other efficiency measure we want to do that will allow us to spend money to make up for it." And then the Department of Finance would say, "Thanks. We'll take the original savings and the additional money you found and you don't get to keep any of it." So there's always been kind of a real wariness, if you will, from the senior management to show that you can create -- you know, "Oh, I've got some money here that I can use to solve a problem," because there was always the fear that that would hurt you.

MR. PATTON: So you --

MR. JENKINS: So when I saw this, I was like -- I was disappointed because it's just really discouraging that, you know, here we were asking everybody for money and it turns out there was some in the back. So it was disappointing. It was really surprising, on the one hand; but on the other hand, it was like I could kind of see how the mindset that existed in the past might have gotten people there.

MR. PATTON: So you indicated in you said the old leadership, and then in executive committee meetings that you would end up attending, you're talking about the Ruth Coleman, Michael Harris executive committee?

MR. JENKINS: Yes. Ruth, Michael, Bill Herms, all of those kind of executive-level folks.

MR. PATTON: Okay. And so you've heard sort of the sentiment of the more revenue we generate, the more we're at risk of general fund cuts.

MR. JENKINS: Not so much the more revenue, because they were trying to -- we as a department, and I participated in these discussions with them, so I don't want to make it look like I was just an observer. Because when I was in exec staff, I was --

MR. PATTON: Yup.

MR. JENKINS: -- participating in making the decisions, so I'm not trying to avoid any responsibility here.

MR. PATTON: Yeah.

MR. JENKINS: So we were really trying to solve as much as we could with revenue. That was like -- that was like one angle of the game that we were trying to do. You know, that's just a recognition that we need to lean more on revenues. The issue was more these other side programs. If you find some really creative way to save some money, the fear that that would just generate a loss of general fund.

MR. PATTON: Okay.

MR. JENKINS: So -- because it seemed like all of our discussions with the Department of Finance and various levels was, you know, our two primary sources of income were general fund and revenue. So we are always, you know, trying to maximize revenue, but not to the point that you keep people out of the park. You don't want to turn parks into parks for the rich.

MR. PATTON: Yes.

MR. JENKINS: So there's always that balance you've got to have. You know, if you charge too much, then, you know, your kind of lower income or lower-middle income can't afford to go to the parks, and that's not really the spirit of the parks. So it's like how much can you charge to really be able to run parks adequate, but not price people out of the market.

MR. PATTON: Yes.

MR. JENKINS: As opposed to being really creative with these, you know, kind of imaginative ways to save funds, knowing that, if you do that, it's probably going to be a wash for you. So you'll put in a whole lot of effort. It might actually cost you a little money to create this new effort, and you may lose any benefit you would have gotten from doing that effort.

MR. PATTON: Um-hum.

MR. JENKINS: And so that's what I'm getting at.

MR. PATTON: Yup.

MR. JENKINS: Not that there was any --

MR. PATTON: Yeah.

MR. JENKINS: I'm not saying it's --

MR. PATTON: I hear you.

MR. JENKINS: -- such a -- I'm not saying they were dishonest or that -- none of that. It's just that you can kind of see that mindset of --

MR. PATTON: Yup. Yup.

MR. JENKINS: -- scary to show that you've got extra money somewhere. I could kind of understand that concept.

MR. PATTON: Yes. Yes. No, you've been clear.

MR. JENKINS: All right.
MR. PATTON: You've been clear in describing that. Nobody ever told you, "And we also have a secret pot of money."
MR. JENKINS: Right.
MR. PATTON: Yup. Got it. All right. So what I want to focus our attention on are, in the OHV, it's the same breakdown and this figure of 33,492,000 for fiscal year ending June 30, 2011. That's the difference between what this chart says is the adjusted balance, year-end balance as reported to the comptroller and the fund statement -- fund-balance statement -- and the balance as reflected in the fund-condition statement for OHV and that there's a thirty-three and a half, approximately, million-dollar disparity.
MR. JENKINS: Right.
MR. PATTON: Now, you're already glancing back, and we'll go back to the beginning of, as I understand it, this is when numbers were first starting to be input into CalSTRS so that there is an electronic record. Back in '93, anything that's a positive below this line represents an under-report in the

fund condition statement to finance. In other words, more dollars were reported in the comptroller's report than in the finance documents. And under report, you know, three million -- a little under three million in '94, and we see numbers that, basically, kind of jump in a lot of directions; in the mid-90s, twelve, twenty million, sixteen, twenty-four, twenty-two, twenty-six, eleven. And then all of a sudden in '02 we've got a negative here. We actually see more dollars reported in the budget documents than to the comptroller and we have what appears to be a thirty-four million-dollar -- thirty-four and a half million-dollar over-report to finance. We're almost on the money in '03; almost on the money in '04 and 5. We have another over-report for two years of thirty-five and thirty-one million in '06 and 7. We're back to very close to even in '08; five million discrepancy in '09. An over-report of twenty million in '10 and now the claimed under-report in '11. I will tell you --

MR. JENKINS: That just defies all logic.

MR. PATTON: -- they're all over -- they're all over the map, right?

MR. JENKINS: There's nothing like not being able to see a pattern.

MR. PATTON: Yeah. So let me tell you what we -- what we think we understand so far.

First of all, the reports that there's fifty-four million in undisclosed funds are based on taking the twenty million -- 20.3 million in SPRF under-reported, and this thirty-three and a half in OHV and combining them to get to basically fifty-four million.

MR. JENKINS: Okay.

MR. PATTON: And the statement was that -- and it's still kind of out there that, for years, the department has been hiding as much as fifty-four million. We don't believe that's true. We know that the twenty million -- this is a pretty valid number.

MR. JENKINS: Right.

MR. PATTON: Has consistently been not disclosed with regard to SPRF.

MR. JENKINS: Since way back --

yeah.

MR. PATTON: Well, it got -- yeah. And --

MR. JENKINS: That's odd.

MR. PATTON: Don't try to help me understand this because it predates --

MR. JENKINS: No, I'm just --

MR. PATTON: -- you.

MR. JENKINS: Yeah.

MR. PATTON: And we're going to let the -- we're going to let the auditors really get to the bottom of all that. And we've got some information about --

MR. JENKINS: Yeah.

MR. PATTON: -- what was going on. But I'm interested in talking with you at this point about OHV. Because these numbers are all over the map. We don't think, based on what we're seeing here, that there's any validity to the notion that thirty-four million has been consistently undisclosed in OHV. In fact, the numbers are showing swings in both directions, because just the year before there's, apparently, a twenty million dollar discrepancy over-reporting to finance.

MR. JENKINS: Right.
MR. PATTON: What we're interested in knowing is that we've heard little tidbits about, oh, a loan was made of monies from the legislature, you know, gave itself a loan of OHV funds in some year, or a gas tax credit was given to the accident one year.
MR. JENKINS: There's a couple of things going on there.
MR. PATTON: Yeah. So tell me what you know about any of these years and things that might have gone on.
MR. JENKINS: The most recent one was the gas tax swap issue. So --
MR. PATTON: When was that? Do you know what year that was going on?
MR. JENKINS: I was just trying -- it was like -- it got corrected in this legislative cycle. It was created in the previous legislative cycle, as I understand it.
MR. PATTON: Okay.
MR. JENKINS: My admin assistant -- not -- my admin chief who kind of tracks our budgets at the division, started coming to me

last year and saying, "We're getting way too much money from the motor vehicle fuel accounts every month."

MR. PATTON: Who is your admin chief?

MR. JENKINS: Maria Mallory.

MR. PATTON: Okay.

MR. JENKINS: So she started coming to me. Actually, she started coming to Daphne before Daphne left in January.

MR. PATTON: Um-hum.

MR. JENKINS: So she came to Daphne and me together and said, "Look, something's," -- well, first she came in and it was kind of -- she came in and she said, "Hey, we're going to be doing really well this year because we've got much higher revenues in the gas taxes than we were expecting. And then, you know, the next month she came in and it's like, "No, it's way too much. There's something wrong here." And so we started trying to figure out what was going on. We contacted Caltrans and started trying to dig into what's going on. And it turned out that, when they took and swapped sales tax and excise tax, so on -- when you buy a gallon of gasoline, you get sales tax. I mean, you pay sales tax and you pay excise tax. Our transfers from the motor vehicle fuel account are a percentage of the excise tax. So the gas tax swap legislation, which I'm not completely clear on, but it -- at the end of the day, the net effect that affected us was previously you paid eighteen cents of excise tax on a gallon of gas. With the gas tax swap, the sales tax went down and the excise tax went up by seventeen-point-something, just short of eighteen cents; almost doubled the excise taxes.

Our transfers per the public resources code, are a percentage of the gas taxes that are paid. And so where we used to have, it's a, you know, very small. It's like some fraction of a percent.

MR. PATTON: Um-hum.

MR. JENKINS: Where that used to be multiplied by eighteen cents per gallon times the total gallons sold, last year, because of the tax change, and adding excise taxes, it was multiplied by eighteen cents and the seventeen-point -- whatever it was -- almost eighteen cents; so it practically doubled. That was a mistake. That was never intended to happen. And so we were watching our balance just shoot through the roof with all these incomes.

MR. PATTON: Um-hum.

MR. JENKINS: And then they corrected that. There's legislation that said, all right, that extra excise tax was not meant to be part of this whole formula, because it wasn't just us, it was Boating and Waterways. Also, there was a -- some sort of a highway account and an airport tax. These various like eight, roughly, entities that get money out of these excise tax percentage transfers.

So this legislation fixed that. They said in the legislation that any money that had been transferred needed to be given back to the motor vehicle fuel account and be distributed the way it was intended when they did the gas tax swap bill. And in the future, we would only be going back to our original what we were supposed to do, which was the percentage of eighteen cents per gallon.

MR. PATTON: Okay.

MR. JENKINS: So that solved that. So that -- but it caused this bump --

MR. PATTON: Yeah.

MR. JENKINS: -- for a while. So it's like when do you look -- you know, when do you sample the river? It's a different river every time.

MR. PATTON: Yes.

MR. JENKINS: Now, is it while that money is midstream? When it's capped out? When it's taken away? You never know. That was the most recent one.

MR. PATTON: Do you happen to know if, as a result of this erroneous double, essentially, of that tax amount that's coming to OHV --

MR. JENKINS: Ah-huh?

MR. PATTON: -- do you happen to know if that would cause a change in the report to -- I'm trying to figure out if we could attribute an over or a dramatic under-report to that bump in tax activity?

MR. JENKINS: Yeah, because we would

have shown -- in not knowing how those reports go, so I don't know who is looking at what, but our actual balance in the account --

MR. PATTON: Would go --

MR. JENKINS: -- last year would have been --

MR. PATTON: Would go up.

MR. JENKINS: -- far higher than predicted in the Governor's budget.

MR. PATTON: Now last year would be the year ending June 30, '11.

MR. JENKINS: Yes.

MR. PATTON: And, you know, that's kind of what I see here, because I see a balance -- year-end balance for June 30, '10, to the comptroller, and these, I presume, are pretty accurate balance statements of monies in the bank. This is what the account is holding: 119,873,000 as of the end of FY 10. And then, you know, forty-five million more the following year; 165,043 for FY 11.

MR. JENKINS: Yeah. And when you make the split, was the -- because we fairly consistently got sixty-five million per year in gas taxes.

MR. PATTON: Yeah.

MR. JENKINS: Up until two years ago when they took ten million away.

MR. PATTON: Okay.

MR. JENKINS: They diverted ten million, so fifty-five million.

MR. PATTON: Ah-huh?

MR. JENKINS: So when we doubled it, for -- if it -- you know, if you were to double it for an entire year, you would expect about another fifty-five to sixty million dollars.

MR. PATTON: Yeah. And I see a forty-five million dollars up here.

MR. JENKINS: So if you divide it between two years -- yeah. So if it started midyear or not quite at the beginning of the year --

MR. PATTON: Yeah.

MR. JENKINS: -- that could account for that kind of --

MR. PATTON: That's interesting. And then it almost kind of helps me understand why maybe we see a forty-five million dollar jump between these two years in the comptroller balance at year end, and we don't see a dramatic difference in the balance reported to finance. We see 140 -- 140 million versus 131 and a half.

MR. JENKINS: Yeah, because the department is always working off of what we -- well, I don't know what they do at headquarters. What I do at the division is, you know, we look at what we were allocated and then we look at what we spent. And then, you know, at the end, a little bit of money reverse, and we try to use that money, you know, as appropriately as possible. So we're always working off the Governor's budget number.

MR. PATTON: Yeah.

MR. JENKINS: Which I think is related to this bottom number that you're talking about there.

MR. PATTON: Yup. Yup.

MR. JENKINS: So even though we're watching deposits into the account --

MR. PATTON: Sure.

MR. JENKINS: -- and recognizing the deposits are doubled --

MR. PATTON: Um-hum.
MR. JENKINS: -- we never at any point in time see like that working balance that is the result of all those deposits.
MR. PATTON: Right.
MR. JENKINS: We just know the income stream looked to fat for a while.
MR. PATTON: Yeah.
MR. JENKINS: But that wasn't predicted in the Governor's budget. It wasn't, you know, budgeted that we would get that money because nobody ever expected to get that money.
MR. PATTON: See, that's exactly kind of what I think I'm suspecting I'm seeing, is I'm seeing an infusion in FY 2010-11 of an additional almost fifty million dollars.
MR. JENKINS: See, that wouldn't make sense.
MR. PATTON: But I don't see that infusion reflected in the finance balance. And because of that infusion and the growth in the balance that the recorders reflecting of forty-five million dollar increase, but not a

commensurate increase here, in fact, a decrease of eight and a half million, we end up -- we end up with an over-report to comptroller of thirty-three and a half.

MR. JENKINS: Right.

MR. PATTON: And it almost sounds to me like there's forty-five or fifty million dollars that have got credited that then later got corrected. And that credit never made its way into the budget.

MR. JENKINS: Right.

MR. PATTON: That's sort of what I hear you saying, is that we're watching the budget.

MR. JENKINS: And an example -- I was trying to explain this to some of my staff before all this investigation started.

MR. PATTON: Yeah.

MR. JENKINS: And I said, you know, with a trust fund, it's almost like two people having checking accounts that you share the accounts. And one person records religiously every time you write a check or make a deposit; another one waits until the end of the month and gets the bank statement. At any point in time, their balances won't be the same.

MR. PATTON: Right.

MR. JENKINS: But it's the same account and eventually it will all be the same.

MR. PATTON: Right.

MR. JENKINS: Which almost is what looks like here where it balances around, but it always comes back into alignment. Because some of these other things --

MR. PATTON: Have the people at finance been over to spend time with Maria Mallory?

MR. JENKINS: No.

MR. PATTON: She sounds like a person who's keeping the closest eye on these ledgers.

MR. JENKINS: She -- yes. We watch every year. We see what we're predicted to receive in motor vehicle fuel transfers.

MR. PATTON: Um-hum.

MR. JENKINS: That's our biggest single source of income. So as a result, we just watch those very closely. So we go on-line and watch for the transfers and try to watch what's going on. Because, for instance, the -- a few years ago when the price of gas went really high --

MR. PATTON: Um-hum?

MR. JENKINS: -- then our transfers dropped dramatically for motor vehicle fuel account transfers.

MR. PATTON: Because gas used to drop, too.

MR. JENKINS: Yeah, because we're not -- we're not getting a piece of the cost of a gallon.

MR. PATTON: Right.

MR. JENKINS: We're just getting the piece of a gallon. It's eighteen cents per gallon whether it costs --

MR. PATTON: Yeah, right.

MR. JENKINS: -- five dollars a gallon or two dollars a gallon.

MR. PATTON: Gotcha.

MR. JENKINS: So when the price of gas goes up, our income stream pinches down and then we have to react accordingly and start being a little more cautious with our spending. So she watches that very closely.

So we know kind of month-to-month, we see these trends, but we never see, really, the numbers that go back and forth between either the comptroller or the department. I mean, that's all kind of over in the -- we're in a building on 24th Street. So we're not even in the same building as headquarters at this point.

MR. PATTON: Yeah. Yeah. Yeah.

MR. JENKINS: When they set up the OHV program years ago, the whole concept of having the division the way it's set up was that they wanted to separate the funding streams more cleanly. Back up until '82, the OHV money ran through the regular department channels. So if you were at Oceano Dunes, for instance, one of our biggest districts, it was just part of a bigger district that included Morrow Bay and Hearst Castle. And so OHV money would go to that district, and then it was up to the district to insure that the OHV money was spent at Oceano Dunes.

And there were instances where the money -- lots of instances -- it was not just a trend, it was the norm, that if you had an OHV district back in those days -- and I say this because my dad was a state park ranger. He was the first deputy director of OHV that was assigned to kind of create the division that pulled the apart. So I've seen the history all the way through. Is all this OHV money would go to a district, they would buy vehicles, they wouldn't put them on the beach, because why put a new vehicle on the beach? They'd send it up to Morrow Bay or Hearst Castle, and then all the old beat-up vehicles would go out to the beach. And so the OHV community and the environmental community, as well, who wanted to see the money used for the preservation of, you know, the resource and the provision of the recreation, said we need a separate division. We need to put a firewall between our money and their money so that we know where all of our money goes. And so we try to account for as much of it as we can at the division, but we've never really been able to get into what happens to the money at headquarters, which has always been a curiosity to us, by the way. Because we'll get -- we'll get an allocation from the Governor's budget, or from the final enacted budget, I should say, and we'll -- so you can read the budget, you can see that we're getting, whatever it is, in any given year -- fifty-five million dollars for operations, for instance. Then the department has that money and they pull money out for various things, you know, legitimate things like pro rata gets pulled out and some admin overhead gets pulled out. And so there's things that get pulled out. And then eventually we get our allocation at the division. And we use that allocation at the division to run the grants program in the districts and our statewide law enforcement operation and the snow park program -- all the things -- there's a whole lot of things that we do. But we never really know for certain what -- where the drop comes from. When the money comes into the department, and then when it finally drops into our accounts -- not into our account, but when they delegate this money down to us.

MR. PATTON: Yes. Yup.

MR. JENKINS: There's a big chunk

there that we never quite can track.

The other thing that we can't track that could lead to some of these things over the past is when we give out grants, for instance, we give out -- right now it's only ten million this year. Last year it was twenty-one; the year before it was 27.1 million dollars a year in grants. And so if you give out a grant, let's say you give out a 900,000 dollar grant to do a big restoration project, and they have trouble getting their environmental documentation, sometimes the whole project just won't ever go and you get all the money back. Or they'll do it and you'll spend all of it but 250,000 and then that comes back. Whatever -- you get the bits and pieces at the end of grants that come back and that can add up to quite a lot in any given year. And it comes back into our account.

So when we're looking at the published budgets every year, let's start with the, you know, the Jan. 10 budget, they may revise and then enact it, we're basing it off of those numbers and the fund condition statements. That's what we're working with at the division level.

We're always curious about where does that stray money go. Our assumption, the way the system should work, is it comes in as prior year adjustments. So that if you've got money that was out there for an acquisition and it all didn't get used or some of it got used, but sometimes none of it got used, then that would come back as a prior year adjustment and put your balance back up again.

That's the part of the process, that's the part of the cycle of where our money goes that we're not exposed to. We can't see what's going on over there with those reversions.

The reason that's important is, over these years that we're looking at, there have been a number of large acquisitions that were proposed for the program that never occurred. So since I've benefit here since 2005, we had -- when I got here, there was money in the account to buy some land down by Bakersfield. I think that was around twenty -- twenty-plus million dollars. And there was another pot of money for some land at Riverside, and that was, I think, twenty or thirty million dollars.

MR. PATTON: Back in 2005?

MR. JENKINS: Those -- 2005-6-7 is when those projects were coming to an end. The Bakersfield project turned out to be not a viable project because we didn't have water access and there was valley fever spores on the property.

MR. PATTON: Um-hum.

MR. JENKINS: So we had to close that project down and all that money reverted.

MR. PATTON: Um-hum.

MR. JENKINS: And so then you expect to see that, you know, pumped back into our balance.

MR. PATTON: Um-hum.

MR. JENKINS: And that can cause a big jump; twenty some-odd million dollars.

MR. PATTON: See, it's very interesting, because '06 and 7 here show thirty-five and thirty-one million, respectively, more reflected in the budget documents than the comptroller's actual balance shows. And I'm suspicious, then, if it was treated those -- if it was treated as an expenditure, money went out, but it -- but then there's a reversion. And I'm wondering if a credit for reversion might hit budget documents sooner than the actual money comes back into the system.

MR. JENKINS: Right. Because my understanding of the system is that, yeah, once we've encumbered that money, it essentially disappears of the fund condition statement because --

MR. PATTON: The finance or budget documents, you're going to show it --

MR. JENKINS: But the -- but the cash is sitting somewhere.

MR. PATTON: Right. Right.

MR. JENKINS: It's not been expended.

MR. PATTON: Right. Right.

MR. JENKINS: So --

MR. PATTON: So that -- so in that state, where you've already marked it as a debit in your fund condition statement for budgeting purposes, but it -- but the check hasn't cleared the bank because it hasn't actually been spent yet --

MR. JENKINS: Right.

MR. PATTON: -- then you're going to have more money reflected in the comptroller's balance than in the finance. Here we have the opposite where I'm wondering if, after -- well, of course, in those cases where there's a reversion, then it was never actually spent. It never would have left the comptroller balance.

MR. JENKINS: Right. It was flagged as this money is being committed.

MR. PATTON: Yes. Yes.

MR. JENKINS: But it never --

MR. PATTON: Yeah.

MR. JENKINS: It never actually went anywhere.

MR. PATTON: Yeah.

MR. JENKINS: We never encumbered --

MR. PATTON: Okay.

MR. JENKINS: We never wrote a contract against it.

MR. PATTON: Okay.

MR. JENKINS: Because there's a

project out right now -- we have a project for -- we call it the Onyx Ranch acquisitions, some property out in Eastern Kern County that's a thirty-two-million dollar project.

MR. PATTON: Um-hum?

MR. JENKINS: So the first time I heard that this number was thirty-three million plus, I thought, well, that's very close to our Onyx Ranch acquisition money, so they must have just made a mistake with the Onyx Ranch acquisition money. So I went and I told them, I said, "You know, we've got a thirty-two million-dollar pot for this Onyx Ranch." And they've said, "No, we've accounted for that and this is outside of that encumbrance."

MR. PATTON: Okay.

MR. JENKINS: So, I don't know. Like I say, that's over on the other side where the folks that are much better at budgeting than I --

MR. PATTON: Well, and that's -- we're going to let them do that, too.

MR. JENKINS: Yeah.

MR. PATTON: For our purposes, I

think it's enough that we're aware that there are issues that have gone on, such as budgeted expenditures for land acquisition that ultimately didn't go through.

MR. JENKINS: Right.

MR. PATTON: The gas tax increase in revenue, which was for this year-ending 2011 would have affected this. I mean, I actually think our theory may be -- that you help me come up with here -- may be correct. That there may be -- that may help explain this thirty-three and a half million for FY 2011.

MR. JENKINS: Right.

MR. PATTON: But at the --

MR. JENKINS: And then there's the loans, too. Don't forget the loans.

MR. PATTON: And the loans.

MR. JENKINS: So there's several big loans out there.

MR. PATTON: And do you know what year those loans were?

MR. JENKINS: I was trying to look that up just before I walked over here, because there were three, there was ninety million, twenty-two --

MR. PATTON: Twenty-two.

MR. JENKINS: -- and I think there was then another twenty-one million.

MR. PATTON: Okay.

MR. JENKINS: So there were three loans. And then -- then after that, they switched to the ten million dollar taking, so it's not considered a loan anymore. So, yeah, just in those last three years, there's -- and we could go on-line. I should have just brought the 2011 report. The commission wrote a report to the legislature, the 2011 report -- it's posted on our Web site on-line -- the documents, the ninety million and the twenty-two million. I think the twenty-one million happened -- might be in there. So it shows all those loans and what year they were loaned out. It's the history of loans.

MR. PATTON: Okay.

MR. JENKINS: To the general fund and when they're paid back. Never paid back.

MR. PATTON: I'll tell you what, you've got my card. Just have someone send me an e-mail just telling me what years --

MR. JENKINS: Okay. I'll give you a little history of the loans.

MR. PATTON: Yeah. I don't need a big -- I -- my eyes will get glazed over if I started to try to understand the --

MR. JENKINS: No problem.

MR. PATTON: -- big breakdown.

MR. JENKINS: So I can send that to you as soon as I get back to the office.

MR. PATTON: And I'm confident that between the comptroller's office and the finance department, they're doing an in-depth study of that. Well, that's very helpful.

You said something, I just have to ask, a ten-million-dollar taking, you called it?

MR. JENKINS: The -- I probably shouldn't call it taking. The politically correct term is diversion.

MR. PATTON: Okay.

MR. JENKINS: So short history of gas taxes. I'll try to make it painless. The program as originally envisioned had three primary sources of income, gas taxes being the largest. We also get, you know, the gate fees when you go into the park and the green sticker fees from when you register your vehicle. Gas taxes, generally, you know, three-quarters or so over budget. And up until 2007, the gas taxes were based on the percentage. They tried to -- we would do studies and those studies would calculate the percentage of gas purchased that was burned in the pursue of off-highway vehicle recreation. And so any gas taxes attributable to that -- those gallons burned, all of those taxes would then be considered -- well, which would be trust fund dollars.

MR. PATTON: Okay.

MR. JENKINS: They would be moved from the motor vehicle fuel account and they would transfer to the OHV trust fund. And that's always been considered a given.

In the past, there has been lawsuits when that money has been taken out of the trust fund and given to other uses. There have been lawsuits that said you can't take the money. You can borrow the money, but you can't take the money. Because it's -- once it's in the trust fund, it's mixed with nonfungible monies; gate fees and registration. So once it's blended together, you can't separate the constituents of the suit, so you can't take money out of the trust fund unless it's a loan. Lawsuits -- all that is well established.

So two things happened that kind of changed the look on that. In 2007, there was a legislation passed that changed the way that they decide how much money we get from the motor vehicle fuel account. They said -- there was controversy over the -- the latest gas tax study, about whether it was accurate or not. And so the legislature, at that point, decided not to base our gas tax transfers on the study, but rather to base them on 2007 as the calibration. They said the program is the size it needs to be in 2007, so the percentage of gas taxes that are transferred in 2007, that's the percentage from now on. And every five years we'll look at it and see if it needs adjusting. So we're moving along with that.

And then last year, year before last, with all the need for state parks to have more funding to keep parks open, various legislators started looking at those gas tax transfers and said, "Well, why not take some of that money and move it in a different direction?" And there's long debate about the appropriateness or not of that. And of course, from, you know, all the folks who negotiated 752 were quite concerned because 742 -- SB 742 was kind of structured on the OHV community agreed to certain things in exchange for the environmental community agreeing to other things. So it was this very carefully balanced entirety of the program. It was like we'll look at the program top to bottom, once and for all, and then we have the final answer, and that's a fair way to move forward, and that's what we did.

Because of all the pressures on state parks, the legislature relooked at the transfers and said, "Well, we aren't going to just stick with the 2007 level. We're just going to take ten million, and instead of sending it to the OHV trust fund, we're going to send it to state parks, so it goes to SPRF." So last year and then this budget year, ten million dollars is diverted way from the trust fund where it would have gone under the 742 formula. Instead, it goes over to state parks. And that's caused quite a bit of concern on the OHV community because this year our budget -- we lost that ten million dollars again this year, plus they reduced our grants budget from twenty-one million dollars to ten million. And they cancelled about ten or twenty million dollars capital outlay projects. So we got -- we got hit to about thirty million dollars this year.

And then on the other side of the department, now they're getting, you know, money pumped up, pumped up, pumped up. So the OHV community is very up in arms, very concerned about the trends. So --

MR. PATTON: Okay.

MR. JENKINS: That's just -- that's the history of gas taxes. It's its own kind of long, long history. Much more detailed than what I just gave you as a thumbnail sketch.

MR. PATTON: Yeah. No, I think that's -- that rudimentary understanding is probably sufficient for our purposes.

MR. JENKINS: Yes.

MR. PATTON: I appreciate you taking a look at that with me. Anything else that you want to add to your comments that I maybe should have asked you and didn't think of?

MR. JENKINS: The -- I had said earlier on that, when we got to the -- any hint that there might be money that we weren't aware of, and I said when we get to the gas taxes or when we get to the motor vehicle fuel account -- I got that in my head -- when we get to the OHV trust fund I would mention it.

When the loans were being done, I was always a little baffled because we would be looking at that year's budget documents, you know, the Jan. 10 budget and it would show a balance. And then all the discussion would go on and then they'd say, "Okay, we're going to borrow," in the one case, "ninety million dollars." Which took us essentially to zero balance, or they might have just been just a hair left in there for economic uncertainty, they call it. But, essentially, wiping out our balance.

And then the next year you would see the budget and it would be like, "Well, now there's twenty million dollars in our balance." And I one year, even with reversions, how did we get twenty million dollars back in the account? And then they borrowed twenty million again. And then the subsequent year, there was another borrow that was, you know, in the twenty million dollar range. It's like where does this money keep coming from? Like, because they keep taking us down to zero, and then you look at it again the next year, and there's money in the account again. So even with those loans this last budget cycle, it showed our reserves at forty-two million dollars. It's like how is that possible? And it's just part of this -- now that I’m looking at this, it's part of this whole kind of wavy line of are you over, are you under -- it's a very odd thing to try to understand.

MR. PATTON: Um-hum.

MR. JENKINS: Which I don't understand, is what I’m telling you.

And so when it happens --

MR. PATTON: Do you think Mallory understands it? All those --
MR. JENKINS: Maria?
MR. PATTON: Maria?
MR. JENKINS: No. Maria and I put our heads together all the time and try to sort this out.
MR. PATTON: All right.
MR. JENKINS: When Manuel was here and he was trying to, you know, help us manage our budgets, and we would go down to zero, and that's where I say nothing specific that I could ever say. And I always, at the time, trusted Manuel, and I still -- the things he told me -- the things that he said to me over the years about the budget I've always found to be accurate. But when I got some questions was when we'd go down to zero, he would say, "Well, you know, there's kind of two ways to look at the balance," he would say sometimes. And he would say, "But it's just way too complicated." And we would really never go any further than that, because it was just -- it sounded really complicated and it would be like, "Ah, I don't get it, but it just seems

odd to me." So that I was always just a little -- I -- there was just always this seed of doubt about if what they say is actually in the reserve is a real number or is one of those, you know, budget numbers that's like this -- that's like a gray area instead of a pinpoint of this is the number. It's a number in this range was always the feeling you got. And so that's the reason why, when I started hearing about this number, it was like, oh, it doesn't -- on the one hand, it doesn't surprise me too much because they're always talking about these kind of range of numbers instead of a pinpoint number. It's the difference between accounting and budgeting, I guess.

MR. PATTON: It wouldn't be the first time you saw twenty million dollars just reappear.

MR. JENKINS: Yes.

MR. PATTON: Yeah.

MR. JENKINS: Yeah. It -- yeah, exactly. It's --

MR. PATTON: So this was -- this was happening in OHV like yearly. You say that you'd spend it down to almost zero, the appropriation amount, and your budget would -- your balance would look like you'd spent it down. And then, all of a sudden, there's an automatic recharge.

MR. JENKINS: Yeah, which was -- which could either be back to reversions --

MR. PATTON: Yeah.

MR. JENKINS: -- or just odd bookkeeping that takes two years to catch up from reverses two years ago.

MR. PATTON: Well, like you said, you weren't -- the OHV people weren't really made privy, you said, to being able to track all the, you know, where all the monies were going that came and got used or re-infused.

MR. JENKINS: Yes. Because what we should be able to do -- when I first got to the division, was taught what I needed to kind of look at as the chief of the division.

MR. PATTON: Um-hum. Um-hum.

MR. JENKINS: How I needed to track the budget.

MR. PATTON: Um-hum.

MR. JENKINS: And I worked with two

people; Jerry Johnson was an ex-division chief that I had worked with for years in my career when I was out in the field. So he'd come in and try to help me. And then Joan Grammar, when I first got into the division in 2005, was our administrative chief. And so they would walk me through -- once again, it was all based on the fund-condition statements. Where you should be able to track down, with the amount of conversions and expenditures, there's an outstanding balance, and they should be able to take that year's budget and track the ending balance with the beginning balance and run down. They just track the top to the bottom and the amounts all go down. And you can do that with those fund-condition statements year-to-year, which looks super-clean. I mean, it just -- it makes -- there's a certain logic to it at the end of the day that is comforting. It makes sense. It's like tracking your checkbook and getting it down to the penny and you feel really good about it.

MR. PATTON: Right.

MR. JENKINS: In looking at the

budgets year-by-year like that, it seems to make sense, except, like I say, every once in a while the balance just seems to be -- it's like I don't know where those reversion -- the prior year correction numbers come from. And that's like the wildcard in the formula. So it's like you can do all the math, and then there's this -- you never know what that number is going to be or what drives that number, I should say.

MR. PATTON: Well, you --

MR. JENKINS: That's why when you see, when you see all the neatness in that year-by-year, the ending balance, and the beginning balance, you can do the math in the column and it makes sense, flies in the face of these numbers that show this variance because, just looking at fund-condition statements, it looks like a very orderly budget.

MR. PATTON: Okay. So that's your --

MR. JENKINS: That's my world.

MR. PATTON: -- recollection of looking at your fund-condition statements.

You're matching up year-end balance with the year-beginning balance for the next year.

MR. JENKINS: We're feeling really --

MR. PATTON: You don't --

MR. JENKINS: We're feeling good about it.

MR. PATTON: Yes.

MR. JENKINS: And our only kind of confusion is that prior year adjustment.

MR. PATTON: Yeah.

MR. JENKINS: And where do reversions go and how do they get back in.

MR. PATTON: But you're -- and so you're -- what you've been looking at, you've never seen this big swings.

MR. JENKINS: Never.

MR. PATTON: Interesting.

Were you -- were you privy to -- I talked briefly with Daphne, and I'm going to be having a fairly lengthy interview with her, but she told me briefly about an effort to get OHV more authority to track their dollars.

MR. JENKINS: Yeah -- yeah. So when we were doing our strategic plan, because there were several things going on, the department was going through -- they were losing money, so they were trying to -- a hiring freeze. They were putting hiring freezes in place and not hiring, so the department's staffing was shrinking. We're working with 742, looking at we're going to have a doubling of the registration fees, or registration income doubled as a result of that same legislation.

MR. PATTON: When was that? That was Assembly Bill 742?

MR. JENKINS: Yes. SB 7 Bill.

MR. PATTON: SB 742?

MR. JENKINS: Steinberg SB 742. It was passed in 2007, so it went into effect in 2008.

MR. PATTON: Okay. That's the one that you told me, and they came up with --

MR. JENKINS: Yeah, they came up with a new formula.

MR. PATTON: -- we're going to stick with this -- we're going to stick with this formula.

MR. JENKINS: We doubled the

registration fees on OHVs.

MR. PATTON: Okay.

MR. JENKINS: We added eighty-four positions to the division.

MR. PATTON: Okay.

MR. JENKINS: So we're going through, you know, we're like working on this, we're going to be growing, and at the time, we were actually approved for 160 positions. Because what we were looking at was the impacts on the parks and how do we meet our mandate environmental protection and adequate, you know, protections while providing recreation. And looking at just the mechanics of it, we were dramatically understaffed. I mean, really dramatically understaffed because trails were needing more maintenance and, you know, that was evidenced later when they tried to sue us to close Carnegie. It's all driven out of this we need to upgrade the level of maintenance we're doing on the trail systems. So we had 160 positions that we were going to get in two waves; eighty-four the first year, and the remainder the second year. We got approval for the eighty-four, but we never --

then all the other things going on in government started happening, so they never approved the second half.

So we had this money, this funding coming in. And that's another one of those variances, is the doubling in the registration fees which took registration fees up to about seventeen million dollars a year, where it used to be about half that. So that would be a swing that we should start seeing in 2008. You do registration every two years, so it first happened in 2008.

MR. PATTON: And it went from what to what?

MR. JENKINS: Went from twenty-five dollars for two years to register a green sticker, to fifty dollars for two years to register for a green sticker.

MR. PATTON: Okay.

MR. JENKINS: And so when all that was going on, we're growing, we've got more revenue, we've got new programs, we're trying to do all of this. And the department was saying, "Yeah, we can't give you the support for that; we're shrinking." You know, "We're busy with our own stuff." So we put in our strategic plan that we wanted to -- one of our goals was to get some positions and run some of those processes ourselves. It's like, "Well, we can just do it over here." We've got the authorization for positions. We've got the ability to pay those positions. And then we could track the formula from beginning to end. And so we were trying to kind of take that burden off state parks, of having to do all of this detailed tracking on the OHV trust fund, which really doesn't affect them. It's truly almost a hundred percent in our program.

MR. PATTON: Um-hum.

MR. JENKINS: So that way we could watch our money from like birth to death. We could see the whole cycle of the money. And we got very rigid pushback on that from -- first from Manuel. He called me up one day and said that he felt that that was a very bad idea and that it wouldn't be efficient. He had a lot of angst about splitting out functions that had lived in his shop to another shop.

MR. PATTON: Um-hum.

MR. JENKINS: And I got the feeling at the time that it was more about efficiency than him losing control. It's like, you know, you can kill more birds -- you know, more -- two birds with one stone. If you have a person here that can work on both funds, why have one person here and one person there? It's just ridiculous to double. He didn't like that idea at all.

And then Ruth also called and talked to Daphne one day and told her that that was -- they thought it was inappropriate for us to be pursuing that.

The plan had been approved by our OHV commission with that caveat; that we would take that responsibility, track our own fund, be able to show all that accountability for our fund a hundred percent ourselves. That's the version of that strategic plan that was voted on by the OHV commission. Ruth made us take that section out, so the actual version that you see on-line doesn't have those goals and objectives related to tracking our budget.

MR. PATTON: Okay.

MR. JENKINS: It does have some

information in there. Transparency has always been one of our -- one of the things that changed dramatically when Daphne and I started working our budget. Is everybody was always -- my first commission meeting that I went to, to observe, before I took the job, there was a big, loud fight over budget issues between the commissioners in the division because the folks at the time weren't able to answer the commissioner's questions about the budget, because they were always very close with the budget. Since it's based on projections, sometimes you just say what all the projections are and then at the end of the year they want to know why everything didn't happen exactly as projected. Well, it was a projection; it never happens exactly as projected. So there's the accounting at the end that's the real number.

MR. PATTON: Um-hum.

MR. JENKINS: So Daphne and I, in order to -- one of our goals in the strategic plan was to increase transparency. So we started sharing a lot more budget numbers with the community and with the commission. And so we would create -- and I actually brought a couple -- we would create these flowcharts that would show here's where the money comes in, kind of in a chart form show what I was trained how to do by my predecessors and looking at those fund-condition statements, following it through the cycle, because I always wanted to know where -- where the money was going. And so we created these -- I just brought one as an example. So like last year's budget, it would show our major sources of income, it all goes into the trust fund. Then you get the budget act, you can get this number out of the actual budget.

MR. PATTON: So this is your FY 10-11 year-ending balance?

MR. JENKINS: Right.

MR. PATTON: So this is the beginning 11-12 starting balance?

MR. JENKINS: Um-hum.

MR. PATTON: You're expecting sixty-five million in fuel tax.

MR. JENKINS: Fuel taxes. Three million in entrance fees.

MR. PATTON: Fee entrance fees.

MR. JENKINS: Seventeen in registration.

MR. PATTON: Yup.

MR. JENKINS: And then this miscellaneous number that always pops up.

MR. PATTON: For a total available resources of just under 148 million.

MR. JENKINS: Right. And then the budget act was passed, 122 million.

MR. PATTON: Give you -- that's your spending authority?

MR. JENKINS: Yes. That's our spending authority for, essentially, operations, capital outlay and local assistance program.

MR. PATTON: Yes. Yes.

MR. JENKINS: And then we tried to break down, you know, where that money goes in local assistance, what are the capital outlay projects that we do. And then this is the SVRAs, this is our headquarters section. And this is that pot of money that goes to the department I was telling you about where there's pro rata, there's, you know, these various things that they keep money for over there. So this was a draft -- these numbers aren't actually correct because --

MR. PATTON: Well, and they --

MR. JENKINS: -- these were based on the projected budget. It's not the final.

MR. PATTON: It looks to me from this chart, at least by the title, that the amount diverted, the ten -- it's actually almost eleven million non-division administrative costs, it basically looks like they're going to compensate themselves some amount of money for doing the administrative work.

MR. JENKINS: Right. And this is -- and some of this -- we're not saying this money shouldn't go there. It's just that we don't know exactly how it's used when it goes over there.

MR. PATTON: Right. Right.

MR. JENKINS: Because we do -- we're small enough that it makes no sense for us to recreate like the EEO section.

MR. PATTON: Right.

MR. JENKINS: So we send money over there to help fund our portion of the costs.

MR. PATTON: Yeah, they've got audits. They've got --

MR. JENKINS: Yeah, all those things that --

MR. PATTON: -- DPR admin. I don't know what pro rata refers to.

MR. JENKINS: Pro rata -- so that's what all agencies pay a pro rata cost, which is --

MR. PATTON: To fund overhead.

MR. JENKINS: -- the cost to fund the government. That's --

MR. PATTON: Yes.

MR. JENKINS: -- you guys, the Governor's office, everything.

MR. PATTON: Taking might be kind of a strong word.

MR. JENKINS: Well, no, this isn't the ten million take.

MR. PATTON: Oh, that's not your ten million taking?

MR. JENKINS: No. No. No. No. The take is outside of this budget.

MR. PATTON: Okay.

MR. JENKINS: So in other words,

this budget starts with the budget act.

MR. PATTON: Yup.

MR. JENKINS: That takes --

MR. PATTON: Yup.

MR. JENKINS: -- motor vehicle fuel accounts funds over here --

MR. PATTON: Right. Right.

MR. JENKINS: -- and puts them here.

MR. PATTON: Um-hum.

MR. JENKINS: And this was projecting sixty-five.

MR. PATTON: Yup.

MR. JENKINS: What they actually did is take ten million and say, "We're not sending it here. We're going to send it over here to SPRF."

MR. PATTON: Okay.

MR. JENKINS: And so we're sending them this ten million dollars, plus -- I'm sorry, not to SPRF, I misspoke, I should correct that. The ten million dollars goes to the general fund.

MR. PATTON: Oh, okay.

MR. JENKINS: Yeah, the ten million dollars. This year there was seven million dollars that went to SPRF. That's why I was confusing that.

MR. PATTON: All right. And I don't want to try, really, to understand the theory. I'm sure somebody's got a theory behind that, but that's sort of outside the scope.

MR. JENKINS: No, that's outside the purview of this, but --

MR. PATTON: But I am curious in this, I'm just curious looking at your number that the ending balance for fiscal year 10-11 on your chart is listed as 62.372 million. And so I'm looking over here at my chart for something that says sixty-two million and I don't see it. I see --

MR. JENKINS: This would have come out of the Governor's -- the fund-condition statement.

MR. PATTON: Yeah.

MR. JENKINS: The Governor's budget.

MR. PATTON: Yeah. I wonder why, because this number here, 131, is reflected as being the amount reported, 131,551 is represented as being the amount reported as the year-ending balance for FY 2011 in the

Governor's budget documents and the fund-condition statement. And that 131 is not the same as 62.

MR. JENKINS: No.

MR. PATTON: Let me hang onto this and I'm --

MR. JENKINS: Yeah.

MR. PATTON: -- going to ask finance.

MR. JENKINS: And I'll -- and I'll check this. Like I said, this was our -- we draft these up early in the year.

MR. PATTON: Yes.

MR. JENKINS: So I just picked the fastest one I could find.

MR. PATTON: Okay.

MR. JENKINS: So I'll go back and make sure that the one that I’m giving you, that this number is, in fact, what was out of the Governor's budget.

MR. PATTON: Okay. Good. Good.

All right. I think that's really all we've got and we appreciate your time. Unless there's anything else you think we need to be aware of?

MR. JENKINS: No; not unless you have anything specific.

MR. PATTON: No.

MR. JENKINS: The budget is --

MR. PATTON: That was a good OHV education.

MR. JENKINS: It's been a long journey learning.

MR. PATTON: Yes. Yes. Okay. Thanks, Phil.

We're going to go off the record at 4:28 p.m.

(Off the record at 4:28 p.m.)

TRANSCRIBER'S CERTIFICATE

Phil Jenkins interview on 9-26-12

STATE OF CALIFORNIA)
) ss.
COUNTY OF SACRAMENTO)

This is to certify that I transcribed the foregoing pages 1 to 68 to the best of my ability from an audio recording submitted by Heidi Webb at the California Department of Justice, in Sacramento, California.

I have subscribed this certificate at New York, New York, this 4th day of October, 2012.

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Janice D. Badeau
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