AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER JOAN BUCHANAN, CHAIR

WEDNESDAY, APRIL 18, 2012
1:30 P.M. - STATE CAPITOL ROOM 437

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WORKFORCE CAP PLANS

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ITEMS TO BE HEARD

INFORMATION ITEMS ONLY
WORKFORCE CAP PLANS

Executive Order S-01-10 required Agency Secretaries and Department Directors to take steps to cap the State workforce by achieving an additional 5 percent salary savings by July 1, 2010, and maintain the additional salary savings ongoing. This savings was included in the Budget Act of 2010. The informational Budget Change Proposals (BCPs) listed below explain how the various departments achieved this "workforce cap" (WFC).

1760 DEPARTMENT OF GENERAL SERVICES

The Department of General Services reduced its budget by 59.4 positions and $13 million in Fiscal Year 2010-11 and proposes to reduce its 2012-13 budget by 57.6 positions, for a total of 117 positions (out of 3,658.5 projected PYs in 2012-13). Reductions include 43.6 PYs in Building and Property Management, 22 PYs in Fleet and Asset Management, and 15 PYs in the Office of State Printing.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control reduced its position authority by 18.5 positions (out of 427.9 authorized PYs in 2011-12) for a savings of $1.7 million in Special Funds.

8620 FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission reduced its position authority by 2 positions (out of 78.4 authorized PYs in 2011-12) and cut $402,000 ($277,000 General Fund and $125,000 Special Funds) from its budget.

8955 DEPARTMENT OF VETERANS AFFAIRS

The Department of Veterans Affairs eliminated 90.9 positions (out of 2,060.6 authorized positions in 2011-12) and achieved $6.4 million in savings ($6.2 million General Fund and $201,000 Other Funds).

CONSENT ITEMS

0845 DEPARTMENT OF INSURANCE

ISSUE 1: PAPERLESS WORKFLOW POST-IMPLEMENTATION

Governor's Budget Request. The Governor's Budget includes an increase of $302,000 in FY 2012-13 and $202,000 ongoing, Special Funds, to convert two limited-term positions to permanent and to fund one-time post-implementation consulting services related to the Paperless Workflow Project. The project, begun in FY 2008-09, is automating many paper-based processes within the department. The department has spent more than $7.8 million on the project and will fully implement the new system in FY 2012-13. The two positions will provide ongoing maintenance and support.

STAFF COMMENT

The Paperless Workflow Project has allowed the Department of Insurance to convert multiple paper-based processes into electronic records, including allowing insurance companies to submit documents electronically and allowing the department to publish more information on its website. In the first two years of the three-year project, the department created an electronic workflow and document management system, and a repository to allow for storage and retrieval of documents. The final year of the project will develop scanning processes.

The department seeks to convert two limited-term positions that have supported the development of the project into permanent positions, at a cost of $202,000 annually. The department has calculated workloads related to the development and operation of the project and believes the two positions are needed to ensure the project's maximum benefits are fulfilled. The department also seeks $100,000 for FY 2012-13 to continue payments to vendors who will assist in the final implementation of the project and operations in its first year. All monies are derived from the Insurance Fund, which is anticipated to end FY 2012-13 with a $24.6 million fund balance.

Staff Recommendation: Approve the Budget Change Proposal

8955 DEPARTMENT OF VETERANS AFFAIRS

ISSUE 1: YOUNTVILLE VETERANS HOME: VETERANS CEMETERY

Governor's Budget Request. The Governor's Budget requests reappropriation of $2.4 million in Federal Trust Fund authority approved in the 2011 Budget Act for the construction phase of the Veterans Home of California-Yountville cemetery renovation project. Preliminary plans took longer than expected, and construction is now scheduled to begin in August 2012.

STAFF COMMENT

The Veterans Memorial Grove Cemetery located on the grounds of the Veterans Home California – Yountville covers approximately 10.2 acres. The cemetery is reserved for veterans that reside at any of the veterans homes throughout the state. Over the past couple of decades the condition of the cemetery has deteriorated, and is in need of repair in order to meet National Cemetery Administration standards.

General Obligation bonds totaling $436,000 were approved for both the preliminary plans and working drawing phases of the renovation project. About $223,000 of that funding was transferred to the Architectural Revolving Fund on December 27, 2010 to initiate preliminary plans. The remainder was transferred during the 2011-12 Budget Year in order to support the working drawing phase of the project. The development of preliminary plans took longer than anticipated which necessitates the request for the Federal Trust Fund Authority to be approved in the 2012-13 Budget Act.

Staff Recommendation: Approve the Budget Change Proposal

VOTE-ONLY

1760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: BOARD OF STATE AND COMMUNITY CORRECTIONS: BUDGETING AND ACCOUNTING CONTRACT SERVICES

Governor's Budget Request. The Governor's Budget proposes three new positions and $250,000 to allow the Contracted Fiscal Services unit within DGS to perform budgeting and accounting functions for the newly created Board of State and Community Corrections. The board is replacing the Corrections Standards Authority, which was located within the California Department of Corrections and Rehabilitation (CDCR). The new board will be independent of CDCR and therefore wishes to utilize DGS for budget and accounting services. The board will reimburse DGS for its services.

STAFF COMMENT

As part of the public safety realignment of 2011, SB 92 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2011, was enacted to abolish the Corrections Standards Authority and create a new, independent entity to oversee jail construction projects and community corrections programs. The new Board of State and Community Corrections will begin in July 2012 and perform many of the same functions as the old Corrections Standards Authority, including awarding grants. The board's proposed $109.2 million budget in 2012-13 includes $16.9 million General Fund, $60.2 million in federal funds, and two other Special Funds.

DGS' Contracted Fiscal Services unit provides accounting services for 49 state entities, and budgeting services for 19 state entities. The Administration believes the most cost-effective way to provide accounting and budgeting services for the new board is to hire DGS. The new positions are an accounting officer and two associate accounting analysts.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 2: EXTEND LIQUIDATION PERIOD FOR CONSTRUCTION FUNDS

April Finance Letters. An April Finance Letter seeks to give DGS additional time to complete minor work on three construction projects. The following describes the three projects and the funding sought:

- $250,000 to complete the LEED certification process for the Caltrans Marysville Office Building Replacement. Funds for this project were first provided from the Public Buildings Construction Code in the Fiscal Year 2003-04, then re-appropriated in Fiscal Year 2005-06, for a new Caltrans District 3 headquarters building in Marysville. DGS states that although construction close-out is nearly complete, LEED certification cannot be finalized by the June 30, 2012 deadline for the liquidation of expenditures. The building is seeking a LEED Silver rating from the United States Green Building Council. DGS is requesting an extension of the availability of $250,000 until June 30, 2013.

- $1,583,000 for minor construction work related to the Central Plant Renovation in Sacramento. Funds for the project were first provided from the Public Buildings Construction Fund in Fiscal Year 2003-04, then re-appropriated in 2005-06 and 2007-08, to renovate, modernize and expand the Central Plant to meet the current and planned heating and cooling needs of Sacramento-area state office buildings. While the project is nearly complete, DGS states that three minor issues remain that will not be finished by the June 30, 2012 deadline for the liquidation of expenditures. DGS is requesting an extension of the availability of $1,583 until June 30, 2013.

- $4,000,000 to correct minor deficiencies related to renovation work on Office Building 8 and 9, 714 P St., Sacramento. Funds for the project were first provided from the Public Buildings Construction Fund in Fiscal Year 2002-03, then re-appropriated in 2005-06. Approval to extend the liquidation period through June 30, 2012 was provided in 2010-11. The building renovated was completed in September 2011, but deficiencies in the foundation drain pumping system and the domestic water pumping system have been discovered, and repairs will not be complete by the June 30, 2012 liquidation date. DGS is requesting an extension of the availability of $4,000 until June 30, 2013.

Staff Recommendation: Approve the April Finance Letter

0890 SECRETARY OF STATE

ISSUE 1: SB 201 FLEXIBLE PURPOSE CORPORATIONS

Governor's Budget Request. The Governor's Budget includes $64,000 from the Business Fees Fund and authority for .5 positions to implement SB 201 (DeSaulnier), Chapter 740, Statutes of 2011. The legislation created a new type of corporation called "Flexible Purpose Corporations," and the new position will review new filings for legal compliance and handle other legal issues related to this new entity.

STAFF COMMENT

SB 201 created a new type of corporation that can include as part of its purpose charitable or public purpose activities that benefit the corporation's employees, suppliers, customers, and creditors; the community and society; and/or the environment. This request would allow for the creation of incorporation documents for this new type of corporation and for legal review of filings associated with flexible benefit corporations. SOS anticipates 980 hours of Staff Counsel time and is seeking .5 PY authority for a Staff Counsel position, as well as $13,000 in operational and equipment expenses to develop new documents.

The request is in line with the analysis of the legislation by the Assembly Appropriations Committee, which suggested implementation would cost about $50,000 annually in personnel costs and $10,000 to create new filing forms and instructions and update the SOS website.

Staff Recommendation: Approve the Budget Change Proposal and approve Supplemental Reporting Language requiring the Secretary of State to report back to the Legislature by June 30, 2013 as to how many entities have filed as Flexible Purpose Corporations and the workload required to implement this legislation.

ISSUE 2: DGS RATE INCREASE

Governor's Budget Request. The Governor's Budget includes an increase of $1.1 million ($817,000 General Fund) in Fiscal Year 2012-13 and ongoing to pay for increased printing costs related to the Voter Information Guide and other documents published by the SOS. SOS notes that the Department of General Services' Office of State Printing has instituted a 20 percent increase in printing costs, necessitating this augmentation.

BACKGROUND

In every statewide election, SOS prepares voter information pamphlets in ten languages that are mailed to voters' homes and available throughout the state. In addition, SOS must print documents such as Voter Registration Cards, brochures for the Safe at Home program, and handbooks for notaries. The General Fund pays for election-related publications; the Business Fees Fund pays for business-related publications.

SOS receives an annual appropriation for printing costs of $2.6 million. This appropriation is based in part on an 80-page Voter Information Guide (VIG) for each statewide election. While the June 2012 primary election should be within that range, SOS is predicting a larger VIG – far in excess of 80 pages - for the November 2012 election.

On August 24, 2011, DGS' Office of State Printing (OSP) issued a memorandum stating it was increasing printing rates by 20 percent. DGS states that an analysis of its internal costs showed that revenues were not supporting its costs, prompting the increase.

SOS is the second-largest customer for OSP, behind only the Franchise Tax Board. Based on this rate increase, SOS is requesting an ongoing augmentation of $558,000 for the VIG and $518,000 for other printing jobs.

STAFF COMMENT

SOS notes that its office has sustained more than $8.6 million in permanent budget cuts during the past four budget cycles, and it is unable to assume increased printing costs. The request would require $817,000 from the General Fund and $259,000 from the Business Fees Fund.

Staff Recommendation: Approve the Budget Change Proposal

8955 DEPARTMENT OF VETERANS AFFAIRS

ISSUE 1: SHARING AGREEMENTS TO CIVIL SERVICE POSITIONS

Governor's Budget Request. The Governor's Budget requests authority to convert 22 contract positions in pharmaceutical, medical services and medical supply at the Veterans Homes of California, Greater Los Angeles and Ventura County to civil service positions. The proposal would convert already-funded contract positions into civil service positions with no net impact on the General Fund.

STAFF COMMENT

The Veteran Homes of California (VHC), Greater Los Angeles and Ventura County (GLAVC), is comprised of veteran homes in West Los Angeles, Lancaster, and Ventura. The VHC GLAVC and the U.S. Department of Veterans Affairs entered into a sharing agreement that included pharmaceutical, medical services, and medical supply support. In November 2010, the U.S. Department of Veterans Affairs began cancelling the sharing agreements, citing the lack of a cohesive budget timeline as the reason for the cancellation. The state and fiscal federal years begin in different months, making it difficult to reconcile costs each year. The funds that had been encumbered for the sharing agreements will be utilized for the civil service positions and will not impact the General Fund.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 2: ENTERPRISE-WIDE VETERANS HOMES INFORMATION SYSTEM RE-APPROPRIATION TO EXTEND THE LIQUIDATION PERIOD

April Finance Letter. An April Finance Letter requests re-appropriation of $2.6 million in expenditure authority to complete an information technology project that will track and manage medical, financial and demographic information for residents of the department's Veterans Homes. The Legislature previously appropriated $6.5 million General Fund for the project, but due to procurement delays, the department expects to have expended $3.7 million by the end Fiscal Year 2011-12, when the expenditure authority expires. The department is requesting a re-appropriation of $2.6 million for Fiscal Year 2012-13 to finish the project. The project will end up costing $200,000 less than anticipated.

STAFF COMMENT

The Enterprise-wide Veterans Homes Information System (Ew-VHIS) will provide the Veterans Homes with a system-wide healthcare and financial information system that should help the department improve its ability to collect revenue through improved billing systems. The project was first approved by the Legislature in the 2010 Budget Act, with expenditure authority expiring on June 30, 2012.

The project experienced procurement delays due in part to a decision to discontinue the acute level of care at the Yountville Home, which changed the scope of the project. After a lengthy procurement process, a contract was signed on January 3, 2011. The new system includes a clinical and financial system, an inventory system, materials management, a pharmacy management system, a dietary system and a procurement system. This system is compatible with the state's current budgeting system and will be capable of interfacing with the FISCAL system. The selected vendor has similar products in use in more than 200 nursing home facilities and in veterans homes in six other states.

The new system will be implemented in all Veterans Homes, including the Fresno and Redding facilities. Originally expected to cost $6.5 million, the department now expects the system to cost $6.3 million, or $200,000 under budget.

Staff Recommendation: Approve the April Finance Letter

ISSUE 3: RETHERM MEAL DELIVERY SYSTEM - YOUNTVILLE

April Finance Letter. An April Finance Letter requests re-appropriation of $900,643 General Fund to complete a project aimed at replacing an obsolete food heating system at the Veterans Home of California, Yountville. The 2009 Budget Act appropriated the funding for this project but requires all money to be expended by June 30, 2012. Due to delays in procurement, the department is seeking a one-year extension to re-appropriate the unspent funding.

STAFF COMMENT

The Yountville home currently uses a system to heat food that has become obsolete. A new industry-standard system allows food to be heated on one side of a tray and should improve food quality at reduced maintenance costs.

The procurement process has been delayed, in part because it was decided the project should go through the information technology procurement process, which is different from other procurement processes. CalVet is now in the bidding process but is unsure it will complete the project before the end of the fiscal year, thus prompting this request to extend the expenditure authority into Fiscal Year 2012-13.

Staff Recommendation: Approve the April Finance Letter

ITEMS TO BE HEARD

8955 DEPARTMENT OF VETERANS AFFAIRS

The California Department of Veterans Affairs (CalVet) provides services to California veterans and their dependents, and to eligible members of the California National Guard. The principle activities of CalVet include:

1. Providing home and farm loans through the Cal-Vet Farm and Home Purchase to qualifying veterans using proceeds from the sale of general obligation and revenue bonds;

2. Assisting eligible veterans and their dependents to obtain federal and state benefits by providing claims representation, subventions to county veterans service officers, and direct educational assistance to qualifying dependents; and,

3. Operating veterans' homes in Yountville, Barstow, Chula Vista, the Greater Los Angeles and Ventura County with several levels of medical rehabilitation services, as well as residential services.

The Governor's Budget proposes total spending of $362.3 million ($250.3 million General Fund) for the Department of Veterans Affairs, a four percent increase from the current year, and 2,250.4 PYs, an increase of 9.1 percent from the current year.

Fund Source (000s)	Last Year	Current Year	Budget Year	BY to CY Change	% Change
General Fund	$180,681	$217,151	$250,331	$33,180	15%
Veterans Farm/Home Building Fund	$86,992	$124,403	$103,938	($20,465)	-16%
Federal Trust Fund	$1,415	$1,854	$4,305	$2,451	132%
Other Funds	$3,443	$3,892	$3,729	(163)	-4%
Total Expenditures	$272,531	$347,300	$362,303	$15,003	4%
PYs	1,770.8	2,060.6	2,250.4	189.8	9.1%

ISSUE 1: VETERANS HOMES

Governor's Budget Request. The Governor's Budget requests $245.9 million for Veterans Homes of California (VHC) operations in 2012-13, including administration costs at the homes and in Sacramento. This is offset by $78.3 million in revenue. This request would increase the number of VHC residents from 1,702 in 2011-12 to 1,791 in 2012-13, but it would not open newly constructed homes in Fresno and Redding to residents.

BACKGROUND

The VHC are long-term residential care facilities that provide California's aged or disabled veterans with rehabilitative, residential, medical and support services in a home-like environment. Spouses of veterans also are eligible for home membership.

CalVet currently operates Veterans Homes in Yountville, Barstow, Chula Vista, Lancaster, Ventura and a facility in West Los Angeles on the grounds of the U.S. Department of Veterans Administration Greater Los Angeles Medical Center. The Lancaster, Ventura and West Los Angeles homes are new, admitting their first residents in 2010. VHC-Yountville was established in 1884 and is the largest geriatric facility in the United States.

VHC operations are funded by the General Fund, but CalVet receives revenue for VHC from several sources, including member fees, federal per diem, Medicare and Medi-Cal. The chart below describes the projected VHC budget for 2012-13, including VHC administration costs at the homes and in Sacramento:

General Fund Expenditure	$246 Million
Federal Per Diem (Revenue)	$41.6 Million
Member Fees (Revenue)	$21.3 Million
Aid & Attendance (Revenue)	$4 Million
Medicare (Revenue)	$5 Million
Medi-Cal (Revenue)	$6.2 Million
Other (Revenue)	$289,390
GF Expenditure Minus Revenues	$167.7 Million

Systemwide Issues. Due in part to budget constraints, none of the VHC are currently filled to capacity. The projected number of residents in 2012-13 is 1,790.7, for a system that has a total of 3,432 beds, including the unopened Fresno and Redding facilities.

Projections for 2012-13 continue to see the system with more employees than residents. CalVet notes that staffing ratios are consistent with state licensing requirements, and homes with Skilled Nursing Facilities require around-the-clock nursing care and large staffs.

In addition, due in part to slower-than-expected ramp-up periods for the Los Angeles-area homes and the closure of an acute care facility at the Yountville home, CalVet has often ended fiscal years with many funded positions that were not filled. This has led to annual returns to the General Fund, including $5.2 million in 2007-08, $4.7 million in 2008-09, $3.2 million in 2009-10, and $175,668 in 2010-11. CalVet states that its General Fund returns will continue to lessen.

The chart on the following table indicates the capacity, number of residents and number of staff projected for Fiscal Year 2012-13.

Facility	Beds (Capacity)	Projected Residents, 2012-13	Projected Staff, 2012-13
Yountville	1,568	994.1	901.6
Barstow	400	212	190.9
Chula Vista	400	290.6	326.6
West Los Angeles	396	174	584*
Lancaster	109	60	584*
Ventura	109	60	584*
Redding	150	0	10
Fresno	300	0	11
Totals	**3,432**	**1790.7**	**2,024.10**

**The three homes in the Los Angeles area – West Los Angeles, Lancaster and Ventura – have been budgeted as one entity and individual staff breakdowns are not provided; the number of staff presented in this table for the three entities are combined staff total for all three.*

Construction on Fresno, Redding homes essentially complete. Using $142.2 million in federal funds and $104.6 million in state bond funds, the state has constructed a 300-bed facility in Fresno and a 150-bed facility in Redding to address demand for new veterans homes in these under-served areas. CalVet stated this month that the construction phase of both facilities is essentially complete.

Both facilities were scheduled to open during the current fiscal year, but the openings were delayed in the 2011 Budget Act to provide General Fund savings. The Governor's January Budget proposes delaying the openings for another year. Instead, the Governor's Budget requests "caretaker" staffs for both facilities, with 10 positions in Redding, for a cost of $1.4 million, and 11 positions in Fresno, for a cost of $1.9 million.

STAFF COMMENT

The U.S. Department of Veterans Affairs has identified California as one of the three states with the most need for veterans' homes. Voters have supported the veterans' home concept, approving the Veterans Bond Act of 2000, which supports veterans' homes construction.

Demand for the beds at the Fresno and Redding facilities – and most of the other homes – is high. CalVet reports that 257 veterans have submitted letters indicating they are interested in living at the Fresno facility, and 382 veterans have submitted letters of interest for the Redding facility.

Both the Fresno and Redding homes will have two levels of licensed care:

- Residential Care Facility for the Elderly, which is the lowest level of licensed care in the VHC. This care provides residents with daily living services such as housekeeping, table-side meal assistance and ambulatory support from licensed non-nursing staff. Licensing is conducted by the California Department of Health Care Services and the Department of Social Services.

- Skilled Nursing Facility, which provides continuous skilled nursing or rehabilitation services for mental or physical conditions, including around-the-clock professional nursing observations, assessment or intervention, as well as physician, dietary, pharmaceutical, and therapeutic services. Licensing is conducted by the Department of Public Health. This level of care is most in-demand service from VHC clients, according to CalVet.

The Subcommittee received one letter supporting the opening of the homes. SEIU Local 1000 noted there is currently only one veteran's home in northern and central California and demand for these facilities is very high. In addition, large groups of veterans from both the Fresno and Redding areas are expected to attend the hearing to advocate for opening the homes.

While the Governor has proposed delaying the openings of these facilities for a full year, the Subcommittee may wish to consider directing CalVet to begin ramping up operations and opening at the mid-year point. CalVet estimates this plan would add General Fund costs of $4.8 million for the Redding home and $5.8 million for the Fresno home, for a total of $10.6 million. This opening plan would require hiring 44 PYs in Redding and 56 PYs in Fresno.

In addition, due to previous years in which CalVet has returned unspent funds to the General Fund, the Subcommittee may wish to direct the department to determine if there are unspent funds, salary savings or other efficiencies that can generate funds to help offset the costs of opening these two new homes.

Staff Recommendation: Reject the Governor's proposal to delay opening the Veterans Home of California at Fresno and the Veterans Home of California at Redding, and appropriate $10.6 million to begin the opening process in Fiscal Year 2012-13. In addition, direct the Department of Veterans Affairs to provide a report by the May Revision to determine if there are internal salary savings or other efficiencies in the department's budget that can be used to help offset the cost of opening the Fresno and Redding homes.

ISSUE 2: CALVET CONNECT

BACKGROUND

A 2009 report by the California State Auditor was highly critical of the Department of Veterans Affairs, noting the department provided few direct services to veterans and lacked the ability to achieve one of its strategic goals, increasing California veterans' access to the federal benefits they have earned. U.S. Department of Veterans Affairs estimates suggest California veterans are missing out on as much as $1 billion in benefits owed to them. These are federal dollars that could help veterans and the state economy.

A key problem, the 2009 audit noted, was that the department lacks contact information for most veterans. CalVet notes that it currently has contact information for only about 60,000 California veterans, or about three percent of the approximately two million veterans believed to live in the state. This lack of information hinders the department's ability to pro-actively engage veterans and help them apply for federal benefits.

Since the audit, CalVet and the Legislature have sought avenues to improve the department's collection of veteran contact information. The 2010 Budget Act directed CalVet and the Department of Motor Vehicles (DMV) to develop a partnership that allows Californians to identify themselves as veterans when they apply for a driver's license. The veterans' information is then transferred from DMV to CalVet. In addition, CalVet developed a re-integration form that veterans can fill out and send into the department as they are released from military service.

Despite these improvements, CalVet continues to lack an automated database to store veterans' information that would allow the department to improve outreach efforts. To address this issue, CalVet has developed an information technology projected called CalVet Connect.

CalVet Connect is an off-the-shelf product that will serve multiple functions. It will provide an automated database, allowing the department to build an interactive database of veteran contact information that will communicate with County Veterans Service Officers and other entities that interact with veterans. It also will allow veterans to create an account with the department, which can in turn send information to veterans about benefits they are eligible for, including job training information, opportunities to utilize federal college benefits, and federal compensation and pension benefits information.

The system would benefit veterans by allowing them easier access to the department, and it would benefit the department by reducing manual entry of data.

STAFF COMMENT

A February 28, 2012 oversight hearing by this Subcommittee examined several veterans issues, including the state's efforts to improve veterans access to federal benefits. A key piece of CalVet's ability to improve this access – and potentially bring $1 billion in federal dollars into the state's economy – is developing better methods of interacting with veterans. The CalVet Connect project could be a major part of this effort.

CalVet has created a Feasibility Study Report for the report that was submitted to the California Technology Agency. In addition, the VetFund Foundation, a non-profit organization, has pledged $200,000 to help complete the program.

Initial estimates suggest the project could be developed for as little as $500,000. Despite progress on developing the project, CalVet has not submitted a Budget Change Proposal for the project for Fiscal Year 2012-13. However, due to six vacancies in CalVet's IT staffing during the 2011-12 Fiscal Year, CalVet has accrued $474,000 in salary savings.

Because the CalVet Connect project could help the department reduce workload, develop a database of veteran contact information, and, most importantly, better serve veterans by helping them access potential benefits, the Subcommittee may wish to direct the department to utilize salary savings accrued in 2011-12 to fund the CalVet Connect project in 2012-13.

Staff Recommendation: Adopt placeholder Budget Bill Language directing the Department of Veterans Affairs to use up to $474,000 in salary savings for the CalVet Connect project.

ISSUE 3: COUNTY VETERANS SERVICE OFFICERS

BACKGROUND

County Veterans Service Officers (CVSOs), which exist in 54 of the state's 58 counties, are often the main point of contact for California veterans seeking various forms of government assistance. CVSOs assist veterans in completing applications for federal benefits, such as disability and compensation benefits. CVSO's are created and controlled by county boards of supervisors and often receive a majority of their funding from counties, although CalVet has traditionally contributed $2.6 million in state General Fund annually for CVSO's work with veterans seeking various benefits. The Governor's January Budget again proposes a $2.6 million subvention to CVSOs for Fiscal Year 2012-13.

Per Military and Veterans Code 972.1, CalVet has the authority to determine how to distribute the subvention funds to the counties. Most of the funding is distributed based on workloads submitted annually by CVSOs. The current formula allows CVSOs to receive payment for conducting about 50 activities – called workload units - for veterans. All of the activities have equal value in the funding formula, regardless of how long the activity takes or how much in federal benefits the veteran receives based on the CVSO's work. For example, college fee waivers require minimal work by CVSOs, but the state's subvention formula pays the same dollar amount for that work as it does for filing for federal compensation and pension benefits, which is extremely time-consuming.

A key CVSO activity is helping veterans apply for federal disability compensation and pension benefits. These benefits are monthly payments to veterans, and CalVet has made it a top goal to improve the number of California veterans who receive these benefits. This is a goal for an obvious reason: more federal dollars flowing into the state is a clear boost to veterans and the state's economy. One estimate by the U.S. Department of Veterans Administration suggests California veterans may be forgoing as much as $1 billion in benefits they are entitled to.

Current data show that 15 percent of California veterans receive federal compensation and pension benefits, averaging $1,929 per month per veteran. While the percentage of California veterans receiving these veterans has improved in recent years, the state still lags behind other states with large veteran populations like Texas and Florida.

CVSOs also play a critical role in alerting veterans to their right to federally-funded health care. Through 2008 budget legislation, the state California Department of Health Care Services (DHCS) was directed to use a federal database, called the Public Assistance Reporting Information System, or PARIS, to identify veterans and their dependents who were enrolled in Medi-Cal and inform the veterans of their right to VA-funded health care. CVSOs were expected to conduct the outreach to veterans. DHCS was required to submit a report on the pilot project by November 2011, but the department has not completed the report.

STAFF COMMENT

A February 28, 2012 oversight hearing on veterans issues by this Subcommittee examined CVSO performance and California veterans' access to federal compensation and pension benefits.
Annual reporting on CVSO performance that is required by Military and Veterans Code 974 shows there is considerable variation among CVSOs in their success in helping veterans access federal benefits. For example, the county that appears to be securing the most federal

dollars is Placer County, which has 32,690 veterans, or more than 10 times fewer veterans than Los Angeles County. Testimony indicated that the Placer County CVSO has been filing specific claims for veterans across the state, meaning the federal dollars were not going all to veterans in Placer County. CVSO representatives suggested the annual report on CVSO performance lacked details that would allow the public and Legislature to better understand CVSO activities.

This lack of detail makes it more difficult to compare CVSO performance and help CVSOs and CalVet learn strategies for improving CVSO performance across the state.

Based on discussion from the oversight hearing, the Subcommittee may wish to direct CalVet to reformulate its subvention funding formula for CVSOs, to provide a stronger incentive for CVSOs to assist veterans in filing for compensation and pension benefits and other benefits that bring the most federal dollars to the state. In addition, the Subcommittee may wish to amend the statute regarding the annual CVSO performance report to provide greater description as to the types of work activities the CVSO performed.

CalVet has recently met with the California Association of County Veterans Service Officers to discuss these issues, and both entities appear willing to make these changes.

Staff Recommendation: Adopt placeholder Trailer Bill Language directing the Department of Veterans Affairs to alter the formula it uses to provide subvention funding to County Veterans Service Officers to incentive increasing filings for federal compensation and pension benefits and other activities that bring the most federal dollars to the state.

Staff Recommendation: Amend Military and Veterans Code Section 974 to require the Department of Veterans Affairs to include in its annual report of the activities of County Veterans Services Officers data indicating the types of activities performed by each CVSO.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

The Department of Alcoholic Beverage Control (ABC) is vested with the exclusive power to license and regulate persons and businesses engaged in the manufacture, importation, distribution and sale of alcoholic beverages in the State of California. The Department's mission is to administer the provisions of the Alcoholic Beverage Control Act in a manner that fosters and protects the health, safety, welfare, and economic well-being of the people of California.

The Governor's Budget proposes total spending of $56.2 million (No General Fund) for the Department of Alcoholic Beverage Control in 2012-13, an increase of 3.3 percent compared with estimated spending for the current year. Proposed staffing totals 427.9 personnel years (PYs), the same number as the current year.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
Alcohol Beverages Control Fund	$44,642	$51,958	$54,796	$2,838	5.5%
Reimbursements	$3,172	$1,047	$1,047	0	
Federal Trust Fund	$323	$1,362	$313	($1,049)	-77%
Total Expenditure	$48,137	$54,367	$56,156	$1,789	3.3%
Positions	400.1	427.9	427.9	0	

ISSUE 1: ALCOHOLIC BEVERAGE CONTROL RADIO SYSTEM UPGRADE

Governor's Budget Request. The Governor's Budget proposes spending $1.9 million from Special Funds to upgrade the department's vehicle-mounted and hand-held radio communication equipment to allow department personnel to communicate with the California Highway Patrol (CHP) and other law enforcement personnel. ABC's current system will become obsolete in 2012, upon completion of CHP's Enhanced Radio System.

BACKGROUND

The Department of Alcoholic Beverage Control has position authority for 215 sworn peace officers, whose primary function is the policing of activities in and around the 82,000 businesses in the state that are licensed to sell alcohol. ABC officers often work in task-force settings with multiple state and local law enforcement agencies, and also can be dispatched to any type of law enforcement activity if necessary.

ABC's current analog radio equipment allows it to communicate with the California Highway Patrol, but not other law enforcement agencies that have digital systems. ABC states that it typically has 150 contacts per day with the CHP, which has served as the department's dispatch operator since 1996.

In an effort to meet new federal standards, CHP is developing the California Highway Patrol Enhanced Radio System, which is expected to be implemented in 2012. ABC states that its system will not be compatible with CHP's new system, and once that system is operational, ABC will no longer be able to communicate with the CHP. ABC's current system is out of compliance with federal standards

To allow it to continue to use CHP as its dispatch operator, meet federal standards, and improve communications with other law enforcement agencies, ABC is seeking funding to purchase 215 hand-held radios and 215 vehicle-mounted radios to equip all officers and vehicles. ABC has worked with the Department of General Services to select a vendor for the equipment.

ABC proposes to use funds from the Alcohol Beverage Control Fund for this purchase. The fund is projected to have a balance of $27.3 million in the current year, and therefore can cover this expense.

STAFF COMMENT/QUESTIONS

LAO Recommendation. Citing continuing high vacancy rates for ABC peace officers, the Legislative Analyst's Office recommends that the Legislature reduce the Governor's proposal by $122,000 and allow the purchase of only 190 hand-held and 190 vehicle-mounted radio units. The LAO notes that as of June 30, 2011, ABC had 55 peace officer vacancies, and therefore purchasing radio units for all authorized positions is unnecessary.

ABC states that vacancy rates rose in Fiscal Year 2007-08, and three hiring freezes imposed during the last four years have hindered the department's ability to address the high vacancy rates. In 2011, ABC was granted approval by the Department of Finance to fill all vacancies. Since then, ABC has hired 21 new peace officers and has 14 other candidates that may be offered positions after background checks are completed. The department reports that it currently has 24 peace officer vacancies.

Based on ABC's commitment that it is seeking to fill its vacancies, reducing the number of radios purchased might in effect cap the department's ability to fill all of its authorized positions. In addition, the department reports that it is getting a 26 percent discount on radio units purchased due to the size of the order. That discount might not apply in future purchases, should it fill all vacancies and need to purchase more radios but in a smaller amount.

Because the funds are available, the department is seeking to fill all of its peace officer positions, and the bulk purchase allows for a discount, purchasing the entire amount of radios needed appears justified.

The Subcommittee may wish to ask ABC about their progress toward filling vacant positions.

Staff Recommendation: Approve the Budget Change Proposal

0510 STATE AND CONSUMER SERVICES AGENCY – OFFICE OF PRIVACY PROTECTION

The Office of Privacy Protection provides information and assistance to consumers on identity theft and other privacy issues and recommends policies and practices that protect individual privacy rights to business and government. The 2011-12 budget for the office includes $224,000 General Fund and $174,000 Special Fund and 3.3 positions.

ISSUE 1: ELIMINATION OF THE OFFICE OF PRIVACY PROTECTION

The Governor's Budget proposes to eliminate the Office of Privacy Protection for a savings of $246,000 General Fund and $190,000 Special Fund. The Administration states that many other state, federal and business resources exist that promote and protect the privacy rights of consumers.

BACKGROUND

The Office of Privacy Protection was created by the Legislature in 2000, making California the first state in the nation to create a state agency devoted to privacy issues. The office acts as a clearinghouse for information on privacy rights and assists consumers, businesses and law enforcement on privacy-related issues. Among the office's functions are:

- **Recommended Privacy Practices.** The office publishes best practice recommendations for individuals, businesses and other organizations.

- **Law Enforcement Manual on Identity Theft.** The office compiled and edited the Identify Theft Reference Manual for California Law Enforcement, which is used by the Commission on Peace Officer Standards and Training in identity theft courses.

- **Cyber Safety for Children.** The office sponsors a website for parents and educators, www.cybersafety.ca.gov, and a Speakers Bureau that provides speakers for PTA-sponsored events.

- **Foster Youth Identity Theft Remediation**. The office coordinated a pilot program in 2010 and 2011 that helped 247 foster children in Los Angeles County clear up credit records that were damaged by identity theft. Since then, federal legislation was enacted requiring all states to request credit reports on foster children annually starting at age 16. The office is working with the credit agencies and the U.S. Health and Human Services Agency and Federal Trade Commission to develop a standardized process to enact this law.

- **Consumer Assistance.** The office responds to an average of 5,000 Californians per year who call its toll-free phone line or send an email with questions or concerns regarding issues such as identity theft, medical privacy, information security and online privacy.
- **Business Assistance.** The office provides seminars, presentations and other information to businesses on topics such as handling data breaches, email marketing and information sharing.

STAFF COMMENTS/QUESTIONS

The subcommittee received two letters supporting the Office of Privacy Protection and urging the rejection of the administration's proposal.

Consumer Action, a non-profit consumer education and advocacy group, states, "Eliminating this office with a staff of four and a budget of just over $400,000 would have a very small effect on our state budget, but would send a distressing signal about the value of our citizens' privacy. We are proud that California has been an historic leader in privacy protection, and the privacy-related issues and concerns this office handles have never been more important than they are today, making it especially important for California to continue its leadership on the privacy front."

The Privacy Rights Clearinghouse, a San Diego-based non-profit consumer education and advocacy organization, states, "… the office provides a wealth of resources on privacy for individuals, businesses, state government and other organizations. There is no other agency that provides information and assistance on the range of privacy concerns covered by the office."

The Administration first proposed eliminating this office in the 2011 May Revision. The subcommittee rejected that proposal.

The Administration has offered no further justification for the elimination of the office beyond a one-paragraph statement in the January Budget Proposal. While that statement suggests other entities exist that do similar work as the office, the subcommittee may wish to ask the administration about which state entity will maintain the office's websites and toll-free help line, and what other entities exist to help individuals and businesses respond to privacy issues and concerns. State agencies such as the Attorney General's Office and Department of Motor Vehicles do have information on their websites regarding identify theft, but many of the materials they reference were created by the Office of Privacy Protection.

Staff Recommendation: Hold Open

0890 SECRETARY OF STATE

The Secretary of State (SOS), a statewide elected official, is the chief election officer of the State and is responsible for the administration and enforcement of election laws. The SOS is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and the perfection of security agreements. In addition, the office is responsible for commissioning notaries public, enforcing the notary laws, and in conjunction with being the home of the State Archives, preserving documents and records having historical significance. The SOS is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The SOS also operates the Safe At Home program, maintains the Domestic Partners and Advanced Health Care Directives Registries, and is home to the California Museum for History, Women and the Arts.

The Governor's Budget proposes total spending of $101.9 million ($31.6 million General Fund) for the SOS in 2012-13, a decline of 38 percent compared with estimated spending for the current year. The General Fund portion of the SOS budget is proposed to increase by 1.8 percent. Proposed staffing totals 451 personnel years (PYs), an increase of 2.8 PYs (0.6 percent), compared with the current year. The large decrease in proposed expenditures is due to a 77 percent decrease in Federal Trust Fund monies, which largely reflects counties' use of federal voting improvement funds. Counties' use of this money fluctuates annually.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	$70,063	$30,989	$31,558	569	1.8
Business Fees Fund	36,887	38,653	40,231	$1,578	4.1
Federal Trust Fund	4,787	82,315	18,849	(63,466)	(77.1)
Other Funds	24,234	12,019	11,226	(793)	(6.6)
Total Expenditure	$135,971	$163,976	$101,864	($62,112)	(37.9)%
Positions	462.3	448.2	451	2.8	.6

ISSUE 1: CALIFORNIA BUSINESS CONNECT

Governor's Budget Request. The Governor's Budget proposes authorization of $2.4 million in Reimbursement authority to continue the California Business Connect project, which will automate the filing and retrieval of business documents and create a centralized database for all business records. The project, expected to be completed in June 2016, will allow for improved services to new and existing businesses.

BACKGROUND

The Secretary of State is the filing officer for the state, responsible for filing commerce and trade documents such as business formations, state and federal tax lien notices, and keeping records of key persons or entities operating corporations and limited liability companies. The office receives more than one million business filings annually, and current systems rely on antiquated and paper databases, such as index cards, to process and maintain records. Many business services must be done in-person or by mail. These processes lead to very slow service, preventing new businesses from opening their doors and creating jobs. Processing times for the office have been as high as 117 days, preventing new companies from beginning operations and creating uncertainty for existing companies. (Issue 2 is SOS' short-term proposal for addressing slow turn-around times.)

California Business Connect will automate these processes to allow for faster, more reliable services to businesses. Once completed, the project will allow for real-time filing or business records, allow government agencies to access information about businesses in a timely manner, and allow for more secure and timely processing of payments.

Activities in 2012-13 include developing the Request-for-Proposal to select a vendor and to continue contracting for other services, including a Procurement Support Consultant and Project Manager.

STAFF COMMENT

The Legislature approved $1.16 million in expenditure authority for this project in the 2011 Budget Act. In addition, a Feasibility Study Report for the project was approved by the California Technology Agency (CTA) in April 2011. SOS provides monthly status reports to CTA.

The project is expected to cost $23.8 million to complete, with annual ongoing maintenance and support costs of $1.8 million. SOS believes that once the project is complete, it will provide a net benefit to the state of $5.8 million annually by allowing the office to eliminate 48 positions and creating a faster process to collect business fees. (These fees are a source of revenue for the General Fund: SOS reports more than $85 million from the Business Fees Fund and excess Reimbursements have reverted to the General Fund during the past five years.)

The project will be paid for through a portion of a $5 disclosure fee that is paid at the time domestic stock and foreign corporations file their annual Statements of Information, and expedited fees paid by businesses to ensure a quicker turnaround time. The use of this money is in line with California Corporations Code sections 1502 and 2117, which requires that one-half of disclosure fees must be utilized to enhance program services, including the development of an online database to provide public access to all information contained in the Statement of Information filing.

SOS states that it will not need to increase the disclosure fee or seek General Fund monies to pay for this project. SOS will request expenditure authority each year.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 2: SUPPORTING BUSINESS IN CALIFORNIA

Governor's Budget Request. The Governor's Budget proposes a two-year limited-term augmentation of $1.1 million from the Business Fees Fund to keep existing but unfunded positions filled, hire more temporary help, and allow for paid overtime, to process business filings in a more timely manner. This is SOS' short-term solution to addressing slow turnaround times for processing business documents.

BACKGROUND

As discussed in the previous issue, SOS receives more than one million business filings annually, and current systems rely on antiquated and paper databases, such as index cards, to process and maintain records. Many business services must be done in-person or by mail, and processing documents is a labor-heavy endeavor for the office. Until the end of Fiscal Year 2008-09, SOS used overtime and temporary help to process the workload. Due to budget cuts, SOS closed three of four regional offices (the Los Angeles office remains open) and eliminated overtime and temporary help.

This led to a significant backlog of documents, which prevents businesses from opening and slows a revenue source for the state's General Fund. Turnaround times for many documents soared to as much as 115 days. The table below illustrates the backlog related to business formations; just one of the documents the SOS is responsible for processing.

Workload	2007-08	2008-09	2009-10	2010-11	2011-12*	2012-13*
Business Formation Documents in Backlog	1,020	2,084	14,525	11,681	10,885	2,581
Uncashed Fees Due to Formation Backlog	$83,020	$159,770	$1,183,960	$956,160	$892,376	$227,200

*Projected

To address the backlogs, SOS was allowed in Fiscal Year 2010-11 and 2011-12 to use an additional $500,000 from the Business Fees Fund for overtime and temporary help, and the state Assembly contributed $1.2 million in 2011-12 from its internal savings to address the backlogs. This funding helped SOS reduce its turnaround time on many documents to 71 days.

This funding request would allow SOS to continue paying overtime and using temporary help. SOS states that its goal will be to reduce turnaround times on documents received by mail to 15 days.

STAFF COMMENT

SOS plans to split the funding requested, spending $550,000 on filling vacant positions more quickly, and $599,000 on overtime and temporary help. This funding request will not require raising fees on businesses. Addressing the backlog in processing business documents will help businesses open their doors or make other changes more quickly, benefiting the state's economy. In addition, faster turnaround times will help generate revenue more quickly for the General Fund.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 3: HELP AMERICA VOTE ACT SPENDING PLAN

Governor's Budget Request. The Governor's Budget includes $4.4 million in spending authority from the Federal Trust Fund to continue implementing the Help America Vote Act of 2002 (HAVA). The funds will be used to continue voter accessibility programs, voter education, voting system testing and approval, and post-election auditing.

STAFF COMMENT

On October 29, 2002, President Bush signed into law the Help America Vote Act of 2002. This legislation requires states and localities to meet uniform and nondiscriminatory election technology and administration requirements applicable to federal elections. To date, California has received $433.9 million in federal HAVA funds, including interest earned.

HAVA has so far allowed the state and counties to replace punch-card voting systems and improve voter outreach, poll worker training, county security measures and voter access for persons with disabilities. Activities in 2012-13 include voting system testing and approval, voter education programs and post-election auditing. Grants to counties account for $1.7 million of the funding. In addition, the Secretary of State is continuing work on the VoteCal project (See Issue 4 under Items to be Heard.)

Continuing to fund the HAVA program is critical to meeting federal mandates.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 4: HAVA VOTECAL

Governor's Budget Request. The Governor's budget requests $14.4 million in expenditure authority from the Federal Trust Fund to continue work on the VoteCal system, an information technology project that will create a statewide database of voter registration information. The project is in line with the Help America Vote Act of 2002 (HAVA), which requires states to have a single system for storing and managing lists of registered voters.

BACKGROUND

Section 303 of HAVA mandates that each state implement a uniform, centralized, interactive, computerized voter registration database that is administered at the state level. The state-managed system also must provide an interface for counties that are charged with conducting elections to allow counties to access and update registration data.

Currently, counties maintain voter registration data autonomously with their own Election Management Systems. Data from these systems is uploaded to the state at varying intervals into a state database called CalVoter 1. This system has been approved by the federal government on a temporary basis until VoteCal is fully implemented.

The VoteCal project will create a new, interactive database and update county systems to allow interconnectivity. VoteCal also will allow connections to various databases in order to confirm voter identity (such as the Department of Motor Vehicles, and the Social Security Administration), and to vital records and criminal justice records in order to validate information on deaths and felony convictions.

The current estimated cost for VoteCal is $53.5 million. To date, SOS has spent $38.5 million and is authorized to spend $11.6 million in the current fiscal year. SOS currently estimates the project will be completed by May 2015. The project is completely funded by the federal government. Operating costs – which SOS estimates will be $4 million annually and will eventually be assumed by the state.

Proposed activities in FY 2012-13 include the procurement process and vendor selection, which is currently planned for January 2013. Of the $14.4 million requested, $1.3 million is for personal services and $13.1 million is for operating expenses related to consultant support services and other costs, such as software customization.

STAFF COMMENT

The VoteCal project has experienced several setbacks during the past three years, and the current completion date is more than two years later than originally expected. SOS originally contracted with a vendor in 2009 to implement the voter registration database, but that contract was terminated in May 2010 after the vendor failed to provide a required performance bond. A new Request for Proposal was released in June 2011, but addendum, confidential discussions with potential vendors and disagreements between SOS and the Department of General Services, which is conducting the procurement, have played a part in delaying the awarding of the contract from October 2012 until January 2013.

SOS states that the relationship between SOS and DGS has recently improved, and both agencies are working cooperatively to move the project forward. The delays have not significantly increased the estimated cost of the project.

Staff Recommendation: Approve the Budget Change Proposal

ISSUE 5: SB 636 PERSONAL INFORMATION: INTERNET DISCLOSURE PROHIBITION – SAFE AT HOME PROGRAM

Governor's Budget Request. The Governor's Budget proposes .5 new positions and $42,000, General Fund, to implement SB 636 (Corbett), Chapter 200, Statutes of 2011. The legislation prohibits a person, business or association from posting on the Internet personal information of Safe at Home participants to third parties to incite or aid in the commission of violence or threat of violence. The new Program Technician II position will implement the legislation by:

- Providing expert technical customer assistance on the procedures for notifying Internet search providers to withdraw the personal information from their websites; and,
- Coordinating with the Office of Privacy Protection and local and state law enforcement agencies on steps to identify and prosecute search providers who are out of compliance.

STAFF COMMENT

First created in 1998, the Safe at Home program allows victims of domestic violence, sexual assault and stalking, as well as reproductive health care employees, to keep their addresses and other personal information confidential. The program has served more than 3,600 families. SB 636 creates a new crime, and allows the state to quickly stop and prosecute individuals and associations that post "hit" websites that post information about reproductive health care professionals.

According to the Secretary of State, the new position will be an important communications lynch pin between the SOS, the Office of Privacy Protection and Safe at Home participants. The request is in line with the analysis of the legislation by the Assembly Appropriations Committee, which suggested implementation would cost less than $50,000.

This proposal could be altered in the future should the Legislature adopt the Governor's proposal to eliminate the Office of Privacy Protection. If that office is eliminated, it is possible that workload associated with implementing this legislation could increase for the Secretary of State. The Subcommittee may wish to wait to make a decision on this Budget Change Proposal until a final decision is made on the fate of the Office of Privacy Protection.

Staff Recommendation: Hold Open

8620 FAIR POLITICAL PRACTICES COMMISSION

The Fair Political Practices Commission (FPPC) has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974, as amended by the voters and Legislature. The overriding purpose of the Act is to restore confidence in governmental processes. The major objectives of the Commission are to:

- Provide education about the Act and its requirements to the public and the regulated community including public officials, candidates, and lobbyists, and assist with compliance.
- Ensure that election campaign contribution and expenditure data is fully and accurately disclosed so that the voters may be fully informed.
- Enforce the provisions of the Act and regulations fairly and with due process.
- Regulate the activities of lobbyists and disclose their finances to prevent any improper influencing of public officials.
- Provide for the disclosure of assets and income of public officials, which may affect their official actions, to avoid any conflicts of interest or appearances of impropriety.
- Provide adequate mechanisms to public officials and to private citizens to ensure vigorous enforcement of the Act.

The Governor's Budget proposes total spending of $8.8 million ($8.8 million General Fund) for the Fair Political Practices Commission in 2012-13, an increase of 5.9 percent compared with estimated spending for the current year. Proposed staffing totals 81.4 personnel years (PYs), an increase of 3 PYs compared with the current year.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	$7,311	$8,302	$8,794	$492	5.9%
Total Expenditure	$7,311	$8,302	$8,794	$492	5.9%
Positions	74.9	78.4	81.4	3	3.8%

ISSUE 1: DURKEE CASE ADDITIONAL WORKLOAD IMPACT

Governor's Budget Request. The Governor's Budget includes an increase of $767,000 in FY 2012-13 and $384,000 in FY 2013-14 to fund 6 limited-term positions through January 1, 2014 to handle increased workload due to the Kinde Durkee embezzlement case. Durkee, a prominent political campaign treasurer in California, pleaded guilty on March 30, 2012 to five counts of mail fraud after an investigation concluded she had stolen more than $7 million in campaign funds from at least 50 clients. The FPPC was heavily involved in the investigation, and has seen an increase in requests for advice, audits and training.

BACKGROUND

The FPPC has sole responsibility to regulate and develop campaign disclosure forms and related instructional material, as well as instructions for campaign bookkeeping methods. In addition, the FPPC can audit campaign funds and develop regulations governing various campaign activities.

Kinde Durkee, who served as campaign treasurer for more than 400 political committees, pleaded guilty on March 30, 2012 to five counts of mail fraud after an investigation concluded she had stolen more than $7 million in campaign funds from at least 50 clients.

The FPPC has four divisions: the Legal Division, the Technical Assistance Division, the Enforcement Division, and Administration. The FPPC states that the Durkee case has increased workload for all four divisions, and the Commission expects this increase to continue for some time. For example, the Commission notes that e-mails seeking advice grew from 568 between January and March 2011 to 1,870 during the same period in 2012. The Political Reform Act requires the FPPC to provide written advice to campaigns that seek advice within 21 days.

The FPPC anticipates audits will grow from 35 per year to 53 per year, and workload for the Legal Division will grow by 10 percent or more. The FPPC notes it currently does not have a written instructional manual for Political Action Committees, or campaign accountants, and may need to create these manuals. The FPPC also is contemplating creating new regulations regarding bookkeeping and to what extent contribution limits properly apply when campaign funds are embezzled or otherwise misused without the candidate's knowledge.

Based on this increased workload, the FPPC is seeking to add 6 positions for Fiscal Year 2012-13 and half of Fiscal Year 2013-14. If this Budget Change Proposal is granted, the position authority would expire on January 1, 2014. The six new positions are:

- Political Reform Consultant II, which would work in the Technical Assistance Division and help provide advice and training;
- Program Specialist II, which would work in the Enforcement Division;
- Two Senior Special Investigator positions, which would work in the Enforcement Division;
- One Staff Counsel IV position, which would work in the Legal Division, and;
- .5 PY for an Information Officer II position and .5 PY for an Associate Information Systems Analyst position.

STAFF COMMENT

This request is in addition to deficiency funding provided to the FPPC for the current fiscal year. On December 12, 2011, the Department of Finance notified the Joint Legislative Budget Committee of a request from the FPPC for funding. With JLBC approval, the Commission received $426,000.

While the Durkee case may likely be unique, the FPPC notes that the case illustrates the need for more educational and informational materials to help campaigns and campaign treasurers, as well as more oversight of campaign finance activities. The funding could help provide more information to campaigns to better understand roles and responsibilities.

The FPPC states that the increased funding will allow it in 2012-13 to respond to 7,200 more advice calls, perform 18 more audits, conduct 250 more investigations and provide 36 more advice letters.

Staff Recommendation: Approve the Budget Change Proposal

1760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: BOARD OF EQUALIZATION BUILDING

BACKGROUND

The state Board of Equalization (BOE) moved into its headquarters, at 450 N St. in Sacramento, in 1993 after signing a lease-purchase agreement with the Public Employees Retirement System, which originally built the building. The state purchased the building in 2007 based on analysis that it would save $30 million in reduced rent payments over the life of the building. Water intrusion and other problems, such as mold and unreliable elevators, have plagued the building.

The Department of General Services (DGS) provides maintenance for the building and also is responsible for managing the state's building portfolio. DGS states that it has resolved most of the BOE building's problems, but the building continues to present problems for employees. In addition, BOE has outgrown the building. Studies show that the building can house 2,200 employees; BOE requires space for 2,900. BOE currently has employees in four other Sacramento-area sites in addition to the N Street building.

STAFF COMMENT

In his February 17, 2012 response to questions posed by the Senate Rules Committee related to his confirmation hearing, DGS Director Fred Klass stated DGS is beginning work with BOE and the Department of Finance.

Due to the problems with the 450 N St. building and the BOE's growth, the Subcommittee may wish to formulize the work DGS has apparently begun to examine alternatives for both the agency and the building.

Staff Recommendation: Adopt the following Supplemental Reporting Language: "The Department of General Services shall undertake a preliminary study of the possible relocation and consolidation of the Board of Equalization headquarters and annexes in the Sacramento region. No later than June 30, 2013, the Department shall report to the Joint Legislative Budget Committee the following: 1) A business case, prepared either by DGS or the Board of Equalization, examining the benefits and costs of consolidating BOE headquarters and annexes in the Sacramento region; 2) a planning timetable for acquiring or building consolidated facilities for the Board of Equalization; 3) a complete set of options it will consider to provide such facilities as part of its overall planning process; 4) funding recommendations needed to carry out the facility planning process; 5) any recommendations on statutory authorizations necessary to move forward with the planning process, and 6) an examination of the potential future uses or plans for the current BOE building at 450 N St in Sacramento."

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

The Governor's Office of Business and Economic Development (GO-Biz) provides a single point of contact for economic development, business assistance and job creation efforts. GO-Biz works with companies and organizations across the state to market the benefits of doing business in California, recruit new businesses, and support private sector job growth. GO-Biz serves as the Governor's lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth.

GO-Biz was first established by Executive Order S-05-10 in April 2010, and established in statute effective January 1, 2012, via enactment of AB 29 (J. Perez), Chapter 475, Statutes of 2011. The original organization was formed by borrowing positions and programs from other departments and agencies. With AB 29, and enactment of the 2012-13 budget, the entity will for the first time receive a specific stand-alone budget act appropriation.

ISSUE 1: GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

Governor's Budget Request. The Governor's Budget proposes total spending of $4.1 million ($4.1 million General Fund) for GO-Biz in 2012-13, with 28 positions.

BACKGROUND

In a February 2010 report, the Little Hoover Commission concluded that the State should re-establish a more prominent role of leadership in the area of business development to fill the void created by the 2003 elimination of the Technology, Trade, and Commerce Agency. Governor Schwarzenegger soon thereafter shifted existing state staff to create such an entity by executive order. The Legislature approved the statutory framework for this organization with large bipartisan majorities by passing AB 29 in 2011.

Structure of GO Biz: The Administration budgets GO Biz in three components:

- **CalBIS:** $1.7 million and 11.4 positions would be for the California Business Investment Services Program (CalBIS), which would serve employers, corporate executives, business owners, and site location consultants who are considering California for business investment and expansion.
- **Office of Small Business Advocate:** $459,000 and 2.8 positions would be for the Office of Small Business Advocate, which would serve small employers with advocacy and technical assistance.
- **GO Biz:** $1.9 million and 12.4 positions for the remaining functions of communications and policy, international trade and export promotion, and administration.

Most GO Biz staff would be located in Sacramento, but the organizational plan calls for two employees in the San Francisco Bay Area, two employees in Los Angeles, and one employee in the Inland Empire.

STAFF COMMENT/QUESTIONS

Staff notes no concerns with the creation of this office, as there is widespread legislative support for the concept. However, the January budget request set position funding at the highest step for each pay range, instead of the more common mid-point level. The Administration has agreed to alter its request to set salary levels at the mid-point level, which reduces this request by $299,000.

Staff Recommendation: Approve the Budget Change Proposal at the reduced funding level.