

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, MAY 4, 2021

1:30 PM – STATE CAPITOL, ROOM 437

Due to the ongoing COVID-19 safety considerations, including guidance on physical distancing, seating for this hearing will be very limited for the press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: 877-692-8957, Access Code: 131 54 37.

VOTE-ONLY CALENDAR

ITEM	DESCRIPTION	
7600	CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION	
VOTE-ONLY ISSUE 1	THE HOME PROTECTION FOR SENIORS, SEVERELY DISABLED, FAMILIES, AND VICTIMS OF WILDFIRE OR NATURAL DISASTERS ACT	6
VOTE-ONLY ISSUE 2	CENTRALIZED REVENUE OPPORTUNITY SYSTEM (CROS) PROJECT IMPLEMENTATION PHASE	7
VOTE-ONLY ISSUE 3	LOCAL PREPAID MOBILE TELEPHONY SERVICES SURCHARGE SUNSET REMOVAL	8
7730	FRANCHISE TAX BOARD	
VOTE-ONLY ISSUE 4	AB 1876 EARNED INCOME TAX CREDITS/ITINS	9
VOTE-ONLY ISSUE 5	PRIVACY AND SECURITY ASSESSMENTS	9
VOTE-ONLY ISSUE 6	SB 1447 - SMALL BUSINESS HIRING CREDIT	10
0509	GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)	
VOTE-ONLY ISSUE 7	INNOVATION HUB PROGRAM AND TBL	11

VOTE-ONLY ISSUE 8	OFFICE OF SMALL BUSINESS ADVOCATE	11
VOTE-ONLY ISSUE 9	CA DREAM FUND AND TBL	12
1701	DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION	
VOTE-ONLY ISSUE 10	INFORMATION SECURITY STRATEGY	13
VOTE-ONLY ISSUE 11	LEGAL DIVISION RULEMAKING	14
VOTE-ONLY ISSUE 12	STUDENT LOAN BORROWING	15
7920	STATE TEACHERS' RETIREMENT SYSTEM	
VOTE-ONLY ISSUE 13	MULTI-YEAR INTERNAL MANAGEMENT PLAN	16
0950	STATE TREASURER	
VOTE-ONLY ISSUE 14	ELECTRONIC RESOURCES AUGMENTATION	17
0981	CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD	
VOTE-ONLY ISSUE 15	CONTINUED ADMINISTRATION OF THE CALABLE BOARD	18
2240	DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT	
VOTE-ONLY ISSUE 16	INFILL INFRASTRUCTURE GRANT PROGRAM OF 2019 – LIQUIDATION EXTENSION	20
VOTE-ONLY ISSUE 17	ONE-TIME ALLOCATION FOR DEFERRED MAINTENANCE	20
VOTE-ONLY ISSUE 18	WORKLOAD RESOURCES (VARIOUS LEGISLATION)	22
1700	DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING	
VOTE-ONLY ISSUE 19	WORKLOAD RESOURCES	22
0559	LABOR AND WORKFORCE DEVELOPMENT AGENCY	
VOTE-ONLY ISSUE 20	DEPARTMENT OF BETTER JOBS AND HIGHER WAGES	23
VOTE-ONLY ISSUE 21	LABOR LAW IMPLEMENTATION AND INTERPRETATION WORKLOAD	24
7120	CALIFORNIA WORKFORCE DEVELOPMENT BOARD	
VOTE-ONLY ISSUE 22	WORKFORCE DEVELOPMENT BOARD BUDGET PROPOSALS	25
7350	DEPARTMENT OF INDUSTRIAL RELATIONS	
VOTE-ONLY ISSUE 23	JANUARY BUDGET INSPECTION STAFF REQUESTS	25
VOTE-ONLY ISSUE 24	DIR JANUARY BUDGET PROPOSALS	26

0845	CALIFORNIA DEPARTMENT OF INSURANCE	
VOTE-ONLY ISSUE 25	JANUARY BUDGET PROPOSALS	27
0840	STATE CONTROLLER'S OFFICE	
VOTE-ONLY ISSUE 26	CALIFORNIA STATE PAYROLL SYSTEM	28
VOTE-ONLY ISSUE 27	JANUARY BUDGET PROPOSALS	28
VOTE-ONLY ISSUE 28	FI\$CAL AUDIT WORKLOAD	29
7501	DEPARTMENT OF HUMAN RESOURCES	
VOTE-ONLY ISSUE 29	CALIFORNIA STATE PAYROLL SYSTEM	30
VOTE-ONLY ISSUE 30	DEPARTMENT OF HUMAN RESOURCES JANUARY BUDGET WORKLOAD REQUESTS	30
VOTE-ONLY ISSUE 31	DEPENDENT VERIFICATION TRAILER BILL	31
0890	SECRETARY OF STATE	
VOTE-ONLY ISSUE 32	HELP AMERICA VOTE BUDGET PROPOSALS	32
VOTE-ONLY ISSUE 33	IMPLEMENTATION OF RECENT LEGISLATION	33
VOTE-ONLY ISSUE 34	CORPORATIONS: BOARD OF DIRECTORS: UNDERREPRESENTED COMMUNITIES (AB 979)	34
VOTE-ONLY ISSUE 35	BUSINESS SERVICE AND ADMINISTRATIVE WORKLOAD	34
VOTE-ONLY ISSUE 36	CONTINUATION OF LIMITED TERM ACCOUNTING RESOURCES	35
2100	DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	
VOTE-ONLY ISSUE 37	DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	35
3100	EXPOSITION PARK	
VOTE-ONLY ISSUE 38	PARK FUND BACKFILL	36
1110 1111	DEPARTMENT OF CONSUMER AFFAIRS	

VOTE-ONLY ISSUE 39	BUSINESS SERVICES	37
VOTE-ONLY ISSUE 40	INFORMATION TECHNOLOGY SECURITY	38
VOTE-ONLY ISSUE 41	REGULATIONS UNIT	38
VOTE-ONLY ISSUE 42	BOARD AND BUREAU WORKLOAD	39
VOTE-ONLY ISSUE 43	LEGISLATIVE WORKLOAD	40
VOTE-ONLY ISSUE 44	APRIL FISCAL LETTERS	41
VOTE-ONLY ISSUE 45	APRIL FISCAL LETTER: LICENSED PHYSICIANS AND DENTISTS FROM MEXICO PILOT PROGRAM	42
1750	CALIFORNIA HORSE RACING BOARD	
VOTE-ONLY ISSUE 46	HORSE AND JOCKEY SAFETY AND WELLNESS ACT IMPLEMENTATION	43
8995	DEPARTMENT OF VETERANS AFFAIRS	
VOTE-ONLY ISSUE 47	CALVET ELECTRONIC HEALTH RECORD PROJECT: PHASES 2 AND 3	43
VOTE-ONLY ISSUE 48	OTHER JANUARY CALVET PROPOSALS	44
VOTE-ONLY ISSUE 49	SPRING FISCAL LETTER: YOUNTVILLE STEAM DISTRIBUTION SYSTEM REAPPROPRIATION	45
8620	FAIR POLITICAL PRACTICES COMMISSION	
VOTE-ONLY ISSUE 50	LEGISLATIVE WORKLOAD	46
2320	DEPARTMENT OF REAL ESTATE	
VOTE-ONLY ISSUE 51	JANUARY BUDGET PROPOSALS	46
7760	DEPARTMENT OF GENERAL SERVICES	
VOTE-ONLY ISSUE 52	STATE BUILDING CONSTRUCTION AND MAINTENANCE	47
VOTE-ONLY ISSUE 53	JANUARY BUDGET DGS PROPOSALS	49

VOTE-ONLY ISSUE 54	ELECTRIC VEHICLE INFRASTRUCTURE	58
7502	DEPARTMENT OF TECHNOLOGY	
VOTE-ONLY ISSUE 55	INCREASE TECHNOLOGY RESOURCES DUE TO CRISIS RESPONSE	51
VOTE-ONLY ISSUE 56	CHANGING FUNDING SOURCES FOR EXISTING SECURITY STAFF	51
VOTE-ONLY ISSUE 57	CA.GOV INCREASED STAFFING SPRING FISCAL LETTER	52
0650	OFFICE OF PLANNING AND RESEARCH	
VOTE-ONLY ISSUE 58	JANUARY OPR BUDGET REQUESTS	52
VOTE-ONLY ISSUE 59	JUST TRANSITION ROADMAP	53
0511	GOVERNMENTAL OPERATIONS AGENCY	
VOTE-ONLY ISSUE 60	STATEWIDE DATA STRATEGY	54

ITEMS TO BE HEARD

7100	EMPLOYMENT DEVELOPMENT DEPARTMENT	
ISSUE 1	UNEMPLOYMENT INSURANCE	55
7730	FRANCHISE TAX BOARD	
ISSUE 2	ENTERPRISE DATA TO REVENUE PROJECT, PHASE 2	58
ISSUE 3	ASSET FORFEITURE ACCOUNT INCREASE	62
ISSUE 4	INCREASED LITIGATION COSTS	65
2240	DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT	
ISSUE 5	HOUSING LAW ASSISTANCE	66
0890	SECRETARY OF STATE	
ISSUE 6	SPRING FISCAL LETTERS	68
ISSUE 7	SPECIAL ELECTIONS COST	70
0650	GOVERNMENTAL OPERATIONS AGENCY	
ISSUE 8	CHIEF EQUITY OFFICER	71
7502	DEPARTMENT OF TECHNOLOGY	
ISSUE 9	DIGITAL IDENTIFICATION	73

VOTE-ONLY CALENDAR

7600 CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

VOTE-ONLY ISSUE 1: THE HOME PROTECTION FOR SENIORS, SEVERELY DISABLED, FAMILIES, AND VICTIMS OF WILDFIRE OR NATURAL DISASTERS ACT

The Governor's budget proposes a General Fund appropriation of \$1.6 million in 2021-22, \$266,000 and 1.5 positions in 2023-24, and \$245,000 in 2024-25, and ongoing to address the costs associated with the passage of Proposition 19.

BACKGROUND

Proposition 19 (Prop. 19) was approved by California voters in the November 3, 2020, General Election. Beginning April 1, 2021, Prop 19 amends Article XIII A of the California Constitution to:

- Define "taxable value" as the base year value plus any adjustments specified in the constitutional amendment.
- Allow up to three taxable value transfers per taxpayer for taxpayers who are severely disabled, over the age of 55, or victims of a wildfire or other natural disaster, regardless of the replacement property's value or location, provided the replacement property is purchased or constructed within two years of the date the original property is sold.
- Limit the parent-child and grandparent-grandchild exclusion from change in ownership of a principal residence or family farm.

CDTFA's Role in implementation of Prop. 19. CDTFA is required to determine each eligible local agency's aggregate gain every three years, based on the amounts determined by the counties. Counties with a negative gain are eligible to receive funds from the County Revenue Protection Fund. If the County Revenue Protection Fund is insufficient to reimburse all claims, CDTFA is required to allocate available funds based on each local agency's pro rata share, as specified. The State Controller is required to transfer any remaining funds less reimbursements from the County Revenue Protection Fund to the General Fund after reimbursing each eligible local agency that has experienced a negative gain during that three-year period.

The CDTFA will utilize the Centralized Revenue Opportunity System (CROS) to administer this program. CROS is specifically designed for integrated tax administration and provides full functionality for processes such as registration, returns, payments, refunds, collections, revenue accounting, audit, correspondence, imaging, analytics, and workflow. The CDTFA is requesting \$1.4 million in 2021-2022 to administer changes to CROS. The CDTFA will contract with FAST Enterprises Inc. (FAST) to design and

administer changes to online services, administration, financial disbursement and other administrative processes in the CROS system.

Counties will need to register with the CDTFA and annually report the revenue effect for each county, city, and special district. The CDTFA will need to program CROS Online Services to allow 58 counties and approximately 2,800 jurisdictions to report their revenue impact, determine each eligible aggregate gain every three years based on the amounts determined by the counties, calculate any needed proration of funds, and provide reimbursements to each special district with a negative gain at the end of the three years.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE ONLY ISSUE 2: CENTRALIZED REVENUE OPPORTUNITY SYSTEM (CROS) PROJECT IMPLEMENTATION PHASE

The Governor's budget proposes \$23.9 million to provide resources required to support the final phases of the Project and the transition to Production Support Maintenance and Operations. Of this amount, \$7.5 million is for Operating Expenses and Equipment and \$16.4 million is for contractor compensation in 2021-22.

BACKGROUND

The CROS Project is a tax collection and distribution information technology system approved in 2011 and designed to improve the efficiency and effectiveness of the CDTFA's operations, expand tax and fee payer services, and enhance the CDTFA's ability to generate increased revenues. The first production release, Rollout 2, included the Sales and Use Tax Program and was implemented on May 7, 2018. The second production release, Rollout 3 included Special Taxes (such as Alcoholic Beverages, Cigarette and Tobacco, and Fuel Taxes) and was implemented on August 12, 2019. The final production release, Rollout 4 included all remaining CDTFA tax programs and was implemented on November 9, 2020.

Provisional Language. This item includes provisional language to augment unencumbered funds for vendor compensation payments with reporting to the joint legislative budget committee within 30 days.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE ONLY ISSUE 3: LOCAL PREPAID MOBILE TELEPHONY SERVICES SURCHARGE SUNSET REMOVAL

Senate Bill 1441 (2020) extends the sunset date of the Local Prepaid Mobile Telephony Services Act, from December 31, 2020 to December 31, 2025. As a result, the CDTFA will continue to manage operating requirements on the local program at least through 2025 and is requesting to continue resources of \$347,000 and 2 positions in fiscal year 2021-22, \$326,000 and 2 positions in 2022-23, \$415,000 and 2.5 positions in 2023-24, \$469,000 and 3 positions in 2024-25 and ongoing to administer the Local Prepaid MTS collection program. If the program sunsets in 2025, the CDTFA will submit a negative BCP retaining only the resources needed to close out the program.

The provisions of the Prepaid MTS Surcharge Collection Act (Chapter 885 of the Statutes of 2014 (AB 1717)) imposed a new prepaid MTS surcharge and local charge to be administered and collected by the CDTFA, which became operative January 1, 2016, on the sale of prepaid MTS. The prepaid MTS surcharge is imposed pursuant to the Prepaid MTS Surcharge Collection Act and the local charges are imposed pursuant to the Local Prepaid MTS Collection Act of 2014, which are separate acts within the tax law that were both added by AB 1717. Both the Prepaid MTS Surcharge Collection Act of 2014 and the Local Prepaid MTS Collection Act of 2014 contained a sunset date of December 31, 2019. Chapter 642 of the Statutes 2019 (Senate Bill 344) extended the sunset date for the Local Prepaid MTS Collection Act from December 31, 2019, to December 31, 2020.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

7730 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 4: AB 1876 EARNED INCOME TAX CREDITS/ITINS

The Governor's proposal includes \$2 million General Fund and 17.0 permanent and 1.0 permanent-intermittent positions in 2021-22, and \$1.7 million General Fund and 17.0 permanent and 1.0 permanent-intermittent positions in 2022-23, and ongoing to implement and administer provisions of Assembly Bill (AB) 1876 (Chapter 87, Statutes 2020). These resources are critical in order to successfully implement the California Earned Income Tax Credit (CalEITC) – Individual Tax Identification Number (ITIN) Expansion.

BACKGROUND

An estimated 200,000 families with ITINs will qualify for this CalEITC expansion. These potential CalEITC recipients do not generate the same types of data that FTB usually uses to calculate and validate CalEITC amounts. People using ITINs cannot receive a federal EITC, meaning FTB cannot use claimant data from the IRS when checking on the credit amount someone is claiming. Nor can they use their ITINs to receive a W-2, as such, FTB cannot use W-2 data to match information they report on their tax returns. The resources in this BCP provide FTB with the resources to ensure returns are processed and refunds are issued timely as well as ensuring improper payments are minimized.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 5: PRIVACY AND SECURITY ASSESSMENTS

The Governor's Budget proposes 12 permanent positions and \$1.73 million General Fund and \$42,000 Special Funds in 2021-22; and \$1.60 million General Fund and \$39,000 Special Funds in 2022-23 and ongoing.

BACKGROUND

These resources will accommodate newly mandated state and federal workloads within the critical functions of FTB's Privacy Program and Information Security Oversight Unit (ISOU). The requested positions will support enhanced levels of effort required under

Federal Publication 1075 and conduct the newly mandated Privacy Threshold Assessments (PTAs), Privacy Impact Assessments (PIAs) and System Security Plans (SSPs) to ensure that FTB meets the state and federal mandates. The resources will play a key strategic role in ensuring that FTB expands and validates the privacy, security framework, reportable technology projects, and security measures for the department's business processes, projects and systems.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 6: SB 1447 SMALL BUSINESS HIRING CREDIT

The Governor's Budget includes \$377,000 General Fund and 4.0 positions for 2021-22, and \$189,000 General Fund and 4.0 positions for 2022-23, (ending December 31, 2022). These resources will be used to administer provisions of Senate Bill (SB) 1447 (Chapter 41, Statute 2020).

BACKGROUND

SB 1447 requires FTB to implement areas of the new tax law provisions. This bill creates a small business hiring credit fund. The fund will allow small business employers to reserve a credit that can be applied against qualified sales, use, or income taxes.

The California Department of Tax and Fee Administration (CDTFA) will administer the tentative credit reservation process and allocate the credit. FTB will be responsible for managing, processing, and ensuring the tax credit under the Personal Income Tax (PIT) law and/or the Corporations Tax law is claimed accurately.

Beginning January 1, 2020, a small business employer could receive a tentative credit reservation equal to \$1,000 for each net increase in qualified employees. The credit must be reserved between December 1st and January 15, 2021 before January 1, 2021 and shall not exceed \$100,000 for any qualified small business.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (Go-Biz)

VOTE-ONLY ISSUE 7: INNOVATION HUB PROGRAM AND TBL

GO-Biz requests a \$2.5 million one-time General Fund allocation to relaunch the California Innovation Hub program in its Office of Small Business Advocate as the Inclusive Innovation Hub program (iHub2) to incentivize a focus on diversity, equity and inclusion in the state's tech and science-based startup ecosystem.

BACKGROUND

CalOSBA will designate 10 iHubs2 for a three-year program and award them \$150,000 for year one to incentivize and launch inclusive programming and \$50,000 in each subsequent year. These initial grants will be leveraged to attract further investment and support sustainability. The iHubs2 will be designed to serve as vehicles for highroad jobs and wealth creation that strengthen the development of underserved regions and emerging, diverse entrepreneurs.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing.

Staff Recommendation: Approve as Budgeted and adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 8: OFFICE OF SMALL BUSINESS ADVOCATE, OUTREACH ENGAGEMENT

GO-Biz is requesting budget authority of \$901,000 from the General Fund and permanent authority for six positions in 2021-22, and ongoing as part of the California Office of the Small Business Advocate (CalOSBA) to provide direct support to small businesses.

BACKGROUND

The team would focus on conducting the required direct support, outreach, engagement and marketing/content creation necessary, increasingly online, to connect with small businesses and help them prepare and be more resilient as a result of disaster impacts

across the state as required in Government Code Section 12098.4 and 12098.5. The team's strategies would be driven by equity measures and would prioritize underserved business groups, including women, minority, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities, especially African-American and Latinx businesses.

Resources were provided in 2019-20 to allow CalOSBA to lay the groundwork – to create models for statewide scalable campaigns and communications, and to build critical statewide stakeholder networks --the Office is not staffed to continue to sustain this level of programming, which has been well-received by the small business community and diverse business leaders. Further support is needed in order to serve a broader audience of small businesses and deliver the most relevant and timely state guidance and regulatory information to the ever-changing 4.1 million small businesses in California with a focus on equity and inclusion and removing opportunity gaps to our diverse founder

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing. These positions will provide additional resources for small businesses.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 9: CALIFORNIA DREAM FUND AND TBL

The Governor's budget proposes \$35 million one-time General Fund to support micro-grants up to \$10,000 to seed entrepreneurship and small business creation in underserved groups that are facing opportunity gaps. These California Dream Fund startup grants will be made available through small business technical assistance centers to eligible startups actively participating in trainings and advisory services to help provide greater acceleration rates and successful outcomes.

BACKGROUND

This proposal is related to the \$10 million one-time General Fund for the Social Entrepreneurs for Economic Development Initiative (SEED) included in the 2020 Budget Act to provide training and business startup supports for targeted low-income populations including immigrants and Californians with limited English proficiency. While the California Dream Fund proposal is separate from the SEED program, it is intended to provide the benefits of SEED through an existing grant program to expand the reach of the funds.

STAFF COMMENTS

The Subcommittee heard this issue at its February 2, 2021, hearing. This proposal will provide additional funding for microbusinesses.

Staff Recommendation: Approve as Budgeted and adopt placeholder trailer bill language.

1701 DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION**VOTE-ONLY ISSUE 10: INFORMATION SECURITY STRATEGY AND OPERATIONS**

The Governor's budget requests \$710,000 in 2021-22 and \$573,000 in 2022-23 and ongoing from the Credit Union Fund and Financial Protection Fund for 1 Information Technology Manager I, 1 Information Technology Specialist II, 1 Information Technology Specialist I, and information security tools to strengthen DFPI's information technology security safeguards protocols, and state security requirements.

BACKGROUND

DFPI underwent the Military Department's Independent Security Assessment in May 2017 and May 2019; and the California Department of Technology's (CDT) Information Security Program Audit in July 2018 and a December 2019 Check-In Audit. The final reports from both showed many deficiencies in DFPI's ability to implement and manage the state's required security controls due to an overall lack of maturity in DFPI's security program. DFPI's sole security officer is unable to perform the numerous daily workload activities necessary to meet the State's mandated IT security requirements.

In December 2019, the CDT returned for a check-in audit to verify that DFPI's critical systems and information were well-protected by assessing the actions taken to remediate findings from the 2018 ISPA. While CDT found multiple findings had some components completed, only three findings had been completely remediated. It has taken DFPI two and a half years to completely remediate three findings with only one position dedicated to the Information Security Officer role.

The 2021-22 request includes \$51,000 for one-time purchase of IT hardware, and \$100,000 for one-time purchase of IT software and services. The 2022-23 and ongoing request includes \$35,000 for information security software and services.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021, hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 11: LEGAL DIVISION RULEMAKING WORKLOAD

The Governor's budget includes \$426,000 in 2021-22 and \$408,000 in 2022-23 and ongoing from the Credit Union Fund and Financial Protection Fund for 1 Attorney III and 1 Legal Analyst to address increased rulemaking workload. DFPI's Legal Division is charged with drafting all regulations that it publishes. The amount of work involved in promulgating regulations is substantial, and DFPI does not have the resources to make sure that regulations are issued timely. Almost all regulations the DFPI successfully adopted in recent years were mandated by urgency clauses in legislation.

BACKGROUND

Over the past five years, DFPI has not had the resources to complete anywhere from eight to 14 rulemaking packages per year that are required by new laws or other changing circumstances. The inability to complete these rulemaking packages has frustrated legislators, licensees, and consumer advocates.

The rulemaking workload has grown substantially beyond the capacity of the Legal Division's resources to address the workload in a timely and effective manner. In calendar year 2018, DFPI proposed ten rulemaking packages in the rulemaking calendar filed with the Office of Administrative Law (OAL). All ten packages were carried over from the prior year, representing a 100 percent backlog. By the end of 2018, DFPI was able to file three rulemaking packages with the OAL, of which only one was approved.

Thirteen attorney positions within the Legal Division provide in-house legal services to Department programs, including 2 Attorney IVs, 7 Attorney IIIs, and 4 Attorneys. These 13 attorneys are supported by 1 Assistant Chief Counsel, 1 Legal Assistant, and 1 Legal Secretary. DFPI is requesting 1 Attorney III to provide the Department with the legal expertise to competently handle complex analytical work and 1 Legal Analyst to provide administrative and analytical support to the attorneys engaged in rulemaking activities.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 12: STUDENT LOAN BORROWING PROTECTION (AB 376)

The Governor's budget requests \$733,000 in 2021-22 and \$705,000 in 2022-23 and ongoing from the Financial Protection Fund to support 1 Staff Services Manager II, 1 Senior Financial Institutions Examiner, and 1 Attorney IV to implement the provisions of Chapter 154, Statutes of 2020 (AB 376).

BACKGROUND

AB 376 imposes servicing standards on student loan services, increases borrower protections, and expands prohibitions against predatory student loan industry practices. The bill establishes a Student Borrower Bill of Rights to prevent student loan services from engaging in abusive or deceptive practices when servicing a student loan and requires a Student Loan Ombudsman to be established. DFPI requests the following staff to implement AB 376:

- 1 Staff Services Manager II to handle the required duties of the Student Loan Ombudsman;
- 1 Senior Financial Institutions Examiner to help manage the anticipated increased workload associated with the requirements of AB 376 due to higher than estimated licensees and an expanded definition of a servicer; and
- 1 Attorney IV to manage the increased enforcement caseload expected from AB 376.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as Budgeted.

7920 STATE TEACHERS' RETIREMENT SYSTEM**VOTE-ONLY ISSUE 13: MULTI-YEAR INTERNAL MANAGEMENT PLAN**

The California State Teachers' Retirement System (CalSTRS) requests \$38.2 million in permanent funding to establish 104 authorized positions distributed from 2021–22 through 2025–26, as part of a Multi-Year Internal Investment Management Plan (Plan). The Plan is a five-year resource strategy to continue the implementation efforts of the Collaborative Model (Model) and manage growth in assets under management (AUM).

In addition, this proposal requests administrative authority for CalSTRS to implement resources earlier, on an as-needed basis, pursuant to the Teachers' Retirement Board (board) approval and notification to the Department of Finance (DOF).

BACKGROUND

This proposal requests to augment staff in the Investments Branch and in seven Investment Administrative Support areas across the organization to support investment functions. The Plan is a five-year resource strategy to (1) continue successful implementation efforts and growth of the Model as more investment assets are transitioned to internal management and (2) manage growth in AUM. The primary objectives of the Model are to reduce costs, increase expected investment returns, control portfolio risk and leverage external partnerships to achieve similar benefits—all for the benefit of California's educators and their beneficiaries.

This proposal includes additional resources to manage the increase in AUM. CalSTRS AUM growth is largely correlated with projected net investment returns and changes in member, employer and state contribution rates. CalSTRS portfolio was valued at \$248.3 billion as of June 30, 2020, and is projected to grow to \$302.5 billion by 2025–26. Increases in AUM have a direct impact on the number of investment staff required to manage and make prudent investment decisions and support investment activities. Overall growth in AUM has required additional investment resources to successfully manage the size and complexity of the CalSTRS portfolio. As assets increase, the need for additional investment staff are projected to rise.

Administrative Authority and Operational Flexibility. Additionally, this proposal requests additional administrative authority and operational flexibility for CalSTRS to bring on resources more quickly, on an as-needed basis, pursuant to board approval and written notification to the DOF. According to CalSTRS, this approach strikes a balance between administrative and legislative oversight with some limited organizational flexibility for CalSTRS to implement resources earlier. In current practice, when a new investment strategy is identified and requires additional staff, the time between obtaining approval for

new positions and final establishment can take as long as 18 months as part of the state budgetary approval process. This would reduce the time for onboarding investment resources and ultimately lead to faster deployment of collaborative strategies.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as Budgeted.

0950 STATE TREASURER

VOTE-ONLY ISSUE 14: ELECTRONIC RESOURCES AUGMENTATION

Beginning in 2021-22, the Investment Division requests an ongoing augmentation of \$400,000 in reimbursements to meet the increasing cost of electronic services necessary to invest state money for the Pooled Money Investment Account (PMIA) according to Government Code Section 16430.

BACKGROUND

The Investment Division's role is to assist the State Treasurer in meeting her constitutional obligations as the State's banker and chief investment officer. The Investment Division invests temporarily idle funds in the Centralized Treasury System in the PMIA portfolio. The PMIA, created by legislation in 1955, is made up of commingled monies from the General Fund, Surplus Money Investment Fund (SMIF), and the Local Agency Investment Fund (LAIF).

The goal of the Investment Division is to manage and invest the State's idle or surplus monies to maximize the earnings and to meet the cash flow needs of the State. There is a high degree of visibility and sensitivity regarding the investment of public funds and the subsequent outcome of these investments. The investment program includes a wide variety of investment instruments which requires ongoing analysis and review from the management team. The program utilizes more than 100 brokers, dealers, banks and direct issuers of commercial paper and corporate debt. As of June 30, 2020, the PMIA totaled \$101 billion with daily investment activity for the month averaging \$1.6 billion.

The STO's Investment Division currently utilizes seven fee-based electronic services on a daily basis. These services are critical to the business and operational needs of the division, as well as standard in the investment community. The PMIA has grown by over

\$30 billion in the past five years, from \$69.6 billion on June 30, 2015, to \$101.0 billion on June 30, 2020, with no increase to staffing levels.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as Budgeted.

0981 CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD

VOTE-ONLY ISSUE 15: CONTINUED ADMINISTRATION OF THE CALABLE BOARD

The California Achieving a Better Life Experience Act Board (Board) requests an ongoing General Fund appropriation of \$1,195,000 to provide the following resources:

- (1) \$845,000 to fund administrative costs and the continued implementation of the California Achievement a Better Life Experience (CalABLE) Program; which includes funding for staff, funding for external consultants and funding necessary for operating and overhead costs; and
- (2) \$350,000 to support the marketing and outreach activities of increasing awareness and participation in the Program.

In addition, CalABLE requests budget bill language to extend the repayment date of the General Fund loans made to CalABLE, beginning in 2016-17 through 2019-20 to 2024-25.

BACKGROUND

On December 19, 2014, President Obama signed the Stephen Beck Jr., Achieving a Better Life Experience Act of 2014 (ABLE), which allows individuals who become blind or disabled before reaching age 26 to create tax-free savings accounts. ABLE accounts generally follow the same rules as 529s: individuals can make nondeductible cash contributions to an ABLE account in the name of a specified beneficiary, and with tax-free earnings. The ABLE Act directs states to establish one ABLE account for each eligible beneficiary.

SB 324, (Pavley, Chapter 796, Statutes of 2015) established the California Achieving a Better Life Experience Act Board and the California ABLE Program Trust for the purpose of creating a statewide program known as the Qualified ABLE Program. Under the

Qualified ABLE Program, a person may make contributions for a taxable year, for the benefit of an individual who is an eligible individual for that taxable year, to an ABLE account that is established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account.

In July of 2020, CalABLE began developing projections for strategic planning purposes. These preliminary projections are based on a number of assumptions (including growth rate, number of enrollees and their contribution levels and withdrawal rates), show that program expenditures will exceed fee revenues annually for an extended period. Because of this shortfall, CalABLE requests an ongoing General Fund appropriation rather than additional funding through General Fund loans. Additional loans will serve to increase the amount owed and extend the repayment period.

Proposed Budget Bill Language:

Notwithstanding any other provision of law, including the scheduled repayment dates of June 30, 2022, June 30, 2023, and June 30, 2024, pursuant to Provision 1 of Item 0981-011- 0001 of the Budget Act of 2016 (Ch. 23, Stats. 2016), Budget Act of 2017 (Ch. 14, Stats.2017), and Budget Act of 2018 (Ch. 29, Stats. 2018), the loans shall be repaid to the General Fund when sufficient revenue is available, but no later than June 30, 2025, with interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

Senate recommended the following addition to the language at their February 17, 2021, hearing.

If one or more of the loans are unable to be repaid in full by the specified date of June 30, 2025, a repayment plan will be provided for each outstanding loan at that time, based on the projected annual revenues.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021, hearing and no concerns were brought up at that hearing. If there is additional funding available, the Subcommittee may want to revisit this item.

Staff Recommendation: Approve as budgeted and adopted Senate recommendations for budget bill language as outlined above.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

**VOTE-ONLY ISSUE 16: INFILL INFRASTRUCTURE GRANT PROGRAM OF 2019- LIQUIDATION
EXTENSION**

The 2019 Budget Act included \$500 million General Fund to fund infrastructure to support development of housing in infill areas. In July 2019, Governor Newsom signed Chapter 159, Statutes of 2019 (AB 101), the housing and homelessness budget trailer bill, which included the creation of the Infill Infrastructure Grant (IIG) Program of 2019. Modeled after the Infill Infrastructure Grant Program of 2007 (IIG Program of 2007), IIG Program of 2019 expanded the opportunity for small jurisdictions (counties with populations of less than 250,000) to obtain funding. It also relaxed some readiness requirements and allocated \$90 million for small jurisdictions to encourage the construction of infrastructure and incentivize housing in communities of all sizes.

BACKGROUND

The current three-year liquidation period may negatively impact several awardees. If program milestones appear unreasonable based on the unknown impacts of COVID-19, commercial construction lenders and other project funders may not execute lending and grant documents. Either of these would result in lack of IIG program participation, causing projects to be delayed or cancelled. This request includes budget bill language authorizing DOF to extend the IIG of 2019 liquidation deadline on a case-by-case basis for COVID-19 related delays.

STAFF COMMENTS

The Subcommittee heard this issue at its March 9, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 17: ONE-TIME ALLOCATION FOR DEFERRED MAINTENANCE

The Governor's budget includes \$10 million (General Fund) in 2021-22 for deferred maintenance and repairs to address critical deficiencies at Office of Migrant Services (OMS) housing centers throughout the state.

BACKGROUND

HCD administers the OMS program, which operates 24 migrant centers with 1,885 housing units and provides housing-related services to more than 11,000 migratory farmworkers and their families. Most of the centers include apartments of between two and four bedrooms per household. While HCD contracts with local housing authorities or nonprofit organizations to operate the centers, HCD is ultimately responsible for repair and maintenance.

In 2018, HCD hired a consultant to complete a physical needs assessment for each of the centers. The physical needs assessments identified \$10.1 million of critical needs recommended for completion within a year, \$14.8 million in additional repairs, and the need for an on-going commitment of funds for maintenance to prevent an increase in the backlog of repairs.

The \$10 million being requested will allow HCD to complete the most urgent repair projects, such as sewer and wastewater rehabilitation, replacement of roofs and siding to prevent water penetration, ADA remediation, and other significant deferred maintenance needs. These repairs will help to preserve 1,885 housing units for a modest investment of \$5,305 per housing unit, compared to the high cost of constructing new housing.

Timeline. HCD will direct center operators to procure contractors for the highest priority rehabilitation needs. The majority of projects are expected to be under contract in 2021-22 with draws for completed work occurring between 2021-22 and 2022-23. HCD will prioritize small contracts at the beginning of 2021-22 for the less complex projects and for initial architectural or engineering work for complex projects. For complex projects requiring architectural or engineering work and/or permitting, the construction contracts may be executed later with work occurring throughout 2023-24.

Past investments:

- \$11 million in Proposition 1C (Chapter 28, Statutes of 2014) funds for OMS.
- \$3.5 million (General Fund) in the 2015 Budget Act.
- \$1.5 million (General Fund) in the 2019 Budget Act.

STAFF COMMENTS

This item was heard at the March 9, 2021, hearing. There were no concerns with at that time. If there is additional funding available, the Subcommittee should revisit this item to increase the allocation.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 18: WORKLOAD ISSUES

The budget includes \$2,924,000 (General Fund) and 11.5 positions in 2021-22, \$1,622,000 (General Fund) and nine positions in 2022-23, and \$125,000 and one position in 2023-24, and ongoing to implement housing laws passed during the 2020 legislative session.

BACKGROUND

These proposals include:

- One time General Fund augmentation of information technology contract funds of \$150,000 to update its Housing Element Tracking System consistent with AB 168 (Chapter 166, Statutes of 2020). AB 168 amended SB 35 (Chapter 366, Statutes of 2017) the streamlined ministerial approval process, and requires a development proponent.
- \$2,634,000 in 2021-22, including a one-time information technology contract funding of \$500,000 to design and implement a portal and software for multi-program NOFA and \$2,134,000 for the 10.5 positions, and \$1,496,000 in 2022-23 for redesign of the multifamily rental housing program consistent with AB 434 (Chapter 192, Statutes of 2020). AB 434 aligns HCD's programs into two areas of funding opportunity: rental and homeownership.
- \$140,000 in 2021-22, and \$125,000 in 2022-23 and ongoing for administrative support for AB 168 and AB 434 to address general workload increases resulting from an increased number of housing bills.

STAFF COMMENTS

The Subcommittee heard this issue at its March 9, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as budgeted.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

VOTE-ONLY ISSUE 19: WORKLOAD RESOURCES

The budget includes \$5.1 million (General Fund) in 2021-22 and \$3.9 million (General Fund) in 2022-23 and ongoing, and 24 positions to provide resources to implement three bills enacted in 2020.

BACKGROUND

SB 1383 (Chapter 86, Statutes of 2020) expands the California Family Rights Act (CFRA) to cover employers of five or more employees and all public employees. SB 1383 expanded in several other ways, including by providing that CFRA leave can be taken to care for a much larger set of family members than currently covered, such as grandparent, grandchildren, siblings, and domestic partners. SB 1383 repeals the New Parent Leave Act (NPLA) as of January 1, 2021, because the NPLA protections will be subsumed by the expanded CFRA regime effective on that date.

AB 1867 (Chapter 45, Statutes of 2020) creates a family leave mediation pilot program for small employers (5-19 employees), allowing them (or an employee) to request mediation with the Department of Fair Employment and Housing (DFEH) prior to an employee filing a lawsuit in court. If mediation is requested, the employee may not pursue a lawsuit until mediation is complete. The mediation would be deemed complete when, at any time after the employer or employee's request, the department notifies the parties that further mediation would be futile. The bill sunsets on January 1, 2024.

SB 973 (Chapter, Statutes of 2020) requires that, on or before March 31, 2021, and on or before March 31 each year thereafter, a private employer with 100 or more employees and who is required to file an annual Employer Information Report (EEO-1 form) under federal law to the Equal Employment Opportunity Commission (EEOC) must submit a pay data report to DFEH that covers the prior calendar year, or "reporting year." Currently, DFEH only receives limited EEO-1 information from EEOC on an ad hoc basis related to specific cases. To implement this bill, DFEH will need to put into place the IT infrastructure to support, secure and utilize the pay data received before the March 31, 2021, collection deadline.

STAFF COMMENTS

This item was heard at the March 9, 2021, hearing and no concerns were brought up at that hearing.

Staff Recommendation: Approve as budgeted. .

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

VOTE-ONLY ISSUE 20: DEPARTMENT OF BETTER JOBS AND HIGHER WAGES

The Governor's budget requests trailer bill language to authorize the creation of the Department of Better Jobs and Higher Wages within the LWDA.

BACKGROUND

The Governor's budget proposed creating the California Department of Better Jobs and Higher Wages to fully integrate policy development and workforce innovation with existing employment, training, and data collection services currently provided by the California Workforce Development Board (CWDB), Employment Development Department (EDD), Department of Industrial Relations (DIR), and the Employment Training Panel (ETP).

STAFF COMMENTS

The Assembly believes that the Labor Agency must focus its attention on fixing the Unemployment Insurance backlog and enforcing labor laws and regulations. The Agency has not made sufficient progress on either of these goals so far in 2021, which will be a continued source of oversight for the Subcommittee in the Fall. The Agency must first address these key concerns for the most vulnerable Californians before a conversation about expanding its role, as envisioned by this new department, could even begin.

The Subcommittee heard this issue at its February 23, 2021 hearing.

Staff Recommendation: Reject proposed Trailer Bill Language.

VOTE-ONLY ISSUE 21: LABOR LAW IMPLEMENTATION AND INTERPRETATION WORKLOAD

The Agency proposed a workload increase BCP in the January Budget.

BACKGROUND

The Governor's budget requests \$765,000 ongoing from the Labor and Workforce Development Fund for 4 positions (2 Attorney III and 2 Associate Governmental Program Analysts) and to increase its capacity to ensure consistent implementation and interpretation of laws within the Labor Agency's jurisdiction.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

VOTE-ONLY ISSUE 22: WORKFORCE DEVELOPMENT BOARD BUDGET PROPOSALS

The January Budget Included two budget proposals for the Workforce Development Board.

BACKGROUND

The Governor's budget includes two CWDB proposals:

1. Apprenticeships and Workforce Services. The Governor's budget proposes \$25 million General Fund to expand the Earn Learn/Apprenticeship training programs. Utilizing the High Road model of sector-led partnership development, CWDB and the Labor and Workforce Development Agency will work with the Division of Apprenticeship Standards, other state workforce development entities, employers, unions, local workforce boards and other community and labor partners to build bridges into good quality jobs, including across multiple employers with shared labor force needs.
2. Encumbrance Extensions. The Governor's budget requests to extend the encumbrance periods of State Operations and Local Assistance funding from the General Fund and the Greenhouse Gas Reduction Fund (GGRF) to fund administrative costs and the continued implementation of the associated programs under each fund.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 23: JANUARY BUDGET INSPECTION STAFF REQUESTS

The January budget includes two budget requests relating to inspection staffing

BACKGROUND

DIR has two proposals for increasing inspection staff:

1. Restoration and Enhancement of Occupational Safety and Health Program. The Governor's budget includes \$14.4 million in 2021-22 and \$13.3 million ongoing from the Occupational Safety and Health Fund for up to 70 positions. In a recent evaluation report, the federal Occupational Safety and Health Administration (OSHA) found that California is delayed in issuing citations after a workplace has been inspected; understaffing is the

2. Elevator Public Safety Unit. The Governor's budget includes \$6.7 million in 2021-22, \$11.6 million 2022-23, and \$11.2 million ongoing from the Elevator Safety Account for 56.5 positions phased-in over two years to reduce inspection backlog, and to conduct mandated conveyance-related activities that are currently unmet. Cal/OSHA Elevator Unit (EU) protects the safety of the public who ride the over 115,000 conveyances (elevators, escalators, moving walkways and other lifts) operating in the State each year.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 24: DIR JANUARY BUDGET PROPOSALS

The Governor's January Budget includes three additional budget proposals for the Department of Industrial Relations.

BACKGROUND

The Governor's budget includes three other January DIR budget proposals:

1. Enhanced Enforcement and Compliance (Various 2020 Legislation). The Governor's Budget requests the following from the Workers Compensation Administration Revolving Fund, Occupational Safety and Health Fund, and the Labor Enforcement and Compliance Fund:

- 43 positions and \$8.7 million in 2021-22
- 43 positions and \$7.7 million in 2022-23
- 41 positions and \$7.3 million 2023-24
- 38 positions and \$6.7 million in 2024-25 and 2025-26
- 8 positions and \$1.7 million in 2026-27 and ongoing

The purpose of this request is to fulfill the provisions of recently chaptered legislation and increase staff workload.

2. Apprenticeships Federal Innovation Grant. The Governor's budget includes \$240,000 from the Federal Trust Fund for the Division of Apprenticeship Standards (DAS) to complete the goals and associated deliverables set forth in the Building State Capacity to Expand Apprenticeship through Innovation federal grant agreement.

3. Schools' Occupational Injury & Illness Prevention Programs. The Governor's budget requests \$175,000 from 2021-22 through 2023-24 and \$55,000 on-going from the Workers' Compensation Administration Revolving Fund (WCARF) to allow the Commission on Health and Safety and Workers' Compensation (Commission) to assist schools in establishing effective occupational Injury and Illness Prevention Programs (IIPP).

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

0845 CALIFORNIA DEPARTMENT OF INSURANCE

VOTE-ONLY ISSUE 25: JANUARY BUDGET PROPOSALS

The January Budget includes two budget requests for this department.

BACKGROUND

The Governor's budget includes the following two proposals:

1. Continuation of Enhanced Fraud Investigation and Prevention Activities. The Governor's budget requests \$6,139,000 General Fund ongoing to convert 34 limited-term positions to permanent positions to support enhanced fraud investigation and prevention efforts in civil whistleblower cases. Additionally, beginning in 2023-24 and every three fiscal years thereafter, CDI is requesting \$640,000 to continue the eDiscovery Software-as-a-Service (SaaS) subscription.

2. Mental Health or Substance Use Disorders (SB 855). The Governor's budget includes \$81,000 from the Insurance Fund in 2021-22 and \$70,000 in 2022-23 and ongoing to monitor insurer compliance as mandated by Chapter 151, Statutes of 2020 (SB 855).

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

0840 STATE CONTROLLER'S OFFICE

VOTE-ONLY ISSUE 26: CALIFORNIA STATE PAYROLL SYSTEM

The Governor's Budget includes a proposal for the California State Payroll System IT project.

BACKGROUND

The Governor's budget requests the following to support the California State Payroll System (CSPS) through the continuation of the California Department of Technology (CDT) Project Approval Lifecycle (PAL) Stages 3 and 4:

- \$5.472 million (\$3.12 million General Fund [GF] and \$2.353 million Central Service Cost Recovery Fund [CSCRF]) for 7 positions (one-year limited-term and 6 permanent) in 2021-22.
- \$1.02 million (\$581,000 GF and \$439,000 CSCRF) and 6 positions in 2022-23.
- \$1.013 million (\$577,000 GF and 436,000 CSCRF) in 2023-24.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 27: JANUARY BUDGET PROPOSALS

The January Budget included three other budget proposals for the Controller.

BACKGROUND

The Governor's budget includes the following three proposals:

1. Local Government-Internal Control Reviews. The Governor's budget requests \$406,000 General Fund and \$306,000 Central Service Cost Recovery Fund (CSCRF)

ongoing, and a corresponding decrease in reimbursement authority to fund 5 existing positions to perform investigative audits and reviews of the oversight of local government agencies, a total of \$712,000.

An April technical adjustment to this proposal would replace the Cost Recovery fund with General Fund.

2. SCO Information Security Program Workload and Continuity of Operations Program. The Governor's budget requests \$ 234,000 General Fund and \$74,000 Unclaimed Property Fund (UPF) (\$308,000 total), and \$218,000 General Fund and \$69,000 UPF ongoing (\$287,000 total) for 2 positions to validate compliance with statewide information security policy, standards, and procedures; verify SCO's internal information security systems and policies are in place and functioning as intended; and to support business continuity operations.
3. SCO Infrastructure and Operational Costs. The Governor's budget includes \$1.126 million General Fund, \$474,000 Unclaimed Property Fund (UPF) (\$1.6 million total) ongoing to support increased infrastructure and operational costs associated with personnel services, training, statewide fees, and contracted costs.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

The proposed technical change to this proposal addressing a concern with the allowable use of a special fund and appears appropriate.

Staff Recommendation: Approve as Budgeted, with conforming April technical change to the Local Government-Internal Control Review proposal

VOTE-ONLY ISSUE 28: Fi\$CAL AUDIT WORKLOAD

An April fiscal letter requests to continue funding for the Controller to address ongoing audit work related the Fi\$CAL accounting system.

BACKGROUND

An April Fiscal Letter requests \$408,000 (\$233,000 General Fund) to support 3 existing positions to perform pre-payment audits of Fi\$Cal vouchers pursuant to Government

Code Section 12410. These positions were funded with one-time General Fund/Central Service Cost Recovery Fund, which expires on June 30, 2021.

STAFF COMMENTS

These audit requests will be ongoing and continuing the funding for this purpose is appropriate.

Staff Recommendation: Adopt Spring Fiscal Letter

7501 DEPARTMENT OF HUMAN RESOURCES

VOTE-ONLY ISSUE 29: CALIFORNIA STATE PAYROLL SYSTEM

The January Budget included one position for CalHR's role in the CSPS project.

BACKGROUND

The Governor's budget requests \$230,000 General Fund and 1 permanent position to serve as the Enterprise Human Resources Project Director. CalHR is working with Department of Technology (CDT) and the State Controller's Office (SCO) to re-engineer the California State Payroll System (CSPS), which will be the new HR management and payroll system. The Enterprise HR solution will provide tracking and reporting on all state employees with an employee ID throughout their state career, and it will be the central location that tracks all employee information for all statewide HR solutions that come on board.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 30: DEPARTMENT OF HUMAN RESOURCES JANUARY BUDGET WORKLOAD REQUESTS

The January budget included two proposals associated with increased departmental workload and the movement of substance abuse testing responsibility within the department.

BACKGROUND

The Governor's budget included two CalHR proposals:

1. Statewide Human Resources Support. The Governor's budget requests \$836,000 General Fund ongoing for 5 permanent positions to provide direct assistance and oversight in supporting departmental personnel units with complex workload, resolving audit findings, assisting with surge staffing for crises, and other human resources needs.
2. Substance Abuse Testing Program Alignment. The Governor's budget includes a proposal to permanently transfer the Controlled Substance Abuse Testing Program from the Benefits Division to the Pre-Employment Division.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 31: DEPENDENT VERIFICATION TRAILER BILL

CalHR has requested budget trailer bill language to assume responsibility for state employee dependent verification documentation for benefits.

BACKGROUND

The Public Employees' Medical and Hospital Care Act, administered by the Board of Administration of the Public Employees' Retirement System, governs the funding and provision of postemployment health care benefits for eligible retired public employees and their families. PEMHCA requires the employing office of a state employee or state annuitant, pursuant to standards established by the Department of Human Resources, to possess documentation verifying eligibility of an employee's family member prior to the enrollment of a family member in a health benefit plan and to verify continued eligibility pursuant to a specified schedule. PEMHCA requires the employing office to obtain verifying information for certain family members, including children and stepchildren, at least once every 3 years.

The proposed trailer bill would remove this responsibility from CalPERS and move it to CalHR. Additionally, the new language would clarify that employees would not need to verify their relationship with their biological children every three years.

STAFF COMMENTS

This trailer bill reflects a technical shift in responsibility for employee documentation between CalPERS and CalHR that will likely be more efficient and easier for state employees.

Staff Recommendation: Adopt Proposed Trailer Bill Language

0890 SECRETARY OF STATE

VOTE-ONLY ISSUE 32: HELP AMERICA VOTE BUDGET PROPOSALS

The Governor's January Budget includes two budget proposals related to federal Help America Vote Act funding.

BACKGROUND

The January budget includes two proposals:

1. Help America Vote Act - VoteCal. The Governor's budget requests \$9.789 million in spending authority in 2021-22 from the Federal Trust Fund to cover the maintenance and operations, data analysis, security assessment, further increased Department of Motor Vehicles (DMV) and California Department of Technology (CDT) connectivity costs, and Election Management System (EMS) support and verification for the VoteCal statewide voter registration system.
2. Help American Vote Spending Plan. The Governor's budget includes \$22.735 million in expenditure authority for 2021-22 from the Federal Trust Fund to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 33: IMPLEMENTATION OF RECENT LEGISLATION

The Governor's January Budget includes two proposals to implement two bills related to the Secretary of State.

BACKGROUND

The Governor's budget includes funding for the SOS to implement legislation:

1. California Automated Lobbying and Campaign Contributions and Expenditure Search System (CAL-ACCESS) Replacement System Project. The Governor's budget requests \$7.4 million ongoing for 12 positions and maintenance and operation of the CAL-ACCESS Replacement System to meet the mandates of Chapter 845, Statutes of 2016 (SB 1349, Hertzberg) and Chapter 30, Statutes of 2019 (SB 84, Committee on Budget and Fiscal Review). This proposal was amended with an April Fiscal Letter request for a marginal change in costs to the Governor's Budget proposal in the amount of \$3,225,000 in FY 2021-22 and \$2,850,000 in FY 2022-23 for additional maintenance activities.
2. Statements of Information Labor Judgment Language (AB 3075). The Governor's budget includes \$216,000 in 2021-2022 and \$79,000 in 2022-23 ongoing from the Business Fees Fund to support 1 permanent Program Technician II position to implement Chapter 357, Statutes of 2020 (AB 3075).

AB 3075 requires corporations and limited liability companies to certify whether specified officers/directors or managers/members of the entity have an outstanding final judgment issued by the Division of Labor Standards Enforcement or a court of law. This requirement will be set forth on the Statement of Information form and an entity will need to assert whether or not there is an existing outstanding judgment against any officer, director, member or manager.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

The April adjustment appears technical and appropriate.

Staff Recommendation: Approve as Budgeted, as amended by the April Fiscal Letter

VOTE-ONLY ISSUE 34: CORPORATIONS: BOARD OF DIRECTORS: UNDERREPRESENTED COMMUNITIES (AB 979)

The Governor's budget requests \$343,000 in 2021-22 and \$333,000 ongoing from the Business Fees Fund to for 2 positions needed to implement Chapter 316, Statutes of 2020 (AB 979).

AB 979 requires a publicly held domestic general stock corporation or foreign corporation, with a principal executive office located in California to have a minimum of one director from an underrepresented community on its board of directors no later than December 31, 2021. The law requires, no later than December 31, 2022, such a corporation with more than 4 but less than 9 directors to have a minimum of 2 directors from underrepresented communities, and such a corporation with 9 or more directors to have a minimum of 3 directors from underrepresented communities. AB 979 requires the SOS to publish a compliance report on or before March 1, 2022 and annually thereafter.

STAFF COMMENTS

The Subcommittee heard this issue at its March 2, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted**VOTE-ONLY ISSUE 35: BUSINESS SERVICE AND ADMINISTRATIVE WORKLOAD**

The Governor's January Budget includes three proposals for business services and administrative workload at the Secretary of State.

BACKGROUND

The Governor's budget includes three other SOS budget proposals:

1. California Business Connect Project. The Governor's Budget requests \$11.6 million in 2020-21 special funds to continue implementation of the California Business Connect (CBC) project.

The SOS has the responsibility for processing and filing important commerce and trade documents including business formations, changes, and terminations. Many business entity documents and information requests are submitted to the SOS via mail or in-person in Sacramento and Los Angeles. The SOS currently relies on several antiquated electronic and "paper" databases systems in order to process more than 2 million business filings and requests for information submitted on an annual basis.

2. Business Programs Division Processing Times. The Governor's budget includes \$5.1 million from the Business Fees Fund in 2021-22 for 47 positions, temporary help, and overtime maintain the five business day or better turnaround time for Business Filings and Statements of Information, as sought by the SOS and Legislature until California Business Connect (CBC) is fully implemented.

3. Human Resources Bureau Critical Administrative Support. The Governor's budget includes \$783,000 (\$555,000 from the Business Filings Fees Fund [BFF] and \$228,000 General Fund [GF]) in 2021-22 and \$753,000 (\$534,000 BFF and \$219,000 GF) in 2022-23 and ongoing to fund 6 permanent full-time positions for the Human Resources Bureau (HRB).

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 36: CONTINUATION OF LIMITED TERM ACCOUNTING RESOURCES

The Governor's budget requests \$1.6 million (\$1.1 million Businesses Fees Fund and \$463,000 General Fund) in 2021-22 and ongoing for 12 positions, 10 of which are existing and 2 new positions, to reduce ongoing backlogs that cause staff overtime, challenges with employee retention, and delays in payment.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

VOTE-ONLY ISSUE 37: BUSINESS MODERNIZATION AND RESPONSIBLE BEVERAGE SERVICE

The Governor's January budget included one proposal for the ABC.

BACKGROUND

The Governor's budget requests \$2,943,000 from the Alcohol Beverage Control Fund in 2021-22 for ongoing support costs following the completion of the Business Modernization and Responsible Beverage Service (BizMod/RBS) project.

STAFF COMMENTS

The Subcommittee heard this issue at its February 23, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

3100 EXPOSITION PARK

VOTE-ONLY ISSUE 38: PARK FUND BACKFILL

An April Fiscal Letter requests a \$11.9 million General Fund backfill for Exposition Park for park revenue lost due to the COVID-19 pandemic.

BACKGROUND

Exposition Park requests up to \$11,900,000 General Fund be made available for transfer to the Exposition Park Improvement Fund (EPIF) to offset lost revenues resulting from the state and county public-health mandates resulting from COVID-19. Due to COVID-19 restrictions, the EPIF has generated no special event rental fees and no parking revenues from daily or special events. Nonetheless, the regular park operations, public safety, landscaping, administration, and management must still occur to maintain state property safely and reduce potential liabilities.

STAFF COMMENTS

While staff recommends approving the proposed backfill, this recommendation is made with the hope that the administration will explore using federal funds to backfill for this lost revenue in lieu of General Fund.

Staff Recommendation: Adopt Spring Fiscal Letter

DEPARTMENT OF CONSUMER AFFAIRS

VOTE-ONLY ISSUE 39: BUSINESS SERVICES

The Department has two January budget proposals related to business services.

BACKGROUND

The Governor's budget includes two proposal for DCA:

1. Business Modernization – Cohort 1. The Governor's Budget includes \$1,745,000 in 2021-22 to fund Business Modernization Cohort 1 software licensing, project management, maintenance, credit card services, technical knowledge transfer, and 3.5 existing positions. The request includes funds from the Acupuncture Fund, State Board of Chiropractic Examiners Fund, Private Postsecondary Education Administration Fund, and the Professional Engineer's, Land Surveyor's, and Geologist's Fund.

The sixteen boards and bureaus not currently on the BreEZe system are proceeding individually through a structured business modernization initiative to identify and implement business and technology improvements. This initiative includes both organizational readiness activities such as process mapping and functional requirement development, as well as project planning through the California Department of Technology's four-stage Project Approval Lifecycle.

2. Continued Resources for Accounting and Business Services Workload. The Governor's budget requests \$436,000 in 2021-22 and ongoing to support 1 existing position in the Business Services Office and 2 existing positions in the Fiscal Operations Office, which were received in 2019-20 with two years of limited-term funding. This request includes funds from 39 board and bureau funds.

In July 2017, DCA was on-boarded and began transacting in the new Financial Information System for California (FI\$Cal). This transitional year posed significant process changes that created many challenges and hurdles to overcome. DCA's needs have since shifted as the system continues to mature and functionality becomes more streamlined. However, both the volume and the steps involved to process transactions in FI\$Cal still require the need to address ongoing workload that justifies and will require permanent funding for 3 of the 7 positions requested in DCA's 2019-20 BCP.

STAFF COMMENTS

The Subcommittee heard this issue at its February 9, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 40: INFORMATION TECHNOLOGY SECURITY

The January budget include an information technology security proposal for DCA.

BACKGROUND

The Governor's budget requests 2 positions and \$2.0 million in 2021-22 and \$1.7 million ongoing from Special funds to meet State of California mandated information technology security regulations and processes across all five department domains.

STAFF COMMENTS

The Subcommittee heard this issue at its February 9, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 41: REGULATIONS UNIT

DCA's January budget includes a proposal for the regulations unit.

BACKGROUND

The Governor's budget requests \$1,674,000 in 2021-22 and 2022-23 from Special funds to continue supporting 8 existing positions (6 Attorney IIIs, 1 Senior Legal Analyst, and 1 Research Data Specialist II) in the Department's Regulations Unit.

STAFF COMMENTS

The Subcommittee heard this issue at its February 9, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 42: BOARD AND BUREAU WORKLOAD

DCA has several minor workload budget changes.

BACKGROUND

The Board and Bureau workload request is as follows:

1. Bureau of Automotive Repair (BAR) – \$2.3 million in 2021-22 and 2022-23, from the High Polluter Repair or Removal Account, to increase repair assistance to consumers when their vehicles fail a Smog Check inspection. BAR projects that the number of vehicles repaired could increase from 2,093 in 2018-19 to over 9,000 in 2021-22, with expenditures totaling \$7,302,189.
2. Veterinary Medical Board – \$430,000 in 2021-22, \$406,000 in 2022-23, \$246,000 in 2023-24 and ongoing from the Veterinary Medical Board Contingent Fund, for 3 positions (Staff Services Manager I, Associate Governmental Program Analyst, and Office Technician), to sufficiently address oversight and probation monitoring workload. Funding for the Staff Services Manager I is requested on a two-year limited-term basis.
3. Board of Psychology – \$178,000 in 2021-22, \$192,000 in 2022-23, \$200,000 in 2023-24, and \$207,000 in 2024-25 ongoing from the Psychology Fund to expand the Board's expert witness budget and to support court reporter expenses.
4. Contractor's State License Board (CSLB) – CSLB requests Budget Bill language to authorize the augmentation of its Construction Management Education Account (CMEA) appropriation, to provide the flexibility to increase the grants awarded from the fund based on the amount of contributions made to the CMEA.
5. Board of Optometry. The Governor's budget includes \$60,000 ongoing from the Optometry Fund for continued optometry examination development and validation. The requested spending authority is needed to develop and administer competency tests for licensure, to meet the Board's statutory requirement of public protection.

STAFF COMMENTS

The Subcommittee heard this issue at its February 9, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 43: LEGISLATIVE WORKLOAD

The DCA request funding to implement bills that impact three of its boards/bureaus.

BACKGROUND

The Department has made three requests to implement recent legislation:

1. Board of Optometry – Mobile Optometric Office License (AB 896). The Governor's Budget requests \$262,000 in the 2021-2022, \$246,000 in 2022-23 and 2023-24 from the Optometry Fund for 2 three-year limited-term positions to address anticipated workload as a result of AB 896, Chapter 121, Statutes of 2020. AB 896 creates a new licensure type for mobile optometric offices, which is affiliated with nonprofit and charity care organizations to provide optometric services to patients regardless of the patient's ability to pay. AB 896 will sunset on July 1, 2024.

2. Cemetery and Funeral Bureau - Endowment funds (AB 795). The Cemetery and Funeral Bureau requests \$86,000 in 2021-22, and \$78,000 in 2022-23 and ongoing, from the Cemetery and Funeral Fund, for a 0.5 Associate Management Auditor position to address the additional workload related to the requirements of Chapter 309, Statutes of 2019 (AB 795). AB 795 authorizes a cemetery authority's endowment care fund to convert to a unitrust distribution method from a net income distribution method and set appropriate limits on trustee compensation. AB 795 increases the Bureau's annual review requirements and required additional analyses of licensed cemetery authorities' initial applications. The addition of the new workload cannot be addressed with existing resources because existing positions are being utilized to their maximum capacity.

3. Licensure with Criminal Background (Structural Pest Control Board). The Structural Pest Control Board (Board) is requesting \$188,000 in 2021-22, \$180,000 in 2022-23 and 2023-24 from the Structural Pest Control Fund, for 1 position to address the additional workload associated with implementing Chapter 995, Statutes of 2018 (AB 2138), and oversee the Board's probation monitoring.

AB 2138 provides that boards regulated under the Department of Consumer affairs may not deny a license on the basis that an applicant has been arrested or convicted for a felony or misdemeanor, with some exceptions. AB 2138 provides that a board cannot require an applicant to disclose information about criminal history; however, the Board may ask for mitigating information about such history if the Board notifies the applicant that they are providing that documentation voluntarily and their decision not to provide it will not be used against them.

STAFF COMMENTS

The Subcommittee heard this issue at its February 9, 2021 hearing and no concerns were raised at that hearing.

Staff Recommendation: Approve as Budgeted**VOTE-ONLY ISSUE 44: APRIL FISCAL LETTERS**

There were three proposals in recent April Fiscal Letters related to the Consumer Affairs.

BACKGROUND

The Department of Finance proposed three Spring Fiscal Letters related to Consumer Affairs:

1. The Department of Consumer Affairs requests one-time funding of \$4,346,000 and 8.0 positions to allow the Structural Pest Control Board, the California Architects Board/Landscape Architects Technical Committee, the Cemetery and Funeral Bureau, and the Bureau of Household Goods and Services to begin implementing their selected Business Modernization software alternative, consistent with the Department's Business Modernization Plan.
2. The Department of Consumer Affairs' Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board requests one-time funding of \$1,117,000 and 2.0 positions to complete planning activities and begin implementing its selected Business Modernization software alternative, consistent with the Department's Business Modernization Plan.
3. The Bureau of Security and Investigative Services is requesting \$800,000 in fiscal year 2021-22 and 2022-23 to support increased Attorney General (AG) services as a result of Chapter 800, Statutes of 2016 (SB 1196), requiring all firearm assessment appeals be referred to the AG's Office.

STAFF COMMENTS

The proposed additions to the business modernization plan are in line with the expectations of the progress of DCA on that effort.

The other proposal is minor expenditures of special funds on existing initiatives.

Staff Recommendation: Adopt Spring Fiscal Letters

VOTE-ONLY ISSUE 45: APRIL FISCAL LETTER: LICENSED PHYSICIANS AND DENTISTS FROM MEXICO PILOT PROGRAM

There was one proposal in recent April Fiscal Letters related to the Consumer Affairs expenditure of donations for the Licensed Physicians and Dentists for Mexico pilot program.

BACKGROUND

The Medical Board of California is requesting three-year limited term funding of \$242,000 in fiscal year 2021-22, \$341,000 in 2022-23, and \$275,000 in 2023-24 to align the appropriation for the Licensed Physicians and Dentists from Mexico Pilot Program (program) to match the revised timeline for the program's implementation as required by Chapter 1157, Statutes of 2002 (AB 1045).

AB 1045 established the program within Business and Professions Code (B&P) section 853 and authorizes up to 30 licensed physicians from Mexico specializing in family practice, internal medicine, pediatrics, and obstetrics and gynecology to practice medicine in California, upon approval and under specific restrictions, for a period not to exceed three years. The Board is responsible for overseeing the implementation and evaluation of the program.

While funding was authorized beginning in 2018-19, program requirements have taken additional time to achieve; therefore, only a portion of the original appropriation authorized for the program has been utilized. Through 2019-20, the Board has expended approximately \$132,000 of the original appropriation to review physician and community health center applications and review and evaluate the orientation programs.

STAFF COMMENTS

The proposed fund realignment has no General Fund costs and this request appears technical in nature.

Staff Recommendation: Adopt Spring Fiscal Letter

1750 CALIFORNIA HORSE RACING BOARD

VOTE-ONLY ISSUE 46: HORSE AND JOCKEY SAFETY AND WELLNESS ACT IMPLEMENTATION

As Spring Fiscal Letter makes a fund shift to fund a recently enacted bill.

BACKGROUND

The California Horse Racing Board submitted a Spring Fiscal letter to implement a recently enacted bill within existing funding.

The California Horse Racing Board (CHRB) requests a decrease in expenditure authority of \$434,000 Horse Racing Fund and 2.0 positions in 2021-22, \$662,000 in 2022-23, and \$890,000 in 2023-24 and ongoing. CHRB also requests an increase in expenditure authority of \$890,000 Horse and Jockey Safety and Welfare Account in 2021-22 and ongoing and 2.0 positions to fulfill the requirements of Chapter 251, Statutes of 2020 (AB 1974 Gray), which provides additional revenue sources for enhanced equine and jockey safety measures consistent with the statewide implementation of safety review panels designed to effectively assess the fitness of horses prior to racing.

These requests will result in a net-zero funding shift by 2023-2

STAFF COMMENTS

This no cost proposal implements a bill enacted last year.

Staff Recommendation: Adopt Spring Fiscal Letter

8995 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 47: CALVET ELECTRONIC HEALTH RECORD PROJECT: PHASES 2 AND 3

The January budget included funding for the CalVET electronic health record project.

BACKGROUND

The 2020 Budget Act included \$1.195 million General Fund for the first year of the CalVet CEHR system project. CalVet utilizes paper and multiple EHR systems; consequently, the information on current outcomes is unavailable.

Once the new LTC EHR solution is fully implemented in all eight homes, the system will eliminate the usage of paper in health records—as well as the other EHR systems currently in use—thus reducing the risk of error and allowing CalVet to measure outcomes such as the accuracy rate of orders. Having a single cohesive LTC EHR will improve all current outcomes along with helping the Homes evolve and progress technologically.

STAFF COMMENTS

This issue was heard at the February 9 hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 48: OTHER JANUARY CALVET PROPOSALS

The January budget included four other CalVET proposals.

BACKGROUND

The January budget includes four other budget proposals for CalVET:

1. Northern California Veterans Cemetery (NCVC), Igo: Columbaria Expansion. The Governor's budget includes \$296,000 General Fund for 2,000 columbaria niches, a display vault that holds cremation urns. The scope includes the construction of ten new columbaria, each consisting of 100 niches on each side, totaling 2,000 additional niches; new walk-ways, ramps, curbs and gutters; landscaping; and irrigation.
2. Northern California Veterans Cemetery (NCV), Igo: Water System Upgrade. The Governor's budget requests \$954,000 General Fund for the water system upgrade at the NCVC in Igo, California necessary to continue construction of the Veterans Memorial Building.
3. Veterans Home of California-Yountville Water Treatment Plant Upgrades. The Governor's budget proposes \$2.1 million General Fund in 2021-22 for the required renovations for the water treatment plant at the Rector Reservoir near the Veterans Home of California-Yountville.

Rector Dam was built by the State of California in 1946 and CalVet operates the reservoir and water treatment plan, which supplies drinking water to the Veterans Home of California-Yountville (VHC-Y), Napa State Hospital, Department of Fish and Wildlife, Town of Yountville, and surrounding wineries. An independent evaluation found that filters

in the reservoir need replacement or repair. The 2019-20 Budget Act included \$2.5 million to address deferred maintenance at VHC-Y, including replacement of filters, but those funds were redirected to fix an emergency water line break at Veterans Home of California -Barstow.

4. Rector Creek Instream Flow and Fish Condition Assessment Study. The Governor's budget requests a re-appropriation of \$275,000 General Fund to complete the Rector Creek Instream Flow and Fish Condition Assessment Study, which was delayed due to dry rainy seasons, by June 30, 2023. This re-appropriation is necessary to complete the study, which is a part of a settlement agreement between CalVet and Water Audit, California.

STAFF COMMENTS

These issues were heard at the February 9 hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 49: SPRING FISCAL LETTER: YOUNTVILLE STEAM DISTRIBUTION SYSTEM--REAPPROPRIATION

A Spring Fiscal letter for CalVETs requests a reappropriation of funding for a project currently underway.

BACKGROUND

A Spring Fiscal Letter for the California Department of Veterans Affairs (CalVet) requests the reappropriation of \$7,833,000 in Public Buildings Construction Fund for the construction phase of the Steam Distribution System Renovation project at the Veterans Home of California-Yountville (VHC-Yountville). The reappropriation is necessary due to delays from the United States Department of Veterans Affairs (USDVA) awarding grant funding for projects. The state cannot proceed to bid until the grant has been officially awarded to CalVet. The project is expected to begin construction in February 2022 and be completed by January 2024.

STAFF COMMENTS

This proposal is technical and extends funding for a project previously approved by the Subcommittee.

Staff Recommendation: Adopt Spring Fiscal Letter

8620 FAIR POLITICAL PRACTICES COMMISSION

VOTE-ONLY ISSUE 50: LEGISLATIVE WORKLOAD

The January budget includes two proposal for FPPC to implement recent legislation.

BACKGROUND

The January budget includes two proposal for FPPC legislative workload:

1. Local Campaign Filings - Online Filing and Disclosure Systems (AB 2151). The Governor's budget requests \$121,000 General Fund in 2021-22, \$114,000 in 2022-23 ongoing for 1 Political Reform Consultant, a permanent position to implement the provisions of Chapter 214, Statutes of 2020 (AB 2151).
2. Continuation of California Disclose Act Workload. The Governor's budget includes \$430,000 General Fund in 2021-22 and ongoing to fund 3 existing limited-term funded positions on a permanent basis to continue interpretation, outreach and education, enforcement, and refinement for continuing workload associated with the provisions of Chapter 546, Statutes of 2017 (AB 249).

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

2320 DEPARTMENT OF REAL ESTATE

VOTE-ONLY ISSUE 51: JANUARY BUDGET PROPOSALS

The Department of Real Estate has two January Budget proposals.

BACKGROUND

The January Budget includes two proposal for the Department of Real Estate:

1. Accounting Workload: The Department of Real Estate requests \$125,000 in 2021-22 and \$117,000 in 2022-23 and ongoing, from the Real Estate Fund (0317), and 1.0 Senior Accounting Officer (Specialist) position and 1.0 two-year limited-term Accounting Officer (Specialist) position to support the accounting activities in Fiscal Operations.
2. Call Volume Workload: The Department of Real Estate requests three-year limited-term funding of \$414,000 in 2021-22, and \$374,000 in 2022-23 and 2023-24, from the Real Estate Fund (0317) and 5.0 Program Technician IIs, to support the Licensing Program, Information Section. These resources are to address long call wait times.

STAFF COMMENTS

These two proposals for minor increases in special fund expenditures appear justified by the supporting documents provided by the Department of Real Estate and Department of Finance.

Staff Recommendation: Approve as Budgeted

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 52: STATE BUILDING CONSTRUCTION AND MAINTENANCE

The January budget includes five facility-related proposals and a trailer bill that were considered by the Subcommittee in February.

BACKGROUND

The Governor's budget includes two budget proposals to advance two building projects in Sacramento, additional ongoing expenditures for facility maintenance staff at two newly opening state buildings, and fire safety improvements at three state buildings.

1. Bateson Building Renovation Design-Build

The budget includes a proposal to start the three-year \$196.8 million renovation of the Bateson building, currently the home of the Health and Human Services agency, located

at 1600 9th St. in Sacramento. The Bateson building is recognized as an architecturally significant building for its use of design elements for energy conservation and architectural character, which was considered cutting-edge when the building was opened in 1981. However, the building has significant structural and life safety issues that need to be addressed once the current tenants move to the newly built Allenby building. The department proposes a streamlined Progressive Design-Build approach, which is being used to build the 10th and O Street Legislative Office building. The department believes using this expedited process will save \$2.9 million over a traditional design-build and allow the project to be completed five months earlier. The funding for the design build would come from the Public Building Construction Fund.

2. Resources Building Restoration Design-Build

The budget includes a proposal for \$461 million Public Building Construction Fund funding to renovate the “old” Resources building at 1416 9th St in Sacramento. The building contains approximately 520,000 net usable square feet, and is necessary to fulfill office space needs in the Sacramento Region. This building has a potential capacity of approximately 2,500 staff, and is a prominent state asset in a desirable downtown location.

This project includes critical life safety upgrades, code deficiency corrections, and space modernization that will allow the building to be reutilized. Current tenants will relocate to the New Natural Resources Agency Headquarters Building in the Fall of 2021, at which time the 1416 9th St. building will be vacant, providing a “once in a building lifetime” opportunity to complete a comprehensive renovation. Proposed backfill tenants include the Employment Development Department (EDD) offices currently occupying 800 Capitol Mall, 750 N Street, and 751 N Street, and other departments within the Labor and Workforce Development Agency.

3. New Building Operations and Support

The department is requesting authority to add 105 positions for Facilities staff to maintain the new Allenby and Resources buildings in Sacramento. The additional positions reflect the fact that these buildings are larger and also include public-facing spaces, like a restaurant and an auditorium at the Resources building, which will necessitate additional cleaning staff. The department will charge the tenant departments for these staff, when needed and based on need. This proposal provides the maximum authority of staff that could be added as these buildings become operational.

4. Fire Alarm System Upgrades

The Department of General Services proposes one-time \$20 million General Fund to upgrade fire alarm systems at three state buildings. Specifically, \$7.6 million of upgrades to the Ronald M. George building in San Francisco, \$7 million for the Reagan building in

Los Angeles, and \$5.4 million for the Attorney General building in Sacramento. The department notes in its proposal that these fire alarm and suppression systems are all over two decades old and have various deficiencies that need to be addressed

5. Progressive Design-Build Trailer Bill

The Governor's budget includes a statutory change allow for the progressive design-build authority, which is assumed for several of the projects proposed in the budget.

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

The budget also included a proposal related to renovating the Unruh building, that project is not included in this action and is subject to continued discussions relating to the temporary re-location of staff currently at the facility and the possible funding of the fountain as part of the project.

The proposed trailer bill is adopted as placeholder to allow staff to consider technical and clarifying changes to the proposed language.

Staff Recommendation: Approve as Budgeted and Adopt Placeholder Trailer Bill Language

VOTE-ONLY ISSUE 53: JANUARY BUDGET DGS PROPOSALS

The January budget includes five other proposals previously considered by the Subcommittee.

BACKGROUND

The January Budget included five other proposals from DGS:

1. State Architect Detectable Warnings Surfaces: The Department of General Services, Division of the State Architect (DSA) requests a one-time budget authority increase of \$1.3 million in the Disability Access Account for fiscal year 2021-22 to complete a statutorily mandated study of detectable warning surfaces. Detectable warning surfaces are required by the federal Americans with Disabilities Act Accessibility Guidelines (ADAAG) and the California Building Code.

2. State Architect Oversight Workload Adjustment: The Department of General Services (DGS) Division of the State Architect (DSA) requests an expenditure authority increase of \$11.035 million (\$9.320 million for the Public School Planning, Design, and Construction Review Revolving Fund (Fund 0328) and \$1.715 million for the Disability Access Account (Fund 0006)), and 26.0 permanent positions beginning in fiscal year 2021-22 to provide necessary resources to manage increasing public school construction workload and required oversight.
3. Contracted Fiscal Services Workload: The Department of General Services Contracted Fiscal Services requests \$1.146 million (\$567,000 General Fund) and 7.0 positions to provide administrative services for four new client agencies: the California African American Museum, the Native American Heritage Commission, and the Delta Protective Commission.
4. Office of Risk and Insurance Management, Emergency Management: The Department of General Services, Office of Risk & Insurance Management requests \$300,000 in ongoing Service Revolving Fund expenditure authority and 2.0 permanent positions to support the increased demand for departmental and statewide emergency management functions, specific to statewide resiliency and emergency planning. These additional resources reflect the additional workload from the department's role in disasters and emergencies.

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 54: ELECTRIC VEHICLE INFRASTRUCTURE

The Department of General Services (DGS) Office of Sustainability (OS) requests a one-time budget augmentation of \$51.3 million (\$50 million General Fund). This request is to fund year five of the DGS Zero Emission Vehicles (ZEV) Five-Year Infrastructure Investment Plan (2017-18 through 2021-22) to continue performing installations of Electric Vehicle Service Equipment (EVSE) at state-owned and leased facilities, to meet California's transportation and greenhouse gas goals.

STAFF COMMENTS

This issue was heard at the February 9, 2021, hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

7502 DEPARTMENT OF TECHNOLOGY

VOTE-ONLY ISSUE 55: INCREASE TECHNOLOGY RESOURCES DUE TO CRISIS RESPONSE

The California Department of Technology (CDT) requests 17.0 positions and \$11,430,000 General Fund in Fiscal Year (FY) 2021-22, \$9,430,000 in 2022-23, and \$6,430,000 ongoing to invest in proactive measures to stabilize critical services and enhance performance statewide, particularly in light of the challenges faced during COVID-19. Additionally, CDT will augment resources to support the State's Broadband for All initiative (two positions). CDT requires a mix of additional staff (\$2.9 million Personal Services), and external support to help pivot its operating model accordingly, including \$8.5 million for external consulting or contracted specialized expertise.

STAFF COMMENTS

This issue was heard at the February 9, 2021, hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 56: CHANGING FUNDING SOURCES FOR EXISTING SECURITY STAFF

The California Department of Technology requests a \$20.965 million General Fund augmentation in Fiscal Year 2021-22 and ongoing to convert 49.0 existing Office of Information Security positions currently funded through the Technology Services Revolving Fund. The requested funding will ensure that the department's Security Operations Center and the Information Security Program Audit can continue to provide critical statewide security benefits to state entities while enabling those state entities to focus their limited resources on remediating identified security vulnerabilities. This request will be accompanied by a trailer bill to allow for CDT to receive General Funds for audits. This proposal includes a small technical trailer bill provision, which conforms to the funding shift.

STAFF COMMENTS

This issue was heard at the February 9, 2021, hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted and Adopt Trailer Bill Language

VOTE-ONLY ISSUE 57: CA.GOV INCREASED STAFFING SPRING FISCAL LETTER

The Department of Technology included a Spring Fiscal Letter for staff to restructure the state's main web portal.

BACKGROUND

The California Department of Technology (CDT) requests 10.0 positions and \$2,252,000 in General Fund in Fiscal Year (FY) 2021-22 and FY 2022-23 to build a dedicated team to focus on the development and continued evolution of the re-imagined CA.gov web portal and expand the CAWeb team to increase capacity and reduce time required for onboarding partner agency websites into the state's web enterprise platform.

STAFF COMMENTS

In 2018 the Subcommittee raised concerns that the establishment of the new Office of Digital Innovation would fracture responsibility and undermine the work of the Department of Technology. The proposed funding of further implementation of the Ca.gov website within Department of Technology is responsive to the concerns raised by the Subcommittee by using the Office to establish "Alpha" innovations and piloting, but using the Department for full-scale implementation efforts. This shared relationships allows the Office to continue its creative and entrepreneurial efforts while looking to the Department to implement at scale.

Staff Recommendation: Approve as Budgeted

0650 OFFICE OF PLANNING AND RESEARCH

VOTE-ONLY ISSUE 58: JANUARY OPR BUDGET REQUESTS

The January budget includes three proposals for OPR.

BACKGROUND

The Department has three budget proposals in the January budget:

2. Regional Climate Collaborative Program Implementation. The Office of Planning and Research requests 3 positions and \$508,000 General Fund in 2021-22 and ongoing to continue establishing the Regional Climate Collaborative (RCC) program and continue developing and implementing technical assistance guidelines for state agencies. This investment would build and continue existing efforts to assist applicants, especially from disadvantaged and lowest-income communities, in applying for various California Climate Investment programs, including the Affordable Housing and Community Services program.

3. Volunteer and Donation Management Planning Guidance (Implementation of AB 2213) The California Volunteers, within the Office of Planning and Research, and the Governor's Office of Emergency Services request \$348,000 General Fund to develop planning guidance for jurisdictions to leverage volunteer and donation resources during disasters per the mandates of AB 2213 (Chapter 98, Statutes 2020, Limon).

4. Administrative Staff Augmentation The Office of Planning and Research requests 7 positions and \$1.1 million General Fund ongoing for administrative positions for budgets, contracting, human resources, and the State Clearinghouse.

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

The Subcommittee will continue discussions regarding OPR's mission and size in future hearings.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 59: JUST TRANSITION ROADMAP

Just Transition Roadmap: The Office of Planning and Research (OPR) requests \$406,000 General Fund in ongoing funding to develop and implement a Just Transition Roadmap to implement Executive Order (EO) N-79-20, issued on September 23, 2020. EO N-79-20 charges the Office of Planning and Research and the Labor Workforce Development Agency, in consultation with the Department of Finance and other state

agencies, with developing a plan to manage the economic changes that will follow the implementation of the EO's carbon neutrality strategies.

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

0511 GOVERNMENTAL OPERATIONS AGENCY

VOTE-ONLY ISSUE 60: STATEWIDE DATA STRATEGY

The January budget included a proposal for 3 positions for the Statewide Data Strategy

BACKGROUND

The Government Operations Agency is requesting 3.0 positions and \$558,000 General Fund ongoing to for their Statewide Data Strategy and conduct evaluations for GovOps' Center of Government Excellence. The goal of the Statewide Data Strategy is to improve state department's access to data, standardize data management and governance practices, and increase department's abilities to use data analytics, to better decision-making and resource allocations by service providers and policy-makers in the future.

STAFF COMMENTS

This issue was heard at the February 9th hearing of the Subcommittee and no objections were raised to the proposal.

Staff Recommendation: Approve as Budgeted

ITEMS TO BE HEARD

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

OVERVIEW

The Subcommittee will receive an update on unemployment insurance issuance.

ISSUE 1: UNEMPLOYMENT INSURANCE

The Subcommittee will receive an update from EDD prior on the state of Unemployment Insurance issuance.

PANEL

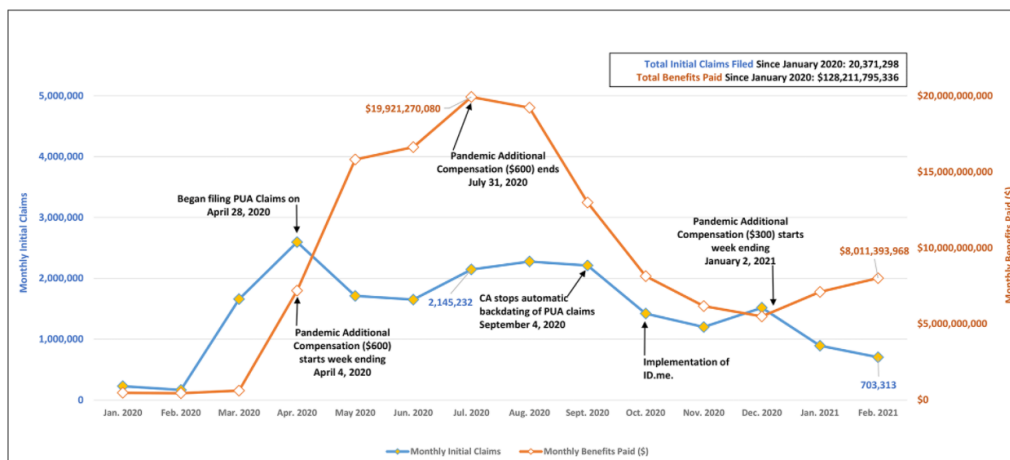
The following individuals will participate virtually in the discussion of this issue:

- Rita Saenz, Employment Development Department
- Nancy Farias, Employment Development Department
- Kevin Matulich, Employment Development Department
- Carol Williams, Employment Development Department
- Chas Alamo, Principal Office
- Mark Jimenez, Department of Finance

BACKGROUND

As California's economy recovers, the state has seen an accompanying reduction in Unemployment Insurance claims, as noted in the chart below:

Claims Filed and Benefits Paid by Month



Overall state unemployment was 8.3 percent in March, a continued decline since April of 2020. EDD reports that the state has regained 44 percent of the jobs lost in March and April of 2020.



EDD UI Backlog:

The Subcommittee has been monitoring the backlog of Unemployment Insurance cases for the last year.

EDD provided the following update on the backlog first identified by the Strike Team:

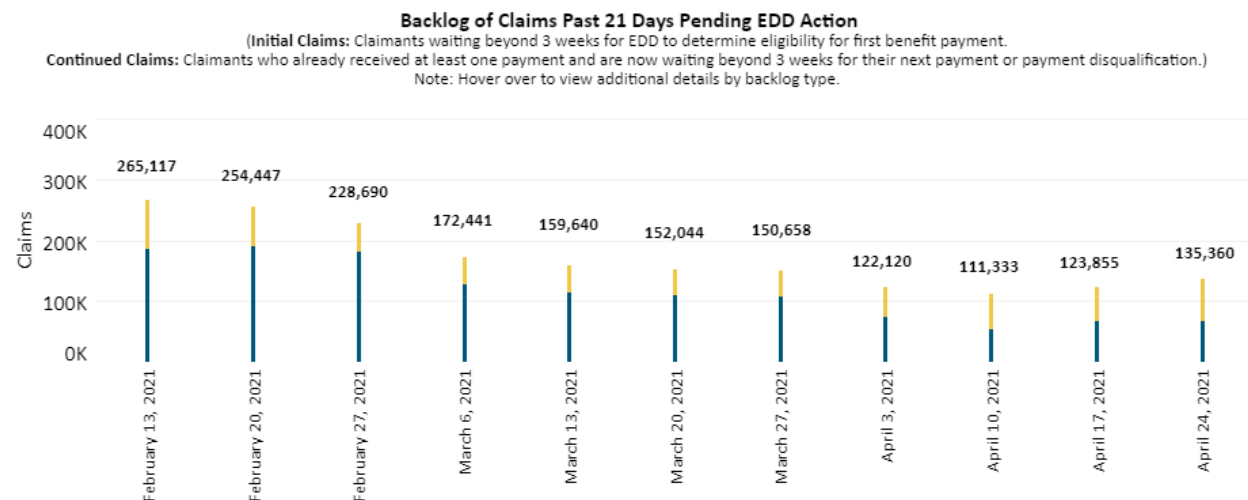
At the end of January, 2021, EDD announced it had resolved the 1.6 million backlogged claims identified by the EDD Strike Team in mid-September of 2020. Per the Strike Team definition, a backlogged claim at the time was one that takes more than 21 days to issue first or further payment or disqualification, regardless if the claimant or EDD need to take some type of action.

In alignment with a recommendation from the State Auditor, the EDD launched in March an expanded online dashboard containing data about unemployment claims, payments, and related data – including a revised view of the backlog more clearly identifying claims pending EDD action that are taking more than three weeks to resolve. Since launch, this backlog decreased from 265,117 to 135,360 claims as of April 24, with about half of those being initial claims awaiting processing for first payment and the other half being continued claims awaiting processing of a further payment.

The vast majority of both types of claims are pending a “Resolution of Eligibility Issues”. For example, claimants state they were fired, quit, or were not able and available for work if offered which requires EDD to manually review the claim before determining eligibility for benefits.

Post-21 Backlog

Recent press accounts have shifted attention to the 21-day backlog performance of the department. Recent data suggests that progress addressing the post-21 day backlog has stalled over the last month, as shown in the chart below:



STAFF COMMENTS

Based on past practice, staff expects that the May Revision next week will include some additional resources for EDD that will be explored in hearings the week of May 19th. The Administration will not comment on May Revision proposal prior to the release of the proposal.

Members of the Subcommittee may wish to ask about the status of direct deposit functionality in the new issuance vendor contract, an issue that was discussed at the last Subcommittee hearing.

Questions that Members may wish to ask:

1. Why has progress recently slowed on the 21-day backlog, especially given the falling caseload numbers?
2. Did EDD have a problem with this backlog prior to the pandemic? How does the performance we see now compare to two or three years ago?
3. Are you seeing differences in industries and regions for the new claimants for unemployment insurance given the changing economy?
4. Will the new contract for benefit issuance of Unemployment Insurance include a provision for direct deposit?
5. Has EDD taken any steps since our last hearing to address concerns expressed regarding language access?

Staff Recommendation: No Action Required, this issue is for oversight discussion purposes.

7730 FRANCHISE TAX BOARD**ISSUE 2: ENTERPRISE DATA TO REVENUE PROJECT, PHASE 2**

The Governor's budget includes an augmentation of \$55.6 million General Fund and 22.0 permanent positions, 1.0 permanent-intermittent position, and 13.0 limited-term positions in 2021-22 to begin the Enterprise Data to Revenue (EDR2) project, which is the second phase of the Tax System Modernization (TSM) plan. This proposal represents the first requests for resources to support the EDR2 project.

Additionally, a Spring Finance Letter requests an augmentation of \$32.8 million General Fund and 1.0 permanent position to begin the Enterprise Data to Revenue (EDR2) project, which is the second phase of the Tax System Modernization (TSM) plan.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Jeanne Harriman, Chief Financial Officer, Franchise Tax Board
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Derk Symons, Staff Finance Budget Analyst, Department of Finance
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

Governor's Budget. The EDR2 project represents phase 2 of an enterprise-wide TSM effort to align FTB's IT infrastructure with its strategic business plan. The project will move FTB's siloed compliance systems onto an enterprise CM platform (infrastructure implemented in phase 1 of the EDR project). According to FTB, the transition will improve efficiency, provide a better taxpayer experience and increase revenue.

The EDR2 project will support replacement of two legacy systems that are near end-of-life: Accounts Receivable Collection System (ARCS) and Professional Audit Support System (PASS). In addition to taking steps to address the tax gap.

This step will provide technology to more effectively manage the tax gap by transitioning the Audit, Legal, Filing Enforcement (FE) and Underpayment SOWs to FTB's enterprise platform and implementing new Audit, FE, and Underpayment strategies that will identify new revenue streams.

The following table shows the systems FTB plans to replace with EDR2 and their original implementation dates and ages.

System	Date Implemented	System Age in Years (as of 2021)
ARCS	1999	22
INC	2001	20
PASS	1997	24

The EDR2 objectives are as follows:

- Increase revenue and efficiencies by:
 - Making data available from the Filing Processes, Audit, Legal, FE, and Underpayment BSOWs available to support all compliance activities across the enterprise
 - Allowing for communication across all departmental compliance activities (Enterprise CM Platform).
 - Automated workflows with manageable and reusable processes which use common tools and services.
 - Implement new compliance models for noncompliance discovery and fraud detection, tracking, and prevention.
- Implement new taxpayer self-service capabilities to enhance taxpayer self-compliance, education, and communication capabilities.
- Transition the EDR2 solution's Maintenance and Operations to the State.
- Retire FTB's legacy systems by working collaboratively with legacy teams to identify and manage negative impacts to systems.

Spring Finance Letter. The EDR2 project follows CDT's Project Approval Lifecycle (PAL) Process. The most recent document approved for the EDR2 project was the Stage 3 Solution Development (S3SD). The S3SD was approved August 15, 2019 and included the department's final Compensation Model and Detailed Solution Requirements. The final document is the Stage 4 Project Readiness and Approval (S4PRA). This document is scheduled to be completed during March 2021 and will include the EDR2 vendor selection and project approval.

Notification of Award to the contractor is scheduled to be made during June 2021. The EDR2 project has an estimated start date of July 1, 2021.

This proposal includes requests for resources to support the EDR2 project. In order to complete contractor staff onboarding, meet control agency requirements the department request resources and funding in addition to those requested in the 2021-22 EDR2 BCP #1 as follows:

1. Security Operations Section (SOS) IT Specialist I – One permanent and one seven-year limited-term position (life of the project) 2021-22 EDR2 BCP #1 requested 1 Limited-Term position. This is updated to reflect the need for 2 resources, 1 permanent and 1 remaining as a Limited-Term.

2. Operating Expenses and Equipment Compensation Payments to the Contractor Cost – \$73.4 million. This funding is necessary to ensure FTB can pay the contractor for services performed. For the first year, the maximum potential payment for the 2021-22 contractor compensation is estimated at \$73.4 million which has been reduced by the statutory holdback amount deployed across the entire project.

As the maximum payment may not be due and payable in any one year, FTB is requesting the following annual provisional language to allow for any funding not used to carry over to the next fiscal year.

Of the funds appropriated in this item, any unused amount is allowed as one-time carryover funds to the subsequent fiscal year to support the vendor payment due to the solution provider for services performed and subject to Payment.

LAO COMMENTS

New Positions Appear Justified. FTB is requesting a total of 37 new limited-term and permanent positions to help implement EDR2. These positions would supplement roughly 160 staff redirected internally in support of the project. The positions cover a myriad of functions within the department. Some of these, such as a limited-term internal audit position, are very clearly and explicitly related to overseeing the project directly. Others, such as the total of 14 new positions related to training and documentation, are less directly related. However, FTB has provided justification for all of the new positions that it has requested. For example, following the completion of the EDR project, the department identified that there was a significant need for increased resources across the organization for training and documentation related to the case management and modeling system. The expected expansion of staff to support EDR2 also justifies an increase in finance and administrative services positions.

Novel Contingency Planning Strategy. The EDR2 contract has a contingency clause that is common for complex and costly state government IT projects and is consistent with CDT guidance. According to FTB, funds for unanticipated costs will be budgeted each year as a percentage of total vendor payments. If these funds go unused, they will roll over to subsequent fiscal years. The proposed provisional language, however, would allow for an additional appropriation of up to 5 percent of the vendor payments in each fiscal year. FTB does not expect to use this language in 2021-22. It is unclear whether this provisional language is necessary. Alternatively, the Legislature could either provide more flexibility to the department by appropriating funds to FTB to hold in reserve for a contingency fund or provide less flexibility by requiring the department to submit a budget change proposal in the event of significant unanticipated costs.

Vendor Compensation Includes Complicated Benefits- and Performance-Based Components. Quarterly payments to the vendor are calculated based in part on the completed deliverables and in part on the revenue benefits to the state. The benefits of the project are measured quarterly, are likely to initially be small, but are expected to grow over the life of the project. In addition, FTB withholds 10 percent of the payment to ensure that the deliverables function as intended. The provisional language FTB has requested provides additional flexibility in the timing of the payments as required by the benefits- and performance-based structure of the contract.

STAFF COMMENTS

The Governor's budget proposal on EDR2 was heard on the February 2, 2021, hearing and no concerns were expressed at that time. The additional resources for the EDR2 project under the Spring Finance Letter are reasonable.

Staff Recommendation: Approve as budgeted the resources for the January budget and the Spring Finance Letter.

ISSUE 3: ASSET FORFEITURE ACCOUNT INCREASE (SPRING FINANCE LETTER)

The Spring Finance Letter requests to increase the Budget Act Authority from \$150,000 to \$740,000, beginning FY 2021-22 and annually thereafter for the Asset Forfeiture Account. FTB's Criminal Investigation Bureau (CIB) will use these funds for costs associated with criminal investigation law enforcement activities, such as additional training and equipment. Per the Equitable Sharing Agreements, these resources cannot be used to replace or supplement any General Fund resources.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Thi Luong, Director, Financial Management, Franchise Tax Board
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Derk Symons, Staff Finance Budget Analyst, Department of Finance
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

Asset Forfeiture Programs encompass the seizure and forfeiture of assets from individuals and organizations engaged in criminal activities. After codified due process has been given, seized assets are forfeited and converted into currency which is then distributed to law enforcement agencies that participated on the task force. Any federal, state, or local law enforcement agency that directly participated in an investigation or prosecution that results in asset forfeiture may request an equitable share of the new proceeds. Common goals of Asset Forfeiture Programs include:

- Deprive criminals of property used in or acquired through illegal activities.
- Encourage joint operations among federal, state, and local law enforcement agencies, as well as foreign countries.
- Protect the rights of the individual.
- Strengthen law enforcement.

In June 2011, Department of Finance (DOF) approved FTB's request to establish Asset Forfeiture Accounts within the Special Deposit Fund in order to participate in the Equitable Sharing Agreement. In 2014-15, FTB submitted a budget change proposal (BCP) to receive spending authority from the fund.

FTB's CIB participates on several federal, state, and local task forces to investigate suspected refund fraud, failure to file tax returns and the filing of false or fraudulent tax returns. The program's efforts play a major role in bringing individuals and business

entities involved in the underground economy into compliance with California's tax laws and, in turn, reducing the tax gap. FTB's CIB has entered into Equitable Sharing Agreements with the US Department of Justice, US Department of Treasury, and the CA Department of Justice. FTB participates in these Asset Forfeiture Programs as a second tier agency. As a second tier agency, FTB is not responsible for doing the civil asset forfeiture proceeding nor is FTB responsible for storing or disposing of any assets. Participation in these task forces allows FTB to receive an equitable share of assets seized in criminal activities in which FTB provided assistance.

FTB has received an equitable share of the funds that have been received by participating in various investigations. The chart below displays the current balance of each account as of July 31, 2020.

Fund Code	Account	Balance
0942 255	US DOJ Asset Forfeiture Account	\$78,960
0942 256	US DOT Asset Forfeiture Account	\$21,923,949
0942 257	CA Asset Forfeiture Account	\$6,376
		\$22,009,285

FTB is requesting Budget Act Authority of \$740,000 per fiscal year with provisional language to increase this amount upon approval by the Department of Finance and 30 day notification in the Joint Legislative Budget Committee, which will enable FTB to utilize additional Special Deposit account funds. The following provisional language would be included in the 2021-22 budget bill under FTB's Special Deposit Fund (7730-001-0942).

Upon approval of the Director of Finance, the amount available for expenditure in this item may be augmented by the amount of any additional resources available in the Special Deposit Fund. Any such approval shall be accompanied by the approval of a spending plan submitted by the Franchise Tax Board providing a listing of intended purchases. Any augmentation shall be authorized no sooner than 30 days following the transmittal of the approval to the Chairperson of the Joint Legislative Budget Committee.

Per the Equitable Sharing Agreements, permissible uses of Asset Forfeiture funds are for costs associated with criminal investigation law enforcement activities.

LAO COMMENTS

Use of Asset Forfeiture Account Funds Appears Reasonable. Additional asset forfeiture account spending may not replace any General Fund resources. FTB developed their expenditure plan to enhance their tax fraud investigation capabilities and the plan appears to be consistent with the allowable uses of these funds. We note that FTB's

special agents are law enforcement officers who are subject to the same training and certification requirements of all other law enforcement staff across the state.

STAFF COMMENTS

The increased budget authority will allow FTB to continue to identify, detect, audit and prosecute tax criminals.

Staff Recommendation: Approve the Spring Finance Letter as budgeted.

ISSUE 4: INCREASED LITIGATION COSTS (SPRING FINANCE LETTER)

The Franchise Tax Board (FTB) requests an augmentation of \$2,000,000 to its litigation budget with the Attorney General's (AG) Office to defend against increasing tax refund lawsuits for the 2021-22 fiscal year. FTB has continued to see increased litigation efforts with very complex tax matters.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Thi Luong, Director, Financial Management, Franchise Tax Board
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Derk Symons, Staff Finance Budget Analyst, Department of Finance
- Chris Hill, Principal Program Budget Analyst, Department of Finance

BACKGROUND

Over the past ten years, FTB has continued to see more and more litigation arising out of complex laws, non-conformity at the federal level, class action lawsuits and suits by high net worth individuals, among others. As the result, FTB is seeking to augment its litigation budget with the AG's Office in order to defend these lawsuits and protect the interests of the state.

FTB and the AG's Office are aware of the increasingly complex and varied tax refund suits which are being filed against FTB, in which the AG's Office is representing the FTB. The Attorney General's Office has advised FTB that in order to adequately protect the state's interests and defend FTB, FTB needs to increase its budget to cover the expenses associated with the addition of four experienced lawyers and an analyst from the AG Office. The Attorney General's Office has also advised that they anticipate that the staffing will cost \$1.7 million starting in fiscal year 2021-22. Because of the increasing complexity of these cases, expert witnesses are often needed to explain the intricacies to the court hearing the matter.

STAFF COMMENTS

To address increasingly complex and varied litigation, FTB needs additional resources to augment its litigation budget as recommended by the AG.

Staff Recommendation: Approve Spring Finance Letter.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 5: HOUSING LAW ASSISTANCE

The Governor's budget includes \$4.3 million (General Fund) in state operations and 16 positions, \$3.8 million in state operations for 16 positions in 2022-23, and ongoing to assist local governments in housing element and housing law compliance.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Megan Kirkeby, Deputy Director, Housing Policy Development, Department of Housing and Community Development
- Lourdes Morales, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Dana Cruz, Department of Finance

BACKGROUND

In 2017, several bills were enacted, including AB 72 (Chapter 370, Statutes of 2017) which clarified and strengthened existing laws, and increased HCD's accountability and enforcement authority to review any action or inaction by a local government that HCD determines is inconsistent with state housing element laws or the local jurisdiction's own adopted housing element. During its review, HCD may consult with any local government, agency, group, or person. HCD may revoke housing element compliance if the local government's actions do not align with state law. Further, HCD may notify the California Office of the Attorney General (AG) that the local jurisdiction is in violation for non-compliance with: 1) housing element law, 2) the Housing Accountability Act, 3) "no net loss" law, 4) density bonus law and/or 5) anti-discrimination law.

HCD's enforcement work is broken into two broad categories. The first category is housing element compliance which consists of reviewing actions a city must take in order to obtain or maintain compliance. The second category is development-related complaints.

According to HCD, as housing developers learn that HCD can assist them (within the limits of state law) with delays they are facing in local government processing, HCD expects significant growth in complaints and requests for assistance. Identifying the requests that are within HCD's authority to address versus those that are not, is a significant workload increase for HCD staff. Further investigation and analysis of each verified request must be done.

Program components:

- This proposal would create a unit within the Division of Housing Policy Development to oversee all assistance and proactive enforcement work tied to Housing Element Law. The Legislature previously authorized one Attorney IV position to enforce AB 72. However, the volume of non-compliance and complaints and enforcement responsibilities is continuing to grow at a steady rate. The new unit would consist of 12 positions.
- Additionally, includes four positions in the Legal Affairs division to support and guide the Housing Policy Development.
- This proposal includes \$600,000 in 2021-22 and \$350,000 ongoing for outreach and education for local government elected officials, local government planning staff and housing developers. This also includes funding for the vendor to analyze bulk data collected through analytical software and to set up systems to increase HCD's transparency as part of a future request.

STAFF COMMENTS

The Subcommittee heard this issue at its March 9, 2021, hearing. At that hearing, there were concerns about how enforcement will work versus technical assistance. The department will explain how both pieces will work together.

Staff Recommendation: Approve as budgeted.

0890 SECRETARY OF STATE**ISSUE 6: SPRING FISCAL LETTERS**

The Secretary of State proposed three new proposals in Spring Fiscal Letters and the State may face large costs due to the likely recall election.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Secretary of State
- Nick Schroeder, Legislative Analyst's Office
- Tamara Johnson, Department of Finance

BACKGROUND

The Secretary of State has three new proposals in Spring Fiscal Letter that have not been previously considered:

1. Increasing Access to California's Historic Records: The Secretary of State (SOS) requests a General Fund augmentation of \$3,078,000 in 2021-22 and \$1,622,000 in 2022-23 and ongoing and three positions to automate paper-based processes and support increased online and contactless access to the State's historic public records and data held in the State Archives in response to the ongoing COVID-19 pandemic.
2. Additional Election Resources The Secretary of State (SOS) requests a General Fund augmentation in the amount of \$1,651,000 in 2021-22 and \$1,641,000 in 2022-23 and ongoing for resources to support elections in California. This request will provide ongoing resources to maintain the operation, access, and integrity of public services provided by the SOS including funding for the expansion of existing system maintenance services and licenses.
3. VoteCal Costs. The Secretary of State (SOS) is requesting a one-time General Fund increase in the amount of \$265,000 for 2021-22 for additional voter registration card costs and a one-time Federal Trust Fund increase in the amount of \$140,000 for 2021-22 for the cost of system changes to VoteCal, the state's centralized voter registration database.

STAFF COMMENTS

These proposals appear justified by the supporting documentation provided by the Spring Fiscal Letters.

Staff notes that the proposed state archives investment appears modest, but the proposal suggests that additional customer service improvements as well as cost-avoidance savings may be possible in the future with additional resources to digitize the content of the archives.

Questions that Members may wish to ask:

1. Why were these requests not included in the January budget?
2. Are three new positions in the archives sufficient to provide access to Californians asking for historic records digitally?
3. Does the department anticipate new budget initiatives in the near future from the new Secretary?

Staff Recommendation: Adopt Spring Fiscal Letters

ISSUE 7: SPECIAL ELECTIONS COSTS

The Subcommittee will consider potential costs for the likely recall election.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Donna Johnston, Sutter County Clerk and California Association of Clerks and Elected Officials
- Secretary of State
- Nick Schroeder, Legislative Analyst's Office
- Tamara Johnson, Department of Finance

BACKGROUND

A recent statement from the California Association of Clerks and Elected Officials indicated that the likely forthcoming recall election will cost county governments approximately \$400 million to administer. According to the statement, this estimate is based upon preliminary estimates of the cost of the 2020 General Election, which included all voters receiving a mail-in ballot and in person voting with strict protocols due to the COVID-19 Pandemic.

STAFF COMMENTS

Last year, the State has assisted counties with extraordinary election costs due to the impact of the pandemic. Based upon the experience of the 2020 election, counties estimated cost for the recall election to be about the same level. If these estimates are accurate, the \$400 million cost for this election is close to the \$411 million General Fund cost of the recently-enacted early action wildfire package included in SB 85 (Senate Budget and Fiscal Review, Chapter 14 of 2021).

Given the potential size of this future cost, the Subcommittee may wish to consider how to counties could absorb these costs and if State funding is necessary to assist.

Questions that Members may wish to ask:

1. Why are these costs so much higher than previous elections?
2. Have counties began planning how to absorb these additional costs?
3. If the state were to assist with these elections costs, what is our appropriate share of cost?

Staff Recommendation: Hold Open

0650 GOVERNMENTAL OPERATIONS AGENCY

ISSUE 8: CHIEF EQUITY OFFICER

A Spring Fiscal Letter includes a proposal to expand resources for the Chief Equity Officer.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Governmental Operations
- Brain Metzker, Legislative Analyst's Office
- Ryan Weinberg, Department of Finance

BACKGROUND

The January budget included 4.0 positions, and \$1,011,000—(\$649,000 General Fund), \$836,000 ongoing, to fund and manage existing and new workload associated with oversight and management of state government operations. This proposal includes adding one exempt “Chief Equity Officer” position. The other three positions: a general support analysts for the Agency Secretary, a lawyer, an office technician.

The proposal includes trailer bill language to establish the exempt position.

In a Spring Fiscal Letter, the Agency is requests 2.0 positions additional positions and \$298,000 General Fund in 2021-22 and ongoing to support the state Chief Equity Officer in addressing social, economic, and racial disparities within California government operations. The Chief Equity Officer is responsible for establishing a statewide equity and inclusion framework that state departments must follow.

STAFF COMMENTS

The increase in funding is responsive to feedback from members of Subcommittee 4 at the February 9th hearing.

However, the proposed Office may conflict with proposed legislation, SB 17 (Pan) to establish an Office of Racial Equity which would have each state agency develop a statewide Racial Equity Action Plan.

The proposed scope of the Chief Equity Officer position appears to focus on the roles of the Governmental Operation agency's departments, rather than the expanded role

envisioned by SB 17. However, given the considerable interest in the office, staff believes that the proposed Chief Equity Office trailer bill language be adopted as placeholder. If SB 17 is adopted, the Governmental Operations proposal seems in line with the expectations for agencies and the investment is appropriate, although the title for the position may not be. Adopting this proposal should not be seen as taking any action to impede consideration of the policy bill.

Questions that Members may wish to ask:

1. Has the Agency seen SB 17?
2. How would this proposal change if SB 17 was adopted?

Staff Recommendation: Approve as budgeted, Adopt Spring Fiscal Letter, and Adopt Placeholder Trailer Bill Language

7502 DEPARTMENT OF TECHNOLOGY

ISSUE 9: DIGITAL IDENTIFICATION

The Department of Technology has proposed a digital identification system for state residents using California programs in a Spring Fiscal Letter.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Panelist, Department of Technology
- Brain Metzker, Legislative Analyst's Office
- Ryan Weinberg, Department of Finance

BACKGROUND

In a Spring Fiscal Letter, the California Department of Technology (CDT) requests 2.0 positions and \$1,111,000 in General Fund (GF) in Fiscal Year (FY) 2021-22 and FY 2022-23 to deploy a Digital Identification (ID) ecosystem for an initial subset of state services.

According to the department, this proposal “will provide a consistent, secure, privacy enabled, reliable, and consent-based method to authenticate and verify the identity of a California resident when accessing the subset of digital state services. Using an iterative approach, this initial Digital ID ecosystem and deployment will provide invaluable information needed to develop a roadmap for Digital ID expansion across all state services.”

STAFF COMMENTS

Privacy advocates have expressed considerable alarm at the proposed “Digital Identification (ID) ecosystem” which is broadly and vaguely justified in the budget proposal. While the proposal suggests its scope will be limited to certain departments, it also cites creating a single identifier for services such as Medi-Cal.

The proposed change does include the following privacy assertion by the department:

Privacy controls include the following:

1. Resident will be required to consent to and designate each service that is authorized to receive personal information provided for the creation of the digital id.

- 2. Resident information required for authentication will be program specific and obtained incrementally on an as-needed basis.*
- 3. Resident information will be provided to departments for designated purposes only.*
- 4. Law enforcement will be required to obtain a subpoena, search warrant or other legal process to access the information in the system.*
- 5. Information collected from residents will be customized to the program requirements for authentication.*
- 6. Resident information uploaded for authentication purposes will be deleted after their identity has been confirmed.*
- 7. Security controls will be implemented to match the Impact Level of the information collected. Data will be further protected through encryption and tokenization.*

However, these assertions are not proposed to be included in either statutory or budget language, so these promises are not durable.

Questions that Members may wish to ask:

1. What policy problem is this proposal attempting to solve?
2. How will this proposal meaningfully improve the lives of Californians?
3. Would the Department of Technology provide the ID information to federal Immigration and Customs Enforcement officials if requested?
4. Would Californians that receive any basic service, such as sending their children to school, getting help with health care, or applying for a driver's license, essentially be required to allow the Department of Technology to share identification information with other State agencies?

Staff Recommendation: Hold Open

*** PUBLIC COMMENT ***