

*** HEARING POSTPONED *****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER JIM COOPER, CHAIR****TUESDAY, MARCH 17, 2020****1:30 P.M. - STATE CAPITOL, ROOM 447**

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ITEMS FOR VOTE-ONLY

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 1: CALIFORNIA COMMISSION ON DISABILITY ACCESS

The Department of General Services, California Commission on Disability Access (CCDA) requests 2.0 permanent positions and a permanent budget augmentation of \$700,000 from the General Fund beginning in 2020-21 to align budget authority with necessary personal services and operating expenses.

BACKGROUND

CCDA was established by the Legislature in 2008 as a result of Government Code §14985 (Senate Bill 1608, Chapter 549) to provide information regarding disability access issues and compliance, develop recommendations that would enable persons with disabilities to exercise their full and equal rights to access public facilities, and facilitate business compliance with laws and regulations, such as the Americans with Disabilities Act (ADA) and California's Unruh Civil Rights Act, to prevent and minimize compliance issues and avoid unnecessary litigation.

CCDA has identified a gap between its current resources and the positions, personal services, and operating expenses required to efficiently and effectively perform its mandated duties and fulfill its mission to support and promote disability access compliance throughout California. CCDA has relied upon volunteers and Retired Annuitants to complete continuous workload. Due to the lack of permanent staff and the temporary nature of volunteers and retired annuitants, CCDA is subjected to backlogs that delays the ability to provide mandated reports to the Legislature. In addition, CCDA is currently unable to coordinate and promote mandated outreach events in efforts to create awareness of and advise businesses on disability access compliance without surpassing its budget authority.

Approving the 2.0 permanent positions and \$700,000 permanent budget augmentation will allow CCDA to more efficiently and effectively complete the following in support and promotion of disability access: compensate and support benefits for the five authorized positions;

- Reduce or eliminate the reliance on volunteers with two authorized positions;
- Hold public meetings and outreach services on a quarterly basis; and
- Develop and maintain additional educational tools on the subject of business compliance with state and federal disability access laws.

STAFF COMMENTS

The Department included workload information that has shown a doubling in some of the CCDA workload over the last five years, without increasing resources. This budget adjustment would allow DGS to enact the CCDA as intended.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 2: OFFICE OF ADMINISTRATIVE HEARINGS (OAH) CANNABIS WORKLOAD

The Department of General Services, Office of Administrative Hearings (OAH) requests a three-year limited-term extension of \$11.452 million in Service Revolving Fund (SRF) expenditure authority.

BACKGROUND

Office of Administrative Hearings OAH is a quasi-judicial tribunal that conducts mediations and hearings for over 1,800 state and local agencies. OAH operates as a central panel and, as such, is independent of any entities which appear before it. In addition to professional and occupational licensing disputes, OAH hears cases concerning teacher dismissals and developmental and rehabilitative services, conducts hearings and mediations for parents and local educational agencies for students with special needs, multi-agency and party arbitrations, bid protests, and various hearings for local agencies.

For cannabis activates, OAH focuses on professional or trade licensing and administrative citations for unlicensed business activity. The Department of General Services (DGS), Office of Administrative Hearings (OAH) requests a three-year limited-term extension of \$11.452 million in Service Revolving Fund (SRF) expenditure authority. This expenditure authority was originally approved for two fiscal years: 2018-19 and 2019-20; however, the licensing program generating the associated workload was delayed in implementation. Now that licenses are being issued, DGS needs to retain the expenditure authority to support the cannabis administrative hearings workload.

The Department provided the following data on projected hearings workload associated with this request:

	2020-21			2021-22			2022-23		
	Application Denials	Cases Filed*	Cases Heard**	Application Denials	Cases Filed*	Cases Heard**	Application Denials	Cases Filed*	Cases Heard**
BCC	322	285	171	322	285	171	322	285	171
CDFA	10	9	5	10	9	5	10	9	5
CDPH	151	134	80	173	153	92	200	177	106
Total	483	428	256	505	447	268	532	471	282

*Projected at 88.5% of denied applications.

**Projected at 60% of cases filed with OAH.

The three licensing departments' estimates of license discipline actions and enforcement actions against unlicensed cannabis activities, along with the estimated number of cases to be filed with OAH and the number of cases anticipated to go to hearing are provided in Table 2 below.

	2020-21			2021-22			2022-23		
	Citations	Cases Filed*	Cases Heard**	Citations	Cases Filed*	Cases Heard**	Citations	Cases Filed*	Cases Heard**
BCC	3,261	2,152	1,291	4,892	3,229	1,937	7,338	4,843	2,906
CDFA	612	404	242	642	424	254	TBD	TBD	TBD
CDPH	136	90	54	153	101	61	90	59	36
Total	4,009	2,646	1,588	5,687	3,753	2,252	7,428	4,902	2,941

*Projected at 66% of license/discipline enforcement cases.

**Projected at 60% of cases filed with OAH.

STAFF COMMENTS

The temporary extension of this expenditure authority will allow the OAH to respond to cannabis licensing complaints during implementation of licensing, but will require the Department and the Legislature to revisit the appropriate resources once that workload has had a chance to stabilize.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 3: STATEWIDE EMERGENCY MANAGEMENT FUNCTIONS

The Department of General Services, Office of Risk & Insurance Management requests \$295,000 in ongoing Service Revolving Fund expenditure authority and 2.0 permanent positions to support the increased demand for departmental and statewide emergency management functions.

BACKGROUND

DGS requests 2.0 permanent Associate Governmental Program Analyst positions for its Emergency Program to support disaster preparedness, construction and engineering subject matter expertise, debris removal support, emergency and disaster contracting and funding assistance, as well as recovery services. This proposal would allow staffing to

increase the department's ability to plan for, respond to, and recover from emergency situations and disasters.

In accordance with the California Emergency Services Act, the State of California Emergency Plan (State Emergency Plan) is in effect at all times and applies to all levels of state government and its political subdivisions. The State Emergency Plan established the California Emergency Support Functions (CA-ESFs) as a key component of California's system for managing all hazards and emergencies.

Prior to 2015, incidents requiring DGS support were infrequent and of minimal duration; however, the increased frequency and severity of emergency events means that existing resources are quickly exhausted, and projects, training, exercises and system improvements, which are critical to effectively prepare for future disasters, are deferred. The number of mission tasks grows each year, as does the complexity and duration of support required. DGS remains actively involved in debris removal operations for the November 2018 Wildfires and is expected to continue support operations until February 29, 2020. This trend of increasing complexity and duration of support is expected to continue.

STAFF COMMENTS

As the State is increasingly looking to leverage its resources to respond to disasters, DGS has had to expand its role to take on this new role.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 4: ZERO EMISSION VEHICLES INFRASTRUCTURE

The Department of General Services requests a one-time budget augmentation of \$23.4 million in Service Revolving Fund (SRF) authority of \$15.0 million from the General Fund (GF) to the SRF and recover \$8.4 million in costs from Special Funds for the installation of Electric Vehicle Service Equipment (EVSE) at state-owned and leased facilities.

BACKGROUND

The Department of General Services requests a one-time budget augmentation of \$23.4 million in Service Revolving Fund (SRF) authority of \$15.0 million from the General Fund (GF) to the SRF and recover \$8.4 million in costs from Special Funds for the installation of Electric Vehicle Service Equipment (EVSE) at state-owned and leased facilities. This request is to fund year four of the DGS Zero Emission Vehicles (ZEV) Five-Year Infrastructure Investment Plan (2017-28 through 2021-22). This request is to fund year four of the DGS ZEV Five-Year Infrastructure Investment Plan (2017-18 through 2021-22) to install EVSE in state-owned and long-term leased facilities to support both the state

fleet and state employee charging needs. This funding will support the installation of 1,647 charging ports.

Because the costs of implementing this plan vary from year to year, DGS has come back to the Legislature each year with an updated request. In prior years, funding requests for the ZEV Action Plan have been split equally between the General Fund and Special Funds from departments; however, as the Plan has been implemented DGS found that restrictions on fund use and budgetary challenges kept departments from using special funds have made it difficult for departments to access their special funds, which has slowed down the progress of the ZEV Action Plan.

In 2017-18, OS received \$1.37 million from Special Funds (21 percent of total EVSE authority). In 2018-19, OS received \$6.7 million from Special Funds (43 percent of total EVSE authority). In total, Special Funds have accounted for 36 percent of authorized EVSE expenditures for 2017-18 and 2018-19. As a result, OS is requesting funding that adheres to a 64 percent General Fund and 36 percent Special Fund split.

STAFF COMMENTS

This infrastructure initiative builds upon a thoughtful plan for the State to lead on zero emission vehicle deployment.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 5: ENTERPRISE TECHNOLOGY SOLUTIONS UNIT

The Department of General Services has requested authority to add nine positions to support Enterprise Technology Solutions Unit workload.

BACKGROUND

The Department of General Services (DGS), Enterprise Technology Solutions unit (ETS) is requesting nine (9.0) positions to be established in 2020-21 support DGS' information technology security, privacy, and enterprise application management. The positions needed consist of one (1.0) Information Technology (IT) Specialist II and eight (8.0) IT Specialist I positions.

In 2017, DGS was designated a Health Insurance Portability and Accountability Act (HIPAA) Covered Entity and Business Associate due to DGS' involvement in processing health information. This designation has significantly increased the amount of work for ETS staff performing security, network and application support, project management, and system testing functions.

No increase to expenditure authority is required as the costs can be absorbed by existing funding from the standard complement of previously-approved BCPs. The requested position authority is necessary because interim measures, such as temporary hiring in blanket positions and procuring contracts for IT services have been taken; however, these are not sustainable solutions. ETS has found that hiring temporary staff is beneficial for one-time or seasonal efforts, but is not effective or appropriate to address ongoing workload.

STAFF COMMENTS

The requested staff authority increase is supported by workload projections included in the department's Budget Change Proposal.

Staff Recommendation: Approve as Budgeted

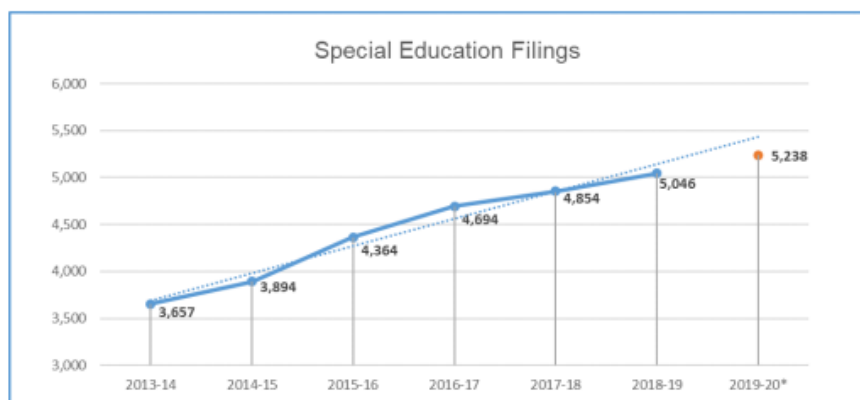
VOTE-ONLY ISSUE 6: SPECIAL EDUCATION DIVISION WORKLOAD

The Department of General Services (DGS), Office of Administrative Hearings (OAH) requests 10.0 positions and \$1,232,000 in Service Revolving Fund expenditure authority on an ongoing basis beginning in fiscal year 2020-21 as a result of a continuing increase in due process hearings and mediations workload for the Special Education Division.

BACKGROUND

OAH Special Education Division handles mediations and due process hearings pursuant to a contract with the California Department of Education. Pursuant to the Individuals with Disabilities Education Act (20 U.S.C. sec. 1415 et seq), and the California Education Code, parents of students with disabilities, students with disabilities, and local school districts can file a request for a mediation, due process hearing, or both with OAH when the parties cannot agree on the assessment, program, placement, or services for a student who has a disability or who is believed to have a disability.

The Department has provided the following workload projections for this unit:



Workload History

Workload Measure	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Special Education Case Filings	3,894	4,364	4,694	4,854	5,046	5,238
Special Education Hearings	83	111	134	114	111	115
Special Education Mediations	2,186	2,286	2,302	2,463	2,742	2,852
Billable ALJ and Pro-Tem Hours	45,318	53,405	51,527	52,346	51,871	53,946

STAFF COMMENTS

Staff believe that the DGS has justified the resource request with expected workload projections.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 7: STATEWIDE PHARMACEUTICAL PROGRAM LOCAL GOVERNMENT OUTREACH

The Department of General Services (DGS), Procurement Division (PD) requests 4.0 permanent positions and a three-year limited-term appropriation from the Service Revolving Fund of \$723,000 beginning in fiscal year 2020-21 to support the workload of the Statewide Pharmaceutical Program's Local Governmental Outreach Project and Member Agency responsibilities for the California Pharmaceutical Collaborative (CPC).

BACKGROUND

The Procurement Division, Pharmaceutical Acquisitions Section administers the Statewide Pharmaceutical Program (SPP) which was statutorily established in 2002 (Government Code section 14977-14982). The SPP allows state and local governmental

entities to access negotiated contracts that can provide substantial savings through bulk purchasing of pharmaceutical products and services.

The CPC is a statewide collaborative that falls in line with the SPP's mission to reduce high cost drug spend for the state and local agencies that are members of the SPP. DGS was previously responsible for convening the CPC, which includes seven Executive Sponsors (state agencies) and 22 Member Agencies (state and local agencies). CPC leads the discussion for member agencies to develop solutions to leverage California's purchasing power to obtain pharmaceutical products and services at a lower cost. Recently, the lead convener for the CPC has changed from DGS to the California Health and Human Services Agency. However, DGS will continue to support the CPC as a Member Agency and provide leadership for activities that relate to the procurement of pharmaceutical products and services for state and local governmental agencies.

On January 7, 2019, Governor Newsom issued Executive Order (EO) N-01-19 to create the largest single purchaser for prescription drugs and allow private employers to join the State in negotiating drug prices. Specifically, EO N-01-19 requires DGS, in consultation with CPC, to do the following:

- Develop a list of prescription drugs that could appropriately be prioritized for future bulk purchasing initiatives or reexamined for potential renegotiation with the manufacturer. Based on the prioritized list, develop and implement bulk purchasing arrangements for high-priority drugs and provide pro-active outreach to local governments to encourage participation in these arrangements.
- Develop a framework for enabling private purchasers, including small businesses, health plans, and the self-insured, to opt in to a state purchasing program to benefit from the state bulk pharmaceutical purchasing program. DGS Procurement Division, Pharmaceutical Acquisitions Section is continuing to work with the Governor's Office to implement programs in support of the EO N-01-19.

The Department of General Services (DGS), Procurement Division (PD) requests 4.0 permanent positions and a three-year limited-term appropriation from the Service Revolving Fund of \$723,000 beginning in fiscal year 2020-21 to support the workload of the Statewide Pharmaceutical Program's Local Governmental Outreach Project and Member Agency responsibilities for the California Pharmaceutical Collaborative (CPC).

To ensure compliance with the EO, DGS needs additional resources on an ongoing basis. These staff will carry out the required tasks and reporting required by the EO and will continue to perform research, analysis, outreach and communication, collaboration and relationship management, and development and implementation of an effective network and framework to achieve savings on prescription drug spending. The requested staff resources will be dedicated to research and analysis, outreach and communication, relationship building and management, and customer and vendor relations. These efforts

will result in an efficient and effective network and framework to achieve savings on prescription drugs and comply with the requirements outlined in EO N-01-19.

STAFF COMMENTS

The department justifies the workload of the four positions in the supporting documents of the Budget Change Proposal.

Staff Recommendation: Approve as Budgeted

0511 GOVERNMENT OPERATIONS AGENCY

VOTE-ONLY ISSUE 8: FUNDING REALIGNMENT AND WORKLOAD ADJUSTMENTS

The Government Operations Agency, Office of the Secretary, (GovOps) requests to realign \$252,000 between General Fund and Reimbursements and authority to make annual baseline workload adjustments based on GovOps approved funding methodology and requesting 3.0 new positions, the reclassification of 2.0 existing positions, and \$286,000 General Fund and \$450,000 Reimbursements in 2020-21 and ongoing to fund and manage existing and new workload and increased lease costs.

BACKGROUND

The Government Operations Agency, Office of the Secretary, (GovOps) requests to realign \$252,000 between General Fund and Reimbursements and authority to make annual baseline workload adjustments based on GovOps approved funding methodology.

Additionally, the GovOps is requesting 3.0 new positions, the reclassification of 2.0 existing positions, and \$286,000 General Fund and \$450,000 Reimbursements in 2020-21 and ongoing to fund and manage existing and new workload and increased lease costs.

GovOps routinely provides legal services, budget and accounting services, personnel services, legislative services, information technology services, procurement services and comprehensive policy oversight. As is the case with all contracts for services, it is important that GovOps correctly charges its departments, boards, and offices the services provided to them. Failing to do so would result in inaccurate budget information and would take resources away from each entities core mission, thereby reflecting negatively on the state.

This proposal will result in a rightsizing of reimbursements from the various departments under GovOps oversight and provide full transparency into GovOps funding methodology. Ultimately, this proposal will allow GovOps to provide the effective oversight that is needed without adversely impacting the operations of the entities GovOps oversees.

STAFF COMMENTS

This proposal makes a necessary technical adjustment to the GovOps budget to accurately reflect the correct accounting for the department's work.

Staff Recommendation: Approve as Budgeted**0845 DEPARTMENT OF INSURANCE****VOTE-ONLY ISSUE 9: RENT INCREASE**

The California Department of Insurance (CDI) is requesting an increase in expenditure authority of \$1.8 million Insurance Fund in 2020-21 and ongoing, commensurate with rental rate increases.

BACKGROUND

CDI has three headquarters locations (Sacramento, San Francisco, and Los Angeles) and nine regional offices throughout California to support the operations of CDI as well as a warehouse in West Sacramento. Eleven of the thirteen CDI facilities are private lease agreements in which the Department of General Services (DGS) oversees the negotiation of lease agreements for each of the facilities. Each lease agreement covers an eight-year period and reflects the specific terms and conditions for each specific facility (i.e., lease term dates, facility costs and cost escalation, parking, utilities, etc.). The remaining two CDI facilities are state-owned buildings located in Los Angeles and San Diego. These buildings are owned and operated by DGS's Facilities Management Division and rental rates are established by DGS and published each year in the Price Book.

In 2018, CDI was notified that the new ownership group of the CDI headquarters building in San Francisco would be increasing the rent from \$3.50 per square foot to over \$9 per square foot, an annual cost increase of over \$4 million. This prompted a search for a new headquarters location as CDI was unable and unwilling to absorb such an exorbitant price increase. CDI was able to find new space in Oakland and will be relocating in the fall of 2019.

In an effort to maximize the environmental and financial benefits of relocating, the Department reevaluated its essential space requirements in the San Francisco headquarter office and was able to reduce our footprint by over 25 percent, from nearly 62,000 square feet to just under 45,000 square feet. Unfortunately, even with substantially reducing the Department's footprint, the annual rent increase will be \$1.2 million. Additionally, over the past two fiscal years the annual rent in the Los Angeles headquarters building increased by \$600,000.

STAFF COMMENTS

This request appears reasonable given the current office space needs of the CDI.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 10: IMPLEMENTATION OF SB 1123

The California Department of Insurance's Human Resources Management Division is requesting 1.0 position and \$120,000 Insurance Fund in 2020-21 and \$111,000 in 2021-22 and ongoing to address existing disability transactions workload as well as new workload associated with SB 1123 (Chapter 849, Statutes of 2018).

BACKGROUND

SB 1123 was signed into law on September 27, 2018, and will become effective January 2021. This bill expands the scope of the family temporary disability insurance program to include time off to participate in a "qualifying exigency", as defined in law, related to covered active duty or call to covered active duty of the employee's family member in the United States Armed Forces. Under SB 1123, a family member is defined as an individual's spouse, domestic partner, child, or parent. This legislation creates a new leave program that will generate additional workload.

CDI is requesting 1.0 Senior Personnel Specialist position and \$120,000 in 2020-21, and \$111,000 in 2021-22 and ongoing to address existing workload, as well as new workload associated with the passage of SB 1123.

STAFF COMMENTS

While the proposed resources were not identified in the Appropriations analyses for the bill in 2018, the department provided extensive workload justification for the requested position that appears reasonable.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 11: FRAUD DATA ANALYTICS SOFTWARE

The California Department of Insurance is requesting an expenditure authority increase of \$840,000 General Fund in 2020-21 to support the Fraud Data Analytics Software (FDAS) system and the eDiscovery Software-as-aService (SaaS) solution.

BACKGROUND

The California Department of Insurance (CDI) is requesting an expenditure authority increase of \$840,000 General Fund in 2020-21 to support the Fraud Data Analytics Software (FDAS) system and the eDiscovery Software-as-a-Service (SaaS) solution. These systems will be used for enhanced fraud investigation and prevention efforts in civil whistleblower cases that are associated with California's Insurance Fraud Prevention Act.

The Fraud Division (FD) is under the CDI Enforcement Branch which is the investigative body of the department. The core mission of FD is to protect the public and prevent economic loss through the detection, investigation and arrest of insurance fraud offenders. The FD oversees the following five fraud programs: 1. Automobile Insurance Fraud, 2. Organized Automobile Fraud Activity Interdiction, 3. Disability and Healthcare Fraud, 4. Workers' Compensation Insurance Fraud, and 5. Property, Life and Casualty Fraud. These programs are funded through a combination of annual insurer general assessments and insurance policy assessments.

The FD receives approximately 28,000 suspected insurance fraud referrals a year. The CDI Legal Branch is responsible for determining whether companies and individuals selling insurance in California are conforming to all appropriate laws and regulations. It handles requests for admission of insurers, requests to sell stock, corporate mergers, policies, changes in insurance rates, and requests to withdraw from selling insurance in California, represents the Department at administrative hearings on insurer and insurance agent misconduct, rate increase applications, investigating and litigating civil fraud actions including whistleblower claims, and other matters and provides the Commissioner and other Department branches with legal assistance whenever necessary.

As part of the enacted 2016-17 budget, GF resources were allocated to CDI to implement a computer litigation software program (eDiscovery SaaS). Subsequently, in the enacted 2018-19 budget, CDI received additional GF resources to renew the SaaS subscription for two more years (through 2019-20).

STAFF COMMENTS

The Subcommittee has consistently approved this request in prior years and thus staff recommends continuing to fund the software in the budget year.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 12: ACCOUNTING RESOURCES

The California Department of Insurance is requesting 7.0 permanent positions and \$1,014,000 Insurance Fund in 2020-21 and \$946,000 in 2021-22 and ongoing to address the increased workload resulting from complying with state administrative policies.

BACKGROUND

The California Department of Insurance is requesting 7.0 permanent positions and \$1,014,000 Insurance Fund in 2020-21 and \$946,000 in 2021-22 and ongoing to address the increased workload identified during the implementation of FI\$Cal. These resources are essential to address increased workload in accounting transactions, IT procurement functions, and maintaining accurate financial systems and timely fiscal reporting. Without additional staffing CDI will be unable to maintain the integrity of financial and procurement systems necessary to support CDI's programmatic activities.

CDI went live with FI\$Cal in July 2018 and immediately found that there was increased workload stemming from the time that it takes to transact in all modules of FI\$Cal from procurement, to accounts payable, to accounts receivable, to labor distribution, and allocations as well as additional complexities requiring in depth data analysis and manual processes that did not exist in CDI's legacy accounting system (CalSTARS). The additional time required has resulted in processing backlogs and significant overtime in the following program areas: Accounting Services Bureau (ASB), the Administrative Systems Unit (ASU), and the Project Coordination and Administrative Support Bureau (PCASB).

STAFF COMMENTS

The proposal from the Department of Insurance contains many criticism of the Fi\$Cal system's rigidity and more time consuming transactions. Fi\$Cal did not change the State's accounting and purchasing practices, but unlike the previous CalSTARS system, departments have far less freedom to ignore existing requirements.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 13: HEARING REPORTER STAFF

The California Department of Insurance is requesting an increase in expenditure authority of \$177,000 Insurance Fund in 2020-21 and \$153,000 in 2021-22 and ongoing to support 1.0 position to provide the availability of a statutorily required court reporter for formal and informal evidentiary hearings.

BACKGROUND

The Administrative Hearing Bureau (AHB) assists the Insurance Commissioner in performing adjudicatory tasks provided for by statute or regulation. AHB has exclusive jurisdiction over a variety of matters, including workers' compensation classification issues, prior approval rate hearings, prohibited person licensing cases, as well as departmental-initiated cease and desist cases and investigatory hearings. AHB conducts formal and informal evidentiary hearings in accordance with the Administrative Procedure Act (APA) and other controlling statutes or regulations. Pursuant to California Code of Regulations, Title 10, Section 2509.64, and various provisions of the California Insurance Codes and Government Codes, AHB's hearings must be conducted with a live court reporter. Accordingly, AHB has managed an external contract for court reporting services for over twenty years.

AHB currently has two courtrooms; one in San Francisco and one in Los Angeles. Evidentiary hearings range from single-day trials to hearings lasting several weeks or months. Hearings typically involve three or more parties, expert witness testimony, numerous pre-trial motions and extensive briefing. AHB conducts nearly 70 days of evidentiary hearings annually which require court reporter services. In addition to evidentiary hearings, AHB conducts approximately 15 reported telephonic case management conferences per year. Telephonic case management conferences require the court reporter to dial-in to the conference call in the same manner as the appearing parties and the judge. The court reporter makes a verbatim transcript of the telephonic case management conference, which then becomes part of the administrative record.

California is faced with a significant shortage of certified court reporters making it increasingly difficult to contract for court reporting services at a reasonable cost. On June 30, 2019, AHB's external court reporter contract expired. During the twelve months leading up to the contract's expiration, AHB sought bids from both large and small court reporting services. When no bids were received, AHB sought bids from court reporters on the State's California Multiple Awards Schedule (CMAS) listing.

STAFF COMMENTS

This proposal reflects the needs of the department amid the lack of available contracted options.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 14: WORKER'S COMPENSATION FRAUD

The California Department of Insurance is requesting a local assistance expenditure authority increase of \$3,449,000 Insurance Fund in 2020-21 and ongoing, to fund workers' compensation fraud investigation and prosecution workload increases.

BACKGROUND

CDI is requesting an additional \$3,449,000 in 2020-21 and ongoing to support grants to local DAs for the investigation and prosecution of provider fraud in the workers' compensation system. This will bring the annual amount available to support grants provided to local DAs for the investigation and prosecution of workers' compensation insurance fraud to \$45,889,000.

In 2018-19, the local DAs reported the arrests of 696 suspects, 516 convictions for workers' compensation fraud, and based on the cases currently in court there is identified chargeable fraud of almost \$2 billion. Chargeable fraud is the total dollar amount of a suspect's fraud that a DA believes can be proven and will lead to a conviction (this does not necessarily include the total dollar amount of suspected fraud the individual may have committed). In the prosecution of provider fraud cases, the amount of chargeable fraud is generally a reliable indicator of a case's complexity, with higher suspected chargeable fraud totals indicating increased complexity.

STAFF COMMENTS

This increase is consistent with the increased assessment approved by the Governor appointed Fraud Assessment Commission (FAC) on September 11, 2019.

The Subcommittee has previously approved similar proposals for local assistance in previous years.

Staff Recommendation: Approve as Budgeted**0650 OFFICE OF PLANNING AND RESEARCH****VOTE-ONLY ISSUE 15: CALIFORNIA TRANSPORTATION PLAN ASSESSMENT**

The Office of Planning and Research requests a one-time expenditure of \$349,000 to implement the California Transportation Plan Assessment, pursuant to last year's AB 285.

BACKGROUND

The Office of Research and Planning requests \$349,000 General Fund over the next two fiscal years. Funding includes, \$199,000 to support 1.0 limited term position in 2020-21

through 2021-22 and \$150,000 in one time contract funding in 2020-21 to meet the statutory requirements set forth in AB 285 (Friedman, Chapter 605, Statutes of 2019).

AB 285 directs the Strategic Growth Council (SGC) to submit a report to the Legislature by January 31, 2022 that assesses 1) how the California Transportation Plan and other transportation planning efforts influence the configuration of a statewide, multimodal transportation system and 2) how the state's transportation and housing grant program could be better aligned and coordinated. Because transportation emissions have consistently increased from 2013-2017, state and regional transportation planning efforts need to be better aligned and coordinated so long-term investments and decisions do not fix us on a path that would make it impossible to address this issue.

STAFF COMMENTS

The proposed level of funding is higher than the estimate provided by the Assembly Appropriations Committee and reflect OPR's decision to add a \$150,000 consulting contract to complete the report. However, given the importance of the information in the report, staff believe these additional resources are justified.

Staff Recommendation: Approve as Budgeted**VOTE-ONLY ISSUE 16: OPR WORKLOAD INCREASES**

The Office of Planning and Research is requesting 2 positions to support ongoing workload increases, including additional work on legislation.

BACKGROUND

The Office of Planning and Research (OPR) requests \$357,000 from the General Fund in 2020-21 and ongoing to establish 2.0 positions to support OPR's growing amount of legal and legislative work: 1.0 Full Time Equivalent (FTE) for a Senior Project Analyst and 1.0 FTE for a Senior Intergovernmental Program Analyst. These legal and legislative staff will support work for all OPR budget programs, which includes the Strategic Growth Council, California Volunteers, and a number of smaller programs. In addition, the legislative staff will assist to ensure continuity with other legislative staff at the Legislature, Department of Finance, and other departments.

STAFF COMMENTS

The Office of Planning and Research has become more of a program administrator for some key policy areas, so additional resources to better communicate with the Legislature, in particular, seems like a good idea. However, the Assembly should expect that these resources translate into improved responsiveness from the Office, especially on the important goal of reducing air pollution from transportation sources, like passenger vehicles.

Staff Recommendation: Approve as Budgeted

0840 STATE CONTROLLER'S OFFICE

VOTE-ONLY ISSUE 17: CALIFORNIA AUTOMATED TRAVEL EXPENSE REIMBURSEMENT SYSTEM (CALATERS)

The Controller's Office is requesting \$3 million for 13.5 positions in 2020-21 and 12.5 positions from 2021-22 through 2022-23 to support SCO and departments throughout the implementation of the CalATERS Replacement Project. Additionally SCO is requesting funding to support 1.0 permanent position to provide post implementation support.

BACKGROUND

SCO's Personnel and Payroll Services Division (PPSD) operates and maintains the California Automated Travel Expense Reimbursement System (CalATERS) as a mandated service to state department accounting offices and employees. In 2000, SCO developed CalATERS to process travel and expense reimbursement claims more rapidly and accurately. Designed and built under a contract with International Business Machines Inc. (IBM), CalATERS allows employees to efficiently submit travel expense and miscellaneous reimbursement claims electronically, and for those claims to follow an automatic review, approval, and payment process. Currently, 105 departments, with approximately 130,314 users, use CalATERS with an additional three boards/departments preparing to begin using CalATERS in 2019-20.

In May 2014, IBM announced they would discontinue support for the CalATERS system effective March 31, 2016. SCO has contracted with IBM for support and maintenance of the existing system and has a current agreement in place through June 2020. SCO is in the process of renewing this maintenance contract through June 2023 with language to allow for three one-year extensions.

The replacement of the system qualifies as an IT project, requiring SCO to work through the California Department of Technology's (CDT) Project Approval Lifecycle (PAL) process. To date, the following PAL documents have been approved:

- Stage 1: approved in March 2016
- Stage 2: approved in August 2017

Through a 2018-19 May Revise BCP request, four-year LT funding was provided to support 4.5 positions through 2021-22 to complete the PAL process, procurement of the solution, and provide project oversight to the implementation of the procured solution.

The proposed resources allow for staff to implement the new replacement CalATERS system over the next three years.

STAFF COMMENTS

The proposed resources appear in line with the planned replacement of the system, which is necessary given the need to transition off the legacy CalATERS system which is no longer supported by the vendor.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 18: LOCAL GOVERNMENT OVERSIGHT – INTERNAL CONTROL REVIEWS

The Controller requests \$852,000 to expand the review of local governments.

BACKGROUND

The State Controller's Office (SCO) requests \$852,000 [\$486,000 General Fund (GF) and \$366,000 Central Service Cost Recovery Fund (CSCRF)] and a corresponding decrease in reimbursement authority in 2020-21 and ongoing to fund 5.0 existing resources in 2021-22 and ongoing to perform investigative audits and reviews of the oversight of local government agencies (cities, counties, and special districts).

The Controller estimates these resources will allow six additional investigations/audits per year, plus the ability to thoughtfully respond to an estimated 34 complaints about local governments.

STAFF COMMENTS

The proposed expansion to local reviews seems justified and appropriate.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 19: OPEB AUTOMATION SUPPORT

The Controller is requesting ongoing resources to continue Other Post Employment Benefit (OPEB) contribution deductions from state employee payroll.

BACKGROUND

The State Controller's Office (SCO) requests \$898,000 [\$512,000 General Fund (GF); \$386,000 Central Service Cost Recovery Fund (CSCRF)] in 2020-21 and ongoing to support 7.0 permanent positions to maintain and support the employment history, payroll, reporting and remittance functions related to OPEB automation.

Recent labor agreements with state workers have included a provision for an OPEB contribution deduction from employees, which vary between bargaining units. Given the status of the state's payrolling system and the complexity of the calculations for the OPEB reduction, the Controller is asking for these resources to insure that these deductions are made in a timely and accurate manner.

STAFF COMMENTS

The proposed resources seem in line with the recent demonstrated workload.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 20: PROPERTY TAX POSTPONEMENT PROGRAM

The Controller requests resources to continue the administration for the Property Tax Postponement Program

BACKGROUND

The State Controller's Office (SCO) requests \$540,000 in 2020-21 and \$531,000 in 2021-22 and ongoing in Senior Citizens and Disabled Citizens Property Tax Postponement Fund (PTP Fund) authority to support 3.0 positions for the continued administration of the Property Tax Postponement Program and 1.0 position for the increased workload related to Assembly Bill (AB) 133 (Chapter 794, Statutes of 2019). SCO currently has limited-term funding for 3.0 of these positions, which expires June 30, 2020.

During the recession, Senate Bill (SB) X3 8 (Chapter 4, Statutes of 2009) suspended the PTP Program effective February 20, 2009. SCO was prohibited from accepting claims for property tax postponement and all funding for new postponements was eliminated for

fiscal years (FY) 2009-10 through 2015-16. Assembly Bill (AB) 2231 (Chapter 703, Statutes of 2014) restored a significantly different version of the PTP Program which allowed eligible California senior, blind, or disabled citizens to apply for property tax postponement beginning October 1, 2016. The reinstated PTP Program changed many provisions and eligibility requirements to offset market fluctuations and enhance collection authority. Additionally, SB 1130 (Chapter 896, Statutes of 2018) added manufactured homes back into the PTP Program beginning October 1, 2019, and allocated 1% of the funds available in the Senior Citizens and Disabled Citizens PTP Fund to postpone taxes for eligible manufactured home owners.

The proposed resources continue staff that are currently in place and reflect an anticipation of growing workload in the program due to higher participation and the expansion of the program to include manufactured homes.

STAFF COMMENTS

The Controller's office provided workload metrics that justifies continuing the three positions.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 21: SAFE NEIGHBORHOODS AND SCHOOLS

The Controller is proposing to continue resources to conduct required audits of Proposition 47 grants.

BACKGROUND

The State Controller's Office (SCO) requests \$303,000 in 2020-21 and ongoing from the Safe Neighborhoods and Schools Fund (SNSF) and a corresponding decrease in reimbursement authority in 2020-21 and ongoing to support 2.0 existing positions to perform audits of Proposition 47 SNSF grant programs.

Proposition 47 was approved on November 4, 2014, and enacted in June 2016. Proposition 47 reduces penalties for certain offenders convicted of non-serious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. This mandate is expected to save significant state corrections dollars annually due to an estimated reduction in the inmate population. Proposition 47 requires that these savings be transferred into the SNSF to be used to reduce truancy and support drop-out prevention programs in K-12 schools, increase victim services grants, and support mental health and substance abuse treatment services.

The three administering agencies have approved or proposed that 83 Proposition 47 SNSF grants be awarded between 2016-17 and 2020-21: 50 from CDE, 10 from CalVCB, and 23 from BSCC. When the program began, the grant programs were not operating in full capacity and was only able to award grants at a lower rate. With the grant programs fully operating now, SCO anticipates that the number of grantees available for audit will increase from 91 in 2018-19 to 173 each year between 2021-22 and 2023-24.

STAFF COMMENTS

The Controller's Office had demonstrated the need to continue the existing positions for this required workload.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 22: ROAD MAINTENANCE AND REHABILITATION PROGRAM (RMRP)

The Controller is requesting ongoing resources associated with required SB 1 Road Maintenance expenditures by local governments.

BACKGROUND

The State Controller's Office (SCO) requests \$571,000 from the Road Maintenance and Rehabilitation Account (RMRA), and a corresponding decrease in reimbursement authority in 2020-21 and ongoing to support 4.0 existing positions on a permanent basis to conduct audits of the Road Maintenance and Rehabilitation Program (RMRP).

SB 1 (Chapter 5, Statutes of 2017) created the RMRP to address deferred maintenance on the state highway system and the local street and road system, and established the RMRA for the deposit of program funds. Over the next decade, it is estimated that the RMRP will provide an average of \$1.48 billion annually for the maintenance and rehabilitation of local streets and roads. To receive and remain eligible for allocations from the RMRA, cities and counties must maintain their existing commitment of local funds for street, road, and highway purposes, otherwise known as a maintenance-of-effort (MOE).

A city or county must annually expend from its General Fund (GF) for street, road, and highway purposes an amount not less than the annual average of its GF expenditures during 2009-10, 2010- 11, and 2011-12, as reported to the Controller pursuant to SHC section 2151. In coordination with cities and counties, SCO reviewed, calculated, and finalized the MOE requirements in 2017-18. The finalized MOE specifies a three-year period, and reflects a total average amount of approximately \$1.09 billion (\$1.05 billion from cities, and \$44.4 million from counties). Combined with the estimated \$1.48 billion

in RMRP funding, an estimated total of \$2.57 billion will be available each year for the maintenance and rehabilitation of local streets and roads.

STAFF COMMENTS

The Controller has provided sufficient justification for the resources needed to perform this required task.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 23: SCO ADMINISTRATIVE SUPPORT COSTS

The Controller's Office requests funding for increased administrative costs associated with personnel services, training, statewide fees, and contracted costs.

BACKGROUND

The State Controller's Office (SCO) requests \$2,072,000 [\$1,141,000 General Fund (GF), \$931,000 Unclaimed Property Fund (UPF)] in 2020-21 and 2021-22 and \$1,572,000 (\$1,141,000 GF, \$431,000 UPF) in 2022-23 and ongoing to support increased administrative costs associated with personnel services, training, statewide fees, and contracted costs.

Over the past years, SCO has experienced increased operational costs which has eroded the baseline funding. SCO is charged with fulfilling a variety of mandated functions in support of the State and erosion of baseline funding puts in jeopardy the ability to continue performing these workloads while keeping pace with rising costs. Costs such as the Department of General Services (DGS) Statewide Surcharge, price of warrants and envelopes, staff benefits (excluding retirement, health, and dental), and other miscellaneous items have increased without additional funding to cover them.

Of this amount, the Controller requests \$471,000 for employee leadership training.

STAFF COMMENTS

Staff has no concerns with this proposal. Staff strongly believes the effort to improve employee leadership through training is a valuable investment.

Staff Recommendation: Approve as Budgeted

7502 DEPARTMENT OF TECHNOLOGY

VOTE-ONLY ISSUE 24: WEBSITE ACCESSIBILITY

The Department requests resources to help insure California government websites are accessible to all Californians.

BACKGROUND

While websites offer an important portal for the public to interact with state government, many of these websites are not designed to be accessible for all Californians.

AB 434 (Baker, Chapter 434 , Statutes of 2017), requires each state agency, to post before July 1, 2019, and every two years thereafter, a signed certification on their website that the website is in compliance with specified accessibility requirements. As of July 1, 2019, over 50 state entities were only able to certify partial compliance with AB 434. The Administration has made full compliance a priority and designated CDT as the single point of contact to bring required entities into full compliance by the end of the calendar year 2019. This compliance effort involves a significant level of CDT Legal interaction and coordination on highly complex IT-related accessibility/ADA laws with a multitude of state legal counterparts. The compliance involves extensive research and interpretation of new legislation affecting IT-related involvement. The compliance affects application of accessibility legislation and laws to the public facing CA.gov.

To insure compliance with this requirement, California Department of Technology (CDT) requests 8.0 positions and \$1.4 million (\$1.2 million General Fund and \$200,000 Technology Services Revolving Fund) in Fiscal Year (FY) 2020-21 and on-going to augment staffing levels within CDT's Office of Enterprise Technology (OET), Office of Legal Services, and the Legislative Office

STAFF COMMENTS

The State needs to improve the accessibility of its websites for these to truly be serving all Californians.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 25: SECURITY OPERATIONS CENTER AND AUDIT PROGRAM

The Department of Technology is proposing to shift some IT security costs to the General Fund.

BACKGROUND

The California Department of Technology requests a \$15.1 million General Fund augmentation in Fiscal Year 2020-21 and ongoing to convert 49.0 existing Office of Information Security positions currently funded through the Technology Services Revolving Fund. This proposal also contains trailer bill language to conform to this change.

The current statewide infrastructure of information security program oversight services, threat information sharing, protection, and centralized SOC services are mission-critical security services required by all state entities. These services include Information Security Program Audits (ISPA) provided by the CDT, 24x7 SOC services provided by CDT, Independent Security Assessments (ISA) provided by the California Military Department (CMD), computer crimes investigations conducted by the California Highway Patrol (CHP), and program elements such as overarching security strategy, intelligence analysis, information sharing, and incident response provided by the California Cyber Security Integration Center (Cal-CSIC).

The current statewide funding model makes it difficult for state entities to absorb the cost of these services. Several entities cannot allocate funding to meet their security requirements due to competing priorities while others are not able to sustain audits, assessments, security solutions, and SOC mitigations. By funding these activities through the General Fund, these state entities would be able to repurpose funds budgeted for their audits/assessments to fix critical gaps identified through the oversight program and strengthen their security posture. Centralizing security funding is an approach adopted, or in the process of being adopted, by several states nationwide such as New York, North Carolina, West Virginia, Idaho, and Alabama to mitigate funding issues.

STAFF COMMENTS

Funding these activities through a direct General Fund appropriation recognizes that it is unrealistic for departments to have large contingency budgets available for security services when a crisis is identified.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 26: STATEWIDE ENDPOINT PROTECTION PLATFORM

The Department requests \$5.1 million to protect 60 state departments from Malware.

BACKGROUND

The California Department of Technology requests \$5.1 million General Fund in FY 20-21 to significantly enhance the State's security infrastructure by implementing contemporary Endpoint Protection Platform (EPP) licensing for more than 60 state entities that have not transitioned from traditional antivirus solutions.

Under this proposal, these entities would have access to the EPP's integrated consolidation endpoint protection technologies which includes advanced malware protection. Since many state entities do not currently maintain the capability to safeguard against an advanced cyberattack, the EPP represents a common and effective risk reduction mechanism to mitigate common security vulnerabilities identified in findings from audits and assessments.

STAFF COMMENTS

Adversary simulation exercises conducted by CMD demonstrated that implementing an EPP would alleviate most of the cyberattack tactics exhibited by modern day adversaries.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 27: STATEWIDE PROCUREMENT LEVEL OF SERVICES

The California Department of Technology (CDT) requests an augmentation of 6.0 positions and \$932,000 Technology Services Revolving Fund in 2020-21 for additional procurement workload.

BACKGROUND

The Department's workload has increased due to its assumption of additional procurement responsibilities, additional workload, and the Governor's Challenge based procurements.

The 2018 budget package helped define CDT's IT project procurement responsibility. It brought California law surrounding IT procurements in line with the reality of how information technology systems are planned, implemented and maintained to ensure that IT procurement authority under PCC 12100 was aligned with CDT's technology procurement expertise. AB 1817 shifted additional IT procurement activities and workload from DGS to CDT. It expanded CDT's authority to encompass IT goods and services

related for all non-delegated IT projects. It also expanded responsibility for IT procurements throughout the system's lifecycle, whether delegated or non-delegated, to include IT procurements throughout maintenance and operations. augment staffing levels within CDT's Office of Enterprise Technology (OET), Office of Legal Services, and the Legislative Office.

The first Challenge-Based Procurement was included in the Governor's Executive Order (N-04-19) and is an ongoing collaboration effort between CDT and DGS, on behalf of CalFire, to identify innovative solutions to the State's wildfire crisis. Working sessions began in January 2019 and awarding the final deployments are targeted for spring 2020. Since implemented in January 2019, two full time STP staff have been fully dedicated to this initial Challenge-Based Procurement. For all future Challenge-Based Procurements, two full time staff will be required to be dedicated in order to be effective. Due to the complexity of the project, and the myriad directions the innovation solutions may lead, STP staff will be continuously dedicated until the final deployment to provide continuous assistance. This initial engagement with CalFire has identified that further implementation of Challenge-Based Procurements for additional State Agencies would increase workload significantly.

STAFF COMMENTS

This request for resources reflects the successful implementation of efforts lead by the Legislature to provide a clear delineation of Technology's procurement role for the benefit of departments, vendors, and public oversight.

Staff Recommendation: Approve as Budgeted

8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS

VOTE-ONLY ISSUE 28: OFFICE SPACE

The Commission on the Status of Women and Girls (Commission) request for \$288,000 General Fund in 2020-21, \$66,000 General Fund in 2021-22 and 2022-23, and \$96,000 General Fund annually thereafter to allow the Commission to relocate to a new, larger office to address increased space needs.

BACKGROUND

The Commission currently has office space subleased through the California State Library (CSL) in the State Library Annex. However, the CSL has expanded some programs and now needs that space, so the CSL has given the Commission a deadline of June 30, 2021 to relocate. The Department of General Services (DGS) has been working with the Commission to find a new location. DGS has indicated there is not space available in

other state buildings in downtown Sacramento and has advised them to relocate to privately-leased office space.

DGS generated an estimate for the Commission that includes square-footage rental fees and one-time costs for cubicles and other furnishings. The Commission does not have many furnishings that would be brought along, as most of what they use now is CSL property. DGS provided the Commission with an estimate of the square footage needed to meet State Administrative Manual (SAM) guidelines.

This estimate of square footage will allow the Commission to provide space for additional staff needed to implement SB 24 (Chapter 740, Statutes of 2019). A portion of the total rent will be paid from the funding provided by the fund established under SB 24. It is expected that this partial offset of rent will be available through fiscal year 2024-25. The Commission has historically been headquartered near the Capitol as its primary function is to advise the State Legislature and 6 of the 17 Commissioners are sitting Legislators.

STAFF COMMENTS

Given the Commission must relocate, this request appears necessary.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 29: IMPLEMENTATION OF SB 24

The Commission requests staff to administer the Prep fund program created by SB 24 of 2019.

BACKGROUND

The Commission on the Status of Women and Girls (Commission) requests an increase in position authority of four positions in 2020-21 and ongoing to be supported by the College Student Health Center Sexual and Reproductive Health Preparation Fund (Prep Fund) to implement the College Student Right to Access Act of 2019.

Senate Bill (SB) 24 (Leyva, Chapter 740, Statutes of 2019) requires the Commission to administer the Prep Fund, which was established by the bill.

The bill makes a continuous appropriation from the fund to the Commission for the direct and indirect staffing and operational costs of administering this program, and for direct allocations to each public university system in order to equip all CSU and UC student health centers to offer abortion by medication techniques on or by January 1, 2023. The bill also states that the program would be implemented only to the extent that a total of at

least \$10,290,000 in private grants are made available to the Prep Fund on or after January 1, 2020.

STAFF COMMENTS

The requested funding is consistent with costs identified in the Appropriations analysis for SB 24.

Staff Recommendation: Approve as Budgeted

0890 SECRETARY OF STATE

VOTE-ONLY ISSUE 30: DOMESTIC PARTNERSHIPS (SB 30)

The Secretary of State (SOS) requests \$94,000 in 2020-21 and \$85,000 in 2021-22 and ongoing from the Business Fees Fund for one Program Technician II position and for related processing costs for the workload anticipated by SB 30 (Wiener, Chapter 135, Statutes of 2019) relating to domestic partnerships filed with the SOS.

BACKGROUND

With the enactment of SB 30, it is estimated that domestic partnership filings with the SOS will likely increase from 2,400 filings per year to 12,000 filings per year, or more due to the health benefits available to domestic partners and their children. The expected conservative increase in filings requires an additional Program Technician II in addition to other related operating costs for an annual ongoing total of \$85,000. This position will be responsible for processing the increased volumes of declarations, and responding to in-person inquiries, phone calls and correspondence.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 31: ELECTION PRINTING REQUIREMENTS AND BALLOT DESIGN (AB 623)

The SOS requests \$100,000 (\$50,000 in 2020-21 and \$50,000 in 2021-22) from the General Fund for the implementation of AB 623 (Berman, Chapter 863, Statutes of 2019).

BACKGROUND

Under California state law, ballots must follow certain requirements, such as instructions to voters, font type, font size, margin widths, spacing of contests, voting square size, and write-in spacing, among other prescribed formats and conditions. According to county elections officials, many of these requirements are outdated and create barriers for county elections officials to design new ballot layouts compatible with new voting systems and new methods of conducting elections.

AB 623 requires an advisory committee to perform a comprehensive review of ballot requirements and instructions and to assist the SOS to promulgate regulations that would provide elections administrators guidance to design ballot layouts that are user friendly and compatible with new voting systems. Improving ballot design will assist voters in understanding how to fill out a ballot.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 32: HELP AMERICA VOTE ACT SPENDING PLAN

The Governor's budget requests \$10.966 million in expenditure authority in 2020-21 from the Federal Trust Fund to continue implementation of the statewide mandates of the Help America Vote Act (HAVA) of 2002.

BACKGROUND

The HAVA requires statewide modernization or replacement of voting equipment, education and training programs for election officials and poll workers, development and dissemination of voting information to increase voter participation and confidence, voting systems testing and approval, and a statewide voter registration database. To date, California has received \$392.4 million in federal funds (including interest, this fund totals \$438.0 million) to implement these mandates.

In April 2018, Congress approved and the President signed \$380 million HAVA dollars in the 2018 Omnibus Appropriations bill. Of this appropriation, California will receive approximately \$34 million "New HAVA Funds". Areas of suggested use for these funds include replacing voting certain equipment; implementing a post-election audit system; upgrading election-related computer systems to address cyber vulnerabilities; facilitating cybersecurity training; implementing established cybersecurity best practices; and funding other activities that will improve the security of elections for Federal office.

For 2020-21, the SOS proposes to expend \$4.735 million for voter education, voting system testing and approval, the implementation of a ballot tracking system, and the continued administration of HAVA activities. Additionally, the SOS proposes to expend \$6.231 million of new HAVA funds for county assistance for improving voting systems, implementing risk limit auditing, ensuring election assistance for individuals with disabilities, and improving the secure administration of elections.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 33: HELP AMERICA VOTE ACT SPENDING PLAN-VOTE CAL

The Governor's Budget requests \$9.7 million in spending authority from the Federal Trust Fund to cover the Maintenance and Operations and support for security enhancements for the VoteCal statewide voter registration system.

BACKGROUND

The SOS entered into an agreement with the U.S. Department of Justice to develop and implement a statewide uniform, centralized, interactive, and computerized voter registration database (VoteCal) in accordance with Section 303 (a) of HAVA passed by Congress in 2002. The VoteCal system supports the registration of voters and is administered jointly by the SOS elections division and county elections officials.

The requested \$9.7 million includes funding for: procurement assistance, security review, increased communication costs from upgraded data lines for counties, increased DMV connectivity costs, enhanced hardware and software costs, and Election Management System support and verification. This includes \$2.3 million of the new HAVA funding allocated to California in April 2018 that are to be used for VoteCal purposes and includes \$1 million for the development of security training curriculum and training of counties as well as \$1.3 million for state VoteCal security enhancements.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 34: INCREASING CIVIC ENGAGEMENT OF CALIFORNIA'S PUBLIC POSTSECONDARY INSTITUTIONS (AB 963)

The SOS requests \$251,000 (\$241,000 ongoing) in General Fund authority for two full-time permanent Associate Governmental Program Analyst positions to support the management and implementation of the Students Vote Project as required by AB 963 (Petrie-Norris, Chapter 559, Statutes of 2019).

BACKGROUND

The Student Vote Project (SVP) was established in 2016 through a partnership with then Lieutenant Governor Gavin Newsom, California Public Interest Research Group, Asian Americans Advancing Justice, and California Common Cause. Through a Memorandum of Understanding, the California State Universities (CSUs), Universities of California (UCs), California Community Colleges (CCCs), and most recently, the Association of Independent California Colleges and Universities (AICCU), have committed to participate in the civic engagement project leading up to an election.

This bill mandates the college and university institutions to participate in this civic engagement partnership. Though the Secretary of State's office has managed to create a strong foundation, only about a quarter of the higher education system's campuses participate in the California SVP. This bill will result in an expansion of the project, significantly increasing SOS workload, requiring additional resources and program staff.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 35: IT DIVISION RESOURCES WORKLOAD GROWTH

The SOS requests \$293,000 in 2020-21 (\$214,000 Business Fees Fund [BFF] / \$79,000 General Fund [GF]) of which \$283,000 (\$207,000 BFF / \$76,000 GF) is ongoing, to establish and fund two full-time, permanent positions as Systems Administrators dedicated to performing patch management for Windows and Linux systems in the cloud and administration of Microsoft System Configuration Manager.

BACKGROUND

This request is to accommodate the workload growth within the Information Technology Division (ITD). ITD is responsible for the agency's technical infrastructure, application development, IT governance, telecommunication, and end points support. The Division maintains the computing network, an off-site and on-site enterprise data center and all systems in the cloud. ITD shares security operation responsibilities with the Office of Risk Management. Working in partnership with other divisions, ITD supports the program responsibilities of the agency by providing strategic and tactical planning, implementing, and maintaining innovative, effective, and secure technology solutions. Virtually all of the SOS programs have an information technology component.

The two requested IT positions will act as system administrators and will be responsible for performing patch management for systems in the cloud and administration of Microsoft System Center Configuration Manager. These positions are necessary to support the critical infrastructure that is a dependency for the mission critical and public facing systems and applications used by the California constituency including systems in support of business filings and elections. In addition, these positions have been identified as part of the needed resources that ITD currently does not have and is deficient in the security findings from a security assessment conducted in 2018.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 36: RECORDS MANAGEMENT COORDINATOR (AB 469)

The SOS requests \$126,000 (\$121,000 ongoing) from the General Fund to permanently establish one Associate Governmental Program Analyst position for the Records Management Coordinator training and tracking workload anticipated by the enactment of AB 469 (Petrie-Norris, Chapter 302, Statutes of 2019).

BACKGROUND

The SOS provides records management guidance and direction to hundreds of California government entities (state agencies, boards, commissions, local governments, California Courts, and the Legislature) who create public records in the course of the people's business. AB 469 requires each state agency to appoint a representative from their agency to serve as the records management coordinator (RMC) and notify the SOS within 30 days of the appointment; specifically spells out the responsibilities of the RMC, including a minimum of 12 hours of SOS records management training classes within 12 months of appointment and a minimum of four hours of SOS records management training classes every other year thereafter. AB 469 also provides that state agencies shall notify the SOS if the records being transferred to the State Archives contain information that is not subject to public disclosure or is restricted from disclosure for a period of time pursuant to federal or state law. The SOS is additionally required to report statewide compliance with the State Records Management Act at least every two years.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 37: STAFFING INCREASE FOR THE HUMAN RESOURCES BUREAU

The SOS requests \$791,000 for 2020-21 (\$577,000 Business Fees Fund (BFF) and \$214,000 General Fund (GF)) of which \$761,000 (\$555,000 BFF and \$206,000 GF) is ongoing to fund six permanent full-time positions in the Human Resources Bureau (HRB).

BACKGROUND

The SOS has evolved and experienced a great deal of growth throughout the years. The scope and complexity of the organization's programs and services provided to California's constituents have increased. Consistent with this growth, the number of employees within the Agency has increased from 485 to 629 in the last 10 years.

The HRB has received minimal increases in the number of staff during this timeframe (1 limited-funded position in 2013-14 and 1 permanent position in 2018-19). In the last couple of years as a temporary measure, 3 vacant limited-funded positions were transferred from the Business Programs Division to HRB to address workload needs. However, HRB has had limited success filling these vacancies as limited-term and ongoing funding is needed to support the SOS's personnel management needs. In

addition, the HRB has experienced high staff turnover, which has added a burden to staff assignments. The HRB current staff resources include 17 permanent positions and 2 student assistants. Based on a review of other human resource offices in similar size agencies, the current staffing level is low. Departments of similar size and complexity average 25 to 30 human resource positions.

This request would bring staffing in line with Agency growth and provide sufficient analytical and professional staff to address critical and sensitive personnel management matters that have high consequence of error.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 38: VOTE CENTERS (SB 450)

The SOS requests three-year limited-term annual funding of \$464,000 from the Voting Systems, Security Measures, and Elections Administration Special Deposit Fund (VSSMEA) for staff to continue to implement and administer the provisions set forth in SB 450 (Allen, Chapter 832, Statutes of 2016).

BACKGROUND

SB 450 created a new election model, the Voter's Choice Act, which has increased civic participation and made our democracy stronger by modernizing California elections. SB 450 has the potential to be fully deployed statewide. If this becomes a reality, every registered voter will be delivered a vote-by-mail (VBM) ballot before Election Day and will be able to either vote in-person at a vote center or mail his/her VBM ballot in or drop it off at a vote center or ballot drop-off location. A vote center is an alternative to traditional polling places where voters can vote in person at fewer voting locations, but up to 10 days before the election. Currently, 14 counties have opted into the Voter's Choice Act. This represents over 10 million registered California voters and over half of the state's electorate.

The enactment of SB 450 has significantly improved the availability and accessibility for registered voters to cast a ballot in California by establishing Vote Centers. However, it did not provide for the SOS's need for adequate staffing to meet those responsibilities created under SB 450. Continued staff funding is necessary in order for the SOS to comply with its statutorily required duties without significantly diminishing the conduct of other statutorily-required critical election programs.

A continuation of the three-year limited-term funding of \$464,000 for three existing positions is requested in order for the SOS to successfully implement and comply with the provisions of SB 450. After the three-year period, the SOS will review the ongoing costs of the program to determine future funding requirements.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 39: VOTER LANGUAGE PREFERENCE ON VOTER NOTIFICATION CARDS AND VOTE BY MAIL APPLICATIONS

The SOS requests a funding increase from the General Fund to Special Items of Expense in the amount of \$300,000 in 2020-2021 and \$294,000 in 2021-22 and ongoing for increased production costs of voter notification cards (VNC) and to incorporate new language on the printed and uniform electronic vote-by-mail applications.

BACKGROUND

AB 1391 (Bonta) would have established additional language requirements for voter materials that included printing the language preference for which the voter had registered, information regarding the languages in which a voter can receive voting materials in the voter's county (pursuant to section 203 of the Voting Rights Act), and instructions on how the voter could change their language preference. AB 1391 also required additions to the vote-by-mail application and the uniform electronic vote-by-mail application, specified in Elections Code sections 3006 and 3007.5, respectively. These requirements included the opportunity for the voters to select their language preference for receiving voting materials in all future mailings. On October 13, 2019, Governor Newsom vetoed the bill. In his veto message, the Governor stated: "...While this bill is laudable, I must veto it because of the new obligations it imposes on county elections officials and the state-reimbursable mandate that it creates. However, I will propose funding in the 2020-21 budget for the Secretary of State to fulfill its responsibilities in this bill in demonstration of California's commitment to empower all eligible Californians to exercise their right to vote."

The new changes substantially increase the amount of text that is required to be printed on the bilingual VNC causing the text to outgrow the card. Specifically, the SOS will modify the current 4 ¼" x 5 ½", double-sided postcards to a fold-over postcard that can be mailed under USPS First-Class postcard rates. While this change will increase the amount of space available for text, the cost of printing each VNC will increase from \$.028 to \$.07, an increase of \$.042 per piece. Based on the increased production costs and the number of voter registrations in the last calendar year, 1) a one-time increase of \$4,000 (pre-press design: \$2,000 + translation: \$2,000 = \$4,000) and a \$2,000 one time increase for design and translation costs is necessary and 2) a permanent ongoing increase of \$294,000 (Number of VNC triggering transactions: 7,000,000 x per piece cost increase: \$.042 = \$294,000) is necessary.

Staff Recommendation: Approved as Budgeted

VOTE-ONLY ISSUE 40: VOTER REGISTRATION RELATED MAILINGS

The SOS requests a permanent General Fund increase to its elections-related costs in the amount of \$847,000 for 2020-21 and ongoing for the printing and mailing of voter registration related postcards.

BACKGROUND

The SOS is responsible for the printing and associated mailing costs of voter notification cards provided to registered voters. Elections Code section 2155, requires voter notification cards be mailed to registered voters once a properly executed voter registration application is received by county elections officials to confirm the voter's registration information, including political party preference. Elections Code requires the SOS to print voter notification cards and reimburse county elections officials for the cost of mailing them to voters.

AB 1461 (Chapter 729, Statutes of 2015) required the SOS and the Department of Motor Vehicles to establish the California New Motor Voter Program to increase opportunities for voter registration in order to increase the number of registered voters in the state. Since its implementation in April 2018, the voter rolls have increased by approximately 1,123,620. The SOS had expected an increase in the printing and mailing of voter notification cards required for which a baseline adjustment was made in 2017-18.

What was not anticipated was the number of voters who didn't select a political party preference, ballot material language preference, or vote-by-mail preference, or the number of voters whose registration preference could not be determined. In addition, there are a number of eligible citizens who opt out of registering. In order to ensure these eligible citizens had the opportunity to correct their preferences, complete their registration, or provide information about registering to vote in the future, three follow up postcard notification were developed and this request covers the resulting cost increases.

Staff Recommendation: Approved as Budgeted

8620 FAIR POLITICAL PRACTICES COMMISSION

VOTE-ONLY ISSUE 41: POLITICAL REFORM ACT OF 1974: CONTRIBUTION LIMITS (AB 571)

The Governor's budget requests for the Fair Political Practices Commission (FPPC) \$932,000 General Fund in 2020-21 (\$890,000 General Fund in 2021-22 and ongoing) and six permanent positions to implement the provisions of AB 571 (Mullin, Chapter 556, Statutes of 2019).

BACKGROUND

The FPPC was created by the Political Reform Act (Act) as an independent non-partisan agency whose objective is to prevent corruption of public officials in the governmental decision-making process. The FPPC has primary responsibility for the impartial and

effective administration and implementation of the Act. The FPPC regulates and enforces actions performed by governmental officials and agencies and requires extensive disclosure reports to provide the public with access to government processes.

AB 571 establishes default campaign contribution limits for county and city office at the same level as the limit on contributions from individuals to candidates for Senate and Assembly, effective January 1, 2021. The current limit under this provision is \$4,700 per contributor per election. This bill permits a county or city to establish its own contribution limits, which would prevail over these default limits. To adequately implement and enforce a statewide default contributions limit, the FPPC requires additional staff. The Enforcement Division will be tasked with enforcing limits in numerous jurisdictions that do not currently have limits, and in some jurisdictions that currently have limits who may repeal existing contributions restrictions to shift the costs of enforcing contributions limits to the state and the FPPC.

Staff Recommendation: Approve as Budgeted

8955 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 42: CALVET ELECTRONIC HEALTH RECORD PROJECT

The Governor's budget provides a one-time augmentation of \$1.2 million General Fund in 2020-21 for the first year of implementation of a new long term care electronic health record (EHR) system in the Veterans Homes of California and Headquarters.

BACKGROUND

CalVet currently utilizes multiple formats of documentation, but mostly paper for veterans' health records. This hybrid approach does not afford the quality outcomes, regulation compliance, efficiencies, and patient safety a fully functional EHR system affords and has resulted in inefficiencies and a lack of standardized processes.

CalVet has been working with the Department of Technology to find a better approach and released a request for proposals in December 2018, has been conducting negotiations, and anticipates awarding the contract early this year. The requested funding would pay for the first year of implementation of a new long term care EHR system.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 43: CARE STAFFING AND OPERATIONS

The Governor's budget proposes \$7.3 million General Fund and two positions in 2020-21 and ongoing for the following:

- VHC-Yountville, VHC-Barstow, and VHC-Chula Vista – \$6.8 million ongoing augmentation for Operating Expenses and Equipment.
- VHC-Lancaster and VHC-Ventura – One position and \$369,000 in 2020-21 and one position and \$365,000 ongoing to address a physician shortage.
- Veterans Homes Division Headquarters –One position and \$153,000 in 2020-21 and one position and \$147,000 ongoing to address an operational oversight staffing shortage.

BACKGROUND

At the VHC-Yountville, VHC-Barstow, and VHC-Chula Vista, costs of utilities, food, pharmaceuticals, and laundry services, among other goods and services, make up operational demand that has stretched the limits of their OE&E budgets. Making these proposed OE&E increases permanent is consistent with the 2020 Master Plan for the Veterans Homes.

As originally designed, VHC-West Los Angeles, VHC-Lancaster, and VHC-Ventura formed a three-Home system referred to as the Greater Los Angeles and Ventura County (GLAVC) Veterans Homes. Planners envisioned these three Veterans Homes sharing some positions, with the incumbents traveling among the facilities routinely. When the Veterans Homes were built, opened, and filled, this structure proved unworkable due to operational need as well as practical factors such as traffic in the greater Los Angeles area. Depending on the time of day, for example, it can take three hours to travel by car from VHC-Ventura to VHC-Lancaster. Over time, the Department responded to the need to replicate some of these positions at VHC-Lancaster or VHC-Ventura, either by redirecting financial resources or by requesting the establishment of positions. Trends in resident acuity requiring a physician to be at the Veterans Homes routinely and readily available, as well as changing expectations by federal regulatory agencies, also are contributing to the current need to establish onsite positions.

For two years, Veterans Home Division, Headquarters has funded a position using resources available via salary savings to help improve operational standardization, efficiency, and effectiveness in outcomes. As the Veterans Homes have grown and all have become CMS-certified, it became clear a permanent management position would be necessary to make the effort successful. Without this position, the Veterans Homes will risk lack of standardization in business processes; lack of implementation of industry best practices; difficulty adhering consistently to state administrative requirements and expectations; and inconsistency in facility maintenance, supply inventory, costs and revenues, and other administrative practices that could result in higher costs and/or liability to the state.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 44: CEMETERY STAFFING

The Administration proposes \$127,000 General Fund and 1 position in 2020-21 and \$121,000 General Fund and 1 position ongoing for operational requirements at the three California Veterans Cemeteries.

BACKGROUND

CalVet operates three cemeteries: Yountville Veterans Memorial Grove Cemetery, Northern California Veterans Cemetery in Igo, California, and the California Central Coast Veterans Cemetery located in Seaside, California. The State of California is responsible for the operation and perpetual maintenance of the cemeteries and is required to meet National Cemetery Administration Shrine Standards. CalVet accomplishes this with 15.5 positions. The requests for service orders and number of contracts has increased significantly in the last few years. Currently, this additional workload is being handled by CalVet Headquarters. The additional staff will provide procurement and contracting services for the cemeteries in Yountville and Seaside and relieve Headquarters' staff of this workload.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 45: FACILITIES PLANNING AND CONSTRUCTION MANAGEMENT STAFF

The Governor's budget includes \$497,000 General Fund and three positions in 2020-21 and \$480,000 General Fund and three positions annually thereafter to address the increased workload in facilities planning and construction management.

BACKGROUND

The Department of Veterans Affairs was authorized to construct five new Veterans Homes that opened for residents between 2010 and 2013 and has been using six staff positions to manage the ongoing facilities-related projects that these facilities require. Now that all five of the facilities are occupied and fully functioning, there is an increasing demand for ongoing maintenance and timely repairs. This facility planning and construction management work is necessary to ensure the buildings meet the latest statutory and regulatory compliance standards.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 46: FI\$CAL WORKLOAD AUGMENTATION

The Governor's budget requests \$1.5 million (\$1.4 million General Fund and \$106,000 Farm and Home Building Fund of 1943) and 13 positions in 2020-21 and \$1.5 million (\$1.4 million General Fund and \$101,000 Farm and Home Building Fund of 1943) and 13 positions annually thereafter to address the increased workload related to the Financial Information System for California (FI\$CaL) which CalVet implemented on July 1, 2018. The request also funds upgrades to two existing positions due to the increased complexity of the new system.

BACKGROUND

In 2016 and 2017, CalVet worked with FI\$Cal, Department of Finance, Department of General Services, and other control agency staff in the transition and training phase for the implementation of FI\$Cal. In July of 2018, CalVet started transacting in FI\$Cal for budgeting, procurement, contracting, and accounting. With the implementation of FI\$Cal came many challenges including new required processes and procedures imposing additional time needed to complete these processes. The new accounting and procurement features in the system require additional time to complete all of the new data fields and complete processes that were not previously included in the CALSTARS system. The transition to and implementation of FI\$Cal has necessitated that CalVet business operations conform to FI\$Cal business processes; however, that integration created significant challenges, including backlogs and increased workload.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 47: FUNDING FOR THE CALIFORNIA CENTRAL COAST VETERANS CEMETERY PHASE II

The Governor's budget requests \$356,000 General Fund and 2.4 positions in 2020-21 and \$416,000 and three positions annually thereafter for Phase II of the California Central Coast Veterans Cemetery (CCCVC).

BACKGROUND

Legislation to construct the CCCVC spans 14 years and resulted in the approval to construct a cemetery on a scenic 78-acre property on the grounds of the former Fort Ord in Monterey County. The CCCVC is being developed in ten phases. Construction of Phase I broke ground in March 2015 and the cemetery opened in October 2016 offering columbaria burials only. Phase II is in the construction phase with completion scheduled for December 2020 and will offer both in-ground casket and cremains burials.

In-ground burials require the use of heavy equipment to remove ground, place the caskets, and cover the burial site. The additional grounds keeping staff is necessary to safely operate the equipment, provide support for ongoing burials, upkeep of the increased size of the cemetery grounds, and maintaining the cemetery to National Cemetery Administration Standards. The additional burial options will require more

complex planning, preparation, and skills to enable the CCCVC to provide these burial options. Failure to meet these standards could result in a loss of burial reimbursements and future construction grants.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 48: LEGAL AFFAIRS AND INVESTIGATION DIVISION STAFFING

The Governor's budget requests \$1.1 million General Fund and \$159,000 F&H Building Fund of 1943 and 7 positions in 2020-21 and \$1.0 million (\$868,000 General Fund and \$153,000 F&H Building Fund of 1943) and 7 positions ongoing to establish a permanent Investigation Section and to fund additional legal staff positions needed to staff the Legal Affairs Division to meet current workload demands.

BACKGROUND

In recent years, there has been a significant increase workload handled by the Legal Affairs Division which includes legal matters, subpoenas, personnel actions, and Public Records Act requests. CalVet operates an Investigation Section within the Legal Affairs Division. The number of investigation requests have grown steadily each year. The growth in investigator workload increases the legal workload.

According to CalVet, the current staffing of the Legal Affairs Division is inadequate to meet the needs of CalVet. Work exceeding staff capacity is currently outsourced to the Attorney General's office and to California Department of Human Resources. This proposal would add three positions in the Legal Affairs Division and four positions to the investigations section.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 49: SOUTHERN CALIFORNIA VETERANS CEMETERY

The Governor's budget requests \$700,000 from the Southern California Veterans Cemetery Master Development Fund to complete feasibility studies of two potential sites located in the City of Irvine's Great Park, Orange County: the Golf Course site and the Amended and Restated Development Agreement (ARDA) site.

BACKGROUND

CalVet proposes to build the Southern California Veterans Cemetery (SCVC) located on approximately 100-125 acres in the City's Great Park to serve the interment needs of veterans living within a 75-mile radius of the City of Irvine. These studies will assess the feasibility and cost of the construction of the SCVC. This request will provide \$600,000

for a new conceptual Master Plan and necessary environmental assessments for the Golf Course site within the Great Park. Additionally, \$100,000 will fund further environmental assessment and design work for the conceptual Master Plan of the ARDA site. Per AB 368 (Quirk-Silva, Chapter 284, Statutes of 2019), the studies will aid CalVet, in consultation with the California Department of General Services (DGS), in determining the future site of the SCVC based on the following criteria: economic feasibility, benefits to veterans and City of Irvine residents, and the availability of each location to begin construction.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 50: VETERANS HOME OF CALIFORNIA-YOUNTVILLE: STEAM DISTRIBUTION SYSTEM RENOVATION

The Governor's budget requests \$17.4 million (\$7.8 million General Fund and \$9.6 million Federal Funds) for the construction phase of the Steam Distribution System Renovation project at the Veterans Home of California-Yountville.

BACKGROUND

Steam provides heating and domestic hot water to all 120 buildings that serve the elderly and/or disabled veterans who reside at the Yountville Home. The steam/condensate lines are 50-60 years old, and are buried one foot to eight feet underground. This project includes restoration of the antiquated steam/condensate system by replacing underground lines and piping to the mechanical rooms, manholes, insulation, and valves. The project will also add an additional ten Americans with Disabilities Act (ADA) parking spaces to the southwest corner of Lincoln Hall. Total project costs are estimated at \$19.1 million including preliminary plans (\$579,000), working drawings (\$1.1 million), and construction (\$17.4 million). The construction amount includes \$13.2 million for the construction contract, \$1.1 million for contingency, \$1.3 million for architectural and engineering services, and \$1.8 million for other project costs. The preliminary plans were completed in January 2012 and the working drawings are scheduled to be completed January 2020. Construction is scheduled to begin November 2020 and to be completed January 2023.

Staff Recommendation: Approve as Budgeted

1111 DEPARTMENT OF CONSUMER AFFAIRS**VOTE-ONLY ISSUE 51: CEMETERY AND FUNERAL BUREAU-ENDOWMENT FUNDS (AB 795)**

The Governor's budget requests \$86,000 in 2020-21 and \$78,000 in 2021-22 and ongoing, from the Cemetery and Funeral Fund, and 0.5 position to implement AB 795 (Irwin, Chapter 309, Statutes of 2019).

BACKGROUND

AB 926 (Irwin, Chapter 750, Statutes of 2017) required the Bureau to develop processes and functions necessary to facilitate and regulate the conversion of endowment care trust funds from a net income distribution method to a unitrust distribution method. AB 795 modifies current law to convert an endowment care fund from a net income distribution method to a unitrust distribution method by requiring the compensation of the trustee, to be reasonable and meet specified requirements based on the net fair market value of the endowment care fund. In addition, AB 795 increases allowable trustee fees to up to 0.8 percent of the fund and removes investment advisor fees and other operating expenses from this cap. The intent of AB 795 is to provide more flexibility in asset management and encourage trustees to maximize total assets of these trusts. Also, AB 795 requires the Bureau to conduct additional analyses of licensed cemetery authorities' initial applications for these conversions.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 52: CHIEF ATHLETIC INSPECTOR AND ASSISTANCE CHIEF ATHLETIC INSPECTOR (AB 1523)

The Governor's budget requests \$296,000 in 2020-21 and \$280,000 in 2021-22 and ongoing, from the Athletic Commission Fund, and 2.0 positions to implement AB 1523 (Low, Chapter 464, Statutes of 2019).

BACKGROUND

AB 1523 authorizes the commission to employ a Chief and an Assistant Chief. In 2011-12, the Commission came very close to insolvency. As a result, the Commission realized a significant reduction in revenue, submitted a request for a reduction in spending authority and underwent an audit by the Bureau of State Audits. An approved budget request reduced the number of authorized positions by five from 11.4 positions in 2012-13 to 6.4 in 2013-14. This action forced the Commission to make considerable modifications to its operations to maintain solvency, restore its fund balance to a healthy level and establish a reserve for economic uncertainty. These modifications included redirecting staff, maintaining critical functions with less resources, and reclassifying the

Chief position to a Staff Services Manager to serve as an Assistant Executive Officer to assist the Commission in implementing and maintaining the recommendations set forth by the Bureau of State Audits.

The Commission intended to fill the Chief and Assistant Chief positions again once it had restored its fund balance to a healthy level. However, because these classifications are unique to the Commission and because they remained vacant for approximately one year, the California Department of Human Resources eliminated the classifications. The Commission is currently in the process of reestablishing these classifications. This budget request supports these actions and the Commission's mission and strategic goals.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 53: LEGISLATIVE WORKLOAD - LICENSURE WITH CRIMINAL BACKGROUND (AB 2138)

The Governor's budget requests \$733,000 in 2020-21 and \$701,000 in 2021-22 and ongoing, for the Contractors' State License Board, the State Dental Assistant Program and the Bureau of Security and Investigative Services, Private Security Services Program for the implementation of AB 2138 (Chiu, Chapter 995, Statutes of 2018).

BACKGROUND

AB 2138 reduces barriers to licensure for individuals with prior criminal convictions by limiting a regulatory board's discretion to deny a new license application to cases where the applicant was formally convicted of a substantially related crime or subjected to formal discipline by a licensing board, with offenses older than seven years no longer eligible for license denial, with several enumerated exemptions. Specifically, it requires boards, effective July 1, 2020, to (1) adhere to specific guidelines set forth in the general provisions of the Business and Professions Code when considering the denial of an application based on criminal conviction(s) or professional misconduct, (2) maintain application materials for a minimum of three years, (3) retain specified information, including demographic information and circumstances surrounding application denial, for three years and report the information annually to the Legislature, (4) promulgate regulations, and (5) update forms and publications to comply with the new mandates.

These requirements create additional workload for the Contractors' State License Board, the State Dental Assistant Program and the Bureau of Security and Investigative Services. As a result, they are requesting the following resources:

Fund Source	Program	Summary	Positions 2020-21	Funding 2020-21	Positions 2021-22	Funding 2021-22
0239	Bureau of Security and Investigative Services	AB 2138 will increase workload for the Bureau which cannot be absorbed by existing staff.	1.0	\$150,000	1.0	\$142,000
0735	Contractors State License Board	AB 2138 will create a significant workload for the Board which is not sustainable within existing resources.	2.0	\$473,000	2.0	\$457,000
3142	Dental Assisting	This position is necessary for the Board to comply with AB 2138. AB 2138 will put constraints on the Board and the increased workload cannot be absorbed by the existing staff.	1.0	\$110,000	1.0	\$102,000

The requirements of AB 2138 cannot be absorbed within existing workload without negatively affecting other workload such as processing new applications in a timely manner.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 54: INCREASED WORKLOAD RELATED TO HEALTH CARE PRACTITIONERS AND UNPROFESSIONAL CONDUCT – INVESTIGATION AND ENFORCEMENT UNIT (SB 425)

The Governor's budget requests for DCA, Division of Investigation, Investigation and Enforcement Unit (IEU), \$613,000 in 2020-21 and \$477,000 in 2021-22 and ongoing, and 3.0 Investigator positions to implement the provisions associated with SB 425 (Hill, Chapter 849, Statutes of 2019).

BACKGROUND

SB 425 requires a health facility or clinic or other entity that makes any arrangement under which a healing arts licensee is allowed to practice or provide care for patients to file a report with the appropriate licensing board of any allegation of sexual abuse or sexual misconduct made by a patient in writing against a healing arts licensee, including but not limited to physicians and surgeons.

The Division is projecting a significant increase in complaints as a result of SB 425. Since SB 425 requires the facilities to report to the respective Board anytime a person makes a written complaint, not just when the hospital is taking action, the Division anticipates that the number of complaints will triple, totaling approximately 98 new complaints regarding sexual abuse or misconduct. Currently, IEU's Investigators require 60 hours to investigate sexual misconduct cases. It is essential that the requested resources be granted so the additional cases can be investigated timely. The need for the positions is ongoing, as the number of sexual misconduct case referrals is anticipated to continue to rise. This proposal provides the appropriate staffing and funding to timely investigate these additional cases referred per SB 425.

When this budget request was drafted, a portion of the cost of implementing this bill was inadvertently charged to all boards and bureaus. However, the cost of implementing this bill only applies to specific boards and bureaus. The Department of Finance has requested a technical correction that results in only the boards and bureaus affected by SB 425 paying for the cost of additional resources to implement the bill.

Staff Recommendation: Approve as Budgeted with a technical funding correction.

VOTE-ONLY ISSUE 55: INCREASED WORKLOAD RELATED TO HEALTH CARE PRACTITIONERS AND UNPROFESSIONAL CONDUCT – MEDICAL BOARD (SB 425)

The Governor's budget requests for the Medical Board of California \$2.1 million in 2020-21 and \$1.9 million in 2021-22 and ongoing, and 12.5 positions to implement the requirements of SB 425.

BACKGROUND

SB 425 is likely to result in a significant increase in complaints to the Medical Board. Because SB 425 requires the facilities to report to the Board anytime a person makes a written complaint, not just when the hospital is taking action, the Board anticipates that the number of complaints will triple, totaling 423 new complaints regarding sexual abuse or misconduct. This budget request supports the Commission's mission of dedication to the health, safety and welfare of participants in regulated combat sporting events, through ethical and professional service. This request also supports the strategic goals of the Commission.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 56: FACILITIES OPERATIONS FUNDING AUGMENTATION

The Governor's budget requests \$3.6 million in 2020-21 and ongoing to address increased rent costs due to various factors, including annual rent increases, new lease agreements at the new market rate, and increased space needs over the past several fiscal years.

BACKGROUND

Historically, DCA received additional budget authority for "cost of doing business increases" through regularly issued budget letters based on the consumer price index. However, since 2009-10, the state generally has not funded price increases, including rent increases, via these budget letters. The cost of doing business has continued to increase and programs have not received a budget augmentation for increasing rent costs in over a decade.

The Department has multiple facility locations in Sacramento with leases that expired in 2019. In anticipation of the lease agreement expiration, the Department worked with its programs, in coordination with the Department of General Services (DGS), to negotiate lease extensions, office relocations, and address space configuration needs. New lease agreements resulted in increased facilities costs for the programs starting in 2019-20. Currently, the Department has budget bill language to allow for a budget augmentation in 2019-20 to make sure programs have sufficient funding to cover facilities related costs that materialize as part of the final negotiated lease. The request would provide DCA with adequate ongoing spending authority.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 57: INFORMATION TECHNOLOGY CLASSIFICATION CONSOLIDATION AUGMENTATION

The Governor's budget requests \$525,000 in 2020-21 and ongoing to cover the costs of transitioning from an outdated information technology (IT) classification series to the new IT classification series.

BACKGROUND

In January 2018, the State Personnel Board approved the Information Technology Classification Consolidation Plan, leading to the consolidation of 36 IT classifications into broader, usable occupational categories. The new classifications have alternate salary ranges that provide for employee retention by increasing levels of work experience and compensation without requiring repetitive examinations. DCA and its programs with dedicated IT staff absorbed these salary increases in 2018-19 and 2019-20, but absorbing these costs in 2020-21 is not feasible.

This request provides for DCA's Office of Information Services \$401,000 in 2020-21 and ongoing, and for the Contractor's State License Board \$124,000 in 2020-21 and ongoing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 58: INFORMATION TECHNOLOGY SECURITY

The Governor's budget requests two positions and \$2 million in 2020-21 and \$1.7 million ongoing for staff and resources to meet the State's mandated information technology security regulations and processes.

BACKGROUND

Beginning in 2016-17, the State began conducting enhanced security assessments and audits of all state departments and agencies. During the security assessment in 2018-19 conducted by the California Military Department (CMD), a list of Plan of Action and Milestones (POAM) was developed that identified key security best practices that must be remediated. Within the assessments and audits, recommendations have been made by the Department of Technology (CDT) and CMD that detailed the security software, services, and best practices that must be adopted and resolved.

This process was a collaborative process between DCA, CDT, and CMD to make sure that each POAM and associated costs to remediation were kept to a minimum. Through this collaborative process, the CMD identified DCA's major cyber security gaps and provided possible solutions and actions that would keep costs to a minimum while closing these security gaps. In support of the remediation of the security assessment outcomes, DCA must purchase additional security hardware, software, services and cannot absorb

the cost within the existing appropriation. The chart below details the costs for DCA, the Board of Accountancy, Bureau of Automotive Repair, Medical Board, and the Contractor's State License Board.

Cost Breakdown by Domain

Description	DCA	Accountancy	BREA	MBC	CSLB	2020-21	Ongoing
Information Technology Specialist I	170,000	-	-	-	-	170,000	162,000
Information Technology Specialist I	190,000	-	-	-	-	190,000	182,000
Security Hardware	390,000	-	-	-	-	390,000	78,000
Security Software	441,000	29,000	19,000	50,000	255,000	794,000	794,000
Security Services	460,000	-	-	-	-	460,000	460,000
Total	1,651,000	-	-	-	-	2,004,000	1,676,000

This request includes two positions to implement the various improvements needed to comply with state security and privacy policies.

Staff Recommendation: Approve as Budgeted

ITEMS TO BE HEARD

8880 Fi\$CAL**7502 DEPARTMENT OF TECHNOLOGY****ISSUE 1: ITERATIVE PROJECT REPORT**

The Subcommittee will explore piloting a new procurement oversight document in 2021, including using it for the remaining Fi\$Cal functionality.

BACKGROUND

The State has been following IT industry trends in procuring large IT projects through several smaller initiatives paired together to achieve a project goal, sometimes referred to “agile” procurement. One challenge with this approach is that the State’s IT oversight documents, like the Special Project Report, are geared to monitor massive all-inclusive projects, sometimes called “waterfall” procurement.

One example of this mismatch in oversight is the current state of the Fi\$Cal system. The Financial Information System for California (FI\$Cal) is California’s statewide accounting, budget, cash management and procurement IT system. The State Controller, the State Treasurer, and the Directors of the Departments of Finance and General Services signed a Memorandum of Understanding (MOU) in 2007 to formalize the cooperative partnership to support the development of the FI\$Cal system. In July 2016, FI\$Cal was formally recognized as a new department that implements, maintains and operates the FI\$Cal system.

The Fi\$Cal System predates the agile procurement module and was procured as a “waterfall” project that would have several “waves” of functionality that were implemented over the last ten years. As the project progressed, almost all of the major project functionality—budgeting, procurement, and accounting—has been fully implement across all departments that were part of the project. However, the project has one major component of the original project scope that is still in progress, the State Controller Office book-of-business and CAFR functionality.

While most of the Fi\$Cal project has been completed and the bulk of the project has transitioned to maintenance and operations, the one remaining module could technical keep the entire project alive and necessitate a cumbersome Special Project Report for one module. The book-of-business module has been delayed purposely to insure and verify that the system can accurately report state expenditure numbers. This also distorts the costs of the project, as the total project costs increase every year to reflect costs that would normally be maintenance and operations.

The Department of Technology is currently developing a new report that is designed to provide oversight to smaller agile projects. This report is still being developed and is called the Iterative Project Report. CDT is working the scope, frequency and content for this report, with the intent of using it starting this year.

**LETTER FROM THE ASSEMBLY
COMMITTEE ON ACCOUNTABILITY
AND ADMINISTRATIVE REVIEW**

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Assembly
California Legislature



ASSEMBLY COMMITTEE ON
ACCOUNTABILITY AND ADMINISTRATIVE REVIEW
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SHARON OURSK-SILVA
CHRISTY SMITH

February 27, 2020

Assemblymember Philip Y. Ting
Chair, Assembly Budget Committee
State Capitol, Room 6026
Sacramento, CA 95814

Dear Chair Ting,

As Chair of the Accountability and Administrative Review Committee, I want to ensure that large state informational technology (IT) projects, especially FI\$Cal, are built efficiently and receive appropriate and ongoing oversight. Since our committees' joint oversight hearing on FI\$Cal implementation last year, there have been several developments and discussions about how to best oversee this project. Both the State Auditor and the Legislative Analyst have stressed the need for ongoing project oversight as FI\$Cal approaches its completion date in July 2020.

As you know - while much of the FI\$Cal project objectives have been achieved, the State Controller's (SCO) functionality related to generating the state's Comprehensive Annual Financial Report is still pending. This major remaining element, along with the shift toward continued development of FI\$Cal under an Agile model, presents an opportunity to reconsider the state's approach to overseeing FI\$Cal and other IT projects.

After discussions with the FI\$Cal Department, its key partners, your staff, and others, I would like to work with you to ensure the development of appropriate oversight of FI\$Cal during the budget process and in future years - based on these concepts:

- Instead of requiring a new comprehensive special project report (SPR), the next SPR should limit its scope to the remaining SCO functionality. This will allow for a focus on the most pressing remaining element of the project.
- The SCO SPR should include specific objectives, milestones, and costs, in order to assess progress and detect and correct issues quickly.
- Task the California Department of Technology (CDT) and LAO with creating an ongoing oversight framework for FI\$Cal that considers its shift from implementation to ongoing development. Specifically, this framework should consider how to conduct oversight for iterative developments in FI\$Cal.
- Task CDT and LAO with building on this FI\$Cal work to develop an oversight framework for future state IT projects that are conducted with an iterative approach.


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Thank you for your commitment to oversight and accountability. I look forward to working with you on this important area.

Sincerely,



Cottie Petrie-Norris
Chair, Accountability and
Administrative Review Committee

STAFF COMMENTS

The new Iterative Project Report offers the Legislature an opportunity to better monitor smaller agile procurements that are likely to be typical of IT projects going forward. The last Fi\$Cal module offers a familiar project that would be a good test of this approach for the coming year.

Staff recommends the Subcommittee request LAO work with Fi\$Cal and Technology to develop reporting language that achieves the following:

- Uses the Iterative Project Report for oversight of the remaining Fi\$Cal book-of-business/CAFR module.
- Ends the Fi\$Cal project formally, to clarify the end of the projects costs and implementation timeline.
- Adopts reporting for major future updates to the Fi\$Cal system that go beyond the projects initial scope, like the transition of the ten departments that were deferred.
- Requires the Department of Technology to also submit a second example of an Iterative Project Report that is not from the Fi\$Cal department.

The Subcommittee could then consider taking action on this reporting language in May.

Staff Recommendation: Hold Open

7760 DEPARTMENT OF GENERAL SERVICES**ISSUE 2: CONTRACTED FISCAL SERVICES PROGRAM**

The Department of General Services requests \$2.3 million in authority for additional Contracted Fiscal Services Program services to reflect the department assuming the administrative responsibilities for additional departments.

BACKGROUND

The Department of General Services, Contracted Fiscal Services Program requests \$2.28 million in additional authority comprised of the following funds: Central Services Cost Recovery Fund, General Fund, and Service Revolving Fund. Additionally, the Department requests 15 positions to provide accounting services for four new client agencies and establish a strike team to consult and assist other state agencies with their accounting.

CFS is scheduled to onboard four additional new client agencies. DGS has worked closely with the Department of Finance (DOF) to determine the most appropriate new clients for 2020-21. Onboarding of new clients: For fiscal year 2020-21, DGS-CFS will be taking on four new clients: the California Children and Families Commission, California Student Aid Commission, Public Employment Relations Board, and the Commission on Asian and Pacific Islander American Affairs. DGS-CFS proposes to provide accounting services to the first three entities listed above. Additionally, DGS will provide human resources and budget services in addition to accounting services for the Commission on Asian and Pacific Islander American Affairs. The workload associated with providing required accounting functions for additional client agencies cannot be absorbed within existing staff resources, considering the number of programs and funds involved, funding amounts, and complexity of the accounting.

LAO RECOMMENDATION

We find that the activities proposed for the CFS Strike Team—providing other state departments assistance operating within the Fi\$Cal system—are similar to those proposed to be undertaken by the Department of Fi\$Cal with the funding approved in 2019-20. For example, both proposals include providing training for departments on accounting in Fi\$Cal. Accordingly, it will be important for the Legislature to consider the proposed CFS Strike Team in the context of the resources that have already been provided to the Department of Fi\$Cal.

Approve Funding for Strike Team on a Two-Year Limited Term Basis. We recommend that the Legislature approve the funding for the six-person CFS Strike Team on a two-year limited-term basis, rather than on an ongoing basis, as proposed by the Governor. If DGS determines continued resources are required at the end of this limited-term funding, it can request funding for additional years at that time.

After the two-year period, the administration should be able to provide information on how the resources provided to implement Fi\$Cal—including those provided to the CFS Strike Team, Department of Fi\$Cal, and other departments that have received Fi\$Cal-related augmentations—have been used thus far and the outcomes they have achieved. This information should enable the Legislature to make a more informed decision regarding whether ongoing resources are needed for the CFS Strike Team. Additionally, this information should assist the Legislature with its ongoing oversight over the progress of the Fi\$Cal project.

STAFF COMMENTS

The increased use of CFS reflects the recognition that the economies of scale offered by DGS provides smaller department with more efficient administration.

Staff Recommendation: Approve as Budgeted with two year limited-term for the six strike team members, as recommended by LAO.

ISSUE 3: FACILITIES MANAGEMENT DIVISION ELEVATOR DEFERRED MAINTENANCE

The Department of General Services (DGS) Facilities Management Division (FMD) requests \$80million one-time General Fund in fiscal year 2020-21 to address critical safety issues relating to fire alarms and conveyance systems including elevator repairs in buildings owned and operated by DGS.

BACKGROUND

The Governor's 2020-21 budget proposes about \$80 million in one-time General Fund support for deferred maintenance projects at DGS buildings. Of this amount, \$56.4 million is for elevator modernizations at three state facilities (the Ronald M. George, Elihu Harris, and Ronald Reagan buildings) and \$23.6 million is for fire alarm systems at five state facilities (the Edmund Brown, Van Nuys, Justice, Library and Courts II, and Franchise Tax Board Campus buildings). The budget also includes provisional language specifying that (1) the funding is available for elevator and fire alarm projects, (2) the funding is available only upon completion of Department of Finance's review of DGS' project design, and (3) if projects cost less than the amounts provided, the difference shall revert to the General Fund. The language, however, does not identify the specific facilities eligible for funding.

The Department of General Services (DGS) Facilities Management Division (FMD) requests \$56.433 million one-time General Fund in fiscal year 2020-21 to address critical safety issues relating to conveyance systems including elevator repairs in buildings owned and operated by DGS. The chart below details the project.

Location	Building Name	Number of Stories	Number of Cars	Project Cost
Oakland	Elihu Harris	22	17	\$17,901,000
Los Angeles	Ronald Reagan State Building	14 & 16	20	\$21,060,000
San Francisco	Ronald M. George SOC (Hiram Johnson Building)	14	13	\$14,196,000
San Francisco	Ronald M. George SOC (Earl Warren Building)	6	3	\$3,276,000
Totals			53	\$56,433,000

The backlog of elevator deferred maintenance and modernization projects is significant, but these projects are necessary to maintain a building environment adequate for the use of state employees and the public. Addressing the top four building conveyance projects valued at \$56.433 million will reduce entrapments and their associated costs as well as allow management and engineers to direct their time towards taking care of other high-priority projects within the building. Additionally, these urgent projects will preserve valuable state resources by minimizing the risk of costly system failures and provide a more economical approach to building management. FMD has committed all currently available funds to active projects, and has been working jointly with the Real Estate Services Division (RESA) to identify projects and buildings that need immediate attention, placing a higher priority on buildings that are not currently scheduled to undergo major or minor renovation.

LAO COMMENTS

Unclear if All Elevator Projects Represent Immediate Needs. We find that it is not clear whether all the specific projects proposed for funding need to occur immediately. Specifically, DGS cites facility condition assessments performed by a contractor in 2015 to support its request for elevator modernizations at three facilities—the Ronald M. George, Elihu Harris, and Ronald Reagan buildings. However, those studies found that the elevators in two of these three buildings—Ronald M. George Building and Elihu Harris Building—were not top priority projects and did not recommended them for immediate completion. For example, the report found that the elevators in the Elihu Harris building to be in “fairly good shape” due to above average maintenance at the facility, and recommended budgeting for modernization within 3 to 5 years given that parts could become more scarce in the coming years. While this means that the elevators are around their normal modernization cycle, it does not mean that the elevators represent an imminent safety concern or are not functional. Notably, neither the Ronald M. George Building and Elihu Harris Building elevator projects appeared on lists of the department’s deferred maintenance projects that the Legislature has received in past years.

Reject Funding for Two Non-Urgent Elevator Projects. We recommend that the Legislature only approve funding for the most critical, urgent deferred maintenance projects, since the General Fund should not be used on a long-term basis to fund DGS building needs. Less urgent projects should generally be planned for in advance and funded over a period of time through DGS’ rates structure. This approach would more fairly apportion their costs across various funds and also create better incentives for the department to be a good steward of its buildings. Consistent with this approach, we recommend that the Legislature reject the \$35.4 million (General Fund) proposed for the Elihu Harris and Ronald M. George Building elevator projects. While these specific projects may be worthwhile, it is not clear they represent immediate, critical needs. (We are not raising concerns with the \$44.7 million for the Ronald Reagan Building elevator project and the fire alarm system projects, since the department and the facility condition assessments better support the urgency of these projects.)

Modify Provisional Language to Limit Use of Elevator Funding to Specific Projects. Given the differences in the cost estimates for elevator projects reflected in the facility condition assessments and DGS’ proposal, which suggest the actual project costs could be less than estimated, we recommend that the provisional language be modified to identify the specific facilities eligible for the elevator project funding—such as the Ronald Reagan Building. This will ensure that, if the specific elevator project or projects that the Legislature approves are ultimately less costly than proposed, the unused funds would return to the General Fund rather allowing DGS to use the funds on other elevator projects that may be of less urgency.

Require DGS to Report on Plan for Maintaining Facilities and Adjusting Rates to Reflect Actual Costs. We recommend that the Legislature direct DGS to report at budget hearings on why the department's reported backlog of deferred maintenance has increased dramatically, and how the department will prevent the further accumulation of deferred maintenance. It will be important for the Legislature to have this information given that DGS' deferred maintenance needs have grown substantially in recent years despite multiple allocations of deferred maintenance funding. We further recommend that the Legislature direct DGS to report on its plan for adjusting future building rates to address its backlog of deferred maintenance projects—including the Elihu Harris and Ronald M. George building elevators—over time, rather than continuing to rely on General Fund augmentations.

STAFF COMMENTS

DGS's focus on fixing elevators responds to a long term frustration expressed by the Assembly. State office tenants, including Assembly district offices, have consistently expressed concerns with the reliability of elevators.

However, staff believes the Assembly should wait to see the State's fiscal picture in May before committing \$80 million of General Fund for this purpose.

Staff Recommendation: Hold Open

ISSUE 4: SACRAMENTO STATE OFFICE BUILDINGS

The Department of General Services proposes three projects that are part of the overall Sacramento State Office Building Strategy.

BACKGROUND

As part of the 2014-15 budget, the administration proposed and the Legislature approved funding for a study of state office buildings in the Sacramento area, which was to include assessments of the condition of state facilities, a plan for sequencing the renovation or replacement of state office buildings in Sacramento (State Office Building Strategy), and a plan for funding these activities. DGS completed the State Office Building Strategy in March 2016 and made some minor revisions to it in 2018. The State Office Building Strategy includes building three new state office buildings and renovating eight existing state office buildings within about ten years. This is because the administration is proposing to strategically sequence building renovations by successively conducting staff moves and building renovations in order to reduce costs and disruptions associated with moving departments into and out of temporary space.

The Governor's budget includes \$721.7 million in lease revenue bond authority in 2020-21 for the design-build phase of three projects that are part of the administration's State Office Building Strategy. This would bring the total project cost for these three projects to \$742.1 million. The Governor's specific proposals include:

- **Resources Building Renovation (\$421.3 Million).** The budget provides \$421.3 million for the design-build phase of the renovation of the Resources Building, a 520,000 net useable square foot building constructed in 1964. The total cost of the project is estimated at \$430.2 million.
- **Bateson Building Renovation (\$183.6 Million).** The budget provides \$183.6 million for the design-build phase of the renovation of the Bateson Building, a 215,000 net useable square foot building constructed in 1981. The total cost of the project is estimated at \$188.8 million.
- **Unruh Building Renovation (\$116.8 Million).** The budget provides \$116.8 million for the design-build phase of the renovation of the Unruh Building, a 125,000 net usable square foot building constructed in 1929. The total cost of the project is estimated at \$123.1 million

LAO COMMENTS

Options to Contain Costs Available. If the Legislature is not comfortable with the cost increases for the Resources, Bateson, and Unruh renovation projects, but would like to continue to move forward with the projects, there are a few possible options. Specifically, the Legislature could consider directing DGS to:

- **Reduce Extent of Renovations.** The Legislature could consider taking an approach similar to the Library and Courts Building renovation—not replacing all the key building components. This approach would reduce project costs, although some of these costs would potentially *be borne at a future date when the building components reach the end of their useful life. As evidenced by the Library and Courts building, this approach can still result in a high-quality renovation.*
- **Employ Less Expensive Materials.** The Legislature could consider directing DGS to use less expensive materials, such as finishes, in some areas. Again, *these choices could have trade-offs in some cases, since some higher grade finishes also last longer or have lower ongoing maintenance costs.*
- **Delay Projects Until Labor Market Is Less Impacted.** The Legislature could consider delaying a project. This would result in fewer projects happening simultaneously, which could help address the tight labor market for construction workers. However, it would delay the completion of the renovated building and affect the timing of other projects, since the State Office Building Strategy is generally interrelated. Furthermore, construction costs could continue to increase, if the construction labor market remains tight.

Recommendation

Require DGS to Report on Options to Contain Costs for Legislative Consideration. We recommend that the Legislature require DGS to report at budget hearings with further details on potential options—such as the ones we identified above—that could reduce the costs of these projects, along with their associated trade-offs. This information would assist the Legislature in assessing whether to move forward with the original scope and time line of the Resources, Bateson, and Unruh renovation projects or make adjustments given the significant cost increases.

STATE CAPITOL FOUNTAIN

The proposal for the Jesse Unruh includes a reference, but no funding, for two options for the current State Capitol Fountain, located in the Capitol Plaza traffic circle to the West of the Capitol. These two options include demolishing the fountain for \$600,000 or a “Capitol Plaza Improvements” for \$2 million. The Subcommittee may wish to consider one of these options, so that the funding for the future of this feature can be incorporated into the lease-revenue financing of the project.

Advocates for the fountain have suggested certain provisional language that they believe will force DGS to restore the fountain.

STAFF COMMENTS

The LAO does provide some suggestions for paring down the costs of these projects, however the recent reduction in interest rates make paring down the scope of the project less attractive.

The Subcommittee should consider whether to intervene on the fountain while the option of lease financing remains.

Staff Recommendation: Hold Open

8260 CALIFORNIA ARTS COUNCIL**ISSUE 5: LOCAL ASSISTANCE FUNDING**

The California Arts Council requests one-time local assistance funding in the amount of \$10.5 million General Fund.

BACKGROUND

The California Arts Council requests one-time local assistance funding in the amount of \$10.5 million General Fund. Of the requested amount, \$9 million will be used to support existing cultural districts and the expansion of cultural districts into underrepresented areas of the state; \$1 million will be used to support the development of disaster preparedness guidelines and best practices for local governments to protect and preserve resources and artifacts during a disaster, and \$500,000 will be used to support administrative costs and technical assistance services associated with these activities.

STAFF COMMENTS

This proposal is consistent with Arts Council investments championed by the Assembly in previous years. However, staff believes the Assembly should wait to see the State's fiscal picture in May before committing \$10.5 million of General Fund for this purpose.

Staff Recommendation: Hold Open

ISSUE 6: AB 5 COMPLIANCE

The Subcommittee will consider providing \$20 million in local grant funds to assist small community arts nonprofits to comply with the provisions of AB 5.

BACKGROUND

AB 5 (Gonzalez), Chapter 296 of 2019, codified the decision of the California Supreme Court in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles* (2018) that presumes a worker is an employee unless a hiring entity satisfies a three-factor test, and exempts from the test certain professions and business to business relationships.

According to a letter received by the Subcommittee from Assemblymembers Gonzalez and Smith, and signed by 11 other members, small arts nonprofits face specific financial and administrative hurdles to compliance with AB 5.

STAFF COMMENTS

According to a letter received by the Subcommittee from Assemblymembers Gonzalez and Smith, and signed by 11 other members, small arts nonprofits face specific financial and administrative hurdles to compliance with AB 5.

The letter recommends a \$20 million appropriation to the Arts Council for grants to these local arts entities to facilitate compliance.

Staff Recommendation: Hold Open

0650 OFFICE OF PLANNING AND RESEARCH**VOTE-ONLY ISSUE 7: CALIFORNIA VOLUNTEERS**

The Office of Planning and Research requests 10.0 positions and \$1,742,000 General Fund in Fiscal Year (FY) 2020-21 and 12.0 positions and \$1,689,000 General Fund in FY 2021-22 and ongoing to support California Volunteers.

BACKGROUND

Authorized through the federal Serve America Act (2009) and Executive Order S-24-06, California Volunteers is the State Service Commission for California. California Volunteers manages programs and initiatives that address critical community needs through service and volunteer action. California Volunteers supports AmeriCorps state members who provide direct service to communities across the state in the areas of education, disaster services, economic opportunity, healthy futures, environmental stewardship, and veterans and military families.

California Volunteers requests \$1.74 million to invest in 10 permanent positions in Fiscal Year (FY) 20-21, increasing to 12 permanent positions in FY21-22, as well as a service and volunteer public engagement campaign. This is an investment in staffing to support the growth of AmeriCorps programming (with the goal to eventually scale to 10,000 members/service positions statewide) and to support both state and local efforts to provide service opportunities to Californians. Currently, California Volunteers has 24.8 positions.

STAFF COMMENTS

The proposed 50 percent staffing expansion to California Volunteers is really to lay the groundwork for a bigger over program in future years, with staff being brought onboard to run programs and grants that currently are not funded and would likely come later. Approving this proposal is creating an expectation for future funding for this program that likely exceeds the \$20 million one-time that was secured last year.

While such an idea may have merit, given the current uncertainty in the State's fiscal condition, it is unlikely the State will be in a position to increase the size of the program by that magnitude—around \$25 million ongoing. Therefore, staff recommends holding this item open until May and then considering what size of expansion to this program is likely to be sustainable given our new fiscal reality.

Staff Recommendation: Hold Open

0840 STATE CONTROLLER'S OFFICE**ISSUE 8: CALIFORNIA STATE PAYROLL SYSTEM PROJECT**

The Controller's Office requests resources for data conversion, project oversight and change management activities related to the California State Payroll System Project.

BACKGROUND

The State Controller's Office (SCO) requests the resources to support the California State Payroll System (CSPS) Project through the continuation of the California Department of Technology (CDT) Project Approval Life Cycle (PAL), to support a procurement consultant contract, and to support SCO's Personnel and Payroll Services Division (PPSD) in maintaining and executing a formal change control process for the division: • 2020-21: 8.0 positions [1.0 continuing (one-year limited-term (LT)) and 7.0 new (permanent)] and \$3,449,000 [\$1,966,000 General Fund (GF); \$1,483,000 Central Service Cost Recovery Fund (CSCRF)] • 2021-22: 7.0 positions and \$1,659,000 [\$945,000 GF; \$714,000 CSCRF] • 2022-23 and ongoing: 7.0 positions and \$1,163,000 [\$663,000 GF; \$500,000 CSCRF]

Beginning in 2016, SCO began to assess current information technology (IT) and the latest industry standards, and initiated the re-engineering of a new human resource management and payroll system. This new initiative is named the California State Payroll System (CSPS) Project.

In order for a new effort to be approved by CDT, the Department of Finance (DOF), and the Legislature, SCO must complete all four stages of the PAL process including Stage 1 Business Analysis (S1BA), Stage 2 Alternatives Analysis (S2AA), Stage 3 Solution Development (S3SD) and Stage 4 Project Readiness and Approval (S4PRA), each of which are separated by "gates" of approval. SCO is working closely with CDT as it completes each of the stages in the PAL process and will seek continued legislative approval through future budget requests. PAL Approval and Expected Submission dates:

- PAL Stage 1 was approved October 2017.
- PAL Stage 2 is estimated for submission July 2020.
- PAL Stage 3 is estimated for submission May 2021.
- PAL Stage 4 is estimated for submission December 2021.

STAFF COMMENTS

The CSPS project replaces the failed 21st Century project, which was one of California's largest and most costly IT failures. The Controller appears to be taking a thoughtful approach to minimize risk and move forward carefully through the existing PAL process. However, the project has some key milestones in the budget year that will determine whether this project is ready to move forward, but this request contains seven ongoing positions that optimistically suggest it will. While staff recommends approving these positions, staff also recommends adding supplemental language to require the Controller

to report to the budget committees when the project progress through the PAL stages, so continued oversight of the project can continue over the next year.

Staff Recommendation: Approve as Budgeted with Supplemental Reporting Language

0890 SECRETARY OF STATE

The Secretary of State (SOS), a constitutionally established office, is the chief elections officer of the state and is responsible for the administration and enforcement of election laws. The SOS administers and enforces laws pertaining to filing documents for corporations, limited liability companies, partnerships, limited partnerships, and unincorporated associations. In addition, SOS commissions notaries public and enforces the notary laws. The SOS is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The SOS also operates the Safe at Home program, maintains the Domestic Partners and Advance Health Care Directives registries, and is home to the State Archives and the California Museum.

The Governor's budget proposes expenditures for 2020-21 of \$125.6 million and 535 positions. The proposed amount is roughly \$119 million less than 2019-20 mostly due to the one-time funding of \$87 million provided last year to update county election systems.

ISSUE 9: ELECTIONS (INFORMATIONAL ONLY)

The SOS will provide an update on the administration of the recent election and other issues concerning elections in the state.

Staff has asked the SOS to address the following:

- How did the recent presidential primary election go? Please discuss the experience statewide and in LA County.
- What are the greatest risks to elections going smoothly this year?
- Please provide an update on the use of the additional state funding provided in the Budget Acts of 2018 and 2019 to upgrade county systems.
- Please provide an update on the Vote Centers authorized by SB 450.
- Please discuss Public Safety Power Shutoffs (PSPS) impact on elections last year and the possible impacts of PSPS in future elections. What actions state and county election officials taking to mitigate any negative impacts?
- Prior to 2009, the state reimbursed counties for the cost of special elections. Please discuss the costs counties have borne in recent years and the impact on county election officials of not receiving reimbursement for these costs.

STAFF COMMENTS

This item is informational only.

Staff Recommendation: Informational Only

ISSUE 10: CANNABIS FILINGS AND TRADEMARK WORKLOAD

The SOS requests \$448,000 ongoing from the Business Fees Fund to continue support for three existing positions dedicated to cannabis-related business filings and trademark registration workload.

BACKGROUND

SB 94 (Committee on Budget and Fiscal Review, Chapter 27, Statutes of 2017) merged the Medical Cannabis Regulation and Safety Act and the Control, Regulate and Tax Adult Use of Marijuana Act into a single comprehensive framework known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act. It also creates a new type of corporation called the “Cannabis Cooperative Association”. Furthermore, by creating a licensing mechanism that permits lawful medicinal and adult-use commercial cannabis activities, SB 94 establishes the authority of the SOS to register trademarks and service marks related to lawful cannabis activities as the ability to register under California law is made dependent upon that mark being “lawfully in use in commerce”. While many applicants for cannabis related licenses may seek a license from only one of the three state licensing agencies, it is likely that the SOS will receive business filings from each of these applicants, leading to a significant increase in workload at the SOS. In addition, the passage of the 2018 Farm Bill made changes to federal laws creating the opening for Hemp businesses and trademarks.

The Legislature approved three limited-term positions in 2018-19. This request would make them permanent.

LAO COMMENTS

The LAO recommends that the Legislature be cautious about ongoing commitments when there is uncertainty regarding the level of ongoing workload. The LAO recommends approving funding for this proposal on a limited-term basis given the uncertainty in the amount of business filings and trademark registration workload SOS will have for cannabis businesses on an ongoing basis. Taking an incremental approach to budgeting will better enable the Legislature to use the annual budget process to oversee the implementation of cannabis regulation and ensure that departments are appropriately resourced.

STAFF COMMENTS

Staff agrees with the LAO comments and recommends holding this item open to allow time for further consideration.

Staff Recommendation: Hold open

8955 DEPARTMENT OF VETERANS AFFAIRS

The California Department of Veterans Affairs (CalVet) honors and serves California's nearly 1.6 million veterans and their families by ensuring our veterans have access to the benefits they have earned to enable them to meet their needs. CalVet promotes and delivers innovative services through efficient, cost-effective programs and collaboration with key stakeholders and partners.

The Governor's budget proposes expenditures for 2020-21 of \$520.6 million and about 3,100 positions. The proposed amount is roughly the same as 2019-20. Most of the expenditures are for the operation of the state's eight veterans homes.

ISSUE 11: 2020 MASTER PLAN AND STRATEGIC REALIGNMENT AND MENTAL HEALTH SUPPORT

The Administration requests \$2.3 million General Fund and a net total of 12.5 positions in 2020-21 and \$2.2 million General Fund and 12.5 positions annually thereafter to realign levels of care in the Veterans Homes and to improve behavioral health services.

BACKGROUND

California operates eight veterans homes that provide residential or long-term care services to about 2,500 veterans. The services provided at the homes range from independent living-style domiciliary care to intensive skilled nursing services and memory care for residents with dementia and/or mental impairment. Funding for the veterans homes primarily comes from the General Fund (\$383.1 million in 2020-21), which is partially offset by federal funds and member fees (estimated to be \$135.1 million).

CalVet Released its 2020 Master Plan for the Homes. At the request of the Legislature, CalVet developed a Master Plan for the Veterans Homes. The plan includes a needs assessment to identify trends in the veteran population and recommendations for the future that consider changes such as realigning levels of care, expanding mental health services, maximizing property use, addressing geographic limitations of the homes, and maintaining the state's commitment to the Yountville Home. Some of the recommendations are proposed for implementation as part of the Governor's budget. Below these recommendations are described, as well as recommendations for changes that are not being addressed at this time, and recommendations for future facilities.

Recommendations Reflected in the 2020 Budget:

- CalVet should expand social work services, ensuring that behavioral wellness staffing is commensurate with the current and future residents' level of need.
- CalVet should explore options to add a psychologist position in Chula Vista and a psychiatrist position each in Chula Vista and Fresno.
- CalVet should explore making the one-time OE&E funding permanent. Further, CalVet should consider whether cable television in the Barstow, Chula Vista, and Yountville Homes, should be included as part of those operating expenses, removing the burden from the Homes' MWR budgets.

- CalVet should reduce the Yountville Home's domiciliary (DOM) units by 30 beds. Further, CalVet should regularly reevaluate trends in DOM admissions and, if and when appropriate, request further reductions to the DOM program. No residents should be discharged as part of any transition efforts.
- CalVet should consolidate the Yountville Home's residential care for the elderly (RCFE) and intermediate care facility (ICF) programs. No residents should be discharged as part of any transition efforts.
- CalVet should pursue reactivating the 20 unused skilled nursing facility (SNF) beds at the Barstow Veterans Home, increasing the SNF unit capacity from 40 to 60 beds. Further, CalVet should cease admissions to the DOM buildings and convert the ICF unit to an RCFE with private rooms. No residents should be discharged as part of any transition efforts.
- CalVet should consider eliminating eight DOM beds at the Chula Vista Veterans Home, thereby providing better quality of life for DOM residents. CalVet should not consider discharging residents as part of this transition.

Recommendations to be Addressed Administratively:

- CalVet should reevaluate admissions prioritization periodically, and no later than the next master plan, due to the Legislature in 2024. Based on this analysis, CalVet may consider modifying admissions priorities to ensure veterans with the greatest needs and who could benefit the most from the Veterans Homes are admitted first.
- CalVet should clarify admissions policies and regulations to ensure residents in homelessness supportive programs receive priority admission to the Homes. This process should begin no later than December 31, 2020.
- CalVet should provide and maintain information about alternative housing and care programs on the Homes Division's website to ensure potential applicants are aware of all options.
- CalVet should contribute to the state's Master Plan for Aging to determine how to best support veterans in need of all forms of long-term care.
- CalVet should prioritize implementing and expanding telemedicine and similar services as opportunities arise.
- CalVet should begin taking steps to explore using available property at the Yountville Veterans Home for third-party development. In particular, CalVet should emphasize proposals to develop on-campus housing and outpatient care facilities. CalVet should engage stakeholders when the appropriate time presents itself.
- CalVet should begin taking steps to explore alternative third-party uses for the DOM buildings at the Barstow Veterans Home, provided that the DOM program is discontinued. CalVet should begin stakeholder outreach if and when the DOM program is discontinued.
- CalVet should continue efforts to identify best future uses for the Barstow Veterans Home campus. This evaluation should be based on current and alternative programs, available resources, and the needs of veterans in the surrounding

region. CalVet should complete this evaluation no later than in the next Homes-wide master plan, due to the Legislature in 2024.

- CalVet should begin taking steps to explore using available property at the Lancaster Veterans Home for third-party development. CalVet should engage stakeholders when the appropriate time presents itself. No residents should be discharged as part of any transition efforts.

Recommendations for Future Consideration

- CalVet should continue collecting data on the Veterans Housing and Homelessness Prevention (VHHP) and CalVet Residential Enriched Neighborhood (REN) programs, evaluating reinvestment in them, if appropriate, based on unmet need, programmatic success, and available resources.
- CalVet should reevaluate mental health staffing periodically (no later than in the next Homes-wide Master Plan, due to the Legislature in 2024) based on updated demographic, healthcare, and workload data.
- CalVet should reevaluate the current funding structure for the Morale, Welfare, and Recreation (MWR) program. If changes are appropriate, CalVet should submit recommendations to the Legislature, no later than in the next Homes-wide Master Plan, due in 2024. However, recommendations should be submitted at an earlier date if necessary based on revenue trends.
- CalVet should continue to prioritize and pursue construction of the new, 240-bed SNF complex at Yountville Veterans Home. If it cannot be constructed on the campus, CalVet should consider eliminating the SNF program at the Home.
- CalVet should continue evaluating the Chula Vista Veterans Home to identify costs and considerations associated with converting a SNF unit to SNF Memory Care. Based on the results of this evaluation, CalVet should determine whether this conversion is appropriate and take action accordingly. CalVet should complete this evaluation no later than in the next Homes-wide master plan, due to the Legislature in 2024. No residents should be discharged as part of any transition efforts.
- CalVet should begin evaluating long-term solutions to ensure success at the West Los Angeles Veterans Home. CalVet should evaluate whether levels of care should be shifted between the Lancaster, Ventura, and West Los Angeles Veterans Homes to improve program effectiveness. If appropriate, CalVet should consider implementing changes to take effect after property use restrictions expire in 2030, or sooner with necessary approvals. No resident should be discharged as part of any transition efforts.

Recommendations Related to Future Facilities (not currently proposed)

- CalVet should not establish new Veterans Homes, except to relocate existing Home operations to more ideal locations, if appropriate. However, CalVet should revisit building new Homes if information becomes available to suggest there is a need for more campuses.
- CalVet should only establish new Veterans Homes when and where there is evidence to suggest that a) there is sufficient need in a nearby veteran community;

b) the proposed campus is close to a VA facility; c) the proposed levels of care are appropriate; d) the local healthcare infrastructure can support the long-term care; and e) recruitment and retention of staff can be successful based on sufficient candidate pools, and cost of living.

- CalVet should not establish any new Veterans Homes with DOM or ICF units or expand the existing DOM or ICF programs.
- CalVet should strongly consider developing an ADHC program at any new Veterans Home, if appropriate, based on design, location, and community needs.

Budget Proposal. The budget proposes \$2.3 million General Fund and a net total of 12.5 positions ongoing. (The budget adds 16.5 positions and eliminates four positions). The request proposes 1) realigning the levels of care offered at Barstow, Chula Vista, and Yountville Homes and 2) improving mental and behavioral health services in the homes.

Realigning Levels of Care

Barstow Veterans Home: CalVet requests a reduction of 120 Dom and 60 ICF beds, with a corresponding addition of 31 RCFE beds and an increase of 20 SNF beds. The existing dual-occupancy ICF rooms would be converted to a single-occupancy RCFE rooms; approximately one quarter of the ICF residents would be placed in the SNF, while the remainder would remain in the unit while the license is converted to an RCFE. No significant facility modifications will be required. VHC-Barstow will permanently halt all admissions to the DOM and ICF, slowly drawing down the census through attrition. To begin the transition, CalVet requests six positions. Over time, and upon census shifts and facility closures, CalVet anticipates reducing Barstow staff by 20 positions.

Chula Vista Veterans Home: CalVet proposes to transition DOM dual-occupancy rooms to single-occupancy. To accomplish this – providing private Dom rooms and eliminating ineffective space – CalVet requests reducing the DOM budgeted capacity by 8 from 92 to 84 beds, transitioning to 26 single-occupancy rooms and 1 dual-occupancy room for married couples at each of three Dom buildings. VHC-Chula Vista will place a temporary moratorium on admissions to the Dom until the census is at or below 84, at which point admissions will resume. CalVet will not discharge any current residents to meet this objective. While the attrition rate is highly variable, the census reduction will likely be achieved during 2020-21. Minor budget reductions may be achieved in the future.

Yountville Veterans Home: CalVet requests a reduction of 30 DOM and 105 ICF beds at VHC-Yountville. VHC-Yountville will permanently halt all admissions to the ICF, slowly drawing down the census through attrition. CalVet intends to replace the ICF unit with a 61-bed single-occupancy RCFE in a future budget year contingent upon programmatic needs, census attrition, and resource availability, ending the ICF program and consolidating the existing RCFE unit in the process. Further, VHC-Yountville will meet the necessary census levels in the DOM by temporarily ceasing admissions if required, although the high vacancy rate in the DOM program should make this unnecessary. CalVet will not discharge any current residents to meet this objective. As a result of these actions, 4.5 positions will be reduced in 2020-21 along with related OE&E costs.

Improving Mental and Behavioral Health Services

CalVet requests 11 positions (psychiatrists, a psychologist, and clinical social workers) to address the need for psychiatric, psychological, and social work services in the Veterans Homes. These staff will be critical to ensuring effective, appropriate, and uniform mental health services throughout the Veterans Homes.

STAFF COMMENTS

Developing the 2020 Master Plan for the Veterans Homes has provided CalVet with much greater insight into the current and future needs of the state's veterans and how the existing system of homes can be best utilized to meet those needs. It will be important for the Legislature to work closely with CalVet to prioritize and make progress on implementation of the recommendations in the Master Plan that are not being addressed in the Governor's budget proposals.

In order to do so, the Subcommittee may wish to adopt statutory language directing CalVet to take specific actions regarding unaddressed recommendations.

In addition, staff recommends holding the budget proposal open to allow time for further consideration.

Staff Recommendation: Hold Open

ISSUE 12: OTHER-THAN-HONORABLE DISCHARGES (LEGISLATIVE PROPOSAL)

Other-than-honorable discharges from military service make it less likely that veterans will qualify for federal VA services such as health care benefits. Grants for legal services could help these veterans access benefits they have earned.

BACKGROUND

A recently released study found that the United States Department of Veterans Affairs (USDVA) has for decades unlawfully turned away thousands of veterans with other-than-honorable discharges, rendering some of the most vulnerable veterans invisible and desperate for help. Systemic misunderstanding of the law within VA about which veterans it should care for — and which should be denied services — has triggered improper mass denial of care since 1980, the Veterans Legal Clinic at Harvard Law School said in a recent study, leaving an estimated 400,000 veterans at risk of never gaining access to health care they may have earned.

Often, the other-than-honorable discharges are the result of infractions that mushroom from physical or mental wounds, such as self-medicating with drugs or alcohol after combat or sexual assault. From 2011 to 2015, the drawdown period from the highest troop levels in Iraq and Afghanistan, more than half of the 91,764 troops separated for misconduct were diagnosed with post-traumatic stress disorder or traumatic brain injuries before discharge, the Government Accountability Office found. Less-than-honorable discharges can also be the result of discrimination — the study found that more than 100,000 veterans in the LGBT community left the military with bad paper from the end of World War II until 2011, when the “don’t ask, don’t tell” policy was repealed.

SB 1304 (Roth, Chapter 419, Statutes of 2018) created the CalTap Endowment Fund to accept donations for the purposes of the veterans transition assistance program. Funding in this endowment could be used for a variety of purposes to support discharged veterans including those who have received an other-than-honorable discharge. At this time, there is no money in the fund.

In order to get these veterans’ discharges upgraded requires going through an appeal process. This proposal would provide CalVet with resources such as funding from the General Fund or the endowment fund for grants for legal services and a staff person to coordinate and manage the grants.

STAFF COMMENTS

The Subcommittee may wish to ask CalVet to discuss the impact on veterans of receiving other-than-honorable discharges. The Subcommittee may wish to ask CalVet what it would need, such as funding and staff resources, to help veterans who have received other-than-honorable discharges navigate the appeals process.

Staff Recommendation: Hold Open

ISSUE 13: CALIFORNIA STATE APPROVING AGENCY FOR VETERANS EDUCATION (CSAAVE)

The CSAAVE program received a current year funding augmentation of \$1.2 million General Fund to support its operating expenses after federal funding was terminated on October 1, 2019. Ongoing General Fund support for 2020-21 and beyond may be necessary to ensure that post-secondary institutions receiving federal GI Bill benefits meet state and federal standards.

BACKGROUND

Congress in 1944 made states the gatekeepers of GI Bill benefits which help qualifying veterans and their family members get money to cover all or some of the costs for school or training. Historically, the federal government and the state have had defined roles in providing beneficiaries with their benefits. The USDVA's role was the payment of benefits (tuition to schools) and the state's role was to grant approval for the receipt of GI Bill benefits to a post-secondary institution by ensuring the school met all state and federal standards.

California's program known as CSAAVE, decides which institutions of higher education are eligible to enroll veteran students under the GI Bill. Over time, CSAAVE earned the reputation for aggressively investigating and taking immediate action against schools and programs that were not complying with applicable laws or are otherwise trying to defraud veterans.

Last fall, CSAAVE received notification that the USDVA would not extend a cooperative agreement with CSAAVE beginning on October 1, 2019. This action effectively ended federal funding for CSAAVE and at that time the USDVA assumed responsibility for all of CalVet's CSAAVE roles. Since then, CalVet has been in negotiations with the USDVA to reach agreement on the renewal of the CSAAVE contract with the USDVA.

STAFF COMMENTS

The Subcommittee may wish to ask CalVet to provide an overview of CSAAVE and the issues with USDVA. The Subcommittee may wish to ask CalVet about the new federal agreement that is currently being negotiated and if it thinks the state should re-enter into the federal contract. The Subcommittee may also wish to ask if CalVet thinks it would be useful for the state to continue providing oversight of online programs offered by out-of-state provider, as well as its oversight of for-profit colleges.

Staff Recommendation: Hold Open

**ISSUE 14: PUBLIC ASSISTANCE AND REPORTING INFORMATION SYSTEM
(LEGISLATIVE PROPOSAL)**

The State uses a system called the Public Assistance and Reporting Information System (PARIS) to identify veterans who may not be connected with federal monetary and health care benefits. Historically, the benefits of PARIS were underutilized resulting in the state leaving federal money on the table and missing opportunities to reduce state costs.

BACKGROUND

Public Assistance and Reporting Information System (PARIS). According to an analysis by the Legislative Analyst's Office, as many as 144,000 veterans or their dependents are enrolled in the state's Medi-Cal Health Care program. Many of these veterans may be eligible for USDVA health care benefits, including long-term care benefits, potentially with lower cost sharing requirements. The Department of Health Care Services (DHCS) is able to identify these beneficiaries using PARIS. PARIS is an information sharing system, operated by the U.S. Department of Health and Human Services that allows states to compare their beneficiary information with the USDVA. DHCS provides CalVet with 1,000 referrals, each quarter, from PARIS. The referrals that DHCS sends to CalVet are those that are most likely to generate state savings.

CalVet currently employs two analysts who reach out to the referrals by mail, e-mail, and phone. When direct contact is made staff provides information regarding the USDVA healthcare and Medi-Cal healthcare programs and assists interested veterans in connecting with VA healthcare and other benefits they may be entitled to.

Prior to 2017-18, CalVet did not employ any staff to work on PARIS referrals. The Legislature approved funding for three positions and reporting language requiring CalVet to report on the outcomes from the addition of these staff by March 2020.

As shown in the figure below, the addition of these positions at CalVet in 2017-18 more than doubled the number of veterans voluntarily disenrolling from Medi-Cal and enrolling in federal VA healthcare which resulted in a significant increase in state savings.

State Savings From PARIS Matches Have Increased

Fiscal Year	Veterans who Voluntarily Disenrolled from Medi-Cal	Annual State Savings
2019-20 *	318	\$4.2 million
2018-19	676	\$9.8 million
2017-18	420	\$8.5 million
2016-17	Missing data	Missing data
2015-16	148	\$4.6 million
2014-15	101	\$3.1 million
2013-14	86	\$1.4 million
2013-12	54	\$677,600

STAFF COMMENTS

The addition of staff at CalVet to review PARIS referrals from DHCS has resulted in more veterans being connected to their federal benefits and has also increased state General Fund savings. The Subcommittee may wish to ask CalVet the following questions.

- Is CalVet able to process all the referrals DHCS gives them?
- Could DHCS provide more referrals if CalVet had more staff to process them?
- Does CalVet believe greater state savings could be achieved if it were able to process a greater number of referrals?

Funding additional staff at CalVet to process PARIS referrals could further increase General Fund savings and connect more veterans to their federal benefits. While the level of savings generated by additional staff at CalVet may be less than the previous level of savings achieved, if these savings are likely to exceed the cost of additional staff, the Subcommittee may wish to consider funding additional staff at CalVet.

Staff Recommendation: Hold Open

1111 DEPARTMENT OF CONSUMER AFFAIRS

The Department of Consumer Affairs (DCA) includes 37 boards, bureaus, commissions, and programs. Through these entities, DCA licenses approximately 3 million individuals in roughly 250 professional categories, such as doctors, acupuncturists, and cosmetologists. In addition, DCA licenses certain businesses, such as auto repair facilities. As part of its regulatory responsibilities, DCA also investigates complaints and disciplines violators of licensing requirements. Additionally, DCA provides certain services to its boards and bureaus, including staff training, consumer education and outreach, and legal and audit services.

The Governor's budget proposes \$706 million from various funds for support of DCA in 2020-21, which is small reduction from the current-year estimated expenditures, which are \$762 million. This decrease primarily is a result of funding for the Bureau of Cannabis Control within DCA being reduced by \$77.8 million reflecting the Administration's proposal to consolidate the three cannabis-related licensing entities into a single Department of Cannabis Control by July 2021.

ISSUE 15: BREEZE SYSTEM MAINTENANCE AND CREDIT CARD FUNDING

The Governor's budget requests \$11.5 million, special fund, in 2020-21, \$10.6 million in 2021-22, and \$7.9 million in 2022-23 and ongoing for the continued support of BreEZe Maintenance & Operations (M&O).

This request also includes \$3.6 million in 2020-21 and ongoing for Boards and Bureaus to fund credit card processing fees on behalf of users of credit card payments. The total request for 2020-21 is \$15.1 million, \$14.2 million in 2021-22, and \$11.5 million in 2022-23 and ongoing.

BACKGROUND

Project History. When first initiated, the BreEZe project was proposed to be an integrated, web-enabled enforcement and licensing system that would replace various systems that have been in place at all of the boards and bureaus within DCA. It was proposed to be completed in three releases, with roughly half of the boards and bureaus in the third release. In November 2009, the BreEZe project was approved with a budget of \$28 million and an expected completion date of June 2014.

DCA selected Accenture as the vendor for the project in September 2011. The first release was launched in October 2013, but experienced various implementation challenges. Notably, according to a report by the State Auditor, most Release 1 Executive Officers reported that BreEZe decreased their regulatory entity's operational efficiency. In January 2015, the Administration informed the Legislature of its intent to cancel the contract with Accenture after Release 2 due in large part to rising project costs, which had grown to \$96 million for Releases 1 and 2 alone. The Legislature concurred with the Administration's proposed approach in March 2015, but expressed a desire for closer

oversight over the project and for a plan for Release 3 boards and bureaus. The 2015-16 budget provided roughly \$23 million for two years of funding.

Currently, 18 of DCAs board and bureaus use BreEZe. Funding provided since 2017-18 and proposed for the budget year and ongoing is shown below.

Historical and Proposed M&O Funding by Fiscal Year (dollars in thousands)

	BreEZe System M&O Funding	Credit Card Convenience Fee	Total
FY 2017-18	\$22,456*	\$3,033	\$25,489
FY 2018-19	\$16,783	\$3,345	\$20,128
FY 2019-20	\$13,047	\$3,345	\$16,392
FY 2020-21	\$11,481	\$3,602	\$15,083
FY 2021-22	\$10,586	\$3,602	\$14,188
FY 2022-23 and Ongoing	\$7,853	\$3,602	\$11,455

*2017-18 BreEZe System funding included \$16,762 in approved funding via a 2017-18 BCP that augmented \$5,694 in previously approved funding for 2017-18.

STAFF COMMENTS

The LAO has not raised any concerns with this request. In the past, the Subcommittee has not approved permanent funding for BreEZe because it wanted to continue to have the opportunity for oversight of the project through the budget process. Staff recommends holding open to allow time for further consideration.

Staff Recommendation: Hold Open

ISSUE 16: BUSINESS MODERNIZATION CONTINUED IMPLEMENTATION

The Administration requests one-time funding of \$5.2 million for 2020-21 to fund project activities consistent with DCA's 2019 Business Modernization Plan.

BACKGROUND

As discussed in the previous item, the original plan was to implement BreEZe in three phases, but the project had significant implementation challenges for Release 1 and 2. Ultimately, Release 3 was cancelled. In 2017, DCA had not proposed a plan for Release 3 boards and bureaus. In response to concerns about the lack of a plan for Release 3 entities, the 2017-18 Budget Act and SB 547 (Hill, Chapter 429, Statutes of 2017) required DCA to report on the progress of Release 3 entities' transition to a new licensing technology platform by December 31 of each year.

DCA produced a business modernization plan in December 2017 that identified the anticipated timing of activities related to development of IT systems for Release 3 entities, such as completing reviews of business activities, completing the Project Approval Lifecycle procurement process, and going live with the new systems. The 2017 business modernization plan also identified challenges and opportunities facing each entity and assessed their organizational readiness. The December 2018 business modernization plan provided descriptions of the business activities and other actions taken thus far by each entity.

The 2019 Business Modernization Plan shows continued progress towards moving the remaining boards and bureaus to a new system. The 2020-21 budget request of \$5.2 million for these activities includes funding for the following:

- Acupuncture Board - \$1.2 million and 2 positions
- Board of Chiropractic Examiners - \$621,000
- Board for Professional Engineers, Land Surveyors, and Geologists - \$1.1 million
- Bureau for Private Postsecondary Education - \$2.3 million
- Office of Information Services - \$506,000 and 3.0 positions.

The request also includes funding for credit card processing fees on behalf of users of credit card payments for these boards and bureaus.

STAFF COMMENTS

Staff has no concerns regarding this proposal, but recommends holding open to allow time for further consideration.

Staff Recommendation: Hold Open

ISSUE 17: ORGANIZATIONAL CHANGE MANAGEMENT PROCESS IMPROVEMENT

The Governor's budget requests \$1.2 million special funds in 2020-21 and \$1.1 million in 2021-22 and ongoing to fund 7 positions to continue conducting Business Analytics and Organizational Change Management (OCM) activities at its 37 business and professional licensing entities and its Central Service Divisions.

BACKGROUND

The Department established an OCM Unit with Release 2 of BreEZe in 2015. Part of the necessity for this unit was the identification by the California State Auditor that future information technology projects at the Department must include a process to ensure the success of that project by planning and implementing effective organizational change management.

The OCM Unit documents all business activities as part of DCA's Business Modernization effort. The OCM Unit has been working with the remaining 16 Boards not currently on BreEZe since 2017. This includes documenting all licensing, enforcement, and administrative processes at each boards through process mapping, exploring and creating maps that look to a possible future process improvements, and functional requirements that provide clarity to potential vendors on what each Board needs.

In August 2018, the OCM Unit began a two-year review of the Department's Central Services as mandated by the 2017-18 Budget Act beginning and completing a review of its Legal Affairs Division in 2019. These reviews are intended to identify areas for improvement with the targeted goals of increasing communication, transparency, and accountability; while reducing the time it takes to respond to and deliver critical services.

In addition, the funded positions will complete special projects and continuous improvement activities as directed by the Department's Executive Office. This request includes ongoing funding of \$75,000 for retired annuitants that OCM has regularly utilized to manage workload.

STAFF COMMENTS

It is unclear what the ongoing workload will be for the OCM activities. Staff recommends holding this item open to allow time for further consideration.

Staff Recommendation: Hold Open

ISSUE 18: BOARD AND BUREAU WORKLOAD AND CURES FEE INCREASE TRAILER BILL LANGUAGE

The Governor includes in the January budget requests from various boards and bureaus to align staffing allocations with actual and projected workload. The requests total 41.5 ongoing positions and \$4.8 million from various special funds.

The Governor's budget also requests trailer bill language to increase the Controlled Substance Utilization Review and Evaluation System (CURES) fee of \$6 to \$14 effective July 1, 2020 to cover the Department of Justice's (DOJ) increase maintenance and operation costs.

BACKGROUND

The Boards' and Bureaus' requests are as follows:

- 1. Arbitration Certification Program** – Requests \$50,000 in 2020-21 and ongoing to fund travel costs to conduct onsite inspections of each qualified third-party dispute resolution process for auto manufacturers at least twice a year.
- 2. Bureau of Security and Investigative Services & Private Security Services** – Requests \$168,000 in 2020-21 and \$160,000 ongoing for 1.0 position to establish proper management to staffing ratios. Currently, the Bureau's management structure is comprised of a 11:1 manager to staff ratio which is not consistent with the Department of Human Resources' recommendation of three to five staff members per manager.
- 3. Physician Assistant Board** – Requests \$535,000 in 2020-21 and \$461,000 ongoing for 4.0 positions to address enforcement functions that are currently being performed by the Medical Board of California. The Board believes it is prudent to take ownership of this workload to provide a more efficient process for the Board.
- 4. Bureau for Private Postsecondary Education** – Requests \$1.8 million in 2020-21 and \$1.8 million ongoing for 13.0 positions to maintain and conduct the statutory duties of the Office of Student Assistance and Relief (OSAR). Additional schools have closed since OSAR was created in 2018 which has created additional unforeseen workload.
- 5. Board of Psychology** – Requests \$220,000 in 2020-21 and \$204,000 ongoing for 2.0 positions to address increased backlogs and delays with its renewal applications, license verifications, and file transfers.
- 6. California State Athletic Commission** – Requests \$119,000 in 2020-21 and ongoing for 1.0 positions to assist regulating combat sporting events that are held in California.
- 7. Speech Language Pathology and Audiology and Hearing Aid Dispensers Board** – Requests \$244,000 in 2020-21 and ongoing for 2.0 positions to address workload in its Licensing and Enforcement programs.
- 8. Bureau of Automotive Repair - High Polluter Repair and Removal Account (HPRRA) and Enhanced Fleet Modernization Program (EFMP)** – Requests \$9.5 million in 2020-21

and ongoing for the HPPRA to address an increase of vehicles that are retired through a failed smog check inspection. The Bureau also requests a reduction of \$7.5 million in 2020-21 and ongoing for the EFMP to align its current scheduled appropriation to the decrease of vehicles retired through the Off-Cycle Vehicle Retirement option. Consumers may retire their vehicle if it meets certain requirements outside the bi-annual smog check inspection schedule

9. Physical Therapy Board of California – Requests \$150,000 in 2020-21 and \$142,000 in 2021-22 and ongoing for 1.0 position to meet increased volume workload of the probation monitor within the Board's Enforcement program. Additionally, the Board requests \$117,000 in 2020-21 and ongoing for 1.0 position to adopt and administer a program of education in matters relevant to the regulation of physical therapy.

10. California State Board of Pharmacy – Requests \$680,000 in 2020-21 and \$648,000 ongoing for 4.0 positions to augment the Board's directive to complete inspections of all facilities annually and to address a need for increased clerical support in the Board's Licensing Unit. The Board also requests \$279,000 in 2020-21 and \$263,000 ongoing for 2.0 positions to create a stand-alone Probation Unit, along with existing staff, to monitor and maintain consumer protection, while working effectively with those licensees participating in the probation and the Pharmacist Recovery Program. Lastly, the Board requests \$186,000 in 2020-21 and \$178,000 ongoing for 1.0 position to effectively manage administrative functions, review legislation, and regulations.

11. Board of Behavioral Sciences – Requests \$145,000 in 2020-21 and ongoing for 1.0 position to transition a permanent intermittent position that has historically been filled to promulgate regulations, assist in website and form revisions, particularly ADA accessibility.

12. Veterinary Medical Board – Requests \$898,000 in 2020-21 and \$850,000 ongoing for 6.0 positions to address increased workload in the Board's Enforcement program. Since veterinary hospital inspections have been mandated, the Board has received and opened a significant amount of complaints.

13. Board of Vocational Nursing and Psychiatric Technicians – Requests \$291,000 in 2020-21 and \$275,000 ongoing for 2.0 positions to address the escalating workload and reduce significant delays in business processing times in the Education, Licensing, and Administrative Support Services programs.

14. California Board of Occupational Therapy – Requests \$282,000 in 2020-21 and \$258,000 ongoing for 2.5 positions to address an increase in workload in its Licensing and Enforcement programs.

15. Registered Dispensing Opticians (RDO) – Requests \$106,000 one-time in 2020-21 to fund and conduct an occupational analysis of the RDO's national examination.

Below is a summary of the requests:

**Summary of Board and Bureau Workload Resources Request
(in thousands)**

Board/ Bureau	Proposal	Requested Funding 2020-21	Requested Positions 2020-21	Proposed Funding 2021-22
Arbitration Certification Program	Mandated Travel Funding	\$50	0.0	\$50
Bureau of Security and Investigative Services	Licensing Staffing Augmentation	\$168	1.0	\$160
Physician Assistant Board	Enforcement Staff Augmentation	\$535	4.0	\$461
Bureau for Private Postsecondary Education	Office of Student Assistance and Relief Staff Augmentation	\$1,846	13.0	\$1,806
Psychology Board	Licensing and Administrative Staff Augmentation	\$220	2.0	\$204
California State Athletic Commission	Event Regulation Staff Augmentation	\$119	1.0	\$119
Speech Language Pathology and Audiology and Hearing Aid Dispensers Board	Licensing and Examination Support Funding Extension	\$244	0.0	\$244
Bureau of Automotive Repair	Vehicle Retirement Funding Realignment and Augmentation	\$2,000	0.0	\$2,000
Physical Therapy Board	Enforcement Staff Augmentation	\$150	1.0	\$142
Physical Therapy Board	Communication and Education Staff Augmentation	\$117	1.0	\$117
Board of Pharmacy	Licensing Staff Augmentation	\$680	4.0	\$648
Board of Pharmacy	Legislative and Administrative Staff Augmentation	\$186	1.0	\$178
Board of Pharmacy	Enforcement Staff Augmentation	\$279	2.0	\$263
Board of Behavioral Sciences	Regulatory Staff Augmentation	\$145	1.0	\$145
Veterinary Medical Board	Enforcement Staff Augmentation	\$898	6.0	\$850
Vocational Nursing / Psychiatric Technicians	Licensing Staff Augmentation	\$291	2.0	\$275
California Board of Occupational Therapy	Licensing Staff Augmentation	\$282	2.5	\$258
Optometry	Occupational Analysis Funding	\$106	0.0	\$0
Total		\$8,316	41.5	\$7,920

CURES Fee Increase. The proposed fee increase would generate additional revenues to support the Department of Justice's request for additional funding for the anticipated increase in workload as a result of the expanded access to CURES authorized by AB 528. DOJ is requesting \$1.6 million in 2020-21, \$1.5 million in 2021-22, and \$507,000 annually thereafter.

STAFF COMMENTS

Staff recommends holding these items open to allow additional time for the review of these requests. In addition, some of these boards and bureaus are going through the policy committees' sunset review process and the Subcommittee may wish to take actions that conform to that process.

Regarding the proposed increase trailer bill language for the CURES fee increase, the language does not reflect that the need for additional funding will likely decline in the future. The Subcommittee may wish to ask why the requested fee increase is permanent when the level of ongoing funding DOJ is requesting significantly declines in the third year. The DOJ request, which is prompting the fee increase, will be heard in Subcommittee No. 5.

Staff Recommendation: Hold Open

<p>This agenda and other publications are available on the Assembly Budget Committee's website at: https://abgt.assembly.ca.gov/sub4hearingagendas. You may contact the Committee at (916) 319-2099. This agenda was prepared by Farra Bracht and Christian Griffith.</p>
