AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR

THURSDAY, MAY 21, 2015
11:00 A.M. - STATE CAPITOL ROOM 126

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VOTE-ONLY CALENDAR

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 1: VARIOUS ADJUSTMENTS TO THE OFFICE OF PUBLIC SCHOOL CONSTRUCTION REDUCTION

This May Revision proposes technical changes to align administrative resources with expected workload for the School Facilities Program.

BACKGROUND

The following changes are proposed to align administrative resources with expected workload for the School Facilities Program:

- Decrease Item 7760-001-0739 by $133,000 and 1 position
- Decrease Item 7760-001-0956 by $920,000 and 8 positions
- Decrease Item 7760-001-6036 by $48,000
- Decrease Item 7760-001-6044 by $1,194,000 and 10 positions, and
- Decrease Item 7760-001-6057 by $2,175,000 and 18 positions

STAFF COMMENTS

Staff has no concerns with the total reduction. Finance had requested that the total reduction be limited to the three bond funds in order to free up bond authority for school facilities projects. The following distribution has been recommended as an adjustment:

- Decrease Item 7760-001-6036 by $63,000
- Decrease Item 7760-001-6044 by $1,562,000 and 13 positions, and
- Decrease Item 7760-001-6057 by $2,845,000 and 24 positions.

Staff Recommendation: Approve May Revision with the redistribution as discussed in staff comments.

9800 EMPLOYEE COMPENSATION

VOTE-ONLY ISSUE 2: RATIFICATION OF MEMORANDUM OF UNDERSTANDING

The May Revision requests that Items 9800-001-0001, 9800-001-0494, and 9800-001-0988 be amended to include provisional language relating to the existing Joint Legislative Budget Committee review process for side letters, appendices, or other addenda to a properly ratified memorandum of understanding.

BACKGROUND

Under current law, labor contracts (referred to as memoranda of understanding, or MOUs) between the State of California and its employees do not take effect unless they are ratified by the Legislature. Subsequent amendments to these MOUs (often called "MOU addenda") are reviewed by the Legislature's Joint Legislative Budget Committee (JLBC). If the JLBC determines that an MOU addendum requires the expenditure of funds not previously approved by the Legislature, the addendum must be submitted to the Legislature for approval. In recent years, the legislative approval process for MOU addenda has been criticized because it can result in lengthy delays to implement even minor changes.

The May Revision proposes to establish a new process for reviewing these MOU amendments in 2015-16. The three main changes to the current process include: Department of Finance having a greater role, the JLBC taking a smaller role, and require the budget approval of costs in future years.

LAO COMMENTS

The LAO recommends that the Legislature adopt it with the following modifications to ensure legislative and public oversight.

Add Provisions 7 thru 10 to Item 9800-001-0001:

7. *Notwithstanding Sections 3517.6 and 3517.63 of the Government Code, the Department of Finance (Finance) shall provide written notification to the Joint Legislative Budget Committee (JLBC) regarding any expenditure of funds resulting from any side letter, appendix, or other addendum (collectively addendum) to a properly ratified memorandum of understanding (MOU).* ~~*Addendum determined by Finance to have no fiscal impacts do not require JLBC notification, however, these shall be posted on the Department of Human Resources' (CalHR) website pursuant to provision 10 of this section.*~~

8. *The notice shall include a copy of the addendum and a fiscal summary of any expenditure of funds resulting from the agreement in 2015-16 and future fiscal years. The notice shall indicate whether Finance determines that an agreement*

does or does not require legislative action to ratify the addendum before implementation, pursuant to paragraphs (A), (B), or (C) of this provision.

(A) An addendum to a properly ratified MOU may be implemented without legislative action not less than 30 calendar days after notice has been provided to the JLBC - or not sooner than whatever lesser time after that notification the chairperson of the JLBC, or his or her designee, may in each instance determine - if all the following apply: (1) the agreement results in total net costs of less than $1,000,000 (all funds) during the 2015-16 fiscal year; (2) any cost resulting from the agreement can be absorbed within the 2015-16 appropriation authority of impacted departments; and (3) the addendum does not present substantial additions that are reasonably outside the parameters of the original MOU.

(B) An addendum to a properly ratified MOU that results in any expenditure of funds may be implemented not less than 30 calendar days after notice has been provided to the JLBC - or not sooner than whatever lesser time after that notification the chairperson of the JLBC, or his or her designee, may in each instance determine - if, during the legislative consideration of the 2015-16 Governor's Budget, Finance identified to the Legislature that (1) the administration anticipated that the addendum would be signed during 2015-16 and (2) any costs resulting from the addendum are included in the 2015-16 Governor's Budget or in another legislative vehicle.

(C) An addendum to a properly ratified MOU that results in any expenditure of funds requires legislative action prior to implementation if any of the following applies: (1) the agreement results in total net costs greater than $1,000,000 (all funds) during the 2015-16 fiscal year; (2) the agreement results in costs that cannot be absorbed within the 2015-16 appropriation authority of impacted departments; or (3) the addendum presents substantial additions that are not reasonably within the parameters of the original MOU.

9. Notwithstanding Sections 3517.6 and 3517.63 of the Government Code, any addendum to a properly ratified MOU that is implemented in 2015-16, pursuant to paragraph (A) of Provision (8) of this item, and requires the expenditure of funds beyond 2015-16 that was not approved as part of the 2015-16 Budget Act, must be approved by the Legislature as part of the 2016-17 Budget Act or through another legislative vehicle.

10. The Department of Human Resources ~~CalHR~~ shall promptly post on its public website all signed addendum. The addendum shall be posted in its entirety—including any attachments, schedules, or other documents included as part of the agreement—along with the fiscal summary documents of the agreement.

Add Provisions 8 thru 11 to Items 9800-001-0494 and 9800-001-0988:

8. *Notwithstanding Sections 3517.6 and 3517.63 of the Government Code, the Department of Finance (Finance) shall provide written notification to the Joint Legislative Budget Committee (JLBC) regarding any expenditure of funds resulting from any side letter, appendix, or other addendum (collectively addendum) to a properly ratified memorandum of understanding (MOU). ~~Addendum determined by Finance to have no fiscal impacts do not require JLBC~~*

~~notification, however, these shall be posted on the Department of Human Resources' (CalHR) website pursuant to provision 11 of this section.~~

9. *The notice shall include a copy of the addendum and a fiscal summary of any expenditure of funds resulting from the agreement in 2015-16 and future fiscal years. The notice shall indicate whether Finance determines that an agreement does or does not require legislative action to ratify the addendum before implementation, pursuant to paragraphs (A), (B), or (C) of this provision.*

(A) An addendum to a properly ratified MOU may be implemented without legislative action not less than 30 calendar days after notice has been provided to the JLBC—or not sooner than whatever lesser time after that notification the chairperson of the JLBC, or his or her designee, may in each instance determine—if all the following apply: (1) the agreement results in total net costs of less than $1,000,000 (all funds) during the 2015-16 fiscal year; (2) any cost resulting from the agreement can be absorbed within the 2015-16 appropriation authority of impacted departments; and (3) the addendum does not present substantial additions that are reasonably outside the parameters of the original MOU.

(B) An addendum to a properly ratified MOU that results in any expenditure of funds may be implemented not less than 30 calendar days after notice has been provided to the JLBC—or not sooner than whatever lesser time after that notification the chairperson of the JLBC, or his or her designee, may in each instance determine—if, during the legislative consideration of the 2015-16 Governor's Budget, Finance identified to the Legislature that (1) the administration anticipated that the addendum would be signed during 2015-16 and (2) any costs resulting from the addendum are included in the 2015-16 Governor's Budget or in another legislative vehicle.

(C) An addendum to a properly ratified MOU that results in any expenditure of funds requires legislative action prior to implementation if any of the following applies: (1) the agreement results in total net costs greater than $1,000,000 (all funds) during the 2015-16 fiscal year; (2) the agreement results in costs that cannot be absorbed within the 2015-16 appropriation authority of impacted departments; or (3) the addendum presents substantial additions that are not reasonably within the parameters of the original MOU.

10. Notwithstanding Sections 3517.6 and 3517.63 of the Government Code, any addendum to a properly ratified MOU that is implemented in 2015-16, pursuant to paragraph (A) of Provision (9) of this item, and requires the expenditure of funds beyond 2015-16 that was not approved as part of the 2015-16 Budget Act, must be approved by the Legislature as part of the 2016-17 Budget Act or through another legislative vehicle.

11. The Department of Human Resources ~~CalHR~~ shall promptly post on its public website all signed addendum. The addendum shall be posted in its entirety—including any attachments, schedules, or other documents included as part of the agreement—along with the fiscal summary documents of the agreement.

STAFF COMMENTS

The Administration states that the proposed language will increase transparency, streamline processes, and provide flexibility to the Administration to implement addenda. The suggested amendments will ensure legislative and public oversight.

Staff Recommendation: Adopt May Revision with modifications as shown above.

CONTROL SECTION 3.61

ISSUE 4: CONTROL SECTION 3.61

This request proposes to replace the existing 9651 with Control Section 3.61. Control Section 3.61 would be amended for technical clarification of the framework for prefunding retiree healthcare benefits.

BACKGROUND

According to the Department of Finance, under the current process, there have been issues in the past with deficiencies and also not being able to use federal and other funds for these purposes. CS 3.61 would pay for OPEB prefunding similar to how we pay for other pension benefits under CS 3.61. The costs would be paid through departmental budgets, and any augmentations each year would be distributed to departments.

The use of CS 3.61 would make it easier for these costs to be paid with the same funds that pay for payroll (including federal grant monies, if applicable) and would address the deficiency issues.

LAO RECOMMENDATION

The LAO recommends the following amendment to the language to ensure that there is legislative oversight:

> "(c) The Director of Finance may adjust the percentage levels of the employers' contribution for prefunding other postemployment benefits listed in subdivision (a) in accordance with ~~approved memoranda of understanding or~~ labor agreements or other legislation approved by the Legislature in fiscal year 2015-16~~, for employees excluded from collective bargaining, in accordance with salary and benefit schedules established by the Department of Human Resources~~. The Director of Finance shall notify the Controller by executive order of adjustments made pursuant to this subdivision. Within 30 days of making an adjustment pursuant to this subdivision, the Director of Finance shall report the adjustment in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriation."

STAFF COMMENTS

The Subcommittee may wish to ask the Department of Finance to explain how the changes in this Control Section should be considered independent from the Governor's larger proposal on OPEB prefunding proposal.

How will the state benefit from using Control Section 3.61 and not the process established under 9651?

Staff Recommendation: Approve May Revision with LAO recommendation for amendments to the language.

7920 CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

VOTE-ONLY ISSUE 3: TECHNICAL CLARIFICATION

This provision makes a technical clarification in Public Employees Retirement Law (PERL) related to service after retirement or disability retirement.

STAFF COMMENTS

This language makes a technical clarification. Staff has no concerns.

Staff Recommendation: Adopt Placeholder trailer bill language

8260 CALIFORNIA ARTS COUNCIL

VOTE ONLY ISSUE 5: CLARIFICATION TO RECOMMENDATION ON PERMANENT AUGMENTATION FOR LOCAL ASSISTANCE GRANTS

This proposal would add $4.9 million to provide funding for local assistance grants and $100,000 for staff overtime and expert panel review of grant applications on a permanent basis.

BACKGROUND

On April 7, 2015, the Subcommittee voted to include $10 million and five permanent positions to the Arts Council budget for local assistance grants.

The Subcommittee discussed the need for increased positions if there was an ongoing increase to the Arts Council budget. The Governor's May Revise proposal includes an ongoing appropriation but still does not include any positions authority. In order to allow the Arts Council to continue to administer the grants it is important that the Subcommittee also look at providing increased staff to the Council.

STAFF COMMENTS

On May 19, 2015, the Subcommittee voted to rescind their action on April 7, 2015, and to adopt the Governor's budget of $5 million ongoing, plus the Subcommittee added two permanent positions.

The following is a clarification on how the funding will be allocated:

- $4,950,000 for local assistance grants, ongoing
- $50,000 for panel costs, ongoing
- $144,000 for two permanent positions, ongoing.

For the past few years, the Subcommittee has discussed the need for ongoing positions with increased funding for the Arts Council. Since the funding increases have been one time in nature, it has been difficult to justify the increase in staff positions on an ongoing basis. With the Governor's May Revision proposal providing permanent ongoing funding, staff would recommend adding 2 permanent staff to manage the increased and ongoing workload.

Staff Recommendation: Approve resources consistent with staff comments.

0840 STATE CONTROLLER'S OFFICE

VOTE-ONLY ISSUE 6: CALATERS VENDOR REPLACEMENT STUDY

The SCO request 3.0 positions and $492,000 ($199,000 General Fund, and $150,000 Central Service Cost Recovery Fund [CSCRF], and $143,000 Reimbursements) in 2015-16 to study alternatives for replacing the California Automated Travel Expense Reimbursement System [CalATERS]) vendor and reimbursement system. The $143,000 in Reimbursements is for additional costs in 2015-16 to maintain the system without disruptions to service.

BACKGROUND

The SCO, Personnel and Payroll Services Division (PPSD) operate and maintain CalATERS as a service to state department accounting offices and employees. Prior to 2000, travel advances and expense reimbursement claims were processed using a manual, paper-based method, which was labor intensive and often delayed payment reimbursement to state employees. In 2000, the SCO developed CalATERS to process claims more rapidly and accurately. The system allows employees to electronically submit claims through the internet, and for those claims to follow an automatic review, approval, and payment process.

In 2007, the Legislature adopted AB 1806 (Chapter 69, Statutes of 2006), which mandated all state agencies to use CalATERS by July 1, 2009. The legislation allowed agencies to opt out of CalATERS if a business case could be made to the SCO and DOF if the use was not cost effective or feasible. Currently, CalATERS is used by 93 agencies, with 138,893 users. Only 23 agencies were granted exemptions.

The CalATERS system was designed and built under a contract with International Business Machines, Inc. (IBM). In November 2013, CalATERS was fully upgraded to IBM's Global Expense Reporting Solution (GERS) to become compliant with the Americans with Disabilities Act (ADA) and compatible with Apple and Citrix environments.

In May 2014, IBM announced that it will sunset and discontinue support for the current system effective March 31, 2015. To date, it is known that IBM can support CalATERS using a different platform, but at an increased cost. However, there are still many unknowns including length of time and level of maintenance they will agree to support. Therefore, this decision compels SCO to actively evaluate alternatives.

In December 2014, the SCO released a Request for Information to survey the Information Technology vendor community for potential solutions to replace the current system.

The May Revision requested resources for the research and analysis of alternatives portion of the request. Since the phase is not directly related to the current Travel Expense Reimbursement System, these costs should not be passed on to client departments. The $143,000 in Reimbursements is being requested as it relates to increased costs to the current system and should be passed on to the client departments.

STAFF COMMENTS

The resources requested will help SCO find an alternative to the IBM sunset and discontinued support of the current system. The Subcommittee heard this issue on May 19, 2015.

Staff Recommendation: Approve May Revision.

VOTE-ONLY ISSUE 7: INCREASED CLAIMS OF UNCLAIMED PROPERTY TO OWNERS

The May Revise proposal requests 4.0 permanent positions and $581,000 in 2015-16, and $857,000 in 2016-17, and ongoing for the Unclaimed Property Fund to enhance the SCO's online eClaim paperless claim process.

BACKGROUND

According to the SCO, various program reforms and initiatives have increased the number of unclaimed property returned to owners from an average of 238,614 (2001-02 to 2006-07) to 526,925 (2007-08 to 2012-13). During the same time-period, the value of unclaimed property returned to owners increased from an average of $233.6 million to $445.7 million.

Currently, the state has over $7.6 billion of unclaimed property available to be claimed under the provisions of the Unclaimed Property Law. Unclaimed property is the fifth largest contributor to General Fund revenue.

On February 10, 2015, the LAO released "Unclaimed Property: Rethinking the State's Lost and Found Program". The report included a number of recommendations to address the Unclaimed Property Program. The resources included in this BCP aims to address some of the recommendations.

SCO Plan:

The SCO plans to address the recommendation by the LAO on the Unclaimed Property Law by taking some actions that require funding and others that can be accomplished through administrative changes. The SCO states that it can do the following to address the LAO's recommendations without additional resources:

- **Reduce Owner Burden by Lowering Paper Claim Documentation Requirements.** The SCO's filing instructions will be reviewed to reduce the upfront documentation requested to claim property.

- **Allow Users to Search More Fields.** SCO plans to add search tips and more search fields to the website that will assist users in locating property.

- **Enhance outreach through Partnering Efforts with Legislators.** SCO is working on protocol for legislators to be outreach partners helping their constituents search for and recover unclaimed property.

The resources included in the BCP include 4.0 permanent positions to enhance the online eClaim paperless process to address increasing the eClaim threshold and reducing owner burden by lowering paper claim documentation requirements. This is a first step in addressing the costs associated with the Unclaimed Property Program.
The requested resources will allow the SCO to raise the eClaim threshold from $1,000 to $3,000 and perform a manual review of 85,000 eClaims. The manual review is expected to increase the number of properties returned to owners by up to 63,000 estimated between $3.0 million to $5.2 million annually.

STAFF COMMENTS

The May Revise aims to address some of the concerns about reuniting property with owners. The challenge remains to find ways to improve the system to reunite property with their owners. Staff believes that the resources are needed to make the improvements to the system, but would like to have the SCO report back to the committee at the beginning of next year to evaluate how these resources have united more people with their property.

Staff Recommendation: Approve as May Revision proposal.

0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

VOTE-ONLY ISSUE 8: PROVISIONAL LANGUAGE

The May Revision includes provisional language to extend the repayment date of loans made by the Renewable Resource Trust Fund (RTTF) to the California Alternative Energy Authority Fund from June 30, 2016 to be fully repaid by June 30, 2019.

BACKGROUND

CAEATFA is requesting the following provisional language be included in the budget:

X. The $2,409,000 loan from the Renewable Resource Trust Fund to the California Alternative Energy Authority Fund shall be repaid to the Renewable Resource Trust Fund as follows: $803,000 by June 30, 2017, $803,000 by June 30, 2018, with the remaining balance, including applicable interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer to the California Alternative Energy Authority Fund, to be repaid by June 30, 2019. Any fee revenue received pursuant to the program established by Chapter 10 of the Statutes of 2010 may be used to support the program as long as this use does not interfere with the repayment of the loan, which is due not later than June 30, 2019.

The loan from the RRTF provided funds to CAEATFA to implement the Sales and Use Tax Exclusion program. Various factors including the economic recession, disruptions in the solar manufacturing markets, and competition have impacted CAEATFA's ability to generate consistent revenues to repay the RRTF loan by June 30, 2016.

STAFF COMMENTS

The extension will provide CAEATFA with a workable plan to repay outstanding loans by June 30, 2019. This item was heard at the May 19, 2015, subcommittee hearing.

Staff Recommendation: Approve May Revision proposal.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 10: MINIMUM WAGE REPORTING LANGUAGE

The Subcommittee may wish to consider requesting that the Legislative Analyst's Office evaluate increasing the state Minimum Wage.

BACKGROUND

In California over the past years, there have been several attempts in the Legislature to increase the minimum wage. In 2013, AB 10 (Chapter 351, Statutes of 2013) was successful with an increase from $8 to $9 per hour taking effect on July 1, 2014, and an increase from $9 to $10 per hour set to take effect on January 1, 2016.

However, these changes have not gone far enough. In 2013, over 500,000 women with children who work full-time still lived in poverty. In order to address these issues, the Legislature needs to examine further options for raising the minimum wage.

STAFF COMMENTS

Minimum Wage Increase to Poverty Level. The Legislative Analyst shall evaluate increasing the state minimum wage to a level that ensures a family of three with a full time worker will earn at least to the level of the Supplemental Poverty Measure and submit a report with various findings and options to the Legislature by January 1, 2016. The report shall include options that set one statewide minimum wage and options that set the minimum wage by up to four different regions of the state depending on regional Supplemental Poverty Measure differences. The report shall include the fiscal impacts to the state, including both fiscal benefits as well as fiscal costs. The Legislative Analyst shall consult with experts and stakeholders that will include, but not be limited to, those determined in consultation with legislative staff.

Staff Recommendation: Approve recommendation as outlined in staff comments.

9210 LOCAL GOVERNMENT FINANCING

VOTE-ONLY ISSUE: SUBVENTIONS TO AMADOR, SAN MATEO AND ALPINE COUNTIES

The Governor's May Revision proposal includes augmentations for Amador, San Mateo and Alpine counties.

BACKGROUND

The Administration now proposes a General Fund subvention of $5.8 million to backfill Amador, San Mateo and Alpine counties due to circumstances that reduced property tax directed to those county governments and cities within those counties, in 2012-13, and budget bill language. These circumstances also occurred in these counties in the prior year, and the state provided a subvention. The revenue losses will likely continue to some degree in the future, but the Administration indicates its current proposal is of a one-time nature. The estimated amounts are: $2.1 million to Amador, $3.5 million to San Mateo and $198,000 to Alpine.

STAFF COMMENTS

The Governor's May Revision proposal included this appropriation in the Redvelopment Trailer bill. However, Department of Finance has informed the committee that the language will be taken out of the trailer bill.

As such, the Department has requested that the Subcommittee reject the May Revision proposal and increase funding for the existing Item by $679,000 ($549,000 for Amador and $130,000 for San Mateo), along with necessary provisional language changes.

Staff Recommendation: Approve recommendation as outlined in staff comments.

1110/1111 DEPARTMENT OF CONSUMER AFFAIRS

ISSUE X: BREEZE UPDATE

The Department has a May Revision request as a Spring Finance Letter (SFL) to continue funding for the BreEZe project and to fund credit card processing fees on behalf of users of credit card payments through the BreEZe system.

BACKGROUND

After realizing that there were issues with the ability to automate the licensing process with the BreEZe system, the Department submitted SPR 2, which increased the overall project cost to $77.9 million (an increase of $50.4 million over the expected project costs). SPR 2 updated and realigned the project schedule due to project delays encountered during the deployment of Release.

SPR 3.1 was sent to the Joint Legislative Budget Committee in January of 2015 and requested further resources to increase the overall project costs to $95.4 million (an increase of $17.5 million). $11.3 million of this cost can be attributed to contract costs and the remaining balance is for additional staff resources and an extended schedule. Within SPR 3.1 the Department recognizes the need for thorough planning efforts, organizational change management, and maintenance and operations support. This report was approved by the Legislature in March of 2015.

SPRING FINANCE LETTER

The Spring Finance Letter requests additional funding for the continued support of the BreEZe project. Aside from the resources included within the SPR 3.1 request, the SFL requests additional funding for the boards and one bureau in Releases 1 and 2 to fund the credit card processing fees for users who make credit card payments through the BreEZe system.

	BreEZe Project	Credit Card Convenience Fee	Total 2015/16 Augmentation
DCA Boards	$17,209	$2,503	$19,712
DCA Bureaus	$3,437	$99	$3,536
Total	**$20,646**	**$2,602**	**$23,248**

(dollars in thousands)

MAY REVISION PROPOSAL

The May Revision requests an additional $1,950,000 to cover the cost of the revised timeline in signing an amended implementation contract for the BreEZe information technology project. The additional cost is exclusively distributed amongst the Boards and Bureaus included in Releases 1 and 2 of the project. This additional funding is required to fund increased contract costs related to a two-month delivery schedule extension and the resulting need for contract re-negotiations with the project vendor.

STAFF COMMENTS

The Legislature has held many oversight hearings regarding the BreEZe project in both houses, in both the policy and budget committees. As part of the ongoing negotiations with the vendor, it became necessary to re-negotiate the contract, which resulted in a two-month delivery schedule extension and $1.95 million in additional costs.

Staff Recommendation: Approve both the Spring Finance Letter and May Revision as budgeted.

ISSUE X: CURES

The May Revision includes a decrease in funds for FY 2015-16.

MAY REVISION PROPOSAL

The May Revision requests an appropriation of $1,112,000 in FY 2015-16 and ongoing from the newly created Controlled Substance Utilization Review and Evaluation System (CURES) Fund to reimburse the Department of Justice (DOJ) for the ongoing maintenance and operation of CURES. The costs are within the amount identified in the Department of Justice Feasibility Study Report.

STAFF COMMENTS

Staff has no concerns with this proposal.

7502 DEPARTMENT OF TECHNOLOGY

VOTE-ONLY ISSUE X: TECHNICAL CORRECTION

The Subcommittee will consider a technical correction to re-establish two vacant positions that were eliminated in the Governor's budget.

BACKGROUND

The Department of Finance has requests a technical correction to re-establish two positions (2.0 System Software Specialist III-Tech) that were inadvertently eliminated at Jan. 10. This is a zero-dollar adjustment.

The Governor's Budget deleted the position authority (no dollars) based on the State Controller's Office's (SCO) Abolished Vacant Position report. The Department of Technology subsequently informed Finance the position authority was deleted in error. According to the Department of Finance, this occurred due to a data-entry error that created two new positions with incorrect position numbers.

STAFF COMMENTS

This technical correction has no cost and reflects the correct staffing for the Department of Technology

Staff Recommendation: Adopt Technical Correction

ITEMS TO BE HEARD

0890 SECRETARY OF STATE

ISSUE 1: CALIFORNIA BUSINESS CONNECT

The long-term plan to address the problems with business filings is to modernize the Secretary of State's business process. This issue explores the modernization effort, called the California Business Connect project.

BACKGROUND

The California Business Connect project is an effort to replace the antiquated and labor-intensive business filing process with a modern automated process that will both improve the customer experience and reduce operational costs for the State. The project includes a comprehensive technology upgrade that will increase online services for business filings and copy orders, allowing the Secretary of State to process documents within as quickly as a few hours and avoid seasonal processing fluctuations. This will allow business to quickly open their doors, create bank accounts, acquire loans, hire employees, and generate income regardless of the time of year, creating a friendlier business environment in California.

This project is still in the design phase, but is behind schedule. SOS received a schedule from the vendor that re-assessed tasks, durations and resource assignments. Due to the increased timeframe associated with this, SOS is working with the Department of Technology and the vendor to determine next steps and potential options for moving forward. According to the Department, although the project is behind schedule, it is still currently within the initial scope and cost parameters.

BUDGET CHANGE PROPOSAL

The Governor's budget is requesting spending authority of $7.759 million for the continuation of the California Business Connect project. Of these funds, $6.259 million would come from the Business Fees Fund authority and $1.5 million in Business Programs Modernization Fund authority. The total project costs for 2015-16 total $10.377 million, of which $2.896 million will be funded by existing resources currently within the project's budget.

STAFF COMMENTS

The California Business Connect project is currently behind schedule. In a revised draft schedule submitted to the Department on February 27, 2015, the Contractor stated that the appropriate projected implementation date should be September of 2017, which is 15 months later than was previously approved. This delay will necessitate further costs to the Department as well as the State, and any previously approved limited-term positions will need to be extended.

Based on recent conversations regarding this proposal, although there are issues with the vendor and the project is behind schedule, the Department has no changes to the project at this time. This Subcommittee may wish to ask the Department to report back on this project at next year's hearings including any change of scope that occurs with this project.

Staff Recommendation: Reject the proposal.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 2: EXTENSION OF LIQUIDATION PERIOD FOR BEGIN PROGRAM FUNDS

This proposal would extend the liquidation period for appropriations from the Begin Equity and Growth in Neighborhoods (BEGIN) Program that have liquidation periods that expire June 30, 2015 or June 30, 2016, for two years through budget bill language.

BACKGROUND

The BEGIN program provides grants to cities and counties (grant recipients). The grant recipients then make deferred-payment, second mortgage loans to qualified buyers of new homes, in projects where the affordability has been enhanced by local regulatory incentives or barrier reductions. In certain cases, this can include mobile homes, provided they are on permanent foundations.

STAFF COMMENTS

The extension of the liquidation period for BEGIN funds would allow cities and counties additional time to use funds that have previously been awarded. There are nine active projects that have not fully liquidated their encumbrances. The loss of these funds would potentially result in the loss of some units of affordable housing.

Assemblymember Jim Wood supports this extension. In his district, the City of Santa Rosa has been working with an affordable housing non-profit on the construction of 60 new affordable housing units for Sonoma County. These homes will give parents the unique chance to provide their children with stable housing.

Staff Recommendation: Approve budget bill language to extend the liquidation period for the BEGIN program.

ISSUE 3: FARMWORKER HOUSING

This Subcommittee may wish to consider including funding for farmworker housing programs throughout the state.

BACKGROUND

Currently, there are various programs within the Department of Housing and Community Development that address farmworker housing. These programs include:

- **Joe Serna, Jr. Farmworker Housing Grants Program.** The purpose of this program is to finance the new construction, rehabilitation and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower income households.

- **Office of Migrant Services.** The purpose is to provide safe, decent and affordable seasonal rental housing and support services for migrant farmworker families during the peak harvest season.

    - Napa County is not eligible for funding from the OMS program. However, in order to maintain the County's three farmworker housing centers, additional funding is needed.

- **California Self-Help Housing Program.** The purpose of this program is to fund programs that assist low- and moderate-income families to build their homes with their own labor.

STAFF COMMENTS

The three programs at the Department of Housing and Community Development have been highly successful and need additional funding to continue their success. Staff recommends the following one-time funding allocations for the programs mentioned above:

- Joe Serna: $12 million
- OMS: $3.75 million
- Self-help: $4 million
- $250,000 for the Napa County Farmworker Housing Centers.

Staff Recommendation: Approve staff recommendation.

0950 STATE TREASURER'S OFFICE

ISSUE 4: DEBT MANAGEMENT SYSTEM II

The STO request $1,382,000 in expenditure and reimbursement authority for 2015-16 to continue the DMS II project, which was originally authorized in the 2013-14 Budget Act. DMS II will implement a replacement system for the STO's existing debt management systems.

On March 28, 2015, the State Treasurer's Office submitted a revised Special Project Report (SPR) 1 that incorporated Department of Technology feedback and accounts for all deviation from the approved Feasibility Study Report (FSR) for the DMS II project. Once approved, SPR 1 will re-baseline the project schedule and cost estimates for DMS II. The expenditure and reimbursement authority amounts being requested by this Spring Finance Letter are based upon the submitted SPR.

BACKGROUND

The resources requested consist of $302,000 for a Project Management Support Vendor, $200,000 for CalTech procurement assistance, $97,0000 for the procurement assistance vendor, $140,000 for Independent Verification and Validation (IV & V) consulting services, $113,000 for CalTech Project oversight, and $530,000 of continued funding for the Data Processing Manager (DPM) III, Senior Programmer Analyst, System Software Specialist, and Treasury Program Manager II.

LAO COMMENTS

The LAO recommends that STO provide additional information on this proposal at May budget hearings. The STO has proposed a revised procurement strategy, which will modify the existing DMS I rather than creating a new DMS II system. The STO indicates that this revised approach will allow it to meet its business needs, but will involve less risk, time, and cost.

However, this revised approach is not reflected in the May Revision proposal. Instead, STO indicates that the level of resources it is requesting would still be required even under the revised procurement strategy. Even though total project costs would be lower under the revised approach, the department plans to accelerate the project, resulting in a similar level of resources needed in the budget year.

However, the LAO notes that there is limited information on the plan for the new procurement strategy at this time and that a revised Special Project Report is not expected to be available for 3 to 5 months. Accordingly, it is difficult to fully evaluate the revised approach or the resources required at this time. Thus, we recommend that the Legislature require that STO report at budget hearings on the justification and plan for its revised approach, as well as the rationale for requesting the proposed level of resources in 2015-16 despite the revised approach. The LAO would note that the Legislature will be provided with additional information through the Section 11.00 notification process as the SPR is revised.

STAFF COMMENTS

Staff understands the need for resources for the DMS II project, however, staff believes the Legislature should be cautious when approving a project without additional details and reporting on the procurement process.

Staff recommendation is to approve the resources and require the STO to report back to the committee about the procurement process by October 2015 to ensure that there is adequate oversight of the project sooner rather than later.

Staff Recommendation: Adopt staff recommendation and require additional reporting by the STO by October 2015.

ISSUE 5: STAFF AUGMENTATION FOR STRATEGIC INFORMATION TECHNOLOGY INITIATIVES (SPRING FINANCE LETTER)

This Spring Finance Letter from the STO requests upgrades and improvements to the STO information technology (IT) technical services. The proposal includes 11 new positions in three areas (as discussed below) and $1.4 million (reimbursements and special funds). The only positions that are left to discuss in this request pertain to the following:

- Five additional positions for the Data and Government Transparency Unit, to redesign and expand the STO's public website and interfaces with various databases.

BACKGROUND

The STO is attempting to improve the accessibility to services, data and information provided, as well as to improve and upgrade its IT capabilities. The proposal will realign funding in accordance with benefits received and would be consistent with the Treasurer's strategic plan.

LAO COMMENTS

The LAO recommends rejecting the proposed funding positions for the Data and Government Transparency Unit to redesign STO's website and the Project Management Office. LAO states that STO has not adequately justified the creation of these two new units in order to justify the additional costs of five staff on an ongoing basis.

According to the LAO, STO has not identified sufficient ongoing project management needs to justify three positions for this workload on an ongoing basis. LAO states that this proposal would be more appropriate during the January budget process. This additional time would allow STO to further refine their plan and justification for these new units and would also provide the Legislature with additional opportunity to more fully evaluate STO's request to undertake these new activities.

LAO has no concerns with the two technical IT positions or the Deputy Chief of Information Technology position (about $350,000).

STAFF COMMENTS

Staff has no concerns with funding for the requested positions for the Project Management Office. However, staff agrees with the LAO and would recommend a more cautious approach to the new Data and Government Transparency Unit. Therefore, staff recommends that only one position for the Data and Government Transparency Unit be approved.

Staff Recommendation: Approve one initial position for Data and Government Transparency Unit.

0860 BOARD OF EQUALIZATION

ISSUE 6: CIGARETTE TAX AND LICENSING PROGRAMS

The Subcommittee may wish to consider taking steps to address the concerns regarding the Cigarette Tax and Licensing program.

BACKGROUND

The Subcommittee has discussed the issue of the Cigarette Tax and Licensing program at its May 21, 2014, and March 10, 2015, hearings. These hearings have focused on the administrative costs related to the General Fund and three special funds - the Breast Cancer fund, Prop 99, and Prop 10 – to fund the Cigarette and Tobacco Compliance Fund, created under AB 71 (Chapter 890, Statutes of 2003) and the role of the BOE to administer and collect the tax imposed on tobacco products in California.

Due to concerns about the administrative fees of the BOE and the timing of when those concerns came through the budget process, the Subcommittee adopted supplemental reporting language that required BOE to submit a report on the administrative costs of the cigarette and tobacco excise tax and licensing programs, hold a stakeholder meeting, and submit a report on alternative approaches for funding the licensing program. The intent of the supplemental reporting language was to gather information so that the Legislature could evaluate the proposal with the most information possible.

LAO RECOMMENDATIONS

Summary of their recommendations

Tobacco excise Taxes and Licensing. California imposes excise taxes on cigarettes and on other tobacco products such as cigars and chewing tobacco. Most revenue from these taxes goes to special funds established by ballot measures. The state also licenses tobacco sellers and distributors.

State Administrative Costs. The BOE administers the cigarette and tobacco excise tax and licensing programs. Recently, there has been considerable legislative interest in these programs' costs. The Legislature faces two key decisions: how to pay for BOE's cigarette and tobacco programs, and how much to spend on them.

Recommendation. The LAO recommends that the state use excise tax revenue to pay for excise tax administration, but not for the cigarette and tobacco-licensing program. To address the current imbalance between the licensing program's costs and revenue, the LAO further recommends that the Legislature do the following:

- Temporarily increase fees on tobacco retailers, wholesalers, and distributors

- Direct BOE and The California Department of Justice (DOJ) to explore options to reduce the program's costs by promoting electronic filing of schedules and tax returns.

STAFF COMMENTS

Based on the information provided by the LAO, staff recommends the following:

Include budget bill language requiring the DOF and BOE to develop and report on a proposal for a statutory change related to reducing program costs and creating an annual retail licensing fee to achieve a self-sustaining licensing program. Such a report should address:

- How the proposal would affect each department's ongoing administrative costs and achieve a self-sustaining licensing enforcement program.

- The timeline for implementing the proposal.

- Whether additional actions are needed to increase the rate of electronic filing of forms related to the licensing program, the excise tax program, or related programs administered by the California Department of Justice (DOJ).

Additionally, staff requests that the subcommittee submit to the Joint Legislative Budget Audit Committee a request to address the following:

- How can the state reduce the administrative and enforcement costs of BOE's tobacco programs while maintaining program effectiveness for the purpose of the Master Settlement Agreement?

Staff Recommendation: Adopt Staff recommendation.

0845 DEPARTMENT OF INSURANCE
7730 FRANCHISE TAX BOARD

ISSUE 7: SEISMIC SAFETY RETROFIT PROGRAMS

The sub-committee may wish to consider funding for seismic safety retrofit programs.

BACKGROUND

In the past several years, cities across the state have realized vulnerable building stock in their districts. Soft story and concrete buildings have been identified as two of the most vulnerable types of buildings in California.

Currently, the only state run seismic mitigation program is the Brace and Bolt Program, administered by a Joint Powers Agreement between the California Earthquake Authority (CEA) and the Governor's office of Emergency Services (CalOES). This program provides a $3,000 subsidy for single-family homes and structures with four units or less for the basic anchorage and foundational bolting of these buildings. The program is minimally funded through CEA investment returns, and is available in very select zip codes throughout the state.

STAFF COMMENTS

Staff recommends including $12 million annual allocation for the establishments of a 5-year program, 30 percent seismic retrofit tax credit program.

Additionally, staff recommends including $3 million for the expansion of the Brace and Bolt Mitigation program.

Staff Recommendation: Adopt Staff recommendation.

GOVERNOR'S PROPOSAL ON CIVIL SERVICE

ISSUE 8: GOVERNOR'S PROPOSAL ON CIVIL SERVICE

The May Revision includes three proposals related to civil service including, reforming vacant positions and the hiring process; reconciling departments' budgets based on actual expenditures, and eliminating limited term positions.

BACKGROUND

The Department of Finance staff will present the May Revision proposal.

Improve Budget Transparency and Hiring Process Trailer Bill Language

- **Vacant Positions**. Current law includes a provision that requires the elimination of positions, which at the end of a fiscal year have been vacant for six consecutive months or more. Intended as a mechanism to maintain accurate numbers of authorized personnel, reviews by both the Legislative Analyst's Office and the Department of Finance in recent years have recommended its repeal due to its ineffectiveness and an overly bureaucratic approach. The May Revision proposes abolishing this law and replacing it with a better mechanism to provide monitoring of and greater transparency into departments' budgets. Neither existing law nor the proposed new mechanism affect how much funding a department receives.

- **Hiring Process.** The May Revision proposes eliminating several archaic statutes that impose unnecessary restrictions on departments, preventing them from hiring eligible candidates. Eliminating these restrictions will assist departments in hiring the best candidates for positions in a timelier manner.

Control Section 4.11.

- The May Revise requests that Control Section 4.11 be replaced with the Administration's authority to establish a process for reconciling departments' budgets based on actual expenditures. The overall goal is to more accurately reflect how departments spend their funds on personnel versus operation expenses. To this end, Finance will develop a bi-annual process for reconciling department budgets, specifically for positions and operating expenses and equipment. This reconciliation process will first take place in the 2015-16 budget year and the results will be utilized to build departments' baseline budgets in the 2016-17 Governor's Budget. The appropriate mix of funding between positions and operating budgets will be based on a department's past three years of expenditures in specified categories.

The following language is proposed:

SEC. 4.11. ~~All new positions approved in the 2015–16 fiscal year shall be established effective July 1, 2015, unless otherwise approved by the Department of Finance. Before the end of each month, the Controller shall provide to the Department of Finance a listing of each new position approved that will be abolished pursuant to Section 12439 of the Government Code as a result of the position being vacant for six consecutive pay periods at the end of the immediately preceding month. The report provided by the Controller shall include the department, division, position classification, position number, and the date the position was established.~~

To promote greater transparency in how departments develop their support budgets, which include personal service and operating expenses and equipment, as defined in Control Section 3.00, the Department of Finance shall develop a bi-annual process for reconciling department budgets as it concers the aforementioned categories. This reconciliation process will begin in the 2015-16 budget year and the results used to help build departments' budgets baseline budgets in the 2016-17 Governor's Budget.

Finance shall set departments' funding levels for personal services on the average number of filled positions over the last three fiscal years. Departments maintain the authority to fill all their authorized positions; however, funding will be set based on this historic data. Funding for operating expenses and equipment will be based on actual expenditures for purchase of materials, supplies, equipment, services, departmental services, and all other proper expenses, as defined in Control Section 3.00, over the last three fiscal years.

Limited-term Positions Trailer Bill Language

- **Limited-Term Positions.** Under current practice, when a department's new work is temporary in nature, it may receive limited-term positions along with temporary funding. In many cases, these positions are difficult to fill because applicants know they will need to look for a new job shortly. Once filled, workers often transfer to a different permanent job as soon as possible. Consequently, from an operational standpoint, limited-term positions make completing the necessary work even more difficult. The May Revision proposes to eliminate the use of limited-term positions going forward. Instead, Finance and the Legislature can approve limited-term spending authority that will act as a control on the number of positions a department can fill in any given year. When combined with the bi-annual reconciliation process described above, departments will be able to manage their personnel levels within budgeted funds to meet operational needs more efficiently and effectively.

LAO COMMENTS

In general, the LAO agrees with the Governor's goal of improving the state's hiring process and giving hiring managers greater flexibility. That being said, any effort to significantly improve the state's civil service system warrants thorough consideration by the Legislature. The Legislature reasonably could conclude that it does not have sufficient time in the weeks remaining before it must approve the budget to adequately review and understand the full implications of adopting such significant policy changes to the state's civil service system.

STAFF COMMENTS

The Governor's proposal on civil service will provide efficiencies in department budgeting as well as overall transparency. However, the complexity of the new program warrants a cautious approach.

Staff recommends adopting placeholder language to continue discussions on this issue. However, staff recommends a cautious approach. It is important to continue to check in with stakeholders and ensure legislative oversight with the provisions of the bill.

Staff Recommendation: Adopt placeholder language for the Governor's Civil Service proposal.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD

ISSUE 9: STAFFING INCREASE

The Subcommittee may wish to consider strategies to address staffing shortfalls for the Public Employees Retirement Board (PERB).

BACKGROUND

The PERB is a quasi-judicial administrative agency charged with administering eight collective bargaining statutes covering California public employees. PERB's effective operations are critical to improved public sector employer-employee relations, and providing timely and cost effective alternatives for employers, employee organizations, and employees to resolve labor relations disputes.

Since 2001, PERB's jurisdiction has expanded from the administration of three collective bargaining statutes to eight – representing the addition of nearly 900,000 new public sector employees. In contrast, over the same period, PERB has lost 13 positions. It is clear that PERB's staffing has not kept pace with the added increase in workload, compromising its ability to meet its mission of providing timely and effective solutions to all stakeholders in the collective bargaining process.

In 2013-14, PERB converted $360,000 general overhead operations fund and merged it to help support program areas that were affected by the loss of positions. The PERB Board is proposed to be funded at $9.054 million with 57.1 positions. The positions are equivalent to the 2014-15 levels and the funding increase this year over 2014-15 levels is minimal.

STAFF COMMENTS

The staffing needs in the Office of PERB General Counsel are necessary to strengthen and stabilize the oversight and respond to the workload demands.

Staff recommends adding $1,000,961 to PERB for the following resources:

- $500,000 to cover current projected deficit
- $70,000 to reclassify Attorney I to Attorney III
- $158,000 for one Supervising Attorney
- $155,000 for 1 Administrative Law Judge
- $117,961 for 1 Senior Information Systems Analyst.

Additionally, staff would request that the Department of Finance examine the additional needs that the PERB needs in future years.

Staff Recommendation: Approve recommendation as outlined in staff comments.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 10: ADDITIONAL OUTREACH FUNDING

The Subcommittee will consider increasing the allocation for the utilization of the State's Paid Family Leave program.

BACKGROUND

Last year, the Subcommittee approved a three-year approach to funding outreach activities with State Disability Account funding. The first year would be dedicated to ramping up and developing materials and funding an evaluation. The program was funded at the following levels: 2014-15 $1 million, 2015-16 $2.5 million, and 2016-17 $3 million.

As part of the recommendation, EDD was required to submit a report to the Legislature that provided an overview of EDD's expenditures and plans for Paid Family Leave outreach funding. The report includes the process the department is using to determine the most appropriate outreach activities and target populations, and how the effectiveness of the outreach activities will be measured.

The report outlined funding for market research, outreach to community partners and support organizations, and grants.

- **Market research**. A portion of the first year funding ($325,000 of $1,000,000) is devoted to conducting market research to help the EDD understand why working Californians decide to use or not use PFL. A final results report will be provided to the EDD in June 2015, which will include, but is not limited to, a deeper understanding of program awareness and the reasons why Californians choose to use or not use the PFL program, the populations and/or geographic areas to target for outreach, their preferred method of receiving PFL information, and current and potential barriers that prevent workers from using PFL. Based on the research findings, EDD staff will develop a marketing strategy including how best to appropriate second year outreach funding, and conduct outreach activities in partnership with stakeholders.

- **Outreach to Community Partners and Support Organizations.** It is recognized that customers do not always come directly to the EDD, because they are unaware that the EDD is the administrator or due to a general mistrust in government services. Therefore, it is critical that the EDD leverage the abilities and capacity of all entities that have direct communication with California workers, in particular local and on-site support entities, such as community-based organizations, social service agencies, and hospital social workers.

To increase PFL awareness, the EDD will disseminate PFL information, via educational kits, to potential customers through a variety of community partners and support organizations that serve California's diverse population. Distribution of the kits is expected to begin May 2015 and be completed in October 2015.

- **Grants.** To have the PFL awareness campaign reflective of California's diversity, the EDD is pursuing grants throughout the state to organizations with varied interests. Such grants would help strengthen collaboration between the EDD and a broader network of organizations that work with potential PFL customers.

STAFF COMMENTS

Last year, the Subcommittee created an allocation plan for the paid family leave. It would allocate $2.5 million for this year. Staff recommends increasing the fund by an additional $2.5 million for 2015-16.

According to a field poll by the California Center for Research on Women and Families, slightly more than one in three California registered voters (36%) reports being aware of the state's Paid Family Leave Program that provides up to six weeks of paid family leave for eligible workers. This proportion is down from 43% who said this in a similar *Field Poll* completed in June 2011.

This year, with the initial funding completed on market research, outreach and grants, the additional funds would help increase awareness on the program starting in 2015-16. The funds would come from a special fund and would not impact the General Fund.

Staff Recommendation: Approve an additional $2.5 million from the State Disability Account Fund for additional Paid Family Leave Outreach activities.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

ISSUE 11: OUTREACH

The Subcommittee may consider funding for outreach for Paid Sick leave to implement outreach for AB 1522 (Gonzalez, Chapter, Statutes of 2014)

BACKGROUND

The Subcommittee discussed and recommended approval for funding for AB 1522 . The requested resources by the Department of Industrial Relations (DIR) included five positions to support the additional workload created by AB 1522. AB 1522 enacts the Healthy Workplaces, Healthy Families Act of 2014, and provides that an employee who works in California for 30 or more days within a year from the commencement of employment is entitled to paid sick leave to be accrued at a rate of no less than one hour for every 30 hours worked.

The resources requested for AB 1522 did not include resources for outreach. Part of the challenge with paid sick leave is providing education to the public on labor laws. The additional funding would be directed for outreach for both employees and employers.

In New York City, the Department of Consumer Affairs conducted an outreach campaign for their paid sick leave laws that ranged from print, audio, and televised advertisements to training events, webinars and town hall meetings. Their efforts successfully reached more than 400,000 small businesses and even more workers.

As discussed above, the Subcommittee has included funding for paid sick leave for market research, outreach and issuing grants.

STAFF COMMENTS

The DIR will work to conduct market research, outreach, and identify an agency with the resources and expertise to administer a $2.5 million grant program to disburse funds to organizations for sick paid outreach.

Staff Recommendation: Approve $2.5 million (General Fund) for grants for outreach on sick paid leave as outlined above.

GOVERNOR'S MAY REVISION PROPOSAL RELATING TO REDEVELOPMENT AGENCIES

ISSUE 12: MAY REVISION PROPOSAL RELATING TO REDEVELOPMENT AGENCIES

The Governor's May Revision includes a revised redevelopment proposal that continues to provide a permanent dissolution process while addressing concerns that were discussed from the original January proposal.

BACKGROUND

The Subcommittee heard testimony from stakeholders on May 20, 2015. There were a number of concerns that were brought to the attention of the committee at that time.

STAFF COMMENTS

The bill before the Subcommittee is a more comprehensive approach to redevelopment clean up legislation. The bill brings together the ideas from the Administration to provide a process to dissolve redevelopment agencies in a more efficient manner and incorporates that with the redevelopment bills that are currently moving through the Legislature into one vehicle.

The changes included in the May Revision address some of the main concerns that opposition had to the bill earlier this year, including eliminating retroactive invalidation of certain reentered agreements and allowing successor agencies to recover litigation costs from successful challenges.

With that said, there still are a number of outstanding concerns including how to set the LAIF rates to an appropriate level. The current draft sets these rates at 1 and 2 percent, which opponents strongly oppose. Another outstanding issue is that of defining what is a loan agreement under the section of dissolution law that allows for loan repayments to a City from a former RDA. Currently, the language prohibits repayments for reimbursements where a city paid costs related to redevelopment work and is seeking reimbursement for those costs. The Administration has stated that there is a willingness to come to the table to continue to discuss these issues as well as others.

Staff acknowledges the LAO's comments that the May Revision moves the redevelopment bill towards a middle ground and thereby creates an opportunity for continued discussion and negotiation on the bill.

Staff Recommendation: Adopt Placeholder trailer bill language in order to continue discussion on the Governor's proposal with all stakeholders.

8955 DEPARTMENT OF VETERANS AFFAIRS

ISSUE 13: CVSO SUBVENTION FUNDING

The May Revision includes a decrease in funds for FY 2015-16.

BACKGROUND

The County Veterans Services Officers (CVSOs) are veterans and county employees who are there to assist the veteran community in applying for and maintaining available benefits and entitlements to which they may be eligible. Allocations for county services aid in the reduction of veterans claims backlog and improve turnaround times, which overall improves the quality of life for veterans.

In 2013-14, there was a 23 percent increase in the amount of federal funds allocated to California veterans due to state investments. Although no ongoing appropriation has been made for CVSOs at this time, given the favorable outcomes demonstrated over the last year and a half, this Subcommittee may wish to consider extending this funding for additional years or making this funding permanent.

As a result of this Subcommittee's actions, an additional $3 million GF to support County Services Veteran's Organization funding at counties was provided in both 2013-14 and 2014-15. CVSOs link veterans to their federal benefits and assist the veteran community in applying for and maintaining available benefits and entitlements to which they may be eligible. According to the Department, with the additional funding provided to counties for CVSOs, 62.5 full time employees have been hired at the county level.

STAFF COMMENTS

When CVSO state assistance funding was temporarily increased in the current budget year from $2.6 million to $5.6 million, the CVSO's were able to increase federal benefits to California veterans by over $100 million. The total state audited amount of federal compensation and pension payments to veterans and their families rose from $445 million in FY 2012-13 to $545 million in FY 2013-14. The majority of those payments are paid monthly to the veteran over his or her lifetime.

STAFF COMMENTS

Staff recommends continuing the additional funding for CVSOs by approving a $3.0 million ongoing appropriation for the CVSOs.

Staff Recommendation: Approve $3.0 million ongoing.

ISSUE 14: DISTRICT HOSPITALS

The Subcommittee should consider the following proposal.

BACKGROUND

Civil Code Section 3273 prohibits contractors that perform specific "public health and safety" services for a public entity from displaying the logo of the public agency on a vehicle or uniform, unless specific disclosure requirements are followed. Additionally, it prohibits public agencies from requiring contracted employees from wearing a badge that contains the logo of the public agency.

The definition of "public health and safety labor or services" includes "emergency medical services." However, it does not differentiate between "emergency medical services" provided by fire responders and EMT and those services provided by public hospital emergency departments. By law, District Hospitals are prohibited from employing physicians and therefore must contract for those services.

District Hospitals are concerned that Civil Code Section 3273 applies to their emergency departments and requires them to create new badge protocols for a subset of contracted employees that only work in the emergency department of the hospital. This is a burdensome process for hospitals and causes confusion among patients. Hospitals are already regulated by various federal and state agencies, including the California Department of Public Health (CDPH). Specifically, CDPH requires that "all employees of the hospital having patient contact, including students, interns, and residents, must wear an identification tag bearing their name and vocational classification."

PROPOSAL

Seeking amendments to the Civil Code to clarify that Section 3273 does not apply to hospital emergency departments by amending the definition of "public health and safety labor or services" in (j) (4) to read "*pre-hospital* emergency medical services."

STAFF COMMENTS

This clarification seeks to remedy an unintended consequence of SB 556 (Padilla, 2014). Staff recommends approving this request to amend Civil Code section 3273 to clarify that this provision of law only applies to "pre-hospital" emergency services.