

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER TOM DALY, CHAIR****TUESDAY, APRIL 29, 2014  
3:30 P.M. - STATE CAPITOL ROOM 447**

<b>VOTE- ONLY CALENDAR</b>		
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**VOTE-ONLY CALENDAR****7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM**

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**VOTE-ONLY ISSUE 1: TECHNOLOGY PROJECTS FUNDING RE-APPROPRIATION**

This Spring Finance Letter requests a re-appropriation of \$2.75 million from FY 2013-14 to FY 2014-15 to continue annual information technology project funding which supports major capital efforts designed to improve and enhance CalSTRS operations.

**BACKGROUND**

The Enterprise Program Investment Council (EPIC) was established by CalSTRS in FY 2002-03 to act as one of the three governing bodies for Business-IT Governance policy and process. The role of EPIC is to ensure that technology resources are directed to working on major projects that are aligned with the CalSTRS goals.

In FY 2012-13, \$18.5 million of the annual EPIC budget was transferred to a newly created appropriation that only includes direct support for EPIC information technology projects. The new appropriation allows each year of information technology project funding to be encumbered for a three-year period with two additional years of liquidation.

The updated estimates for FY 2013-14 information technology project funds were calculated based on the projected encumbrances and expenditures that will incur or are anticipated to incur by the end of the fiscal year. The updated estimates also included any known consultant or support services that are still needed for the EPIC projects. However, due to delays in timelines for procurement and pre-conversion, project activities have shifted and various other items have been delayed. For these reasons, CalSTRS requests a re-appropriation of the funds.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Adopt Spring Finance Letter.**

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**0950 STATE TREASURER'S OFFICE**

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**VOTE-ONLY ISSUE 2: TRAILER BILL LANGUAGE RELATING TO THE LOCAL AGENCY INVESTMENT FUND REIMBURSEMENT CAP**

This Spring Finance Letter includes Trailer Bill Language to allow the Local Agency Investment Fund (LAIF) to increase the cap from 5 percent to "up to 8 percent" to cover reasonable costs incurred in carrying out the provisions of the program.

**BACKGROUND**

The LAIF is a voluntary program created in 1977 as an investment alternative for California's local governments and special districts. The LAIF program offers local agencies the opportunity to invest idle funds and earn a competitive yield using the investment expertise of the STO's investment staff at no additional costs to the taxpayer.

The LAIF costs are based on the person hours required to administer the program and remain fairly constant from one billing period to the next. The costs are reimbursements only and do not result in a for-profit billing. The program's costs are reviewed and approved annually by both Finance and the Legislature.

In FY 2010-11, the cap was increased by one-half percent up to 5 percent of the LAIF earnings. However, with the prolonged historically low short-term interest rates continuing and LAIF balances falling, there is a need to increase the cap again. In the low interest rate environment, the reimbursement formula under the current cap does not allow for the actual costs to administer LAIF to be fully recovered. However, if interest rates were to go back to the normal historic average, the proposed amendment would automatically reduce the cap.

The proposed trailer bill language allows for an increase in the cap but also includes language that would decrease the cap depending on the 13-week State Treasury Bill Rate.

**STAFF COMMENTS**

According to the Spring Finance Letter, the proposed change has been shared with and is supported by LAIF participants.

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**Staff Recommendation: Adopt Trailer Bill Language included in the Spring Finance Letter.**

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**2240 HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT**

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**VOTE-ONLY ISSUE 3: SPRING FINANCE LETTER: HOUSING RELATED PARKS PROGRAM – PROPOSITION 1C**

This Spring Finance Letter requests an increase of \$62.5 million, in addition to the \$25 million included in the Governor's January proposal for a total of \$87.5 million for the Housing Related Parks program.

**BACKGROUND**

In 2006, voters approved Proposition 1C, which included funding for the HRPP program. HRPP provides financial incentives to cities and counties for the approval and preservation of units affordable to low and very low-income households. Funds awarded under HRPP are used within local communities to create or rehabilitate park-related projects.

HCD has awarded approximately \$20 million in funds under the program's two Notices of Funding Availability (NOFA) for 2010 and 2011. There was no award for 2012-13 and in 2013-14 \$25 million was appropriated. There is still \$141 million available for awards.

The 2013-14 award was the first award under the changes to the program that were enacted by AB 1672 (Torres) Chapter 779, Statutes of 2012. AB 1672 expanded the HRPP eligibility to include units substantially rehabilitated, preserved, or acquired for low and very low-income households. The changes enacted by AB 1672 were intended to accelerate the expenditure of funds and increase the number of eligible units.

Based on the applications from the most recent NOFA for 2013-14, HCD received \$77.5 million in requests for the \$25 million appropriated in 2013-14. Since the NOFA is oversubscribed, HCD stated that without any changes the law requires funds to be distributed proportionally to all eligible applicants.

**STAFF COMMENTS**

This issue was discussed extensively during the March 11, 2014, Subcommittee hearing. The increased funding included in the Spring Finance Letter along with the appropriation included in the Governor's Budget is consistent with the will of the Subcommittee to provide adequate funding for this program.

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**Staff Recommendation: Adopt Spring Finance Letter request of \$62.5 million and Governor's budget proposal of \$25 million for a total of \$87.5 million for the Housing Related Parks program.**

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**VOTE-ONLY ISSUE 4: FUND CONSOLIDATION**

This proposal would eliminate three funds administered by HCD and transfer funds to either General Fund or other housing funding sources.

**BACKGROUND**

The proposal does not affect any current housing programs - as the programs are no longer active. The following accounts are proposed to be eliminated:

- School Facilities Fee Assistance Fund (0101) -
- California Housing Trust Fund (0843)
- Rural Community Facility Grant Fund (0984)

The administration proposes trailer bill language to eliminate unnecessary funds and a transfer of cash balances for the first two funds and proposes eliminating the Rural Community Facility Grant Fund through the administrative process.

The proposal redirects the California Housing Trust Fund (\$68,000) and the Rural Community Facility Grant Fund (\$3,000) to the Housing Rehabilitation Fund (0929), which is the one of the larger funds in HCD's budget.

The proposal redirects the School Facilities Fee Assistance Fund (\$124,000) to the General Fund.

**STAFF COMMENTS**

As discussed during the March 11, 2014, Subcommittee No. 4 hearing, the subcommittee discussed opportunities of redirecting the funds from the School Facilities Fee Assistance Fund to the Housing Rehabilitation Fund (0929) instead of to the General Fund and preserve housing funds within the housing arena.

Since the March 11, 2014, meeting, staff has discussed the proposal with both Finance and the Department and there are no objections to redirecting the funds to the Housing Rehabilitation Fund.

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**Staff Recommendation: Approve Governor's January proposal for Fund Consolidation and Adopt Placeholder Trailer Bill Language to redirect funds from the School Facilities Fee Assistance Fund to the Housing Rehabilitation Fund.**

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**0840 STATE CONTROLLER'S OFFICE**

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**VOTE-ONLY ISSUE 5: UNCLAIMED PROPERTY: INSURANCE WORKLOAD**

This proposal requests 11 permanent positions and \$1.117 million from the Unclaimed Property Fund in FY 2014-15, and ongoing, to address workload resulting from life insurance companies failing to meet requirements to reunite owners with their unclaimed property.

**BACKGROUND**

The SCO is responsible for reuniting lost and abandoned property with its rightful owner and to safeguard those properties from being used by holders as assets. Unclaimed Property Law requires corporations, businesses, associations, financial institutions, and insurance companies to annually report and deliver property to the SCO after there has been no activity on an account, or no contact with the owner for generally three years.

In 2008, the SCO initiated audits on 21 life insurance companies to determine the industry's compliance with the state's unclaimed property laws. The audits revealed an industry-wide practice of companies failing to pay death benefits to beneficiaries of life insurance policies. The SCO has authority to undertake comprehensive efforts to locate the rightful owners of the property that has been held for so many years, and to provide them with the opportunity to reunite with their property.

A 2012-13 budget change proposal provided 13 positions and \$1,303,000 in Unclaimed Property Fund authority and 11 positions and \$1,115,000 for 2013-14. In 2013-14 there were 12,041 claims received and processed for a value of \$45,615,299.

**STAFF COMMENTS**

Staff has no comments on this proposal.

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**Staff Recommendation: Approve as budgeted.**

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**VOTE-ONLY ISSUE 6: UNCLAIMED PROPERTY: PROVISIONAL LANGUAGE**

The Governor's budget includes a request to revise the existing provisional language for Item 0840-001-0970 to better define the expenditures paid from the account.

**BACKGROUND**

The Code of Civil Procedures (CCP) provides the Controller with the continuous appropriation to carry out and enforce the Unclaimed Property fund. In addition to the continuous appropriation authority, the SCO has direct appropriation for the Unclaimed Property Program through budget item 0840-001-070. The provisional language currently written appears to supersede the intent of the CCP, which provides continuous appropriation for expenditures associated with the escheatment, administration and enforcement of the program.

The following provisional language is recommended for inclusion to this item:

*The funding provided in Item 0840-001-0970 shall cover costs for personal services and related operating expenses and equipment (including legal costs that are not related to enforcing the recovery of property, and system related costs) for the Unclaimed Property Program. Continuous appropriations from the Unclaimed Property Fund are allowed for other program costs authorized under Section 1564(b) and Section 1325 of the Code of Civil Procedure. These continuous appropriations shall not be used to cover spending authorized under Item 0840-001-0970.*

**STAFF COMMENTS**

This request does not augment the overall amount of any funds, including the Unclaimed Property Fund, for use by the SCO.

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**Staff Recommendation: Approve as budgeted.**

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**VOTE-ONLY ISSUE 7: OTHER BUDGET PROPOSALS RELATED TO THE UNCLAIMED PROPERTY**

The SCO included six proposals that affect the Unclaimed Property Division. Three were discussed above, the remaining three proposals are summarized below.

**BACKGROUND**

- **Fraudulent Claims Protection and Prevention.** This request includes 16 two-year limited-term positions and \$2.095 million (Unclaimed Property Fund) for FY 2014-15 and \$2.082 million in FY 2015-16 to detect and prevent fraudulent unclaimed property claims.
- **Unclaimed Property Assessments.** This request includes three permanent positions to process assessments of fees when holders of unclaimed property do not remit escheated funds to the state in accordance with the Unclaimed Property Law. In the past, this workload was processed primarily by student assistants. In 2012-13, Personnel Management Liaisons memorandum 2012-034 was issued which required departments to discontinue the work of all non-represented student assistants by September 1, 2012. These three permanent positions will allow the 1577 assessments to be processed.
- **Unclaimed Property Securities Workload.** This proposal requests 23.1 three-year limited-term positions and \$1.999 million from the Unclaimed Property Fund to manage the securities in accordance with statute. The SCO is responsible for receiving escheated securities from holders and properly accounting for these securities while in SCO custody. The Unclaimed Property Division's Securities Management and Reconciliation Unit are responsible for properly maintaining and managing the securities portfolio in SCO's fiduciary care.

**STAFF COMMENTS**

Staff has no concerns with these proposals.

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**Staff Recommendation: Approve as budgeted.**

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**0845 DEPARTMENT OF INSURANCE**

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**VOTE ONLY ISSUE 8: OFFICE OF PATIENT ADVOCATE**

The Governor's Budget includes \$163,000 (Insurance Fund) in FY 2014-15 and \$150,000 in FY 2015-16 and ongoing to fund 1.5 positions to implement AB 922 (Chapter 552, Statutes of 2012).

**BACKGROUND**

AB 922 transferred the Office of Patient Advocate (OPA) from the Department of Managed Care (DMHC) to the California Health and Human Services Agency (CHHSA), effective July 1, 2012, to assist individuals, including those served by health care service plans regulated by DMHC and CDI.

AB 922 expanded the functions of OPA by including the development of educational and informational guides for consumers about health care insurance, receiving and handling complaints and referrals, preparing reports about health complaints and grievances resolved by the Department, and collecting reports from the OPA.

Demographic information will not be identified until the end of 2014, which at that time the Consumer Services Division (CSD) anticipates that the amount of time OPA staff will spend addressing each complaint will increase. In FY 2012-13, the CSD handled about 10,313 health-related complaints and 14,146 health-related telephone calls.

**STAFF COMMENTS**

Initially, staff thought there was going to be a Spring Finance Letter on this issue, which is why the item was left open. Since there are no additional changes, staff recommends approval.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 9: HEALTH CARE COVERAGE MARKET REFORM**

The California Department of Insurance includes \$1.01 million (Insurance Fund) in FY 2014-15, and \$702,000 in FY 2015-16 to fund seven compliance officers and two, limited-term attorney positions for one-year to address increased workload associated with AB X1 2 (Chapter 1, Statutes of 2013).

**BACKGROUND**

AB X1 2 established health insurance market reforms contained in the Patient Protection and Affordable Care Act (ACA) specific to individual purchasers, such as prohibiting insurers from denying coverage based on preexisting conditions, and made conforming changes to small employer health insurance laws resulting from final federal regulations.

Prior to ACA and AB X1 2, individuals with preexisting health conditions were either denied health care coverage or were charged more depending on their specific health condition and/or severity. The ACA and AB X1 2 prohibit insurance companies from continuing this practice. AB X1 2 codifies the most important aspects of the ACA by allowing individuals with pre-existing conditions to access the health market.

As part of the implementation, staff will have to address calls and complaints, rulemaking, enforcement, and rating region impact analysis. CDI anticipates that the bulk of their work will be generated by calls. The CDI expects the number of telephone calls, inquiries, and complaints to increase significantly as the number of Californians insured by state-regulated companies increases. The CDI reports that its staff members are contacted by enrollees who are insured by companies regulated by both CDI and DMHC. Additionally, CDI staff receive general inquiries regarding health care and health insurance.

**LEGISLATIVE ANALYST'S OFFICE**

The LAO recommends that the Legislature approve the seven positions to address an expected increase in the volume of health-related consumer complaints on a two-year, limited-term basis. At this time, it is unclear how ACA implementation will (a) affect consumer complaints relative to past experience and (b) change the share of Californians enrolled in CDI-regulated individual market health insurance products relative to health insurance products regulated by DMHC. Approving these positions on a limited-term basis would allow the Legislature to reexamine CDI's need.

**STAFF COMMENTS**

Staff recommends adopting the LAO proposal to ensure that additional information can be gathered to measure the effectiveness of the program.

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**Staff Recommendation: Approve LAO recommendation to approve the 7 positions on a two-year, limited-term basis.**

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**VOTE-ONLY ISSUE 10: ACCELERATED DEATH BENEFITS – LIFE INSURANCE**

The Governor's Budget includes \$370,000 (Insurance Fund) in FY 2014-15 and \$312,000 in FY 2015-16 for three, permanent positions to regulate the new accelerated death benefit permitted by SB 281 (Chapter 345, Statutes of 2013).

**BACKGROUND**

Under prior law, the accelerated death benefit of life insurance policies that would accelerate death benefits upon the insured becoming chronically ill would be held to the same legal standards as applied to stand-alone long-term care policies.

SB 281 changed the legal standards for accelerated death benefit provisions of life insurance policies that accelerate death benefits upon the insured becoming chronically ill, where the insurer places no restrictions on the insured's use of the accelerated death benefit.

CDI expects, these changes will lead to more life insurance companies offering this benefit. At the same time, the cost of long-term care insurance has been increasing. Consequently, CDI is concerned that complaints regarding how life insurance companies, agents, and brokers market and sell accelerated death benefits will increase.

**LEGISLATIVE ANALYST'S OFFICE**

The LAO recommends approving these positions on a two-year, limited-term basis. This proposal implements a new law and no caseload history exists. Approving these positions on a limited-term basis would allow the Legislature to reexamine CDI's need for these positions once an actual caseload history has been established.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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**Staff Recommendation: Approve as budgeted.**

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## ITEMS TO BE HEARD

### 0840 STATE CONTROLLER'S OFFICE

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#### ISSUE 1: UNCLAIMED PROPERTY: HOLDER COMPLIANCE INITIATIVE REPORT AND BUDGET CHANGE PROPOSAL

The State Controller's Office (SCO) will provide a summary of their report to the Legislature on the Unclaimed Property Holder Compliance Initiative. The SCO was required pursuant to the 2011-12 Budget to report to the Legislature by November 1, 2012, and November 1, 2013. The November 2013 report was released on April 3, 2014. The report is related to the budget change proposal on Holder Compliance as discussed under Issue 1.

This budget change proposal requests 23 permanent positions and \$2.475 million from Unclaimed Property Fund in 2014-15 including ongoing support for the SCO's holder compliance program.

#### BACKGROUND

The SCO performs field audits of California holders of unclaimed property, including banks, hospitals, retailers, utility companies, manufacturers, insurance companies, major financial institutions, and multinational examinations of out-of-state holders of unclaimed property.

In 2009, audits performed an analysis of holder compliance by using Franchise Tax Board records. The analysis showed there might be a significant level of non-compliance with the California Unclaimed Property Law. One of the trends that SCO is currently focusing on is the underreporting by banks and credit unions of Certificates of Deposit and Individual Retirement Accounts. Since 2011-12, SCO has identified \$3.5 million in CDs and IRAs from banks and credit unions that have consistently underreported in these areas.

**Outreach.** These activities focus on identifying holders that were either inconsistent or never reported unclaimed property. The efforts to increase compliance through outreach included educational events, agency outreach, and publications and forms.

**Compliance.** These efforts include compelling a holder to voluntarily file by preparing letters to send to holders identified through outreach efforts. Efforts to increase compliance include letters and phone calls, site visits, and referrals.

#### LEGISLATIVE ANALYST'S OFFICE

The LAO found that in prior year projections holder outreach and compliance would result in \$5.5 million of property per year returned to its owners, and \$4.1 million of

property per year would be remitted to the SCO. The audits have resulted in about \$2.3 million of property returned to owners and \$4.1 million remitted to the SCO. The LAO has observed that the SCO's holder compliance initiative has remitted more property than originally projected but the results have varied from the earlier projections. LAO recommends that the positions be provided on a two-year, limited-term basis and that the Legislature continue to monitor outcomes related to this issue.

<b>STAFF COMMENTS</b>
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There seems to be additional information needed to evaluate this program. Staff concurs with the LAO recommendation to keep these positions as two-year, limited-term positions in order to continue to gather information and evaluate the program.

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**Staff Recommendation: Adopt the LAO proposal for two-year, limited-term positions.**

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**0845 DEPARTMENT OF INSURANCE**

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**ISSUE 2: SPRING FINANCE LETTER: ENHANCED FRAUD INVESTIGATION AND PREVENTION**

This Spring Finance Letter requests \$4,585,000 to the California Department of Insurance's (CDI) fraud investigation and prevention efforts.

**BACKGROUND**

On November 4, 2013, the CDI successfully litigated an anti-fraud case resulting in a settlement payment of \$46 million. California state statute indicates that upon appropriation shall be used by CDI for enhanced fraud investigation and prevention efforts.

This proposal requests an annual General Fund appropriation of \$4,585,000 for a four-year period. The appropriation would provide \$3,585,000 in State Operations for up to 32 four-year limited-term positions for enhanced anti-fraud efforts. Additionally, this proposal would provide \$1 million for Local Assistance for a four-year period for local District Attorneys to investigate and prosecute Disability and Healthcare Insurance Fraud.

**STAFF COMMENTS**

This proposal is supported by a portion of the \$46 million from the Insurance Fraud settlement, of which \$20.6 million was deposited into the General Fund.

The subcommittee may wish to ask the Department how the remainder of the settlement will be used.

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**Staff Recommendation: Adopt Spring Finance Letter.**

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**ISSUE 3: SPRING FINANCE LETTER: MENU MODERNIZATION PROJECT**

This Spring Finance Letter includes a request for an increase of \$1,329,000 (Special Funds) and 4.5 positions to complete the first-year procurement phase of a five-year information technology project to replace CDI's legacy systems and database.

**BACKGROUND**

The CDI Menu was developed along with the Integrated Database (IDB) in 1992 using the Oracle Forms and Reports platform. The technology supporting the current IDB is outdated and the vendor will no longer provide support for the technology after June 2017.

The department has made it a priority to overhaul the current CDI Menu and IDB as part of its strategic plan. CDI completed a feasibility study report (FSR), which was submitted to the California Department of Technology and provides the results of six-month analysis that includes the business case, identification of alternatives, the justification of a proposed alternative and an economic analysis of the cost estimates for upgrading or replacing the CDI Menu and IDB.

**STAFF COMMENTS**

The FSR was approved by the California Technology Agency and the annual appropriation is subject to budget oversight every year. Staff has no concerns with this proposal.

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**Staff Recommendation: Adopt Spring Finance Letter.**

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**ISSUE 4: SPRING FINANCE LETTER: MAJOR REGULATIONS**

The Spring Finance Letter includes a request to increase the CDI budget by \$121,000 (Special Fund) in FY 2014-15, \$114,000, ongoing, and 1 position to address increased workload related to SB 617 (Chapter 498, Statutes of 2011).

**BACKGROUND**

SB 617 required each agency adopting a major regulation that is subject to the Office of Administrative Law review to prepare an economic analysis and required state agencies to monitor internal auditing and financial controls. Additionally, the Department of Finance has adopted regulations for state agencies to follow when conducting a Standardized Regulatory Impact Assessment. Those regulations became effective on December 1, 2013.

As a result of both SB 617 and the newly adopted regulations by the Department of Finance, the workload for CDI has increased significantly. CDI has about 15 active rulemaking projects subject to the APA, with approximately three being considered major regulations under the new law.

**STAFF COMMENTS**

This proposal provides resources for CDI to comply with the new law.

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**Staff Recommendation: Adopt Spring Finance Letter**

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**ISSUE 5: SPRING FINANCE LETTER: HUMAN RESOURCE INFORMATION SYSTEM REPLACEMENT PROJECT**

This Spring Finance Letter includes a request to increase the CDI budget by \$142,000 (Special Fund) to fund the use of the State Controller's California Leave Accounting System and Oracle's Financial Human Resource module that will replace the Human Resource Information System (HRIS), scheduled to sunset on June 30, 2014.

The request also includes budget bill language that stipulates that the resources approved in the SFL would not be available until the California Technology Agency has approved the Feasibility Study Report (FSR).

**BACKGROUND**

HRIS is an online system that automates personnel related functions such as attendance tracking, leave balance, and position management. Its legacy application, which was written over two decades ago and is currently used by seven state agencies, will sunset on June 30, 2014. The California Technology Agency informed all agencies employing the system to find viable replacements.

HRIS customers were scheduled to transition to the MyCalPays system, but that project has since been suspended. CDI's choice in electing to purchase the Oracle Financials HR module resulted from a cost/benefit analysis based on the Department's existing Oracle Financials module and resources necessary to develop and deploy a solution by July 2014.

CDI identified one-time resources to cover implementation in FY 2013-14 but will need ongoing resources to cover future years.

The budget bill language will ensure that the FSR submitted to the Technology Agency is approved before resources are allocated for this project. The FSR is currently pending review.

**STAFF COMMENTS**

The impact of the suspension of the MyCalPays system is significant and the need for a uniform payroll system continues. Staff has no concerns with this proposal.

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**Staff Recommendation: Adopt Spring Finance Letter and budget bill language.**

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**2240 HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT****ISSUE 6: SPRING FINANCE LETTER: PROPOSITION 41: VETERANS HOUSING AND HOMELESS PREVENTION BOND ACT OF 2014**

This Spring Finance Letter requests additional resources in advance of the passage of Proposition 41, slated for the June 2014 ballot. Specifically this request includes the following:

- \$1.231 million in State Operations to fund nine positions and one existing position;
- \$75 million in Local Assistance to provide expenditure authority for Proposition 41 programs including provisional language to allow the Director of Finance to increase the appropriation amount and liquidation period;
- A reduction of \$146,000 and one position in state operation expenditures from the Proposition 1C Multi-Family Housing Program

**BACKGROUND**

In 2008, California voters approved Proposition 12, the Veteran's Bond Act of 2008, in the amount of \$900 million to help veterans specifically purchase single family homes, farms, and mobile homes through the CalVet Home Loan Program. As a result of the housing downturn and the nation's economic state, the program has not experienced the demand that was originally projected.

In 2013, AB 639 (Chapter 727, Statutes of 2013) restructured the Veteran's Bond Act of 2008 authorizing \$600 million in existing bond authority to fund multi-family housing for veterans with 50 percent servicing extremely low-income.

**STAFF COMMENTS**

This proposal will provide the necessary resources to implement Proposition 41 if the voters approve the measure in June 2014.

There is one concern about the provisional language included in the Spring Finance Letter. Staff would like to continue to work with the Department of Finance to re-word the provisional language to ensure that the Joint Legislative Budget Committee is given 30-day notice before an adjustment is made.

As currently written the provisional language reads, “Any approved increase shall correspond to the level of awards approved by the Department of Housing and Community Development. Within 30 days of making any adjustment pursuant to this provision, 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 appropriations.”*

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**Staff Recommendation: Adopt Spring Finance letter and adopt placeholder provisional language.**

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**ISSUE 7: SPRING FINANCE LETTER: OFFICE OF MIGRANT SERVICES – CENTER REHABILITATION**

This Spring Finance Letter includes a request for Trailer Bill Language to allow up to \$11 million of disencumbered funds in the Joe Serna Farmworker Housing Grant Program to be used for rehabilitation or construction to address the health and safety deficiencies at the existing 24 state-owned Office of Migrant Services centers that provide housing for farmworkers and their families.

**BACKGROUND**

HCD is responsible for maintaining the housing in a manner that is safe for farmworker tenants. A recent inspection and assessment of the OMS housing centers revealed that there are issues that pose significant risks to the health and safety of residents. If repairs are not made, this could be a potential liability to the state.

This proposal includes trailer bill language that would allow HCD to use disencumbered funds, up to \$11 million in the Joe Serna Farmworker Housing Grant Program for rehabilitation or construction of the 24 existing OMS Centers to address the health and safety concerns.

Under current law grants and loans from the Joe Serna Farmworker Housing Grant Program are to be used to assist development or rehabilitation of various types of housing projects for agricultural worker households.

Over the past 10 years, the OMS facilities have experienced significant deferred maintenance. The funding provided through Proposition 46 housing bonds, the General Fund and federal grants have resulted in improvements to the OMS centers. HCD has invested \$24.2 million in rehabilitation and reconstruction of OMS Centers, with 47 percent of the funds coming from Proposition 46.

**STAFF COMMENTS**

The proposal allows up to \$11 million in funding; currently this is about \$6.5 million available.

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**Staff Recommendation: Adopt Trailer Bill language**

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**0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT**

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**ISSUE 8: SPRING FINANCE LETTER: ZERO EMISSION VEHICLE (ZEV) INFRASTRUCTURE PROJECT MANAGER**

This Spring Finance Letter includes a request for \$150,000 (Reimbursements) and 1, two-year, limited-term position for a ZEV infrastructure project manager. Funding for this position will be provided by the California Energy Commission (CEC) through an interagency agreement.

**BACKGROUND**

In 2007, AB 118 (Chapter 488, Statutes of 2006) established three new programs intended to promote vehicle and fuel technology that reduces air pollution and Greenhouse Gas emissions statewide. AB 8 (Chapter 401, Statutes of 2013) expanded California's clean air and clean vehicle incentive programs. AB 8 requires the CEC to fund the development of up to 100 hydrogen fueling stations from vehicle registration fee revenues in the amount of up to \$220 million over the next 10 years.

Since 2009, 17 hydrogen fueling stations have been funded, but not a single fuel station has been permitted and built. The Governor's 2013 ZEV Action Plan details actions that state agencies are taking to accelerate the market for plug-in electric vehicles and fuel cell electric vehicles. The Action Plan specifically creates an Ombudsman for streamlining the permitting of hydrogen stations.

The CEC Business Committee determined GO-Biz was the appropriate entity to house the ombudsman position and approved CEC funding to GO-Biz on a two-year limited-term. The position was administratively established in the current year and funding from the Interagency agreement extends until October 2015. The position will reside in GO-Biz's Permit Assistance Unit.

**STAFF COMMENTS**

Although none of the 17 hydrogen-fueling stations have been built, the Subcommittee may wish to ask GO-Biz where the projects are in the process and how they anticipate building them by October 2015.

Staff has no concerns with this proposal due to the funding for this position being provided through an interagency agreement on a limited-term basis.

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**Staff Recommendation: Adopt Spring Finance Letter**

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**ISSUE 9: SPRING FINANCE LETTER: ADMINISTRATIVE WORKLOAD**

The Spring Finance Letter includes a request for \$251,000 (General Fund) in FY 2014-15, \$227,000 ongoing, and four positions to provide support for administrative functions including Fiscal Services, Business Services, Contracts and Procurement, Information Technology and Human Resources.

**BACKGROUND**

The Governor's Reorganization Plan 2 transferred the California Infrastructure and Economic Development Bank (I-Bank), the California Film Commission, the Small Business Guarantee Program, the Welcome Centers, and the California Travel and Tourism Commission from the Business, Transportation and Housing Agency (BTH) to GO-Biz in 2013-14. The transfer of the programs increased GO-Biz by 40 positions without any administrative support. Under BTH, all administrative functions were carried out through interagency agreements with the California Highway Patrol; those agreements did not transfer with the reorganization.

This proposal also includes administrative support for other proposals included in the 2014-15 Governor's budget including the California Competes Program and the Made in California Program.

**STAFF COMMENTS**

Staff has no concerns with this request.

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**Staff Recommendation: Adopt Spring Finance Letter.**

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