

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER JIM COOPER, CHAIR****TUESDAY, MAY 16, 2017****1:30 P.M. - STATE CAPITOL ROOM 447**

ITEMS FOR VOTE-ONLY		
7300	AGRICULTURAL RELATIONS BOARD	2
VOTE-ONLY ISSUE 1	FUNDING FOR THE AGRICULTURAL LABOR RELATIONS BOARD	2
7320	PUBLIC EMPLOYMENT RELATIONS BOARD	4
VOTE-ONLY ISSUE 2	ADDITIONAL FUNDING FOR PERB	4
0509	GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT	6
VOTE-ONLY ISSUE 3	CALIFORNIA SMALL BUSINESS DEVELOPMENT CENTER PROGRAM	6
7920	CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM	8
VOTE-ONLY ISSUE 4	CALSTRS RETIREMENT SYSTEM REVISED CREDIBLE COMPENSATION	8
7100	EMPLOYMENT DEVELOPMENT DEPARTMENT	9
VOTE-ONLY ISSUE 5	DISABILITY INSURANCE BENEFITS	9
VOTE-ONLY ISSUE 6	UNEMPLOYMENT INSURANCE BENEFITS	10
VOTE-ONLY ISSUE 7	SCHOOL EMPLOYEES FUND BENEFITS	11

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
7760	DEPARTMENT OF GENERAL SERVICES	12
ISSUE 1	SACRAMENTO REGION: R STREET PARKING STRUCTURE – ACQUISITION AND TRAILER BILL LANGUAGE	12
7120	CALIFORNIA WORKFORCE DEVELOPMENT BOARD	14
ISSUE 2	ROAD REPAIR AND ACCOUNTABILITY ACT - PREAPPRENTICESHIP TRAINING PROGRAMS	14
0950	STATE TREASURER'S OFFICE	16
ISSUE 3	DEBT MANAGEMENT SYSTEM (DMS) II PROJECT	16

2240	DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT	18
0950	STATE TREASURER'S OFFICE	
0977	CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY	
ISSUE 4	NO PLACE LIKE HOME PROGRAM	18
0840	STATE CONTROLLER'S OFFICE	20
ISSUE 5	ACCOUNTING ADMINISTRATOR RECLASSIFICATION	20
3100	CALIFORNIA SCIENCE CENTER	22
ISSUE 6	TRAILER BILL LANGUAGE RELATED TO RENAMING CALIFORNIA SCIENCE CENTER TO EXPOSITION PARK	22
ISSUE 7	CALIFORNIA SCIENCE CENTER PHASE 1 – ELEVATOR ADDITION	24
8260	CALIFORNIA ARTS COUNCIL	25
ISSUE 8	TRAILER BILL LANGUAGE TO APPOINT ARTS COUNCIL DIRECTOR	25
0850	STATE LOTTERY	26
ISSUE 9	TRAILER BILL LANGUAGE: PAYMENTS TO LOTTERY WINNERS	26
7100	EMPLOYMENT DEVELOPMENT DEPARTMENT	27
ISSUE 10	WORKFORCE INNOVATION AND OPPORTUNITY ACT DISCRETIONARY FUND	27
9210	LOCAL GOVERNMENT FINANCING	29
ISSUE 11	TRAILER BILL LANGUAGE: COMMUNITY-BASED TRANSITIONAL HOUSING PROGRAM	29

ITEMS FOR VOTE-ONLY

7300 AGRICULTURAL LABOR RELATIONS BOARD

VOTE ONLY ISSUE 1: FUNDING FOR THE AGRICULTURAL LABOR RELATIONS BOARD

The Office of the Board (Board) requests permanent funding of \$573,000 (General Fund) for existing limited-term positions: 1.5 Hearing Officer II positions and 1.0 Attorney IV position. The workload for these positions has not decreased and is projected to increase as new satellite offices are fully opened and education and outreach efforts are increased.

BACKGROUND

In 1975, then Governor Jerry Brown signed into law the Agricultural Labor Relations Act (Act) to “encourage and protect the rights of agricultural employees to full freedom of association, self-organization ... and to be free from interference, restraint, or coercion” (Labor Code § 1140.2). The ALRB’s role is to ensure peace and justice in the fields by providing stability in agricultural labor relations by implementing, protecting, and enforcing the rights and responsibilities of employers, employees and unions in their relations with each other. The ALRB exercises jurisdiction over approximately 800,000 farmworkers and employers, which were specifically exempted from the coverage of the National Labor Relations Act (NLRA) in 1935.

In 2015-16, the Board received a temporary budget augmentation for three positions: Two full-time Hearing Officer positions to address the backlog and ongoing caseload and one full-time Attorney IV position to address the increased state and federal court litigation. These positions were authorized as limited-term for two years.

Hearing Officer. The Board is requesting permanent augmentation for 1.5 Hearing Officer II positions, which would bring the Board’s total permanent Hearing Officer staffing to three Hearing Officer positions. Having three permanent full-time Hearing Officer positions, will allow the Board to timely schedule, preside over, and provide a final decision all in support of the protection of rights of California farmworkers.

These positions will allow the Board to provide timely hearings and decisions. The Hearing Officer is the presiding administrative law judge and every case that comes before a Hearing Officer is fact-specific and unique in the complexity of the law involved. Hearing Officer decisions are multifaceted and complex as cases can involve thousands of employees, resulting in numerous legal questions within a single case.

Attorney IV position. The Board is requesting permanent augmentation for the Attorney IV position. In January 2014, to address the Board’s increased state and federal court litigation workload, the Labor and Workforce Development Agency (LWDA) temporarily redirected resources to provide a limited-term Attorney IV position to the

Board to oversee, coordinate, and assist Board Counsel and attorneys assigned from the Office of the Attorney General to handle litigation. Effective July 1, 2015, the Legislature approved the Governor's Budget proposal for a two-year limited-term Attorney IV position, which expires June 30, 2017. The primary responsibility of the Attorney IV is appellate work where the position works with the three Board Counsel positions to represent the Board in the most sensitive and complex matters.

STAFF COMMENTS

Based on additional concerns received, staff recommends adopting funding on a two-year limited term basis and adopt supplemental reporting language that would require ALRB to report back on vacant positions and the opening of new offices.

Staff Recommendation: Approve two-year limited term funding and adopt placeholder SRL.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD**VOTE ONLY ISSUE 2: STAFFING AND RESOURCE AUGMENTATION TO IMPROVE STATUTORY COMPLIANCE**

The Public Employment Relations Board (PERB) requests \$750,000 General Fund in 2017-18 and 2018-19, \$620,000 in 2019-20, and \$590,000 in 2020-21 and ongoing to reduce existing backlogs and improve PERB's timeliness for issuance of resolutions and case determinations.

BACKGROUND

Beginning in 2002, PERB held open two Board member positions and their supporting staff, in order to utilize the resulting salary savings to meet PERB's other operational needs. Additionally, over the last 14 years it has been necessary for PERB to take other measures to balance its budget, such as holding as many as 9.5 positions vacant at any given time as well as participating in the state's layoff process. Most recently, in 2015-16, PERB instituted a self-imposed hiring freeze and reduced operations to remain within the budget appropriation, which increased the backlog of cases filed with the office of the General Counsel by 68 percent.

A permanent increase in appropriation to fund the vacant Board member positions and their supporting staff is necessary to reduce the existing case backlog as well as ensure PERB can fill all current authorized positions. The salary and benefit cost for these positions is estimated at \$885,000. Pursuant to the Legislature's approval, \$435,000 was provided in the 2016-17 BCP to be allocated towards this structural shortfall, leaving a remaining balance of \$450,000. For FY 2016-17, PERB held 3.0 positions vacant to manage this structural shortfall and began filling positions on a limited term basis when salary savings from vacant appointee positions accrued.

PERB's caseloads fluctuate seasonally and with changes in the state's economy; however, historical data collected and reported annually reflects a constant workload growth that also correlates with the expansion of PERB's statutory responsibilities. In its approval of additional funding for FY 2016-17, the Legislature requested that PERB provide caseload and position tracking. The data collected thus far reflects an incremental growth in backlogged cases incurred due to vacancies within the office of the General Counsel. The positions were recently filled and the new staff are addressing the caseload.

PERB has determined that an effective timeline to complete investigations and issue determinations is within 60 days of the filing of an unfair practice case or representation matter. Currently, the office of the General Counsel takes more than five months to investigate and issue determinations in these matters and it often takes a year or more for the Board to receive a proposed decision, and years for the Board to issue a final determination. These delays are inconsistent with PERB's goals to provide meaningful resolution of labor disputes in a timely manner.

Projected Outcomes						
Workload Measure	CY	BY	BY+1	BY+2	BY+3	BY+4
OFFICE OF THE GENERAL COUNSEL						
Beginning Case Load/Carryover	412	452	492	557	647	762
Cases Completed	1055	1,160	1,160	1,160	1,160	1,160
Attorney Positions	14.5	14.5	14.5	14.5	14.5	14.5
Cases Closed per Staff	73	80	80	80	80	80
Total Cases Opened	1,158 ¹	1,200	1,200	1,225	1,250	1,275
ADMINISTRATIVE LAW DIVISION						
Carryover	44	72	115	158	201	244
Total Cases Assigned ²	210	225	225	225	225	225
Formal Hearings Completed	87	87	87	87	87	87
Proposed Decisions Issued	76	76	76	76	76	76
Ave PD Issuance Time (Days)	135	144	144	144	144	144
Total Cases Closed	182	182	182	182	182	182
Admin Law Judge Positions	7	7	7	7	7	7
Cases Closed per ALJ	26	25	25	25	25	25
STATE MEDIATION & CONCILIATION						
Total Cases	775	800	850	850	850	850
Conciliator Positions	10	10	10	10	10	10

STAFF COMMENTS

This proposal will allow PERB to fund all existing authorized positions and eliminate the structural shortfall moving forward to effectively carry out PERB's statutory mandates.

Staff Recommendation: Adopt May Revision Proposal.

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT**VOTE ONLY ISSUE 3: CALIFORNIA SMALL BUSINESS DEVELOPMENT CENTER PROGRAM**

The Governor's Office of Business and Economic Development is requesting a one-time appropriation of \$2 million (General Fund) as a partial match of Federal Funds to support the California Small Business Development Center program to be distributed over the 2017-18 fiscal year.

BACKGROUND

The most recent national impact study of the national SBDC program, conducted in 2014-15 is described below:

- SBDCs helped in-depth clients obtain an estimated \$4.6 billion in financing.
- Every \$1 spent on the SBDC network enabled small businesses to access \$40,50 in new capital.
- SBDC services included business consulting for 192,205 clients, training sessions for 261,369 entrepreneurs and other forms of assistance for approximately 500,000 small businesses.
- SBDC clients received more than 1.3 million hours of consulting services.
- SBDC clients were 46 percent women, 27 percent minorities and 7 percent veterans.

*2014-15 National Statistics are from the U.S. Small Business Administration (SBA)

No state General Funds were allocated to the SBDC program from 2003-04 to 2009-10. During that time SBDCs had to leverage other funds (i.e. redevelopment) or small business assistant programs (i.e. California Community College's Business Entrepreneurship Center program) in order to match federal funding. Subsequent to that period, Chapter 731, Statutes of 2010 (AB 1632) provided a one-time allocation of \$6 million to the California SBDC network for FY 2010/11. The funds were distributed to the SBDCs according to a population-based formula. There were no state General Fund allocations to the SBDC program in 2011-12, 2012-13 or 2013-14.

In 2014-15, \$2 million in state general funds were allocated to the SBDC programs in part of GO-Biz's inaugural Capital Infusion Program. Funding allocations of \$2 million and \$1.5 million were provided in 2015-16 and 2016-17, respectively, for the SBDC program.

There are two funding areas which are no longer available to the SBDC program: first, California's Redevelopment program, which was dissolved in 2012, and second, California Community Colleges, which ended the Business Entrepreneurship Center program in 2013.

The \$2 million SBDC competitive grant will focus on assistance to small businesses in the area of access to capital. Many small businesses struggle to secure the funds needed for start-up and/or expansion, which impacts their ability to successfully operate a small business and create jobs. This grant is designed to target the SBDCs technical assistance on small businesses that are struggling with understanding their credit readiness, and locating and securing appropriate funding resources for their business start-up and/or expansion. Applicants must ensure that any SBDC competitive grant funds awarded will be matched on a one-to-one basis by a federal cash match.

STAFF COMMENTS

Approval of this proposal is consistent with the previous fiscal years.

Staff Recommendation: Adopt May Revision proposal.

7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

VOTE ONLY ISSUE 4: CALSTRS RETIREMENT SYSTEM REVISED CREDIBLE COMPENSATION

The May Revision proposes a technical correction regarding the amount of General Fund contribution to CalSTRS based on the revision of the credible compensation.

BACKGROUND

The revision in the credible compensation results is an increase in funding \$3,703,000 reported by CalSTRS for fiscal year 2015-16. This increase consists of \$801,000 in defined benefit payment, \$1,909,000 in the pre-1990 defined benefit level, and \$993,000 for supplemental benefit maintenance account.

STAFF COMMENT

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**VOTE-ONLY ISSUE 5: DISABILITY INSURANCE (DI) PROGRAM**

For 2016-17, this proposal requests a decrease of \$140.9 million in DI benefits authority. No change in administrative budget authority is requested. For 2017-18, this proposal requests a decrease of \$132.0 million in DI benefits authority. No change in administrative budget authority is requested.

BACKGROUND

Current Program: California's DI program contributes to the economic security of California by providing benefits to eligible workers. The DI program provides benefits to workers who are unable to work due to pregnancy or non-work related illness or injury. Although Workers' Compensation laws cover work-related disabilities, DI benefits may also be paid for work-related illnesses or injuries under certain circumstances.

Effective July 1, 2004, the DI Program expanded to include the Paid Family Leave (PFL) program. The PFL program provides up to six weeks of benefits to individuals who must be away from work to care for a seriously ill family member, domestic partner, or for the birth, adoption, or foster care placement of a child. Effective July 1, 2014, the PFL program was extended to allow workers to collect benefits while caring for seriously ill grandparents, grandchildren, siblings and parent-in-laws.

Benefit Payments: For 2016-17, benefit payments are projected to decrease by \$140,949,000 from the level estimated in the October 2016 Revise. The proposed change includes a decrease of \$151,466,000 in benefit payments for the DI program and an increase of \$10,517,000 in benefit payments for the PFL program. The DI program's Average Weekly Benefit Amount (AWBA) increased from \$524 to \$525 and the PFL program's AWBA decreased from \$582 to \$579.

In 2017-18 benefit payments are projected to decrease by \$131,992,000 from the level estimated in the October 2016 Revise. The proposed change includes a decrease of \$152,382,000 in benefit payments for the DI program and an increase of \$20,390,000 in benefit payments for the PFL program. The DI program's AWBA decreased from \$556 to \$555 and the PFL program's AWBA decreased from \$615 to \$611.

Workload Changes: The EDD proposes no change to administrative support for 2016-17 or 2017-18. The Department's current administrative budget authority is consistent with expected expenditures.

STAFF COMMENTS

Staff has no concerns with these changes.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 6: UNEMPLOYMENT INSURANCE PROGRAM

For 2016-17, this proposal requests an increase of \$23.5 million in UI benefits authority. No change in administrative budget authority is requested. For 2017-18, this proposal requests an increase of \$245.0 million UI benefits authority. No change in administrative budget authority is requested.

BACKGROUND

Current Program: As an employer-funded program, California's UI program contributes to the economic security of California by providing benefits to eligible workers. The UI program provides benefits to individuals who become unemployed through no fault of their own. Individuals file claims with the Employment Development Department (EDD) and, if determined eligible, are paid UI benefits.

The Emergency Unemployment Compensation (EUC) program has expired as of December 28, 2013. Although the EUC program has expired, the EDD continues to process minimal workload related to the extensions. This proposal adjusts the authority needed to pay claims established in the October 2016 Revise. The EDD has adjusted the projections for UI workload and estimated UI claims based upon changes in the January 2017 economic outlook provided by EDD's Labor Market Information Division.

Benefit Payments: For 2016-17, benefit payments are projected to increase by \$23,527,000 from the level previously estimated in the October 2016 Revise. Total benefit payments are estimated to be \$5,808,373,000. Increases are being driven by the increase in the unemployment level and an increase to the Average Weekly Benefit Amount (AWBA) from \$312 to \$316.

For 2017-18, benefit payments are projected to increase by \$244,995,000 from the level previously estimated in the October 2016 Revise. Total benefit payments are estimated to be \$6,063,610,000. Similar to the current year, the increase is driven by an increase in the unemployment level and the AWBA increasing from \$315 to \$320. The 2016-17 and 2017-18 projected benefit amounts include a buffer of three percent for economic uncertainties. Without this buffer, benefits would decrease by \$69,638,000 in 2016-17 and increase by \$68,385,000 in 2017-18.

Workload Changes: No change to administrative budget authority is requested for 2016-17 or 2017-18.

STAFF COMMENTS

Staff has no concerns with these changes.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 7: SCHOOL EMPLOYEES FUND (SEF)

For 2016-17, this proposal requests a decrease of \$10.7 million in budget authority for SEF Local Assistance. No change in administrative budget authority is requested. For 2017-18, this proposal requests an increase of \$5.0 million in budget authority for SEF Local Assistance. No change in administrative budget authority is requested.

BACKGROUND

Current Program: The SEF is a joint pooled risk fund administered by EDD, which collects contributions based upon a percentage of total wages paid by public schools and community college districts. The contribution rate is calculated annually based upon the formula established per Section 823 of the California Unemployment Insurance Code. Money deposited in the SEF is used to reimburse the Unemployment Fund for the cost of Unemployment Insurance benefits paid to former employees of those school employers who have elected this option in lieu of paying the tax-rated method, as is required of private sector employers.

Upon recommendation by the School Employer Advisory Committee, and subsequent approval by the EDD Director, the SEF contribution rate is 0.05 percent for 2016-17 and an estimated 0.05 percent for 2017-18. The economy's steady growth and the implementation of the new Local Control Funding formula will support school budgets as benefits return to normal historical levels. Currently, there are approximately 1,331 public school districts and county offices of education (including charter schools) and 72 community college districts that have elected to participate in the fund.

Effect of Proposal: Local Assistance (disbursements) includes benefit charges and claims management fees. The estimated Local Assistance for SFY 2016-17 is \$10,686,000 lower than reported in October 2016, for a total of \$86,203,000. The estimated Local Assistance for SFY 2017-18 is \$5,000,000 higher than reported in October 2016, for a total of \$79,918,000. Changes to Local Assistance estimates for both 2016-17 and 2017-18 were adjusted from the October 2016 forecast based on actual data from the current year and reflect a trend of UI benefits that continue to return to historical levels, which is consistent with the current economic outlook. As with the previous revise adjustments for the SEF program, the EDD proposes no change in 2016-17 and 2017-18 budget authority for administration support.

STAFF COMMENTS

Staff has no concerns with these changes.

Staff Recommendation: Adopt May Revision proposal.

ITEMS TO BE HEARD

7760 DEPARTMENT OF GENERAL SERVICES

ISSUE 1: SACRAMENTO REGION: R STREET PARKING STRUCTURE - ACQUISITION

The May Revision requests \$1,660,000 (Service Revolving Fund) to allow the Department of General Services, in partnership with the Capitol Area Development Authority (CADA), to acquire two parcels of land located between Q, R, 8th and 9th Streets, to accommodate the R Street Parking Structure project. This item also contains trailer bill language.

BACKGROUND

Current DGS managed state garages in Sacramento have a waiting list of approximately 2,500 state employees. According to DGS, this project will help alleviate this problem, and will provide additional parking to support the planned construction of two new state office buildings (the Natural Resources Headquarters Building and O Street Office Building). The structure will provide 800 parking stalls, electric vehicle charging stations, retail shops on the ground floor, and after-hours parking to support the retail establishments along the R Street Warehouse, which was constructed in 1952 and purchased by the state in 1999 as a site for a future parking structure.

Trailer Bill Language. The TBL would do the following:

- 1) Authorize DGS to enter into an agreement with CADA to construct the parking garage at a cost not to exceed \$30 million
- 2) Authorize DGS to enter into lease agreements necessary for the financing of the facility
- 3) Authorize the use of the California Infrastructure and Economic Development Bank (IBank) Infrastructure program to allow CADA to secure project financing
- 4) Allow demolition of the R Street Warehouse

STAFF COMMENTS

The Subcommittee may wish to ask the following questions:

- 1) The Natural Resources and O Street building were included in the new Long Range Planning Study; how was the proposed parking structure evaluated under the plan? Also, previous conversations about the two new buildings have not mentioned the need for additional parking.
- 2) What projects are eligible to use IBank funding? Has DGS ever used IBank financing for a state project?
- 3) What is the justification for moving forward with the project now, versus proposing it next year?

- 4) Building additional parking versus providing incentives for alternative modes of transportation is a policy decision. How much input has the city and other stakeholders provided for building a parking structure?

Staff Recommendation: Hold Open.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD**ISSUE 2: ROAD REPAIR AND ACCOUNTABILITY ACT – PRE-APPRENTICESHIP TRAINING PROGRAMS**

The California Workforce Development Board (State Board) requests \$5 million and 1.0 position payable from the Road Maintenance and Rehabilitation Account, State Transportation Fund for 2017-18 through 2021-22 to implement pre-apprenticeship training programs, focused on formerly incarcerated, women, and minorities, in support of Chapter 5, Statutes 2017 (SB 1) projects.

BACKGROUND

The State Board is responsible for the development, oversight, and continuous improvement of California's workforce investment system and the alignment of the education and workforce investment systems. The State Board provides active ongoing policy analysis, technical assistance, and program evaluation to inform and shape state policy on the design of state work force policies and their coordination with other relevant programs, including education and human service programs.

Proposition 39 and the Clean Energy Jobs Act (SB 73, Chapter 29, Statutes of 2013) created a construction pre-apprenticeship skills training grant program, which builds pipelines into middle-class jobs in the construction trades for disadvantaged youth, veterans and the formerly incarcerated. SB 73 appropriates \$3 million annually to the State Board from 2013-14 through 2017-18. The Proposition 39 construction pre-apprenticeship skills training model uses the nationally certified multi-craft core curriculum (MC3) as the pathway for underserved populations to gain entry into apprenticeships in a wide range of construction trades. The MC3 model is used to develop partnerships with labor, community and the public work force system, reinforced by expert technical assistance.

The Proposition 39 pre-apprenticeship skills training grant program placed nearly 500 participants in the first two years, with an average placement rate of 78 percent. The State Board will enhance and expand this same model to achieve the training and education goals of SB 1.

SB 1 creates the Road Maintenance and Rehabilitation Program (RMRP) to address deferred maintenance on the state highway system and the local street and road system and appropriates \$5,000,000 annually from 2017-18 through 2021-22 to the State Board to assist local agencies to implement policies to promote pre-apprenticeship training programs to carry out specified projects funded by the RMRP. Streets & Highways Code Section 2038 requires the State Board to develop guidelines for public agencies receiving RMRP funds to participate in, invest in, or partner with, new or existing pre-apprenticeship training programs.

The State Board will develop local guidance and a statewide pre-apprenticeship skills training grant program to address the projected labor demand to support the transportation projects funded by the RMRP and to build pipelines into middle-class jobs in the construction trades for underserved Californians, including women, minorities, at-risk youth, and the formerly incarcerated.

The State Board will design a pre-apprenticeship training program that establishes and expands high-quality construction pre-apprenticeships across the state. Partnerships funded through this program will serve a minimum of 300 participants a year, with employment and income gains tracked through the state's workforce data reporting system. The State Board will utilize the Employment Development Department's (EDD) contracting, monitoring and reporting resources to ensure appropriate investment of resources, and the State Board and EDD will provide technical assistance to support and document grantee success. The State Board will issue regular updates on system innovation, lessons learned, and best practices to encourage program expansion, replication, and continuous improvement.

The State Board will establish and execute an outcomes-driven work plan to develop and disseminate workforce guidelines for local transportation agencies, including a) research, analysis, and stakeholder engagement; b) the production of briefs and/or toolkits; and c) a statewide outreach plan including, e.g., webinars, briefings, and stakeholder convenings.

STAFF COMMENTS

There is no General Fund impact.

Staff Recommendation: Adopt May Revision Proposal.

0950 STATE TREASURER'S OFFICE**ISSUE 3: DEBT MANAGEMENT SYSTEM (DMS) II PROJECT REALIGNMENT**

The DMS II Special Project Report (SPR) 2 was approved in April 2016. SPR 2 addressed the changes in the implementation and procurement approach and re-baselined the cost estimates and the schedule for the DMS II Project. The expenditure and reimbursement authority amounts requested are based upon the funding reflected in SPR 2.

The STO is requesting an increase of \$342,000 in expenditure and reimbursement authority to continue the DMS II Project. This reflects an increase to the amount of \$5,830,000 currently proposed in the Governor's 2017-18 Budget. The sole purpose of this increase is to reallocate certain costs between fiscal years to align with the project delivery roadmap. The total project cost in the approved SPR 2 remains the same. This request will not impact the General Fund. The STO has identified specific reimbursement funds as the sole funding source.

BACKGROUND

In December 2016, the STO requested \$5,830,000 in expenditure and reimbursement authority for 2017-18 to continue the DMS II Project that was originally authorized in the 2013-14 Budget Act.

In February 2017, the System Integrator (SI) and the STO collaboratively completed a roadmap, which documents the schedule and implementation timeline for the optimization objectives set forth in the Request for Offer (RFC). This roadmap covers the entire project lifecycle, which is expected to conclude in March 2019. With this information the project is better positioned to align the project costs to the project delivery schedule.

As a result of the roadmap completion, the STO is revising its funding request for 2017-18. In total, the STO is now requesting \$6,172,000 in expenditure and reimbursement authority for 2017-18. The additional amount of \$342,000 is comprised of a reallocation of \$300,000 in SI costs from 2018-19 to 2017-18, and a reallocation of \$42,000 in independent Verification & Validation (IV&V) costs from 2016-17 to 2017-18. The total contract costs for the SI and IV&V have not changed from the approved SPR 2.

The STO will continue to use specific reimbursement funds as the sole funding source for the project. Under Government Code Section 16724.6, proceeds of General Obligation (GO) bond sales are specifically authorized to be used by the STO in the administration of debt, including "special accounting systems" and other services necessary to "maintain the tax-exempt status of the bonds." Once GO bonds are issued, proceeds are deposited into the State's Surplus Money investment Fund (SMIF) until the proceeds are disbursed by the State department who received the funds. While in SMIF, the undisbursed bond proceeds earn interest. These earnings are available to pay: (1) any arbitrage rebate owed to the federal government; (2) GO bond

administrative costs of the STO, Department of Finance, and the State Controller's Office; and (3) eligible projects authorized by the bond act once the proceeds have been disbursed and no rebate is determined to be owed. The STO will continue to use a portion of the interest earnings to pay for the costs associated with DMS 11.

STAFF COMMENTS

On May 9, the Subcommittee approved the resources for 2017-18. This adjustment is consistent with that action.

However, the Subcommittee may wish to ask the STO to discuss the overall costs of the program and timeline. How will this proposal change the project timeline?

Staff Recommendation: Adopt May Revise proposal.

**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
0950 STATE TREASURER'S OFFICE
0977 CALIFORNIA HEALTH FACILITIES AUTHORITY**

ISSUE 4: NO PLACE LIKE HOME PROGRAM

The Department of Housing and Community Development (HCD) requests a General Fund loan of \$1,576,000 to fund administrative costs for the No place Like Home Program. The loan will address an administrative funding shortfall during completion of the required bond validation process. The General Fund loan will be repaid from bond proceeds upon issuance of bonds.

BACKGROUND

Last year, the No Place Like Home (NPLH) program was established to develop permanent supportive housing for individuals who are in need of mental health services and are experiencing homelessness or are at risk of chronic homelessness. The program is financed with up to \$2 billion in bond proceeds secured from Proposition 63 Mental Health Services Act revenue.

Voters approved the Proposition 63 Mental Health Services Act in 2004, to fund county mental health programs. The NPLH program is funded with Mental Health Services Act revenue because housing is a key stabilizing factor in ensuring that people with mental illness who are homeless receive the support services they need for recovery. The NPLH program funds the acquisition, design, construction, rehabilitation, and preservation of permanent supportive housing for the target population. The program targets individuals who require or at risk of requiring psychiatric inpatient care, residential treatment, or outpatient crisis intervention because of a mental disorder.

The Administration is working to validate bonds secured by Mental Health Services Act revenue for these purposes. In order to begin program development activities before bonds are issued, the enacting legislation authorized a General Fund loan of up to \$2 million to develop the program and issue the bonds. An additional General Fund loan is necessary to continue program implementation in 2017-18 until bonds are issued.

To mitigate risks in court validation, the Administration has worked to develop the program before beginning the validation process. HCD has developed a program framework, gathered feedback in stakeholder workshops, drafted program guidelines, and established the NPLH Advisory Committee. Additionally, the State Treasurer's office and the Attorney General's office have entered into contracts with outside bond counsel and drafted a services contract for implementing agencies. The requested loan will provide funding for HCD program development activities, as well as the Administration's contracts with financial advisors, bond counsel, and senior underwriters.

HCD expects to complete program design in August 2017, at which time the validation action will commence. A decision from the court is anticipated no later than the spring of 2018, and a Notice of Funding Availability is expected to be released in the summer of 2018 following successful court validation.

The Administration requests a loan of \$850,000 for HCD to build program infrastructure in anticipation of its future NOFA and \$726,000 for administering agency costs associated with bond issuance and validation. Administering agencies include the Department of Justice, the State Treasurer's office, and the California Health Facilities Financing Authority.

STAFF COMMENTS

The Subcommittee may wish to ask the Department the following:

- Under the legislation last year, how much was authorized for a general fund loan? How much was authorized for the 2016-17 budget? How much has been expended so far?
- What happens to the loan repayment if there is a problem with validation?
- When will be the earliest that grants will be available? How is this timeline different from the proposed timeline from last year?
- Last year additional resources were included in the ESG program as a stopgap until this program was available this year? Is this something that the Legislature needs to consider for again for this year?

Staff Recommendation: Hold Open.

0840 STATE CONTROLLER'S OFFICE**ISSUE 5: ACCOUNTING ADMINISTRATOR RECLASSIFICATION**

The State Controller's Office (SCO) requests \$600,000 (\$342,000 General Fund [GF], \$258,000 Central Service Cost Recovery Fund [CSCRF]) in 2017-18 and 2018-19 to fund the reclassification of 38 Accounting Administrator positions to the Financial Accountant (FA) series.

BACKGROUND

The State Controller's Office (SCO), Division of Accounting and Reporting (DAR) has encountered significant challenges in recruiting and retaining skilled accounting professionals. For many years, the SCO has been disadvantaged by inconsistencies in salaries across state departments for similar positions. Specifically, there are salary inequities between the state-wide accounting series used by SCO as compared with those classifications used, California State Auditor's Office (CSA) - Auditor Evaluator series, Principal Auditor series and Auditor Specialist series, California Public Employee's Retirement System (CalPERS) - Financial Accountant (FA) series and the California State Teacher's Retirement System (CalSTRS) - FA series.

Early requests to reclassify these positions were denied. However, in 2015, CalHR established the FA series for use by CalPERS and CalSTRS. SCO petitioned CalHR for use of the FA series and, in September 2016, CalHR determined that the complexity and sensitivity of the work being performed in DAR, - State Operations Section (now the State Accounting and Reporting Division (SARD)) aligns with the FA series duties. The aligned core duties include:

- Applying generally accepted accounting principles to financial reporting analysis performed for the CAFR;
- Assessing, recording and analyzing complex financial accounting and investment transactions reported by state agencies; and
- Completing financial analysis and review of investment valuations for accounting compliance and reporting requirements as prescribed by the California Government Code, financial accounting rules and regulations contained in the State Administrative Manual; DOF's Uniform Codes Manual; FISCAL Chart of Accounts and financial accounting procedures prescribed by the SCO.

CalHR also identified the following duties that SARD performs which are not present in the FA series:

- Assessing, recording and analyzing complex bond accounting transactions; and
- Compiling, recording and analyzing financial information provided by state agencies.

As a result of CalHR's approval to use the FA series, the SCO is requesting funding for the reclassification of certain Accounting Administrator positions for 2017-18 and 2018-19.

Based on the duties and complexity of tasks the SCO is requesting \$600,000 to fund the reclassification of certain Accounting Administrator positions to the FA series for 2017-18 and 2018-19.

STAFF COMMENTS

The Subcommittee may wish to ask the SCO about the out years. The request is only for two years, for the reclassification, but the out years should have increased costs. Were these positions originally approved on a limited term basis?

Staff Recommendation: Hold Open

3100 CALIFORNIA SCIENCE CENTER**ISSUE 6: TRAILER BILL LANGUAGE TO RENAME THE CALIFORNIA SCIENCE CENTER TO EXPOSITION PARK**

The May Revise includes trailer bill language to change the name of the Sixth Agricultural District, currently known as the California Science Center to Exposition Park and to clarify the roles and responsibilities of the entries within the park to reflect the current operations.

BACKGROUND

The Agency will walk the Subcommittee through the Trailer Bill Language proposal. **According to agency**, the proposed statutory changes will also help clarify the governance structure of the park, and roles and responsibilities of state employees. With the rising prominence of the California African American Museum and additions of the Los Angeles Football Club and Lucas Museum clarity is needed. Due to the expanding nature of the park, the California Science Center is just one entity within the park and so the name is a cause of confusion.

The proposed changes will do the following:

- Changes the Name of the Agricultural District – The Sixth Agricultural District currently known as “California Science Center” shall be known as “Exposition Park.”
- Designates the California Science Center Boundaries roles and responsibilities – The California Science Center would include the Samuel Oschin Space Shuttle Endeavour Display Pavilion, the 3D IMAX Theater, the Dr. Theodore T. Alexander, Jr. Science Center School, the Amgen Center for Science Learning, Phase I and Phase II of the California Science Center, and any additional construction developed pursuant to Phase III of the Master Plan. Unless explicitly named as part of the California Science Center or the California African American Museum, the remaining structures and land will be considered Exposition Park.
- Clarifies Authority Granted to the Exposition Park Manager: Confirms that operational responsibility for the remainder of the park is with the Office of Exposition Park Management, these include, but not limited to, special events, leases, parking, park maintenance, security etc.
- Allows the Department of Finance to formally change the name in budget documents.

STAFF COMMENTS

Staff is currently evaluating the trailer bill language.

The Subcommittee may wish to ask DOF what property is referred to as the California Science Center within Exposition Park? Does the California Science Center have final decision over all property in the Park? How does the decision making process work at the park currently?

The Subcommittee may wish to ask DOF why this language is being Proposed?

How will it affect the current duties of the California Science Center? How will the proposed TBL affect the funding raised by the Foundation for the California Science Center?

Staff Recommendation: Hold Open.

ISSUE 7: CALIFORNIA SCIENCE CENTER PHASE I – AMERICANS WITH DISABILITIES ELEVATOR ADDITION

The May Revise requests \$1,961,000 General Fund for the preliminary plans, working drawings, and construction phases of the California Science Center Phase 1 ADA Elevator Addition project.

BACKGROUND

The project is necessary for the Science Center to be in compliance with ADA requirements. Attendance at the Science Center has increased from approximately 1.3 million in 2006-07 to 2.3 million visitors in 2014-15. The increase was due to the opening of Phase 2 and the acquisition of Space Shuttle Endeavor. There is only one public elevator with a capacity of 25 and is not sufficient to meet the needs of the increased attendance at the museum.

STAFF COMMENTS

The Subcommittee may wish to ask Science Center and DOF for more information in order to evaluate the proposal.

Staff Recommendation: Hold Open.

8260 CALIFORNIA ARTS COUNCIL

ISSUE 8: TRAILER BILL LANGUAGE TO APPOINT ARTS COUNCIL DIRECTOR

The May Revise includes trailer bill language to change the authority to appoint the director from the council to the Governor.

BACKGROUND

According to DOF, the trailer bill language reflects the Governor's intent to return to the previous practice, prior to 2010, of designating the director of the Arts Council as a gubernatorial appointee. In addition, since the council only meets a limited number of times on an annual basis, relieving them of the responsibility of choosing a director allows for the more efficient use of their limited resources and more accurately applies their professional expertise to Arts programming. Designating the director of the Arts Council as a gubernatorial appointee is intended to increase state government accountability and the efficient and appropriate use of state government resources.

AB 2610 (Niello, Chapter 100, Statutes of 2010) amended the authority of the Governor to appoint the Arts Council Director and delegated this responsibility to the Arts Council. This trailer bill language would put the authority to appoint the Director back to the Governor.

The analysis of AB 2610 in 2010 states the following as the reason for the change in 2010:

"Most state arts councils in the U.S. select their Directors; only three - California, Virginia and Georgia - have Directors who are appointed solely by the Governor, not in concert with their Council Members. Members of California's Arts Council would like to have the ability to select the Arts Council Director, a protocol that is working successfully across the nation. Nine of California's 11 Council Members are appointed by the Governor, one by the Senate, and one by the Assembly, so a connection between the Governor, the Legislature and the Council is assured. Having the Council select the Director strengthens the council/staff working relationship."

STAFF COMMENTS

The Subcommittee may wish to ask DOF for the reasoning behind making these changes now. What has been unsuccessful about the current model that DOF is seeking this change?

Staff Recommendation: Hold Open.

0850 STATE LOTTERY

ISSUE 9: TRAILER BILL LANGUAGE: PAYMENTS TO LOTTERY WINNERS

The May Revise proposes trailer bill language to address payments to lottery winners.

BACKGROUND

Section 16401.5 is added to the Government Code, to read: 16401.5. (a) *Notwithstanding Sections 16400 and 16401, the California State Lottery may draw funds from its continuous appropriation for purposes of making immediate payment through its revolving fund to California State Lottery prizewinners of \$1,000 or less, provided that regulations to support such action is adopted by the California Lottery Commission. The California State Lottery shall be subject to all reporting and compliance requirements mandated by Title 2, Division 4, Part 2, Chapter 2, Article 5 of this Code.* (b) *The California State Lottery shall maintain records of all payments made pursuant to subdivision (a).*

STAFF COMMENTS

The Subcommittee may wish to ask about how much money will be paid to lottery prizewinners of \$1,000 or less on an annual basis?

What is the current timeframe for winners to claiming prizes of \$1,000 or less?

Staff Recommendation: Adopt placeholder Trailer bill language.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT**ISSUE 10: WORKFORCE INNOVATION AND OPPORTUNITY ACT**

The Governor's May Revision proposes \$59 million in state-level discretionary WIOA funding in 2017-18, a \$6.8 million decrease relative to 2016-17. This decrease reflects a reduction in available federal funding.

BACKGROUND

The May Revision proposal discontinues funding in 2017-18 for several items that are receiving funding in 2016-17, totaling \$10 million. The largest of these include:

- Regional staff capacity for state plan implementation (\$1.2 million in 2016-17).
- WIOA program evaluation (\$1.4 million in 2016-17).
- Technical assistance and staff training for state agencies, local areas, and One-Stop partners (\$4.5 million in 2016-17).
- Incentive funds for high performance local workforce boards pursuant to Chapter 497 of 2011 (SB 698, Lieu) (\$1.7 million in 2016-17).

The May Revision also decreases funding for some previously funded items while making offsetting increases in other previously funded items. The May Revision makes the following adjustments to existing items:

- Funding for Regional Workforce Accelerator Program Reduced by \$8.3 Million. The May Revision provides \$2 million in discretionary funding for the Regional Workforce Accelerator Program, an \$8.3 million reduction relative to 2016-17 funding. The Regional Workforce Accelerator Program awards funds to local programs to test strategies for serving populations with barriers to employment. Recently, the Regional Workforce Accelerator program emphasized strategies to improve employment outcomes for formerly incarcerated and immigrant populations.
- Funding for Slingshot Increased by \$5.6 Million. The May Revision provides \$10.5 million for "Slingshot 2.0," an increase of \$5.6 million relative to 2016-17 funding. The Slingshot programs have been used to provide assistance to local workforce development areas in carrying out regional planning and service delivery efforts. Funding in the May Revision for Slingshot 2.0 appears to be intended to continue support for regional planning, as well as building on projects initiated through the Regional Workforce Accelerator Program.
- Funding for Model Multiple-Employer Industry Sector Programs Increased by \$1 Million. The May Revision provides \$3 million for the Model Multiple-Employer Industry Sector Programs item, a \$1 million increase over 2016-17 funding. This item awards funding to local workforce regions to implement or build on sector partnership strategies.

The May Revision appears to propose just one completely new item—\$600,000 for services for in-school at risk youth. According to the Administration, the funding is intended to expand youth services offered by state staff at local job centers, establish partnerships with other local agencies and community-based organizations, and educational institutions that work with youth.

STAFF COMMENTS

The LAO proposes the following questions for consideration:

- Why are some previously funded items proposed to receive no funding in 2017-18? What have been the outcomes of these programs?
- Section 14200 of the Unemployment Insurance Code, as amended by Chapter 497, requires the Governor and the Legislature to reserve a portion of WIOA discretionary funds in the annual budget process to provide performance incentives to high-performance local workforce development boards. Why is the May Revision proposing no funding for these incentives in 2017-18? What is the Administration's plan for performance incentives under Section 14200?
- How does the discretionary funding proposal balance the priorities of funding that supports direct services to populations with barriers to employment versus funding that supports the development of relationships and planning capacity among local agencies? Does the reduction to the Workforce Accelerator Grant Program mean that less funding will be available for direct services? How is the Slingshot 2.0 program different from the current Slingshot program, and how does it relate to the Workforce Accelerator program?
- How would the new youth services pilot program be structured? What specifically would the \$600,000 allocation of discretionary funding be used for?

Staff Recommendation: Hold Open.

9210 LOCAL GOVERNMENT FINANCING**ISSUE 11: TRAILER BILL LANGUAGE: COMMUNITY-BASED TRANSITIONAL HOUSING PROGRAM**

The May Revise proposes trailer bill language to Community Based Transitional Housing Program.

BACKGROUND

The Program was created as part of the 2016 Budget Act, is funded at \$25 million and administered by the Department of Finance. The Program allows cities and counties to apply for grants of up to \$2 million so they may partner with a facility operator to provide transitional housing and educational, behavioral, and rehabilitative services to persons released from incarceration, or to any other persons who may benefit. The city or county must provide a conditional use permit or equivalent entitlement that allows the facility to operate for at least 10 years.

The city or county receives 60 percent of the grant funds and the facility operator receives 40 percent. The TBL provides cities and counties with increased flexibility in the use of their funds. Current law states they may use Program funds for the following purposes:

- Discretionary law enforcement services, including efforts to enhance public safety in the vicinity of the facility for which program funding is provided.
- Community outreach efforts that seek to address the concerns of residents and property owners within the one-quarter mile radius of the facility for which program funding is provided.
- Any other community-based activities that the board of supervisors or city council, as applicable, believes will contribute to improved community relations regarding the facility for which program funding is provided.

The TBL states cities and counties may also use Program funds to support the provision of services to facility residents, or for any other purposes that the governing board determines will enhance outcomes for facility residents or public safety in and around the facility, provided those purposes are stated in their application.

STAFF COMMENTS

According to the DOF, the amendments are necessary because many potential applicants have stated they believe current law does not provide sufficient flexibility in the use of Program funds. Thus far, three applications for \$2 million each have been received. The applications are still under review. Applications may be submitted until October 1, 2018 or until all Program funds are awarded.

Staff Recommendation: Hold Open.