

**AGENDA – PART I****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****MONDAY, MAY 23, 2016****2:30 P.M. - STATE CAPITOL, ROOM 447**

<b>VOTE-ONLY CALENDAR</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>1110/1111</b>	<b>DEPARTMENT OF CONSUMER AFFAIRS</b>	
VOTE-ONLY ISSUE 1	REGISTERED DISPENSING OPTICIANS TRAILER BILL LANGUAGE	2
VOTE-ONLY ISSUE 2	BOARD OF BEHAVIORAL SCIENCES EXAMINATION VENDOR CONTRACT	3
VOTE-ONLY ISSUE 3	CONTROL SECTION 11.42	4
<b>8955</b>	<b>DEPARTMENT OF VETERANS AFFAIRS</b>	
VOTE-ONLY ISSUE 4	CAL-TAP PROGRAM	5
VOTE-ONLY ISSUE 5	VETERANS HOMES OVERSIGHT	7
<b>0890</b>	<b>SECRETARY OF STATE</b>	
VOTE-ONLY ISSUE 6	VOTER INFORMATION GUIDE	8
<b>C.S. 6.10</b>	<b>CONTROL SECTION 6.10</b>	
VOTE-ONLY ISSUE 7	FUNDING FOR DEFERRED MAINTENANCE	10
<b>7501</b>	<b>DEPARTMENT OF HUMAN RESOURCES</b>	
VOTE-ONLY ISSUE 8	CIVIL SERVICE IMPROVEMENT	12
<b>7930</b>	<b>PUBLIC EMPLOYMENT RETIREMENT BOARD</b>	
VOTE-ONLY ISSUE 9	AUGMENTATION TO REDUCE BACKLOGS AND LOS ANGELES REGIONAL OFFICE RELOCATION	13
<b>0840</b>	<b>STATE CONTROLLER</b>	
VOTE-ONLY ISSUE 10	21ST CENTURY LEGAL EFFORTS	15
VOTE-ONLY ISSUE 11	STATEWIDE PERSONNEL/PAYROLL TRAINING	16
<b>8885</b>	<b>COMMISSION ON STATE MANDATES</b>	
VOTE-ONLY ISSUE 12	LOCAL GOVERNMENT MANDATES: REASONABLE REIMBURSEMENT METHODOLOGY TRAILER BILL LANGUAGE	17
<b>9210</b>	<b>LOCAL GOVERNMENT FINANCING</b>	
VOTE-ONLY ISSUE 13	LOCAL LAW ENFORCEMENT REIMBURSEMENT (BBL)	19
<b>1700</b>	<b>DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING</b>	
VOTE-ONLY ISSUE 14	ENFORCEMENT STAFFING AND RESOURCES	21
<b>7730</b>	<b>FRANCHISE TAX BOARD</b>	
VOTE-ONLY ISSUE 15	FTB CUSTOMER SERVICE RESOURCES	22
VOTE-ONLY ISSUE 16	CALIFORNIA EARNED INCOME TAX CREDIT – EDUCATION AND OUTREACH	23
<b>0950</b>	<b>STATE TREASURER'S OFFICE</b>	
VOTE-ONLY ISSUE 17	DEBT MANAGEMENT SYSTEM II PROJECT	24
<b>0509</b>	<b>GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT</b>	
VOTE-ONLY ISSUE 18	CA COMPETES TAX CREDIT CLEAN-UP TRAILER BILL LANGUAGE	25

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>1110/1111</b>	<b>DEPARTMENT OF CONSUMER AFFAIRS</b>	
ISSUE 1	BUREAU OF MEDICAL MARIJUANA AND TRAILER BILL LANGUAGE	27
ISSUE 2	BUREAU OF MEDICAL MARIJUANA INFORMATION TECHNOLOGY	34
ISSUE 3	SPRING FINANCE LETTER: BUREAU FOR PRIVATE POSTSECONDARY EDUCATION STUDENT TUITION RECOVERY FUND ADMINISTRATIVE COSTS	36
<b>8955</b>	<b>DEPARTMENT OF VETERANS AFFAIRS</b>	
ISSUE 4	SPRING FINANCE LETTER: ADMINISTRATIVE SUPPORT SERVICES	37
<b>0890</b>	<b>SECRETARY OF STATE</b>	
ISSUE 5	SPRING FINANCE LETTER: CAL-ACCESS REPLACEMENT PROJECT	39

## VOTE-ONLY CALENDAR

### 1110/1111 DEPARTMENT OF CONSUMER AFFAIRS

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#### VOTE-ONLY ISSUE 1: REGISTERED DISPENSING OPTICIANS TRAILER BILL LANGUAGE

The State Board of Optometry requests trailer bill language to implement the provision of transitioning the Registered Dispensing Optician (RDO) program from the Medical Board to the Board of Optometry.

#### BACKGROUND

AB 684 (Alejo, Chapter 405, Statutes of 2015) moves RDO from the Medical Board of California to the State Board of Optometry. This legislation came as the result of over a decade of litigation which overall stated that it was unfair that optometrists and ophthalmologists may set up a practice where patients may receive both eye examinations and prescription eyewear, but opticians may only offer eyewear for retail.

The Administration proposes additional trailer bill language, which authorizes a spectacle lens dispenser or a contact lens dispenser to qualify as one of the nonpublic members of the 11-member Board of Optometry. The language also authorizes a retro-active allowance to appointments made on or after January 1, 2016. The trailer bill also establishes citations and administrative fines and forbids fines from exceeding \$50,000 per investigation.

#### STAFF COMMENTS

Staff notes no concerns with this proposal.

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**Staff Recommendation: Adopt Trailer Bill Language.**

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<b>VOTE-ONLY ISSUE 2: BOARD OF BEHAVIORAL SCIENCES EXAMINATION VENDOR CONTRACT</b>
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The Board of Behavioral Science requests budget authority for \$1.5 million in fiscal year (FY) 2016- 17 to amend its examination vendor contract in order to accommodate a higher number of test takers, resulting from the Board's recent examination restructure required by SB 704 (McLeod) Chapter 387, Statutes of 2011.

<b>BACKGROUND</b>
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At the time the Board proposed the examination restructure, it considered the costs associated with the examination change; specifically the costs to develop the examination. The Board noted that the examination development costs would be absorbable. Since the candidate pays for the examination when the examination application and fee is submitted, the Board did not anticipate any issues associated with paying the examination contract. However, under the current budget structure, the Board is unable to redirect current budget authority, despite receiving sufficient revenue, to cover the increase in examination contract costs.

Under the new examination process, all Board registrants are required to take and pass a Law and Ethics examination. Once a registrant passes the Law and Ethics examination, they are not required to retake the examination. Currently, the Board anticipates a substantial influx of registrants who will be required to submit an application to take the Law and Ethics examination within the next two fiscal years. Registrants who are not successful in the Law and Ethics examination will have the opportunity to retake the examination every 90 days. The Board estimates that it will receive over 61,000 applications (initial examination application and retake applications) in FY 2016-17. According to the Board, it is unable to absorb these additional contract costs, caused by an influx of Law and Ethics exam test takers, within its existing resources.

Fiscal Year	2016-17
Initial Registrants*	8,627
Existing Registrants required to take exam	30,634
Total first exam	39,261
First retake applications**	15,704
Subsequent retake applications **	6,282
Total exam applications received annually	61,247
*includes MFTI, ASW, PCI	
** assumes 60% pass rate	

<b>STAFF COMMENTS</b>
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Staff notes no concerns with this proposal at this time.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 3: CONTROL SECTION 11.42**

The Administration proposes Control Section 11.42, which would authorize the Department of Finance, no sooner than 30 days after written notification to the Joint Legislative Budget Committee and chairs of the fiscal committees in each house, to augment departmental budgets, as necessary, to fund medical marijuana-related information technology projects.

**STAFF COMMENTS**

In last year's budget hearings, this Subcommittee spoke at length regarding oversight with the BreZE project, and noted concern regarding DCA's ability to request additional funds without utilizing the budget process. It has also been noted that the proposed control section is duplicative to existing Control Section 11, which requires the Department of Finance to report any increases to the project's overall cost of \$5 million to the Joint Legislative Budget Committee.

Staff recommends rejecting this proposal.

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**Staff Recommendation: Reject this proposal.**

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**8955 DEPARTMENT OF VETERANS AFFAIRS****VOTE-ONLY ISSUE 4: CAL-TAP PROGRAM**

The Department of Veterans Affairs (CalVet) requests \$813,000 General Fund in Budget Year 2016-17 and \$774,000 General Fund annually thereafter to support seven positions, of which five are existing but unfunded, which will support the California Transition Assistance Program (Cal-TAP) within the Veteran Services Division of the CalVet.

**BACKGROUND**

AB 1509 (Hernandez) Chapter 647, Statutes of 2014, required CalVet to develop a transition assistance program plan to assist veterans who have been discharged from the Armed Forces of the United States or the National Guard of any state, as specified. The bill also required the program plan to include certain California-specific transition assistance information.

The Department of Defense (DoD) Transition Assistance Program (TAP) was developed in 1990 to assist separating and retiring military members in preparing for their transition back to civilian life. The program consisted of a one-week curriculum that primarily focused on employment. The TAP was coordinated by the Department of Labor (DOL) and provided three days of employment training focusing on identifying transferable skills, resume writing, and effective interviewing techniques. The remaining scheduled curriculum was filled by representatives of the United States Department of Veterans Affairs (USDVA) and DoD family support networks.

The largest criticism of the TAP program was that it was not available to all separating service members with often times no program in place for National Guard or Reserve members. Additionally, the USDVA role was so minimal that it was not possible to properly disseminate nor retain the volumes of information delivered in such a short period of time. The USDVA benefits education portion of the program was often referred to as "drinking from a fire-hose." The DoD representatives that presented at TAP were also criticized for lacking the understanding of the civilian world and the myriad of challenges service members might face once they took the uniform off.

In the federal Vow to Hire Heroes Act of 2011, a new transition program for exiting service members was mandated. Over the past three years, the DoD, USDVA, DOL, along with partners like the Small Business Administration, United States Department of Education have restructured the program formerly known as TAP into what is now called Transition: Goals, Plans, Success (T-GPS). The focus of the T-GPS program is to develop a curriculum that can be standardized and delivered with consistency across all branches of the military. Additionally, the T-GPS program was made mandatory for all exiting service members and is also available to spouses in a live classroom or online format up to 12 months before separation. T-GPS is an outcome-based modular curriculum which offers a core curriculum with standardized learning objectives. The program's goal is to prepare service members for the transition to civilian life by aligning

their experience and knowledge obtained in the military with their civilian career goals. The program is designed to achieve this alignment by offering service members three distinct tracts; Education, Technical Training, and Entrepreneurship. The training modules are delivered by the Military Services and partnering agencies at installations across the country.

The Cal-TAP curriculum will be developed based on current best practices and the analysis of veteran demographic and benefits usage data regionally. Curriculum will continuously be evaluated with recommendations derived from up to date veteran data and research analysis, producing recommendations for targeting outreach and information to meet the veteran need. To inform and connect veterans of all eras successfully, a core curriculum will be developed that upon completion will lead veterans into three pathways: education, employment, and entrepreneurship—a total of 22 modules.

This proposal requests funding for 1.0 Staff Services Manager II and 6.0 Associate Governmental Program Analysts (AGPA) including position authority for 2.0 of these positions to develop and continuously update the online and in-person curriculum. Experts from organizations who administer programs and benefits for veterans will deliver the curriculum, and veterans can hear directly from the CalVet, USDVA, and numerous non-profit community-based organizations about specific benefits and services available nationally, state-wide, or more importantly in the community where they live.

**Implementation Plan:**

- June 2016 - Post job announcements
- June 2016 - Interview applicants
- July 2016 - Hire and onboard incumbents.

<b>STAFF COMMENTS</b>
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Staff notes no concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 5: VETERANS HOME OVERSIGHT**

The Assembly and Senate are taking conforming actions to require the Legislative Analyst's Office and CalVet to provide a report to the Legislature as specified.

**BACKGROUND**

The Supplemental Report Language reads as follows:

“The Legislative Analyst's Office, with assistance from the California Department of Veterans Affairs and the Department of Finance, shall report to the Legislature, by March 15, 2017, on the role of Veterans Homes in the 21<sup>st</sup> century. To the extent feasible, topics of the report shall include, but are not limited to: demographics of the state's veterans; an analysis on whether the services provided at the Homes align with veterans' needs in the community, such as housing, employment assistance, or behavioral or mental health services; options to improve federal funding; and the implications of various funding scenarios.”

**STAFF COMMENTS**

Staff recommends adopting the Supplemental Reporting Language in order to have a better understanding of the landscape of the State's Veterans Homes. This report will hopefully guide future discussions regarding the status and future of the Veterans Homes Division.

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**Staff Recommendation: Approve Supplemental Reporting Language.**

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**0890 SECRETARY OF STATE**

**VOTE-ONLY ISSUE 6: VOTER INFORMATION GUIDE**

The Secretary of State (SOS) requests \$10 million General Fund for additional costs related to the Voter Information Guide (VIG). Specifically, this funding will be used to print the principal and supplemental voter information guides (VIG) for the 2016 Election. The proposal also includes budget bill language to specify that resources can only be used for printing the 2016 VIG; and prior to expending funds, the SOS must provide a report to Department of Finance. In addition, the language authorizes any unexpended funds to revert to the General Fund.

**BACKGROUND**

This year’s election cycle is shaping up to be one of the most contentious in decades. The November 2016 ballot is expected to have a large number of initiatives for consideration, and thus the voter information guide will include more detail than in previous years. On April 29, 2016, the Governor signed Assembly Bill 120 (Budget Committee), Chapter 11, Statutes of 2016, which provided \$16.3 million GF to the SOS to provide counties reimbursement for elections costs related to the June 2016 primary. AB 120 does not include funding for the printing of the voter information guide.

The request includes language that requires the Secretary of State to “provide a detailed report to the Department of Finance.” As proposed, the language does not indicate what information would be reported to Finance, when the information will be provided, or the purpose of the report.

The Subcommittee may wish to consider the following language:

0890-001-0001—For support of Secretary of State	29,038,000
.....	
	<u>36,338,000</u>

Schedule:

(1) 0700-Filings and Registrations	
.....	1,181,000
(2) 0705-Elections .....	49,350,000
	<u>26,650,000</u>
(3) 0710-Archives .....	8,174,000
(4) 0715-Department of Justice	
Legal Services .....	333,000

(5) 9900100-Administration .....	24,467,000
(6) 9900200-Administration— Distributed .....	-24,467,000

## Provisions:

1. The Secretary of State shall not expend any special handling fees authorized by Chapter 999 of the Statutes of 1999 which are collected in excess of the cost of administering those special handling fees unless specifically authorized by the Legislature.
2. Of the funds appropriated in this item, ~~\$5,733,000~~ \$13,033,000 is available for the purposes of preparing, printing, and mailing the state ballot pamphlet pursuant to Article 7 (commencing with Section 9080) of Chapter 1 of Division 9 of the Elections Code. At least 30 days before these funds are expended, the Secretary of State shall submit to the Director of Finance and the chairperson of the Joint Legislative Budget Committee an itemized estimate of these costs. Any unexpended funds pursuant to this provision shall revert to the General Fund.

<b>STAFF COMMENTS</b>
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At this Subcommittee's hearing on April 26<sup>th</sup>, the Secretary of State mentioned that the increased cost for the Voter Information Guide would be around \$8.7 million.

Staff recommends that the Committee approve \$7.3 million for only the general Voter Information Guide and the proposed provisional Budget Bill Language.

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**Staff Recommendation: Approve \$7.3 million for only the general Voter Information Guide and adopt the proposed provisional Budget Bill Language.**

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**CONTROL SECTION 6.10****VOTE-ONLY ISSUE 7: DEFERRED MAINTENANCE PROJECTS**

The budget proposes to allocate \$500 million (General Fund) for deferred maintenance projects in 2016-17.

**BACKGROUND**

In addition to the \$500 million, the proposal includes \$289 Proposition 98 General Fund and \$18 million Motor Vehicle Account for deferred maintenance projects for the California Highway Patrol and Department of Motor Vehicles.

Under this proposal, departments would provide DOF a list of deferred maintenance projects for which the funding would be allocated. The DOF would review and provide the approved list to the Chairperson of the Joint Legislative Budget Committee (JLBC) 30 days prior to allocating any funds. The amounts specified above would be available for encumbrance or expenditure until June 30, 2018. If a department made a change to the approved list after the funds have been allocated, DOF's approval is required and the JLBC would be notified 30 days prior to the change being approved.

C.S. 6.10 is identical with the exception for the amounts and departments, to the list proposed last year as part of the Governor's budget. Outside of this program, most deferred maintenance is funded through the baseline support budget provided to individual departments. Departments have some discretion to use these funds for maintenance projects or other higher priority needs within the department.

**LAO COMMENTS**

The Legislative Analyst Office (LAO) continues to express concern regarding the Legislature's abrogation of its authority for capital outlay and deferred maintenance and recommends steps that would reinsert the legislative perspective in this process. For the current deferred maintenance proposal, the LAO recommends: (1) requiring lists of proposed projects to be funded by each department by April; (2) requiring individual departments to report at budget hearings regarding the projects; (3) modifying departments' funding levels based on project reviews; and (4) requiring that funded projects be listed in a Supplemental Report to the 2016 Budget Act.

**STAFF COMMENT**

The Governor continues to address the funding needs for deferred maintenance projects throughout the State. Similar to last year, the approach is to include General Fund dollars instead of other financing tools such as bonds or user fees. Consistent with last year, on Friday, April 29, 2016, the department provided a draft list of deferred maintenance projects to be funded with the budget request.

This issue was heard by the Subcommittee on May 3, 2016 and held open. A draft list of deferred maintenance projects was released on Friday, April 29, 2016. Consistent with the Senate Budget Committee, staff recommends that a quarterly notification related to any project changes in excess of \$1 million be altered to require a 30-day notification to the Joint Legislative Budget Committee (JLBC).

Proposed changes to C.S. 6.10:

*(d) Prior to making a change to the list, a department shall obtain the approval of the Director of Finance. The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee no less than 30 days prior to approving any changes in excess of \$1 million and quarterly of any and all changes to the list of deferred maintenance projects. The 30-day and quarterly notifications to the Joint Legislative Budget Committee shall identify the projects removed or added, the cost of those projects, and the reasons for the changes.*

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**Staff Recommendation: Approve as budgeted with placeholder budget bill language.**

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**7501 DEPARTMENT OF HUMAN RESOURCES**

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**VOTE-ONLY ISSUE 8: CIVIL SERVICE IMPROVEMENT**

CalHR requests resources the following resources for the next three years, using a mix of General Fund, Reimbursements, and Central Cost Recovery Fund to implement Civil Service Improvement reforms and identify new areas for improvement:

- 16 positions and \$1,916,000 in FY 2016-17,
- 17 positions and \$1,848,000 in FY 2017-18, and
- \$1,839,000 in FY 2018-19.

**STAFF COMMENTS**

The Subcommittee heard this issue on March 15, 2016. The resources included in this BCP are reasonable for the implementation of Civil Service Improvement as outlined by CalHR.

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**Staff Recommendation: Approve as budgeted.**

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**7320 PUBLIC EMPLOYMENT RELATIONS BOARD****VOTE-ONLY ISSUE 9: AUGMENTATION TO REDUCE BACKLOGS AND LOS ANGELES REGIONAL OFFICE RELOCATION**

The Public Employment Relations Board includes two proposals for PERB: (1) \$885,000 (General Fund) to fund five new positions—bringing the board's total position authority to 62 positions—and (2) \$217,000 (General Fund) to pay for costs associated with relocating the Glendale office.

**BACKGROUND**

**Governor's Proposal.** The proposal includes five new positions and \$885,000 in 2016-17 (\$873,000 ongoing) to address increased workload, reduce backlogs, and contribute towards meeting statutory requirements. The requested funding would support four of the five positions. The fifth position would be funded with existing departmental resources freed up by canceling a contract with the Department of General Services (DGS) to provide administrative services.

Additionally, the proposal provides \$100,000 one-time funding for moving to the new building and \$117,000 on an ongoing basis to pay for increased rental costs associated with the Los Angeles regional office located in Glendale. DGS determined that the existing office space does not fully comply with federal and state laws that establish standards to ensure buildings are accessible to people with disabilities.

**STAFF COMMENTS**

This item was heard by the Subcommittee on March 15, 2016. Concerns at the time were related to funding the five new positions and ensuring that PERB funding was aligned correctly. As a response, staff recommends the following:

- Approve \$885,000 to fund three of the proposed five positions, specifically one supervising attorney, one conciliator, and one staff services manager, and the balance to address operating expenses, and approve proposed funding for office relocation
- Adopt the following budget bill language:
  - *Require PERB to report to the Joint Legislative Budget Committee, other fiscal committees of the Legislature, and the Legislative Analyst's Office on its workload and resources: The amount of time it takes the Public Employment Relations Board (board) to resolve labor disputes brought before it has an effect on labor relations and state and local governments' ability to provide services to the public. Accordingly, it is the intent of the Legislature to provide the board sufficient resources to effectively and efficiently resolve cases in a timely manner. On or before January 10,*

*2017, and May 14, 2017, the board shall report to the Chairperson of the Joint Legislative Budget Committee, the chairpersons of the other fiscal committees of the Legislature, and the Legislative Analyst's Office on its workload and resources. Specifically, for each of the three divisions of the board that resolve labor disputes— Office of General Counsel, Administrative Law Judges, and State Mediation and Conciliation, the board shall report for each quarter between July 1, 2015 and the reporting deadline (1) the number of open cases, (2) case aging and average processing time, (3) the number of authorized positions in the Division, and (4) the number of filled positions in the division.*

- Approve \$217,000 (General Fund) to pay for costs associated with relocating the Glendale office.

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**Staff Recommendation: Approve \$885,000 and three positions along with budget bill language to reduce backlogs and approve the regional office relocation as budgeted.**

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**0840 STATE CONTROLLER****VOTE-ONLY ISSUE 10: 21<sup>ST</sup> CENTURY LEGAL EFFORTS**

The State Controller's Office requests \$4,832,000 (\$3,860,000 Special Funds and \$972,000 reimbursements) in 2016-17, for one-year limited-term funding to support eight positions for 6 months to support on-going legal activities as a result of the 21<sup>st</sup> Century Project.

**BACKGROUND**

For more information on this issue, refer to the March 29, 2016, agenda.

**Proposed Trailer Bill Language.** Existing law authorized the Controller to assess special funds within the state treasury for costs attributable to the replacement effort of the payroll disbursement system.

The provisions in this section were originally set to expire on June 30, 2011. They were extended by three years through AB 119 (Chapter 31, Statutes of 2011) to June 30, 2014. The 2014 Budget Act extended these provisions by one year. Similar to last year, the proposed trailer bill language would extend these provisions by another year to June 30, 2017.

**Provisional Budget Bill Language.** In previous years, the SCO requested provisional budget bill language that authorizes additional expenditures for legal costs. The provisional items would allow for further augmentation from all fund sources to fund litigation and related support efforts related to the 21<sup>st</sup> Century project throughout the year. The same provisional budget bill language is proposed for the budget.

**LAO COMMENTS**

The LAO position on the provision language remains unchanged from the 2014-15 analysis where they stated that the state should budget a reasonable estimate of anticipated costs. The budget process allows the administration to later submit a request for contingency funding under item 9840 of the annual budget act or a supplemental appropriation for overruns and therefore the provisional language is unnecessary.

**STAFF COMMENTS**

The request for legal costs are consistent with past actions taken by the Subcommittee.

**Staff Recommendation: Approve the requested funding, approve the trailer bill language and reject the provisional budget bill language.**

**VOTE-ONLY ISSUE 11: STATEWIDE PERSONNEL/PAYROLL TRAINING**

This proposal requests 2.1 limited-term funding for 2016-17 and 2017-18, and 7.4 positions in 2016-17, 2017-18, and ongoing to meet the needs for statewide personnel and payroll training as follows:

- Limited-term funding consists of \$307,000 (\$175,000 General Fund and \$132,000 CSCRF) in 2016-17, and \$235,000 (\$134,000 General Fund and \$101,000 CSCRF) in 2017-18
- Ongoing funding consists of \$769,000 (\$380,000 General Fund, \$286,000 CSCRF, and \$103,000 reimbursements) in 2016-17, and \$763,000 (\$377,000 General Fund, \$285,000 CSCRF, and \$101,000 reimbursements) in 2017-18, and ongoing.

**BACKGROUND**

The Statewide Training Unit (STU) within the Personnel and Payroll Services Division (PPSD) was created in the mid-1970s with the goal of providing personnel/payroll training to Human Resources (HR) staff in all civil service state departments at no-cost for those receiving training. The training courses are intended to provide HR staff with knowledge, skills, and abilities to process personnel/payroll transactions and generate accurate and timely payroll using the Uniform State Payroll System (USPS).

**2016-17 Budget Request.** The SCO requests continuation of the four two-year limited-term positions on a permanent basis and an additional two permanent positions, and two-year limited-term funding for two resources for the Learning Management system and Support, to meet the STU's training objective.

**STAFF COMMENTS**

For more background on this item, refer to the March 29, 2016, agenda. The 2014-15 budget request provided the opportunity to check up on the training needs at the SCO with the limited term positions. The need for ongoing training is reflected in the requests received by the SCO. The subcommittee should request that the SCO report back on staff training next year during the annual budget process.

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**Staff Recommendation: Approve as budgeted.**

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**8885 COMMISSION ON STATE MANDATES****VOTE-ONLY ISSUE 12: LOCAL GOVERNMENT MANDATES: REASONABLE REIMBURSEMENT  
METHODOLOGY TRAILER BILL LANGUAGE**

The Governor's proposal would require the State Controller's Office to audit all reimbursement claims used in the development of any new Reasonable Reimbursement Methodology (RRM).

**BACKGROUND**

For additional background on this item, refer to the March 29, 2016, agenda.

**LAO COMMENTS**

The Legislative Analyst's Office continues to express concerns with this language, with amended proposed language by the DOF. In January, the LAO recommended rejecting the Governor's proposal, but did offer an alternative. While the Governor's proposal takes steps towards our alternative, the LAO believes the new language would still significantly reduce the use of the RRM. As a result, the recommends rejecting DOF's proposed trailer bill based on the following:

- **An RRM Based on Claims Must Use a Representative Sample of Claims.** A reasonable reimbursement methodology (RRM) proposal must use (1) "cost information for a representative sample of eligible claimants" (emphasis added), (2) information provided by associations of local agencies and school districts, or (3) other projections of local costs." As a result, to be approved by the Commission, any RRM developed using actual claims data from local governments must reflect the variation across local governments affected by the mandate.
- **Administration's May Proposal Would Require A "Representative Sample of Claims" Be Audited.** The administration's January proposal required all claims used to develop a RRM be audited. In the May Revision, the administration changed the requirement and instead would require a "representative sample of claims to be audited." The State Controller's Office (SCO) would have discretion in determining the claims to include in the sample and would have one year to complete the audits.
- **RRM Could Only Be Based on the Claims in the Audited Sample.** The administration's May proposal would not only require a sample of claims be audited, but also would require that an RRM adopted could only be based on those claims in the audited sample. As a result, the number of claims on which an RRM would be based likely would be greatly reduced. We outline an example of the proposal in the bullets below.

- There are about 1,000 school districts in the state.
  - An RRM is proposed for a school district mandate regarding immunization record. The RRM submitted uses claims from 100 school districts (which is roughly consistent with the number of claims submitted for prior mandates).
  - The SCO selects 20 school districts' claims (of the original 100) to audit.
  - The RRM is adjusted to reflect any changes from the audits and is based only on the 20 audited school districts.
  - The Commission on State Mandates would have to determine whether the newly developed RRM (based on 20, rather than 100, school districts) is sufficiently representative of the costs faced by all school districts affected by the mandate.
- **Sample of Claims May Not Be Representative of All Local Governments Costs.** As noted above, an RRM must be reflective of the costs faced by all local governments affected by the mandate. If the SCO's sample of claims reduced the basis of the RRM such that the Commission deemed the RRM proposal as not reflecting costs faced by all local governments, the Commission would reject the RRM proposal. As a result, the SCO's choice of claims to audit could have a large effect on whether the Commission adopts a proposed RRM.
  - **Recommend Rejecting RRM Language Proposal.** As the LAO noted in their January analysis, the intent of the Legislature in establishing the RRM process was to reduce local governments' burden of documenting actual mandate costs, as well as reduce the work of state officials in reviewing and paying associated claims. The changes the administration proposes could make it much more difficult for local governments to have RRM's approved by the Commission, which would reduce the number of RRM's proposed. In turn, this would reduce the number of mandates for which there would be RRM's. Thus, we recommend rejecting the administration's proposal.

<b>STAFF COMMENTS</b>
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There continues to be ongoing concerns with this trailer bill language and the state mandate process overall. Staff recommends rejecting the trailer bill language and requesting that any proposed changes be heard next year under the normal legislative process.

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**Staff Recommendation: Reject Trailer Bill Language**

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**9210 LOCAL GOVERNMENT FINANCING****VOTE-ONLY ISSUE 13: LOCAL LAW ENFORCEMENT REIMBURSEMENT (BBL)**

The budget includes \$10 million for reimbursement of costs associated with AB 953 (Weber), Chapter 466, Statutes of 2015, which calls for tracking and reporting of stops by local law enforcement. The budget bill language indicates that the funds are to be awarded based on a schedule to be provided by the DOF and acceptance of the funds would preclude the local government from filing a claim for these costs with the Commission on State Mandates (CSM).

**BACKGROUND**

AB 953 requires the Attorney General to establish the Racial and Identity Profiling Advisory Board, which is directed, among other duties, to investigate and analyze state and local law enforcement agencies' racial and identity profiling policies and practices across geographic areas in California and make publicly available its findings and policy recommendations. The measure requires each state and local agency that employs peace officers to annually report to the Attorney General, data on all stops conducted by the agency's peace officers, and requires that data to include specified information, including the time, date, and location of the stop, and the reason for the stop.

The measure was identified as a state-mandated local program by Legislative Counsel. Whether the required activities constitute a reimbursable mandate (and if so, what are the allowable costs) will be determined by the CSM.

**STAFF COMMENTS**

This Department of Finance had indicated that it would update this item during the May Revision, but no proposal was submitted. As drafted, the language raises a number of questions including the basis on which funds are to be allocated, and whether local governments conducting state-mandated activities can be precluded from receiving constitutionally-protected expense reimbursements or can waive the right to claim such reimbursements. This language could create a precedent that would apply for future mandates.

Staff recommends that language be adopted that treats any amounts awarded for activities undertaken by local governments in complying with the statute be treated as payments toward fulfilling any mandated reimbursements. Staff also recommends the following changes to the Budget Bill Language:

9210-103-0001—For local assistance, Local  
Government Financing ..... 10,000,000

Schedule:

(1) 7540-Aid to Local Government  
..... 10,000,000

Provisions:

1. The amount appropriated in this item is to reimburse local law enforcement agencies for costs related to the implementation of Chapter 466, Statutes of 2015.
2. The funds appropriated in this item shall be allocated to the local jurisdictions by the Controller according to a schedule provided by the Department of Finance.
3. ~~Acceptance of these funds shall preclude recipient entities from filing a claim with the Commission on State Mandates for costs incurred under the provisions of Chapter 466, Statutes of 2015.~~ *Funds received by local agencies from this appropriation shall offset future mandate claims submitted to the State Controller's Office."*

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**Staff Recommendation: Approve alternative BBL for item 9210-103-001.**

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**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING****VOTE-ONLY ISSUE 14: ENFORCEMENT STAFFING AND RESOURCES**

The Governor's budget includes an increase of \$2.5 million (General Fund) for 28 positions in 2016-17, and \$2.8 million in 2017-18 and ongoing, to provide enforcement staff and resources to investigate complaints of civil rights violations and to respond to Public Records Act (PRA) requests.

**BACKGROUND**

For more additional background on this issue, refer to the April 5, 2016, agenda.

**STAFF COMMENTS**

This item was held open to develop reporting language that would require DFEH to report in 2017 on performance metrics under development. The following supplemental reporting language reflects that request:

**Employment and Housing Case Information.**

On or before March 1, 2019, the Department of Fair Employment and Housing shall submit a report to the Joint Legislative Budget Committee that includes the following information for each calendar year, January 1, 2017 through December 31, 2018:

- 1) Average number of days between receipt of a pre-complaint inquiry and the intake interview.
- 2) Number of cases for which the amount of time between receipt of a pre-complaint inquiry and the intake interview exceeds 30 days.
- 3) Average number of days for complaints to be served on respondents, differentiated by complaints dual-filed with the U.S. Department of Housing and Urban Development or U.S. Equal Employment Opportunity Commission and those not dual-filed.
- 4) Number of dual-filed cases not served within 10 days.
- 5) Number of non-dual-filed cases not served with 60 days.
- 6) Average number of days to close a case.
- 7) Percentage of cases closed within 100, 180, 275 and 365 days.
- 8) Number of cases rejected by the U.S. Equal Employment Opportunity Commission for payment due to quality reasons.
- 9) Number of cases remanded by the U.S. Department of Housing and Urban Development because of incomplete or inadequate investigation.
- 10) Number of cases waived to the U.S. Department of Housing and Urban Development or U.S. Equal Employment Opportunity Commission because the department identified possible merit too late to adequately investigate.
- 11) U.S. Department of Housing and Urban Development scoring of investigation quality.

**Staff Recommendation: Approve as budgeted and adopt placeholder SRL.**

**7730 FRANCHISE TAX BOARD**

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**VOTE-ONLY ISSUE 15: FTB CUSTOMER SERVICE RESOURCES**

The Franchise Tax Board requests \$7.7 million (General Fund) and 85 positions for 2016-17, and \$7.1 million (General Fund) and 93 positions for 2017-18, and ongoing to enable the department to effectively transact business with taxpayers, interacting in ways that are more convenient for them and providing information allowing taxpayers to meet their tax filing and payment obligations.

**BACKGROUND**

For more information on this item, refer to the March 29, 2016, agenda.

**STAFF COMMENTS**

This is a sizeable increase to FTB's existing programs. Staff will note that the original request that was submitted to the Department of Finance requested \$15 million and 180 positions in 2016-17, and \$15 million and 193 positions in 2017-18.

Staff recommends that the subcommittee approve a portion of the positions requested on a permanent basis and the other portion on a limited-term basis with provisional language allowing the continuation of the limited-term positions upon presentation of the justification and a 30-day notice to the Joint Legislative Budget Committee (JLBC).

**Proposed Budget Bill language:**

*Of the funds appropriated in this item, \$4,715,000 shall be available to fund the equivalent of 63 positions through the 2018-19 fiscal year for staffing various customer service channels. The Franchise Tax Board may convert this funding to permanent funding with corresponding position authority for 63 permanent positions subject to approval of the Department of Finance, not sooner than 30 days after notification in writing to the chairpersons of the fiscal committees of each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.*

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**Staff Recommendation: Approve six positions for website technology accessibility and 24 positions for power of attorney activities on a permanent basis, and all other positions on a three-year limited-term basis, with BBL to allow for the extension with proper justification.**

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**VOTE-ONLY ISSUE 16: CALIFORNIA EARNED INCOME TAX CREDIT – EDUCATION AND OUTREACH**

The Franchise Tax Board (FTB) requests \$2 million (General Fund) for education and outreach efforts related to the California Earned Income Tax Credit (EITC) that was implemented in the 2015 tax year.

**BACKGROUND**

For more information on this item, refer to the May 18, 2016, agenda.

**STAFF COMMENTS**

Advocates have raised concerns that additional outreach is needed to help reach more of the targeted community. Concerns were raised about the allocation of the funds and thus, the following provisional language is recommended:

*In order to maximize participation and claiming of the Earned Income Tax Credit, \$2 million of the amount appropriated in Schedule (1) of this item should be allocated in a manner that emphasizes non-profit and community-based organizations that provide increased awareness of the CA Earned Income Tax Credit among eligible families and individuals and free tax preparation assistance to those eligible families and individuals.*

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**Staff Recommendation: Approve as budgeted and adopt placeholder budget bill language.**

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**0950 STATE TREASURER'S OFFICE**

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**VOTE-ONLY ISSUE 17: DEBT MANAGEMENT SYSTEM (DMS) II PROJECT**

The STO is requesting \$6.265 million in expenditure and reimbursement authority for 2016-17 to continue the DMS II Project. The DMS II Project was originally planned to be a replacement system for the STO's existing DMS, however following feedback in March 2015, it was determined that the STO would be better served to modernize its current Oracle platform.

**BACKGROUND**

For additional background on this issue, refer to the April 26, 2016, agenda.

**STAFF COMMENTS**

This proposal would provide the necessary resources needed to continue with the project. The changes made the project will ensure the project's success.

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**Staff Recommendation: Approve as budgeted.**

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**0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT****VOTE-ONLY ISSUE 18: CALIFORNIA COMPETES TAX CREDIT CLEAN-UP TRAILER BILL LANGUAGE**

The May Revision proposes trailer bill language that would clarify GO-Biz's existing authority to negotiate tax credit agreements.

**BACKGROUND**

The California Competes Tax Credit (CCTC) clean-up language would clarify GO-Biz's existing authority to negotiate tax credit agreements by explicitly stating that GO-Biz may consider the following factors when deciding whether to enter into a tax credit agreement with a business:

1. The financial solvency of the business and the business's ability to finance its proposed expansion.
2. The business's current and prior compliance with federal and state laws.
3. Current and prior litigation involving the business.
4. The reasonableness of the fee arrangement between the business and any third party providing services related to the CCTC.
5. Other factors GO-Biz deems necessary to ensure the administration of the CCTC is a model of accountability, transparency, and the effective use of the limited tax credits available is maximized.

The CCTC program is one component of Governor Brown's Economic Development Initiative of 2013. The CCTC program authorizes GO-Biz to provide tax credits to businesses in exchange for California job creation and capital investments. However, unlike other tax incentive programs in which a business is automatically entitled to the incentive if it meets the statutory requirements, the CCTC enabling statutes provide GO-Biz the ability to negotiate tax credit agreements on behalf of the state with businesses committing to expand or locate in California.

The total amount of CCTC that can be awarded in any fiscal year is statutorily capped at \$200 million, plus any unallocated or recaptured previously awarded credits. The legislative intent language in the bill that created the CCTC states that the program was enacted to be a model of accountability and transparency and to maximize the effectiveness of the state's limited economic development dollars. Consistent with this intent, in 2014 GO-Biz promulgated regulations that, among other requirements, require applicants for the CCTC to disclose information related to their financial condition, federal and state law violations, pending and resolved litigation, and the compensation and nature of agreements with third parties preparing applications for the CCTC. GO-Biz requires this information to ensure the efficacy of the CCTC program and to

maximize benefits of the credits awarded. However, despite the clear legislative intent and authority vested in GO-Biz to administer the CCTC program, GO-Biz's ability to request and evaluate the above information required by its regulations has been called into question.

<b>STAFF COMMENTS</b>
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The CCTC clean-up language would clarify and make explicit GO-Biz's authority in this regard and ensure that the program continues to operate as it has since its inception.

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**Staff Recommendation: Adopt Placeholder Trailer Bill language.**

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## ITEMS TO BE HEARD

### 1110/1111 DEPARTMENT OF CONSUMER AFFAIRS

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#### ISSUE 1: BUREAU OF MEDICAL MARIJUANA REGULATION TRAILER BILL LANGUAGE

The intent of the proposed trailer bill language is to implement the Medical Marijuana Regulation and Safety Act, a package of bills passed in 2015.

#### BACKGROUND

**Establishment of a Bureau to Oversee Medical Marijuana Regulation.** As medicinal marijuana has become more prevalent in California, so has the need to create regulatory framework for the cultivation, transportation, quality, and distribution of medical marijuana. Three policy bills were passed last year, which established the Medical Marijuana Regulation and Safety Act within the Business and Professions Code. The following bills compose the Medical Marijuana Regulation and Safety Act:

- AB 243 (Wood, Chapter 688, Statutes of 2015) establishes the Medical Marijuana Regulation and Safety Act Fund and appropriates \$10 million.
- AB 266 (Cooley, Chapter 689, Statutes of 2015) establishes articles related to licensed cultivation sites, funding, penalties and violations, and a study with the California Marijuana Research Program.
- SB 643 (McGuire, Chapter 719, Statutes of 2015) establishes standards for a physician and surgeon prescribing medical cannabis and allows the Governor to appoint a Bureau Chief.

**Budget Overview.** The Budget includes a loan of \$5.4 million to the Medical Marijuana Regulation and Safety Act Fund in order to fund initial regulatory activities. In addition, the Budget includes \$12.8 million General Fund, \$10.6 million Medical Marijuana Regulation and Safety Act Fund, \$1.2 million other special funds, and 126 positions to implement the regulation of medical marijuana in California. The funding and regulatory responsibility to implement the Act is shared by six Departments and Boards, including:

- **Department of Consumer Affairs.** \$1.6 million in 2015-16 and \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund and 25 positions in 2016-17 to create the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs. The Bureau will regulate the cultivation, transportation, quality, and distribution of medical marijuana.
- **Department of Public Health.** \$457,000 in 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 14 positions in 2016-17

for the licensing and regulation of medical marijuana product manufacturers and testing laboratories.

- **Department of Food and Agriculture.** \$3.3 million in 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund and 18 positions in 2016-17 to provide Medical Cannabis Cultivation Program administrative oversight, promulgate regulations, issue medical marijuana cultivation licenses, and perform an Environmental Impact Report. The Department of Food and Agriculture will also be responsible for developing a program to report the movement of medical marijuana products throughout the distribution chain using unique identifiers.
- **Department of Pesticide Regulation.** \$700,000 from the Pesticide Regulation Fund and three positions in 2016-17 to develop guidelines for the use of pesticides in the cultivation of medical marijuana.
- **Department of Fish and Wildlife.** \$7.7 million from the General Fund to expand and make permanent the statewide multi-agency task force that addresses environmental impacts of medical marijuana cultivation. This task force will also regulate water diversions.
- **State Water Resources Control Board.** \$5.7 million (\$5.2 million General Fund and \$472,000 Waste Discharge Permit Fund) and 35 positions in 2016-17 to develop and implement a regulatory program to address the environmental impacts of medical cannabis cultivation. This program will protect the instream flows for fish from water diversions related to marijuana cultivation.

#### **BUDGET CHANGE PROPOSAL**

The Budget includes \$1.6 million and 9.7 positions in 2015-16, \$3.8 million and 25 positions in 2016-17, \$4.1 million in 2017-18, and \$492,000 in 2018-19, and 2019-20 in order to fund the development and initial start-up of the Bureau of Medical Marijuana Regulation. In budget year 2016-17, the Bureau of Medical Marijuana Regulation requests 25 positions.

#### **TRAILER BILL LANGUAGE**

The proposed Trailer Bill Language makes various changes to the Business and Professions, Fish and Game, Food and Agricultural, Water, and Revenue and Taxation Codes.

#### **Department of Consumer Affairs Provisions Contained in the Administration's Proposed Medical Cannabis TBL:**

The May Revision provides updated trailer bill language for the Medical Cannabis Regulation and Safety Act. The language, among other provisions:

1. Changes the Bureau's name from "Bureau of Medical marijuana Regulation" to "Bureau of Medical Cannabis Regulation"
2. Clarifies that each licensing authority in the Act has the power to enforce against its licensees and authorizes a licensing authority to promulgate regulations, including emergency regulations;
3. Authorizes licensing authorities to work with state and local law enforcement entities when carrying out investigation and enforcement related actions;
4. Establishes a filing deadline for individuals to submit an application for licensure
5. Requires additional conditions of licensures, such as security protocols as part of operative procedures and proof of bond to cover the cost of destroying product;
6. Gives the licensing entity the authority to provide a conditional license;
7. Clarifies how a distributor will take medical cannabis and products to a laboratory for testing
8. Authorizes the Board of Equalization (BOE), for purposes of taxation and regulation, to have access to the Department of Food and Agriculture's track and trace electronic database, of requiring the BOE to create a separate reporting system;
9. Shifts authority to license laboratories from the DPH to the Bureau of Medical Cannabis Regulation; and
10. Excludes a cannabis manufacturer, who infuses butter with cannabis, from having to be licensed as a milk product plant.

**Department of Public Health Provisions Contained in the Administration's Proposed Medical Cannabis TBL:**

1. Transfers licensing authority for marijuana testing laboratories from the Department of Public Health to the Department of Consumer Affairs.
2. Authorizes the product to transition from a cultivator to a manufacturer without going through a distributor.
3. Provides authority to DPH to:
  - Create additional licensures;
  - Utilize emergency regulations for the implementation of the medical marijuana program;
  - Issue conditional licenses;
  - Establish security requirements for manufacturers, and to add those requirements to regulations;

- Establish packaging requirements, including requiring childproof packaging;
- Issue fines, and specifically to issue fines for unlicensed activity;
- Request a corrective action plan for deficiencies found during inspections;
- Issue a press release if the department finds something wrong with a product;
- Define the product as misbranded and issue citations for misbranding a product;
- Define a product as adulterated and issue citations for adulterating a product;
- Issue a mandatory recall on a product; and to
- Embargo a product.

### **Natural Resources Provisions Contained in the Administration's Proposed Medical Cannabis TBL:**

- 1. Clarifying Agency Roles in Protecting Streams.** The TBL clarifies that the State Water Resources Control Board (State Board), rather than the California Department of Food and Agriculture (CDFA), as the agency responsible for ensuring individual and cumulative effects of water diversion and discharge do not affect instream flows needed for fish (migration, spawning, and rearing) and to maintain natural flow variability. The State Water Board must consult with CDFA and the California Department of Fish and Wildlife (DFW) in developing requirements. Requirements established by the State Water Board and DFW to protect instream flows must be included in CDFA's cannabis cultivation licenses.
- 2. Licensing and Enforcement.** The TBL establishes requirements for water supply information when growers apply for a license from CDFA as follows:
  - For the first five years, requires that all CDFA licenses must include a pending application, registration or other water right documentation filed with the Water Board.
  - Beginning 2020, all licenses must have a valid water right. *Business & Prof. Code, Section 19332.2*

The TBL specifies that CDFA licenses will include applicable in-stream flow requirements set by SWRCB and DFW. *Business & Prof. Code, Section 19332.2e*. The TBL specifies that CDFA licenses must also specify that they are not effective until the licensee has received a DFW-issued lake and streambed alteration agreement or is told by CDFW that it is not needed. *Business & Prof. Code, Section 19332.2*.

- 3. Coordination of DFW and SWRCB.** The TBL gives DFW the authority to advise a cultivator that a streambed alteration Agreement is not necessary if the license includes streamflow and other protective measures specified by DFW and the Water Board. Also allows DFW to develop a general agreement for cannabis cultivation. *Fish and Game Code Sections 1602(c) and 1617*. The TBL clarifies State Water Board has enforcement authority if water is diverted or used for

cannabis cultivation and: (1) a CDFA license is required, but not obtained; or (2) the diversion does not comply with the requirements to protect instream flows established by the State Water Board or DFW. This impacts Water Code, Sections 1831 (cease and desist order) and 1847 (administrative fines).

- 4. Process to Protect Instream Flows.** The TBL provides interim requirements directing the State Water Board (through existing process for adopting water quality policies) to establish interim requirements to protect instream flows pending development of long-term requirements. This is designed to enable the State Water Board to act quickly to address impacts to fish and wildlife. Once requirements are developed, the State Water Board and DFW will implement a coordinated registration program for small irrigation operations (similar to existing registration program in all or portions of five North Coast counties). *Business & Prof. Code, Section 19332(e).*

The TBL authorizes DFW to create, using emergency regulations, interim requirements to protect fish and wildlife from the impact of diversions from cannabis cultivation. These interim requirements may be in addition to the State Water Board's instream flow measures. DFW interim requirements remain in place until long-term requirements to protect instream flows are adopted by the State Water Board. *Business & Prof. Code, Section 19332(e).*

The TBL provides long-term requirements directing the State Water Board, in consultation with CDFW, to adopt principles and guidelines to maintain instream flows where cannabis cultivation has the potential to substantially affect instream flows. *Business & Prof. Code, Section 19332(e).*

- 5. Environmental Review.** The TBL exempts the State Water Board and DFW streamflow requirements from the California Environmental Quality Act (CEQA). For the long-term flows, however, the legislation requires an impacts analysis with less potential for delay: the State Water Board must identify significant environmental impacts and alternatives or mitigation to reduce them, and it must consider public comments on the analysis prior to adoption. *Business & Prof. Code, Section 19332(e).*

<b>LAO COMMENT</b>
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The LAO provided the following comments:

“The Governor’s proposed budget trailer legislation includes a number of policy and programmatic changes to MMRSA. As such, the Legislature will want to ensure that these changes are consistent with its priorities and preferred approach to regulating medical marijuana. Below, we highlight several potential questions that the Legislature may wish to ask as it reviews the proposed changes to MMRSA.”

The LAO also highlights the following issues:

**Clear Rationale.** Has the administration provided a clear rationale for the proposed changes to MMRSA? For example, why does the administration propose new requirements and enforcement procedures for cannabis-related water diversions rather than relying upon existing water law?

**Impacts of Changes.** What are the possible budgetary and policy impacts of the proposed changes to MMRSA? For example, transferring responsibilities for licensing marijuana testing laboratories would suggest a need for a corresponding budgetary change.

**Urgency of Proposed Changes.** Which provisions of the proposed language are particularly important to be implemented in the next few weeks in conjunction with the budget act? Alternatively, are there proposed changes that could be made through the policy process where taking more time would not cause significant problems for the implementing departments?

**Relationship to Proposed Non-Medical Marijuana Initiative.** How would these proposed changes be impacted by the proposed ballot initiative to legalize recreational marijuana should it be passed by voters in November? For example, the initiative as proposed assumes DPH as the licensing authority for marijuana testing laboratories, whereas the proposed trailer bill language tasks DCA with this responsibility.

**Drafting Issues.** Are new requirements placed in appropriate statutes? For example, some water-related requirements are proposed for Business and Professions Code rather than Water Code.

#### STAFF COMMENTS

Staff appreciates the effort the Administration and various Departments have put in to implement the Medical Marijuana Regulation and Safety Act. In many ways, the proposed language provides the framework and regulations necessary in order to implement the Act. While Staff agrees with the concept of the language, there are still many technical pieces that need to be worked on with Stakeholders between now and June 15<sup>th</sup>.

The Subcommittee may wish to ask the following questions of the Bureau and Departments:

1. Why have some functions been moved from the Department of Public Health to the Bureau?
2. Why have the water and instream flow requirements been added to the Business and Professions Code, as opposed to referencing existing water codes?

3. Why are marijuana crops being treated differently than other crops? Why not simply require marijuana growers to adhere to California's strict water laws?
4. CEQA exemptions should be used only in the most dire of situations. To be sure, the state needs to move quickly to address concerns about instream flows and water quality concerns, particularly in the north state. What other options have been explored for expediting this proposal?

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**Staff Recommendation: Approve the January proposal for positions and funding and adopt the Administration's trailer bill as provisional trailer bill language.**

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**ISSUE 2: BUREAU OF MEDICAL MARIJUANA REGULATION INFORMATION TECHNOLOGY REQUEST**

The Department provided a May Revision request for \$6 million in fiscal year (FY) 2016-17, \$6.5 million in FY 2017-18, \$1 million in FY 2018-19 and \$803,000 ongoing to fund eight positions and external contract costs for the development, implementation and maintenance of an IT solution that will support the Bureau of Medical Marijuana Regulation (Bureau). The Bureau is in need of an IT solution that will support its licensing and enforcement functions. These costs will be funded exclusively by the Bureau.

**BACKGROUND**

The Administration's \$11 million General Fund loan proposed in the Governor's Budget for 2016-17 medical marijuana resources is insufficient to cover the costs of implementing medical marijuana regulation. Therefore it is also requested that Item 1111-011 -0001 be increased by \$8 million to support this request (\$6 million) and a similar IT proposal from the Department of Food and Agriculture (\$2 million).

AB 266 requires that the Bureau have the capability to issue licenses by January 2018. This proposal requests funding for 8.0 positions effective July 1, 2016, who will assist the current management positions requested in the Governor's Budget in the design, implementation and maintenance of an IT solution that will support the Bureau in these efforts. The staffing resources requested will lead or actively participate in all phases of the software development lifecycle to support the implementation of the Bureau's requirements. This includes requirements analysis, drafting design documentation, revising design documentation, responding to developer questions, identifying solutions for defects or new requirements, developing user acceptance testing scripts, providing input to training materials and external user help guides, planning system launch support processes, and triaging potential defects or enhancement requests received after system launch.

The staffing resources requested in this proposal are as follows:

- 2.0 Systems Software Specialist III (SSS III)
- 2.0 Senior Information Systems Analysts (Senior ISA)
- 3.0 Staff Information Systems Analysts (Staff ISA)
- 1.0 Associate information Systems Analyst (Associate ISA)

Two Senior ISAs and two Staff ISAs will support the documentation of business requirements and support the BMMR staff through all phases of the system development lifecycle. These four staff will break up into two teams - one focusing on licensing business processes and the other enforcement. Additionally, one Staff ISA and one Associate ISA will support the project management tasks associated with implementing the Bureau on a COTS system (e.g. schedule management, deliverables

management, drafting project plans, acting as software librarian, etc.). The two SSS IIIs will complete all tasks associated with the startup and initial maintenance of the hardware supporting the BMMR IT COTS.

Given the firm deadline of January 2018 and the criticality of setting up foundational hardware to support build, testing, and implementation phases of the software development lifecycle, SSS IIIs were requested as the staff would be expert-level and require little direction to complete tasks by the hard deadline. It is anticipated that only two Senior ISAs and one SSS III will be needed for the maintenance of the IT solution once it is implemented.

<b>STAFF COMMENTS</b>
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The Subcommittee may wish to ask the following questions of the Bureau and Departments:

1. How does the Department plan to work with California Department of Technology in order to ensure viability of the project as well as proper legislative oversight?
2. How does this new project fit into the Department's Stage/Gate model?

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**Staff Recommendation: Approve as Budgeted.**

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**ISSUE 3: SPRING FINANCE LETTER: BUREAU FOR PRIVATE POSTSECONDARY EDUCATION  
STUDENT TUITION RECOVERY FUND ADMINISTRATIVE COSTS**

The Bureau for Private Postsecondary Education requests to transfer expenditure authority of \$183,000 and two positions (one Staff Services Analyst and one Associate Program Governmental Analyst) related to the administration of Student Tuition Recovery Fund (STRF) claims from the Private Postsecondary Education Administration Fund (Admin Fund) to the STRF.

**BACKGROUND**

**Private Postsecondary Education Administration Fund.** The Admin Fund provides general operational support for the Bureau to administer the Private Postsecondary Education Act of 2009, including the administration of STRF awards. Revenues are derived primarily from license and other regulatory fees. Revenues are projected to be approximately \$9.7 million in Fiscal Year 2016-17.

The Bureau notes that revenues derived from licensees are generally expended on licensing and enforcement activities to regulate those licensees.

**Student Tuition Recovery Fund.** The STRF was created as a continuously appropriated fund to reimburse students in the event of a school closure. Current law requires every Californian student enrolled in a private postsecondary institution to pay a STRF assessment fee based upon the student's tuition paid quarterly. The STRF fee is intended to reimburse students who might otherwise experience a financial loss as a result of an untimely school closure.

**STAFF COMMENTS**

Upon a school closure, a student may file a claim with the Bureau for reimbursement from the STRF. STRF is funded by assessments on students. The BPPE Administrative Fund is funded by fees on regulated postsecondary institutions. By shifting STRF administrative costs from the Admin Fund to the STRF, this proposal shifts the burden of paying for the administrative costs associated with the closure of higher education institutions to the students. Essentially, students would be paying for the administrative costs associated with objectionable activities of a BPPE-regulated institution.

Staff recommends denying the Spring Finance Letter.

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**Staff Recommendation: Reject the Spring Finance Letter and instead proposes \$1.3 million in STRF funds to support additional outreach and services to students upon school closures.**

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**8955 DEPARTMENT OF VETERANS AFFAIRS****ISSUE 4: SPRING FINANCE LETTER: ADMINISTRATIVE SUPPORT SERVICES**

CalVet requests \$1.75 million (\$1.65 million General Fund and \$103,000 Farm and Home Building Fund) for 2016-17 in order to fund fifteen currently authorized but unfunded positions to provide support to various CalVet programs. This proposal also requests \$1.67 million (\$1.6 million General Fund and \$99,000 Farm and Home Building Fund) ongoing.

**BACKGROUND**

CalVet has grown exponentially in the past few years. Between 2010 and 2013, five new Veteran Homes opened. Not only has the number of Veterans Homes in the State increased, but also have gone from one Veteran Cemetery to three since 2004 (the California Central Coast Veterans Cemetery is scheduled to open in Summer 2016.) More information about the expansion of the Department is included in the previous issue regarding the additional need for Human Resources Division Staff.

The requested positions in this proposal are:

## Information Services Division

- 1 Staff Information System Analyst
- 1 Assistant Information System Analyst

## Contracts

- 1 Staff Services Manager I
- 3 Associate Governmental Program Analysts
- 1 Office Assistant General

## Human Resources Division

- 1 Staff Services Manager I
- 3 Associate Personnel Analysts

## Legal Division

- 1 Attorney III

## Reasonable Accommodation

- 1 Staff Services Manager I

## Payroll-Based Journal

- 2 Associate Governmental Program Analysts

**Information Services Division.** The additional positions will allow ISD to support the current volume of incoming Helpdesk and desktop requests. Requested resources will be measured along with workload improvements through monthly workload analysis reports.

**Contracts.** The additional staffing in this division will allow 100 percent of the bidding and contract processes for all eight Veterans Homes and three cemeteries to be completed by the Headquarters Contracts Unit.

**Human Resources, Legal Division, and Reasonable Accommodation.** The requested positions will enable CalVet to provide and assist with meeting the new homes' recruitment shortfalls, as well as adequately train managers/ supervisors and personnel staff in the areas of personnel/performance management and employee-employer labor relations.

**Payroll-Based Journal.** The requested positions will enable the Veterans Homes to submit the required data in the specified format to the Centers for Medicare and Medicaid Services (CMS).

<b>STAFF COMMENTS</b>
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This proposal was first heard in Subcommittee on May 3<sup>rd</sup>. Staff notes no concerns and recommends approval.

The Subcommittee commissioned a report on the status of the Veterans Homes last year and received feedback that additional regulatory support would provide the Department with the ability to provide services more efficiently, and in compliance with Federal and State compliance.

Staff recommends approving the Spring Finance Letter as well as an additional \$402,000 for two additional Attorney III positions in order to provide the Department with necessary regulatory support.

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**Staff Recommendation: Approve the Spring Finance Letter with additional \$402,000 for two additional Attorney III positions to provide additional regulatory support to the Homes and Veterans Services Divisions.**

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**0890 SECRETARY OF STATE****ISSUE 5: SPRING FINANCE LETTER: CAL-ACCESS REPLACEMENT PROJECT**

SOS requests an augmentation of \$757,000 in Budget Year 2016-17 from the Political Disclosure, Accountability, Transparency, and Access (PDATA) Fund in order to procure contracted services to assist with the completion of system and business requirements, additional market research, and project management to implement the California Automated Lobbying and Campaign Contribution and Expenditure Search System (CAL-ACCESS) replacement project.

**BACKGROUND**

When CAL-ACCESS was first launched fifteen years ago, it promised to increase accountability and transparency. However, the system has not kept pace with policy changes or technological advances. According to the Secretary of State, replacing CAL-ACCESS will “give SOS the opportunity to improve efficiency and customer service using mechanisms such as electronic workflow and online/electronic communication with users... These opportunities will eliminate manual processes and improve functionality for registration, campaign review, correspondence and enforcement activities, and the ‘workarounds’ necessary to accommodate the new legislative mandates.” The Department maintains that this improved data validation will lead to better data quality as well as the opportunity to provide more transparency and a wider range of reporting to the public.

This proposal makes progress toward the replacement of CAL-ACCESS, which is beyond its useful life, unsupported, and at risk of failure. It also responds to the Administration’s priorities to improve and expand campaign finance and lobbying activity transparency. The Secretary of State anticipates making a future funding request based upon the results of the Project Approval Lifecycle Stage/Gate process to complete the project.

**STAFF COMMENTS**

This proposal was first heard in Subcommittee on May 3<sup>rd</sup>.

Staff recommends Approving the Spring Finance Letter with an additional \$1 million for a total of \$1.8 million. This additional \$1 million would allow SOS to get through to the RFP issuance stage, and not just some of the preliminary development work that the \$757,000 will cover. Overall, this additional funding could provide an expedited timeline for completion of the project.

**Staff Recommendation: Approve the Spring Finance Letter with an additional \$1 million, for the purposes specified in the staff comments.**