

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER TOM DALY, CHAIR

TUESDAY, MARCH 18, 2014
1:30 PM - STATE CAPITOL ROOM 447

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ITEMS TO BE HEARD

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

ISSUE 1: PROCESS SAFETY MANAGEMENT UNIT EXPANSION

The Subcommittee will discuss additional inspector positions that were added by the Legislature in in the 2013-14 budget.

BACKGROUND

In August 2012, a fire broke out at Chevron Richmond refinery when a severely corroded pipe in the refinery's #4 Crude Unit began leaking. Chevron managers did not shut the unit down; instead, they instructed workers to remove insulation, which led to the pipe's rupture and a massive fire. While there were no serious worker injuries, a reported 15,000 residents of surrounding communities sought treatment after breathing emissions from the fire.

The Process Safety Management (PSM) Unit within the Division of Occupational Safety and Health (DOSH) enforces "process safety management" procedures regarding potentially hazardous processes that exist in a wide variety of industries, including oil refineries. California is the only State to have a dedicated unit for this function, which has a staff of 11 to inspect 1,600 facilities that use, process, or store large quantities of toxic, flammable, or explosive chemicals. On average, this unit inspects 27 refineries as well as 112 other facilities per year. Last year, Budget Subcommittee No. 4 found that the PSM needed at least 15 additional positions to have enough personnel to ensure worker and citizen safety within these industries.

Labor Code Section 7870 states that the department "may fix and collect reasonable fees for consultation, inspection, adoption of standards, and other duties" in relation to process safety management at these hazardous sites. The department currently did not collect such a fee. The 2013-14 Budget contained Budget Bill Language to direct the department to use its statutory authority to approve a fee to support an increase in funding and at least 15 new positions for the Process Safety Unit, which inspects oil refineries and chemical plants.

The Governor's proposed budget includes a proposal to expand the PSM staffing by 15 staff—11 new positions that includes four positions redirected from the Targeted Inspection and Consultation Fund program (proposed for reduction in the budget). The full staffing plan is in the chart below:

Classification	Existing Staff	Proposed New	Redirected TCIF	Total
District Manager	1	0	1	2
Associate Safety Engineer	8	10	2	20
Associate Government Program Analyst	0	1	0	1
Office Technician—Typing	2	0	0	2
Career Executive Assignment II	0	0	1	1
Total	11	11	4	26

The Governor's budget proposes that positions related to refinery inspection be funded with a new fee on the refinery industry. The newly established regulatory fee for oil refineries is based on the amount of crude oil being processed at each refinery to fund inspections and enforce workplace health and safety regulations.

The department has provided the following chart to illustrate the expected increase of inspection levels that will result from the additional positions:

Planned Inspection Type	Descriptor	# Inspections	Average Hours per Inspection	Total Inspection Hours
Cumulative Total Past Inspections Between 2001-2012	These primarily included Program Quality Verification inspections which are similar to Special Emphasis Program inspections.	70	64	4,477
Annual Average from the Inspections listed above during 2001-2012		5.83	64	373.08
Future SEP Inspections per year	SEP inspections are those which review specific hazards or processes that are of concern. These are generally driven by a specific event.	15	500	7,500
Future NEP Inspections per year	NEP inspections are traditional comprehensive inspections of a facility.	4	1,200	4,800
Future Turnaround Inspections per year	Turnaround inspections are used to inspect a refinery unit when it is shut down and restarted for scheduled maintenance repair or replacement work.	4	1,500	6,000
Future Contractor Inspections per year	Contractor inspections ensure that contractor employees working within refineries adhere to safety and health guidelines.	60	80	4,800
Total Future Inspections per year		83	278	23,100

As a result of this new fee, the department is able to redirect \$3.3 million of Occupational Safety and Health Fund revenues that once supported the PSM program to the overall Division of Occupational Safety and Health program. This allows the department to fill 26 existing positions that lacked funding.

STAFF COMMENTS

While last year's action did increase inspections staff levels, over 25 percent of the additional staff that were added are administrative and will not perform inspection duties.

Staff Recommendation: Pending

ISSUE 2: UPDATE ON OCCUPATIONAL SAFETY AND HEALTH STAFFING

The Administration will provide an update on Cal-OSHA staffing.

BACKGROUND

The Division of Occupational Safety and Health (DOSH), better known as Cal/OSHA, protects workers from health and safety hazards on the job in almost every workplace in California through research and standards, enforcement, and consultation programs. Cal/OSHA also oversees programs promoting public safety on elevators, amusement rides, and ski lifts. In addition, the division oversees programs promoting the safe use of pressure vessels (e.g., boilers and tanks).

In 2008-09, about \$24 million of Cal/OSHA's operations were funded by the General Fund. The 2009-10 budget eliminated General Fund support for Cal/OSHA and increased the assessment and funding in the OSH Fund to offset the reduction. Historically, funds generated by the OSH fund were not sufficient to fund the level of staffing authorized in the budget. For example, the 2012-13 budget authorized 724.4 positions for DOSH, but OSH fund revenue only provided sufficient funding for 673 of these staff, leaving 51.4 positions vacant.

Actions taken in Subcommittee #4 in 2013 eliminated a sunset on the employer assessment and provided the Department of Industrial Relations (DIR) the authority to increase the assessment amount, based upon the level of appropriation authorized in budget. In 2013-14 this provided DIR additional funding to fill vacant positions.

As mentioned previously, the Governor's budget redirects \$3.3 million (OSH Fund) savings associated with the refinery fee to support 26.0 of 31.5 existing, unfunded positions in the Cal/OSHA program within the DOSH without an increase to the current assessment level. The remaining 5.5 positions will be abolished.

STAFF COMMENTS

As a result of the Great Recession, DOSH staffing has been determined by available funding and cash flow rather than the safety needs of the State. As the funding for the program stabilizes, the Subcommittee may wish to consider what the appropriate standards for safety enforcement should be and what level of staffing is necessary to achieve that level of performance.

Staff Recommendation: Approve as budgeted

ISSUE 3: PUBLIC WORKS CONTRACTING ENFORCEMENT

The Subcommittee will consider the Department of Industrial Relations budget proposal to stabilize the public works contracting functions at the Division of Labor Standards and Enforcement.

BACKGROUND

The Governor's Budget includes a proposal to stabilize funding for the public works contracting functions at the Division of Labor Standards and Enforcement, which monitors and enforces prevailing wage laws.

Since 2009, public works enforcement activities of the Division of Labor Standards and Enforcement has been supported by either:

- 1) a set aside of 0.25 percent of bond funds for a public project for bond funded projects; or
- 2) a surcharge employee compensation premiums for non-bond funded public works projects.

These funding mechanisms did not provide stable and predictable revenue necessary to support the positions needed for enforcement for various reasons including cash flow timing and a mismatch between the projects with funding and those that may need enforcement. In last year's budget the Administration indicated that it would begin work on a replacement funding plan to fix this problem.

The Governor's Budget includes both Budget and Trailer Bill Language to implement the new model. The Administration's plan includes supporting the prevailing wage activities with a new fee, estimated at \$300 per contractor, in lieu of the previous funding mechanism. The program would have \$11.4 million and 83 positions for public works activities in 2014-15.

STAFF COMMENTS

The Subcommittee received a copy of a letter to DIR from Associated General Contractors of California that suggested several changes to the proposal, including a statutory cap on the assessment. The Subcommittee may wish to ask the department to respond to the input provided by the contractors and other groups.

Staff Recommendation: Hold Open

ISSUE 4: OTHER DEPARTMENT OF INDUSTRIAL RELATIONS BUDGET PROPOSALS

The Subcommittee will consider the other Department of Industrial Relations budget proposals

BACKGROUND

The Governor's Budget includes the following Department of Industrial Relations budget proposal:

- **Unpaid Wage Fund Insolvency.** The Governor's Budget includes a decrease of \$3.295 million (Industrial Relations Unpaid Wage Fund) and a corresponding increase of \$3.295 million to the Labor Enforcement and Compliance Fund to shift existing labor enforcement positions to a more appropriate funding source. This will continue to support the Bureau of Field Enforcement, Labor Enforcement Task Force, and the wage claim collection functions within Division of Labor Standards Enforcement.
- **Enhanced Labor Enforcement Compliance from 2013 Legislation.** The Governor's Budget includes \$1.1 million and 5.5 positions (\$624,000 ongoing) from the Labor Enforcement and Compliance Fund to fulfill the provisions of various legislative bills: AB 10 (Alejo) Chapter 351, 2013; SB 241 (Ammiano) Chapter 374, 2013; AB 263 (Hernández) Chapter 732, 2013; SB 390 (Wright) Chapter 718, 2013; SB 400 (Jackson) Chapter 759, 2013; SB 530 (Wright) Chapter 721, 2013; and SB 666 (Steinberg) Chapter 577, 2013.

STAFF COMMENTS

These proposals appear non-controversial, staff recommends approval.

Staff Recommendation: Approve as budgeted.

8955 CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS**ISSUE 5: UPDATE ON 2013 VETERAN INITIATIVES**

The Subcommittee will receive an update on veteran initiatives that were included by the Legislature in the 2013-14 budget.

BACKGROUND

As a result of actions taken by Subcommittee #4, the 2013-14 budget included \$6 million General Fund to assist veterans in accessing federal benefits. Of this amount, \$3 million was provided to develop state employee "strike force" teams that will work with the U.S. Department of Veterans Affairs to address the backlog in processing veterans' claims. The other \$3 million was provided to County Veterans Service Offices to help returning veterans file claims for federal disability, pension and education funds, and speed up the process for approving these claims.

According to the Department of Veterans Affairs, as of February 13, 2014, 21 of 36 approved staff were in place and had so far processed 7,198 claims, which has resulted in \$2 million in lump sum payments to California Veterans and \$2.2 million in ongoing annual veteran benefit payments.

The County Veterans Service Offices have just gotten underway with staffing. According to the Counties, 74 percent of County offices have or plan to increase staffing levels. The Counties calculate that these additional staff would generate as much as \$47 million in annual benefits, based upon historic trends.

STAFF COMMENTS

Of the \$6 million provided in 2013-14, the \$3 million provided to the County Veteran Service Officers was one-time and not proposed to continue in 2014-15. Given the outcomes demonstrated by this first six months of this initiative, the Subcommittee may want to consider extending this funding for additional years or making this funding permanent.

Staff Recommendation: Hold Open

ISSUE 6: UPDATE ON VETERAN HOMES

The Subcommittee will discuss California's state veteran homes.

BACKGROUND

An overwhelming majority of the department's expenditures – more than 80 percent - go toward operating the Veterans Homes of California (VHC), a system of eight veteran's homes, including two new facilities in Redding and Fresno. The 9.9 percent proposed increase in General Fund expenditures for CalVet in 2014-15 is attributable to the final ramp-up phase of staffing and residents in VHC Redding and Fresno.

The VHC are long-term residential care facilities that provide California's aged or disabled veterans with rehabilitative, residential, medical and support services in a home-like environment. Spouses of veterans also are eligible for home membership. The homes are located in Yountville, Barstow, Chula Vista, Lancaster, Ventura, West Los Angeles, Redding, and Fresno. VHC-Yountville was established in 1884 as the first veterans' home in the United States, but the rest of the system was built during the past 20 years. The Lancaster, Ventura, and West Los Angeles homes admitted their first residents in 2010, while Fresno and Redding admitted their first residents in October of 2013.

While construction of the homes has been funded largely through state bonds and federal funds, significant VHC operations are supported by the General Fund. CalVet does receive revenue for VHC from member fees, federal per diem, Medicare and Medi-Cal. In 2014-15, the Administration projects spending \$297.37 million in State General Fund on the VHC, while receiving \$95.12 million in revenue, for a net General Fund impact of \$202.26 million.

CalVet is proposing a significant increase in residents for 2014-15 due to admitting the first residents in Redding and Fresno and more than doubling the number of residents in West Los Angeles. The Residential Care Facilities for the Elderly (RCFE) licenses at the Redding and Fresno VHC provides for double occupancy rooms to accommodate spouses, though currently these rooms are single occupancy. Even with the proposed increase, the system would maintain more than 600 unbudgeted and empty beds.

Fresno and Redding Veteran Homes

In 2008, the Legislature approved the construction of a new VHC in Fresno. Construction began in May 2010 and was completed in April 2012. The United States Department of Veterans Affairs (USDVA) has reimbursed the State of California approximately 65 percent of total construction costs.

The funding and positions requested for VHC Fresno and Redding include staffing and resources for the remaining years of admissions taking the total census to an estimated census of 174 for VHC Fresno by the end of the fiscal year. In Redding, full occupancy of 150 is predicted to occur in March 2015.

The Governor's Budget proposes a total of \$11.46 million in additional funding for the Redding and Fresno homes for the final ramp-up stage of the new facilities.

Greater Los Angeles and Ventura County (GLAVC)

The GLAVC Veterans Home is composed of three sites in West Los Angeles, Lancaster, and Ventura. As mentioned above the GLAVC sites have recently opened. The Lancaster and Ventura homes are at capacity while the West Los Angeles home has not reached residential capacity. One housing advocacy group estimates that up to 20 percent of Los Angeles's homeless population is veterans, which means thousands of veterans lack housing and care in the Los Angeles Area. In 2013, the Subcommittee converted 84 beds that would have sat idle into domiciliary beds for use for this population.

The three GLAVC sites have a physical capacity for 516 beds, but are licensed for 360 beds at this time.

Capacity of the West Los Angeles facility is currently constrained because the food service capabilities of the site limit the number of skilled nursing beds. The department believes it will be able to double the current number of skilled nursing beds from 72 to 144 in the budget year. However, the Governor's budget assumes that in the budget year the facility would be able to house 194.3(average daily census), much higher than the amount that can be licensed for the facility. The department comments that it anticipates adjusting its budget to reflect an updated population census that mirrors the licensing limitations on the site. The department also comments that it is underway with a food service capital improvement project that will allow the licensed skilled nursing capacity at the West Los Angeles site to increase to 228 after it is completed in the spring of 2016.

STAFF COMMENTS

The Subcommittee may wish to question why the West Long Angeles facility is taking so long to bring up to capacity.

The department reports that 35 placements have been made in the domiciliary units so far, with seven of these placements resulting in the successful transition of these individuals into employment and housing. The department states that use of the domiciliary units is limited to referrals from federal Veterans Affairs. The Subcommittee may wish to explore strategies for increasing the number of referrals in the future, given the large number of homeless veterans in the Los Angeles area.

Staff wishes to note that the increased investment in skilled nursing beds for veterans run counter to statewide policy direction regarding providing care to aged and disabled individuals in California. The State has embarked on an ambitious Coordinated Care Initiative to incentivize the use of community-based options for long-term care in lieu of institutional options like nursing homes.

Subcommittee staff recommends holding open this item pending the May Revision estimates of population.

Staff Recommendation: Hold Open Pending May Revision

ISSUE 7: OTHER VETERANS BUDGET PROPOSALS

The Subcommittee will consider other California Department of Veteran Affairs budget proposals.

BACKGROUND

The Governor's Budget includes other Department of Veteran Affairs proposals:

1. **County Veterans Service Office Auditor and Database Coordinator.** The Governor's Budget includes \$52,000 (General Fund) and one position to conduct oversight of County Veterans Service Office-based benefit claims processes and distribute subvention funds. This position would fulfill mandated auditing functions and coordinate veteran's claims case management database analysis and maintenance with various parties, including the USDVA.
2. **California Central Coast Veterans Cemetery (CCCVC)** The Governor's 2014-15 Budget includes a capital outlay proposal for the construction phase of the CCCVC requesting \$1.42 million (Operations Fund) and \$6.8 million (Federal Trust Fund) for FY 2014-15. The total estimated construction cost is \$8.22 million. The Governor's Budget also proposes \$10,000 from the Northern California Veterans Cemetery Perpetual Maintenance Fund for operations and maintenance. These funds will only be used to meet National Cemetery Standards for appearance and allow the cemetery to sustain perpetual maintenance efforts. This cemetery will be constructed at the former Fort Ord Army base and will serve the interment needs of veterans in the six counties of Alameda, Monterey, San Mateo, Santa Cruz, San Benito, and Santa Clara. The overall goal of the Cemetery is to serve the needs of veterans living within a 75-mile radius of the six counties. The Cemetery will include 5,000 burial sites for the first ten years.
3. **Position conversions.** The Governor's Budget includes two proposals related to converting Contracted Services positions to Civil Service positions, totaling \$2.2 million General Fund and an increase of 45 positions. These conversions include:
 - \$1.06 million and 20 positions (11 for food service, 8 for security, and 1 for Veteran claims).
 - \$927,000 and 22 positions (13 for food service, 8 for security, and 1 for Veteran claims).
 - \$40,000 and 0.5 positions for Veteran claims.
 - \$45,000 and 0.5 positions for Veteran claims.

- \$96,000 General Fund and 2.0 positions to investigate claims of elder abuse, hostile work environment claims, and other miscellaneous employment related matters, testifying in administrative, civil, and criminal proceedings as necessary, freeing up medical staff needed to deliver patient care, and partner with law enforcement and outside agencies.

STAFF COMMENTS

These proposals appear non-controversial. Staff recommends approval.

Staff Recommendation: Approve as budgeted
