

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION****ASSEMBLYMEMBER TOM DALY, CHAIR****TUESDAY, APRIL 2, 2013****1:30 P.M. - STATE CAPITOL ROOM 447**

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## ITEMS FOR VOTE ONLY

### 7502 DEPARTMENT OF TECHNOLOGY

#### VOTE-ONLY ISSUE 1: DEPARTMENT OF TECHNOLOGY BUDGET REQUESTS

The Subcommittee will consider the budget for the Department of Technology.

#### BACKGROUND

Effective July 1, 2013, the Governor's Reorganization Plan (GRP) No. 2 of 2012 creates the Government Operations Agency and, as part of the plan, moves the California Technology Agency (previously budgeted within Legislative, Judicial, and Executive under Organization Code 0502) to this new Agency (Government Operations).

The Department of Technology supports state programs and departments in the delivery of state services and information to constituents and businesses through technology. The Department retains statewide authority to centralize and unify information technology projects and data center services to enhance the ability to develop, launch, manage, and monitor large informational-technology projects.

#### Governor's Budget Proposal

Fund Source	2011-12 Actual	2012-13 Projected	2013-14 Proposed	BY to CY Change	% Change
General Fund	\$3,308	\$4,303	\$4,240	(\$63)	-1.5%
State Emergency Telephone Number Account	93,998	111,857	113,072	1,215	1.1%
Federal Trust Fund	1,931	1,931	1,931	-	0.0%
Reimbursements	1,635	2,801	2,801	-	0.0%
Technology Services Revolving Fund	324,266	362,126	418,257	56,131	15.5%
Central Service Cost Recovery Fund	3,296	3,200	3,187	(13)	-0.4%
<b>Total Expenditure</b>	<b>\$428,434</b>	<b>\$486,218</b>	<b>\$543,488</b>	<b>\$57,270</b>	<b>11.8%</b>
<b>Positions</b>	<b>1,145.9</b>	<b>1,237.2</b>	<b>1,242.2</b>	<b>5.0</b>	<b>0.4%</b>

The Department of Technology's budget reflects the anticipated increase in information technology purchases and projects being requested by other State departments, as reflected in the Technology Services Revolving Fund. The Department receives reimbursements from these departments through this fund for work it performs on behalf of these other departments. While the overall funds for such projects are increasing by over 15 percent, the Department's overall operational staff levels are relatively flat, with only increase of 4.8 positions, a 0.4 percent increase.

<b>STAFF COMMENTS</b>
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These budget requests reflect state agencies and departments needing more email storage, data capacity, and infrastructure over the next year. The Department uses BCP's to track these investments for accountability, but they reflect the normal course of business for the State. There are no concerns with these proposals.

**0890 SECRETARY OF STATE**

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**VOTE-ONLY ISSUE 2: IMPLEMENTATION OF LEGISLATION**

The Governor's Budget contains three BCPs for the Secretary of State (SOS) related to implementing mandates of various legislation.

**BACKGROUND**

The following three BCPs reflect proposed changes required to comply with and implement various mandates of legislation:

- 1. SB 323 (Vargas): California Revised Uniform Limited Liability Company Act.** The Governor's Budget requests a one-time budget increase of \$89,000 from the Business Fees Fund to implement SB 323 related to the Revised Uniform Limited Liability Company Act. Funds will be used to revise SOS materials, print revised forms, train staff, and file, or reject revised limited liability company documents.
- 2. SB 1001 (Yee): Lobbyists and Committees Fees.** The Governor's Budget requests \$81,000 and an increase of one personnel to implement SB 1001. The legislation provides a source of revenue to help the SOS maintain and further stabilize the CAL-ACCESS program, an online electronic filing system adopted under the Online Disclosure Act and makes fliers and file statements publicly available in order to increase transparency as a result of The Political Reform Act. The lobbyist and committee fees included in SB 1001 provide a source of revenue to help the SOS maintain, further stabilize, and improve the CAL-ACCESS system.
- 3. SB 1058 (Lieu): Victims of Corporate Fraud Compensation.** The Governor's Budget requests \$123,000 (\$98,000 ongoing) from the Business Fees Fund to create/revise forms and instructions, update web pages, repeal current regulations, and draft new regulations due to the passing of SB 1058. The legislation changes what information is needed for claims submitted to Victims of Corporate Fraud Compensation Fund (VCFCF).

**STAFF COMMENTS**

Staff has no concerns with these proposals.

**0845 DEPARTMENT OF INSURANCE****VOTE ONLY ISSUE 3: IMPLEMENTATION OF RECENT LEGISLATION**

The Governor's Budget includes seven BCPs for the California Department of Insurance (CDI) related to the implementation of the federal Affordable Care Act (ACA) and various legislation.

**BACKGROUND**

The Governor's Budget includes three BCPs related to workload increases related to recently adopted legislation and workload related to Proposition 103. These proposals are:

- 1. Reinsurance SB 1216 (Lowenthal).** The Governor's Budget requests an increase of \$119,000 in special fund authority to hire one attorney on a one-year limited term basis for the new workload associated with reinsurance regulatory activities as defined by SB 1216. The legislation changes existing law to provide different categories of regulated reinsurers.
- 2. Healthcare Insurance Fraud AB 2138 (Blumenfeld ).** The Governor's Budget requests an increase of \$6,211,000 (\$5,104,000 ongoing) in special fund authority for the increased workload related to investigating and prosecuting health and disability fraud as outlined by AB 2138. This legislation increases the health insurance fraud assessment fee from \$0.10 to \$0.20. The assessment funds will be allocated 70 percent to local district attorneys and 30 percent to Fraud Division state operations.
- 3. Rate Review – Predictive Model Analysis (Prop 103).** In 1998, the prior approval rate review process was changed by Proposition 103, which increases the use of predictive modeling in the development of rating plans. The Governor's Budget requests a special fund expenditure increase of \$350,000 in Fiscal Year (FY) 2013-14 and 2014-15 so that the CDI can hire outside consultants to perform the technical analysis involved with the review of these new predictive models. CDI will have the consultants teach Department staff to review and create their own models so that this will not be an ongoing cost.

**STAFF COMMENTS**

Staff has no concerns with these proposals.

**1110 DEPARTMENT OF CONSUMER AFFAIRS REGULATORY BOARDS**  
**1111 DEPARTMENT OF CONSUMER AFFAIRS, BUREAUS, PROGRAMS, DIVISIONS****VOTE ONLY ISSUE 4: SPECIAL FUND ADJUSTMENTS AND RECENT LEGISLATION IMPLEMENTATION**

The Governor's Budget includes four BCPs related to fund redirections, reductions, position eliminations, and department consolidations in order to more accurately reflect workloads and increase departmental efficiency within the Department of Consumer Affairs (DCA).

**BACKGROUND**

The Governor's Budget proposes total spending of \$289.4 million (no General Fund) for the Department of Consumer Affairs, Boards in 2013-14. Proposed staffing totals 1,538.2 personnel.

**Special Fund Adjustments:**

The Governor's Budget includes three BCPs related to various Special Fund board adjustments:

- 1. *Board for Professional Engineers, Land Surveyors, and Geologists.*** The Governor's Budget requests a \$15,000 appropriation authority reduction and proposes to redirect funds for a new position.
- 2. *Physical Therapy Board.*** The Governor's Budget proposes a redirection of current resources to fund two Staff Services Analysts and 1.0 Office Technician in FY 2013-14 and ongoing within its Enforcement and Licensing units.
- 3. *Dental Hygiene Committee.*** The Governor's Budget requests combining the budget and legislative appropriations acts into one budget act appropriation.

**Implementation of Recent Legislature:**

The Governor's Budget contains five BCPs requesting resources necessary to comply with various legislation.

- 1. *Dental Hygiene Committee of California: SB 1202 (Leno & Wyland).*** The Governor's Budget requests \$72,000 in FY 2013-14 and \$65,000 ongoing to address the Dental Hygiene Committee's new program functions involved with Registered Dental Hygiene licensing as mandated by SB 1202.
- 2. *Court Reporters Board: SB 1236 (Price).*** The Governor's Budget requests increased authority for the Court Reporters Fund in FY 2013-14 and 2014-15 (\$44,000 and \$35,000 respectively) to comply with SB 1236.

3. **California Board of Accountancy: SB 1405 (De León).** The Governor's Budget proposes eliminating one personnel and budget authority of \$48,000 ongoing to reflect changes made by SB 1405. The legislation eliminated the notification and fee requirements for Certified Public Accountants.
4. **Board of Pharmacy: SB 1095 (Rubio).** The Governor's Budget requests increased funding of one personnel and \$164,000 ongoing to address the higher workload related to the increasing number of clinics needing to be inspected in California and comply with SB 1095.
5. **Bureau for Private Postsecondary Education: AB 2296 (Block).** The Governor's Budget requests one limited-term position and \$81,000 to fund research measures and standards outlined by AB 2296 regarding gainful employment.
6. **Governor's Reorganization Plan No. 2.** The Governor's Budget transfers fund and personnel authority from the Department of Real Estate and the Office of Real Estate Appraisers to the newly established Bureaus within the Department of Consumer Affairs.

<b>STAFF COMMENTS</b>
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Staff has no concerns with these proposals.



## 1701 DEPARTMENT OF BUSINESS OVERSIGHT

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### VOTE-ONLY ISSUE 5: IMPLEMENTATION OF RECENT LEGISLATION

The Governor's Budget includes three BCPs related to workload increases associated with implementing recent legislation within the newly established Department of Business Oversight.

#### BACKGROUND

Effective July 1, 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, the 2013-14 information for the Department of Financial Institutions and the Department of Corporations is merging to create the Department of Business Oversight.

The Governor's Budget includes two proposals to address the workload for this newly established Department:

- 1. *Extension of Consumer Services Limited-Term Positions.*** The Governor's Budget requests \$338,000 from the Financial Institutions Fund and Credit Union Fund to extend three limited-term positions for an additional two years. This extension reflects an increased workload within the Consumer Services Program.
- 2. *Hard Money Lending: SB 978 (Vargas).*** The Governor's Budget requests two positions and \$281,000 to address hard money lending abuses in California as mandated by SB 978.

#### STAFF COMMENTS

Staff has no concerns with these proposals.

**VOTE-ONLY ISSUE 6: IMPLEMENTATION OF HOMEOWNERS BILL OF RIGHTS**

The Governor's Budget includes three BCPs related to workload increases associated with implementing recent legislation within the newly established Department of Business Oversight.

**BACKGROUND**

The Governor's Budget requests \$911,000 from the State Corporations Fund and 6.0 positions to implement and enforce SB 900 and AB 278 (Leno & Eng), the Homeowner's Bill of Rights. The legislation established new protections for homeowners facing foreclosure, including a regulatory prohibition on mortgage servicer licensees of the Department under the California Residential Mortgage Lending Act (CRMLA) and the California Finance Lenders Law (CFLL) from foreclosing on borrowers while they are pursuing loan modifications, requiring a "single point of contact" for borrowers eligible for loan modifications, and civil penalties for "robo signing."

**STAFF COMMENTS**

Staff has no concerns with these proposals.

**7760 DEPARTMENT OF GENERAL SERVICES**

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**VOTE-ONLY ISSUE 7: STATEWIDE MAINTENANCE**

The Governor's Budget contains five BCPs and proposed Trailer Bill Language for the Department of General Services (DGS) that appear non-controversial.

**BACKGROUND**

The Governor's Budget includes the following five BCPs for various changes to DGS's budget:

- 1. State Garage Improvements.** The Governor proposes to permanently augment the parking program's operations budget by \$1.1 million to fund deferred maintenance and special repairs. DGS has modified its proposal to reflect feedback from the Legislative Analyst's Office (LAO) to expand the use of these funds to include a study of the maintenance needs of all 21 state garages.
- 2. Statewide Disability Access and Education Program SB 1186 (Steinberg).** The Governor's Budget requests a permanent increase of 5.0 positions and \$532,000 in FY 2013-14, \$483,000 in FY 2014-15, on behalf of The Division of State Architect to meet mandates of SB 1186. The legislation strengthens the duties of the Certified Access Specialist (CAsp) and required the State Architect to strengthen its CAsp program.
- 3. Real Estate Services High Speed Rail Project.** The Governor's Budget requests a permanent budget increase of \$684,000 and 5.0 positions to assist the California High Speed Rail Authority with the initial stage of the project.
- 4. Program Reductions.** The Governor's Budget proposes a \$5.6 million reduction and the elimination of 22.5 positions to more accurately reflect the Department's current workload.
- 5. Office of Legal Services Contract Review.** Existing law permits for DGS approval of state agency contracts for services. Currently, contracts under \$75,000 are exempt if a state agency complies with certain requirements. Trailer Bill Language would increase the exemption amount to apply to those contracts under \$150,000.

**LAO RECOMMENDATION**

The Legislative Analyst's Office has recommended that the two positions requested for the Real Estate Services for High Speed Rail right-of-way be approved as two-year limited term positions instead of ongoing permanent positions. DGS concurs with this recommendation.

**STAFF COMMENTS**

Given DGS's concurrence with LAO's recommendation staff recommends modifying the High Speed Rail land acquisition proposal to make the positions two-year limited term.

**0515 SECRETARY FOR BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY**  
**0855 GAMBLING CONTROL COMMISSION**  
**1701 DEPARTMENT OF BUSINESS OVERSIGHT**

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**VOTE-ONLY ISSUE 8: THE GOVERNOR'S REORGANIZATION PLAN No. 2**

The Governor's Budget contains three Budget Change Proposals (BCPs) related to the Governor's Reorganization Plan No. 2.

**BACKGROUND**

Effective July 1, 2013 The Governor's Reorganization Plan No. 2 reorganizes the executive branch by revising agency structure for greater administrative efficiency. The following four BCPs make minor changes to reflect implementation of the Governor's Reorganization Plan No. 2:

1. **Secretary for Business, Consumer Services, and Housing Agency.** The Governor's Budget requests funding support and position authority for this newly created agency, which is comprised of the Department of Consumer Affairs, the Department of Housing and Community Development, the Department of Fair Employment and Housing, the Department of Business Oversight, the Department of Alcoholic Beverage Control, the Alcoholic Beverage Control Appeals Board, the California Horse Racing Board, and the Alfred E. Alquist Seismic Safety Commission.
2. **California Gambling Control Commission.** The Governor's Budget transfers select functions and staff from the California Gambling Control Commission to the Bureau of Gambling Control, within the Department of Justice. Support, auditing, and some licensing functions will shift from the Commission to the Bureau. The Commission will retain its policy-making role.
3. **Department of Business Oversight.** The Governor's Budget transfers budget authority from the Department of Financial Institutions and Department of Corporations to the newly created Department of Business Oversight.

**STAFF COMMENTS**

These Budget Change proposals are consistent with GRP 2, which was adopted in 2012.

**0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT  
(GO-BIZ)**

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**VOTE-ONLY ISSUE 9: CONTINUED IMPLEMENTATION OF GO-BIZ**

The Governor's Budget includes one BCP to address workload and moving expenses associated with the continued implementation of the Governor's Office of Business and Economic Development (Go-Biz).

**BACKGROUND**

AB 29 created the Governor's Office of Business and Economic Development to better coordinate and encourage business development, foster job growth, and promote private sector investment in California. The Governor's Budget proposes to transfer the Infrastructure Bank, the Film and Tourism Commissions, the Small Business Centers, and the Small Business Guarantee Loan Program to the Governor's Office of Business and Economic Development to this new department, effective July 1, 2013.

Governor's Budget requests funds to address moving expenses and new workloads with the establishment of Go-Biz. This BCP requests three positions for IT, external affairs, and legal matters, along with \$850,000 (\$564,000 ongoing) to further meet requirements and continue the implementation of AB 29.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

## ITEMS TO BE HEARD

### 0890 SECRETARY OF STATE

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#### ISSUE 1: HELP AMERICA VOTE ACT

The Governor's Budget contains two budget change proposals (BCPs) for the SOS pertaining to the statewide implementation of the federal Help America Vote Act (HAVA).

#### BACKGROUND

The Secretary of State (SOS), a statewide elected official, is the chief election officer of the State and is responsible for the administration and enforcement of election laws. The Governor's Budget proposes increasing funds to compensate for the heightened workload caused by the continuing implementation of two information technology (IT) projects. The federally funded Help America Vote Act of 2002 (HAVA) helps improve voting procedures and the California Business Connect project automates the registration process for California businesses. The Governor's Budget proposes spending \$106.3 million (\$26.6 million General Fund) for the SOS in 2013-14, and proposed staffing totals 503 personnel.

The federal Help America Vote Act (HAVA) of 2002, passed in response to controversy surrounding the presidential election of 2000, requires that states comply with a series of federal election requirements that are intended to ensure a more fair and accurate federal election process. Such requirements include: replacing punch card and lever operated voter equipment; allowing voters to verify their ballots; providing voters with provisional ballots; providing access for voters with disabilities; and creating a statewide voter registration database. The Governor's Budget contains two budget change proposals (BCPs) for SOS that pertain to the statewide implementation of HAVA:

**1. *Help America Vote Act: California VoteCal Voter Registration Database.***

The first BCP requests spending authority of \$27.1 million from the Federal Trust Fund to continue with the implementation of the VoteCal voter registration database in accordance with the federal Help America Vote Act. The VoteCal database replaces the existing CalVoter statewide voter database with a more centralized and technologically advanced VoteCal database.

2. ***Help America Vote Act Amended Spending Plan.*** The second BCP requests additional \$3.846 million in Federal Trust Fund expenditure authority to continue implementation of statewide mandates, which bring California into accordance with the federal HAVA of 2002.

<b>STAFF COMMENTS</b>
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The Secretary of State's office will provide an update on the California's implementation of the Help America Vote Act.



**0845 DEPARTMENT OF INSURANCE**

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**ISSUE 1: IMPLEMENTATION OF FEDERAL AFFORDABLE CARE ACT**

The Governor's Budget includes four BCPs for the California Department of Insurance (CDI) related to the implementation of the federal Affordable Care Act (ACA).

**BACKGROUND**

The Department of Insurance regulates the largest insurance market in the United States with more than \$119 billion in direct premiums written in the state. The Department conducts examinations and investigations of insurance companies and producers to ensure that operations are consistent with the requirements of the Insurance Code, and that insurance companies are financially able to meet their obligations to policyholders and claimants. The Department also investigates complaints and responds to consumer inquiries; administers the conservation and liquidation of insolvent and delinquent insurance companies; reviews and approves insurance rates; and is a major contributor in combatting insurance fraud. The Governor's Budget proposes a total spending of \$237.4 million (No General Fund) for the CDI in FY 2013-14.

The Governor's Budget includes four BCPs related to workload increases within the CDI. Throughout FY 2013-14, the CDI will be responsible for implementing the federal ACA at the statewide level along with implementing various mandates outlined by legislation.

- 1. Health Insurance Reform.** The Governor's Budget requests an increase in special fund authority to comply with the federal ACA mandates related to health insurance reform.
- 2. Health Benefit Exchange Program SB 900 (Alquist) and AB 1602 (Steinberg & Pérez).** The Governor's Budget requests a special fund authority increase of \$834,000 to fund 7.0 attorney positions in FY 2013-14 to implement the California Health Benefit Exchange in compliance with federal ACA mandates as outlined by SB 900 and AB 1602. Attorneys will support implementation activities, policy form review, and enforcement actions related to the California Health benefit Exchange.
- 3. Health Care Coverage AB 2470 (De La Torre).** The Governor's Budget requests a special fund authority increase of \$113,000 for FY 2013-14 and 2014-15 to extend one attorney position for two additional years. The attorney will address the increased workload involved with implementing with federal ACA mandates to expand health care coverage to Californians as mandated by AB 2470.

**4. Health Insurance Premium Rate Review SB 1163 (Leno).** The Governor's Budget requests a \$1,207,000 increase in special fund authority ongoing to convert 9.0 limited-term positions to permanent to address the new workload related to reviewing health insurance filing rates as outlined by SB 1163. The legislation amended the laws regulating health care service plans and health insurers to ensure CDI has the authority to review rate filings for all markets consistent with ACA requirements.

<b>STAFF COMMENTS</b>
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The Subcommittee will be asking the CDI for progress reports regarding the statewide implementation of the ACA.

**8620 FAIR POLITICAL PRACTICES COMMISSION****ISSUE 1: BUDGET PROPOSALS**

The Governor's Budget contains three budget proposals related to workload increases for the FPPC.

**BACKGROUND**

The Fair Political Practices Commission has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974, as amended by the voters and Legislature. The Governor's Budget proposes total spending of \$10.2 million (\$9.5 million General Fund) for the Fair Political Practices Commission in 2013-14, and proposed staffing totals 89 personnel.

The Governor's Budget contains three budget proposals for the FPPC due to workload increases.

- 1. Kindee Durkee Investigation: Ongoing Workload Impact.** The Governor's Budget requests approval for continued funding of \$350,000 to retain temporary positions throughout FY 2013-14 to accommodate for the ongoing increased workload caused by the Kindee Durkee embezzlement case. In addition, the Governor's Budget requests approval to retain three of the positions on an ongoing basis.
- 2. AB 2146 (Cook): San Bernardino Workload.** The Governor's Budget requests reimbursement authority in accordance with AB 2146, which permits the County of San Bernardino to contract with the FPPC to enforce San Bernardino County's local campaign finance ordinance. This request would authorize reimbursement authority to fund up to six positions and \$378,000 in the current year, \$718,000 in the budget year beginning January 1, 2013.
- 3. AB 2062 (Davis): Electronic Filing Certification.** The Governor's Budget requests funding to implement the provisions of AB 2062. The statute requires that a fee of \$1,000 be paid for approval and certification. The legislation allows an agency to permit the electronic filing of Statements of Economic Interests upon approval of the Commission. This request would fund 1.7 positions and \$151,000 for a one year limited term basis.

**STAFF COMMENTS**

The FPPC will provide an update of its work on the Kindee Durkee cases and its new role in San Bernardino County.

**1110 DEPARTMENT OF CONSUMER AFFAIRS REGULATORY BOARDS**  
**1111 DEPARTMENT OF CONSUMER AFFAIRS, BUREAUS, PROGRAMS, DIVISIONS****ISSUE 1: VETERINARY MEDICAL BOARD**

Advocates have requested that the Subcommittee adopt five additional positions for enforcement at the Veterinary Medical Board

**BACKGROUND**

The Department of Consumer Affairs (DCA) is responsible for promoting and protecting the interests of millions of California consumers by serving as a guardian and advocate for their health, safety, privacy, and economic well-being and by promoting legal and ethical standards of professional conduct. The Department helps to promote good business practices and to ensure that California's consumers receive quality services by establishing minimal competency standards for more than 2.7 million businesses and professionals in over 250 license categories. The Department is also an advocate for various consumer and business issues. The Budget splits the Department of Consumer Affairs into two budget categories: Department of Consumer Affairs, Boards; and Department of Consumer Affairs, Bureaus.

The Governor's Budget proposes total spending of \$289.4 million (no General Fund) for the Department of Consumer Affairs Boards in 2013-14 and proposed staffing totals 1,538.2 personnel.

The Veterinary Medical Board (VMB) is responsible for protecting consumers and animals through development and maintenance of professional standards, licensing of veterinarians, registered veterinary technicians, and veterinary premises, and diligent enforcement of the California Veterinary Medicine Practice Act.

Veterinarians and registered veterinary technicians protect the health and welfare of animals and the public through prevention, control, and eradication of animal diseases. Examination ensures minimum competency through licensure. Enforcement of minimum standards of practice is carried out through unannounced inspections of veterinary hospitals and mobile facilities. The Board further responds to complaints, investigates alleged violations, and has the authority to administer fines and suspend or revoke licenses.

**STAFF COMMENTS**

Advocates are requesting that the Veterinary Medical Board add five enforcement positions to lower case processing times. In order to investigate and prosecute licensed veterinary professionals who have violated the law in a timely manner (12-18 months), the VMB needs four additional staff service analysts for and one additional office technician for FY 2013-14.

Currently the Veterinary Medical Board is funded with the special funds derived by fees to support its entire operations. In the current year, the fund is expected to take in about \$3.3 million and expend about \$2.8 million, resulting in a small positive balance that contributes to the fund's overall condition. The fund has a reserve balance of \$2.8 million, which roughly equals a one-year reserve. However in future years costs are expected to increase, while revenues are projected to remain flat, so that by 2015-16 revenues and expenditures would roughly be balanced.

Advocates believe that in future years the special fund revenue will grow at roughly the same rate of expenditures, especially with four new enforcement officers, and that the Board would therefore have sufficient funding to sustain and increase in staffing within existing funds. Subcommittee staff has asked the Department of Finance to examine whether or not projected revenue increases would sufficiently sustain new positions to address backlogs.

**ISSUE 2: BREZE**

The Subcommittee will receive an update on the BreEZe project from the Department of Consumer Affairs.

**BACKGROUND**

BreEZe is an information technology project to support all of the Department of Consumer Affairs' (DCA) applicant tracking, licensing, renewal, enforcement, monitoring, cashiering, and data management requirements in a single solution. According to Consumer Affairs, once completed BreEZe will be the largest online enterprise licensing and enforcement solution in the world.

Funding in 2013-14, all from Special Funds, will go toward the IT program and a credit card fee that will allow BreEZe to interface with a third-party payment processor, which will allow DCA to accept credit card payments from licensees, a more convenient form of payment for applicants.

The BreEZe project began with approval of a Feasibility Study Report (FSR) on November 30, 2009 and subsequent SPR approved on July 20, 2011. The Department received approval for one year of funding via a FY 2012-13 BCP that supported that year's costs as outlined in the SPR. Each fiscal year the Department will submit a BCP for funding for the next fiscal year. This BCP reflects that request.

The Governor's Budget proposes \$9.5 million special fund to continue implementation of the BreEZe information technology project. BreEZe will replace two legacy systems within DCA and will support all of the DCA's applicant tracking, licensing, renewal, enforcement, monitoring, cashiering and data management needs. The project began in 2009, and a Special Project Report was approved by the California Technology Agency in July 2011.

The Department reports that it has delayed implementation of the project because of concerns with the quality of the implementation. The Department and the vendor are working on addressing these issues so that the system is fully functioning for the first phase of the agencies scheduled transition to BreEZe. Because of the structure of the contract, a large payment to the vendor is contingent on the successful go-live of the system, so these delays are not expected to increase the costs of the system.

**STAFF COMMENTS**

The Subcommittee will receive an update on the BreEZe system. This project is an example of a Department successfully directing an IT project. The Department has been vigilant in monitoring the project to insure that the final product met the needs of the State and was not willing to sacrifice quality for a project schedule. In addition, because the Department did a good job structuring the contract, the State has leverage over the vendor to insure that the product works.

**1690 ALFRED E. ALQUIST SEISMIC SAFETY COMMISSION**

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**ISSUE 1: PERMANENT FUNDING SOURCE**

The Governor's Budget includes trailer bill language and one BCP related to establishing a permanent funding source for the Alfred E. Alquist Seismic Safety Commission.

**BACKGROUND**

The mission of the Alfred E. Alquist Seismic Safety Commission is to lower earthquake risk to life and property of Californians. The Commission works with federal, state, and local agencies as well as the private sector on a variety of activities that guide and stimulate earthquake risk reduction and management.

The Governor's Budget proposes funding the Alfred E. Alquist Seismic Safety Commission through the Insurance Fund and Reimbursements as opposed to partial allocation of the General Fund during FY 2012-13. The Governor includes a \$1.2 million loan to the Insurance Fund from the General Fund along with \$82,000 of Reimbursements for FY 2013-14 and ongoing. These funds will allow the Commission to continue protecting Californians through programs, activities, and publications related to earthquake research. It is expected that the loan to the Insurance Fund from the General Fund will be repaid by June 30, 2016 through fees collected by the Department of Insurance.

Trailer bill language proposes the Seismic Safety Account be created within the Insurance Fund. The Seismic Safety Account would be funded through Insurance Assessments and moneys in the account would be made available upon appropriation of the Legislature.

**STAFF COMMENTS**

The Commission clearly needs ongoing and permanent funding to continue their important mission.

## 8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS

### ISSUE 1: SPECIAL FUND ESTABLISHMENT

The Governor's Budget includes trailer bill language that proposes the establishment of a special fund to provide ongoing support for the Commission on the Status of Women and Girls. The Governor's Budget provides no General Fund moneys to the commission.

#### BACKGROUND

The Commission on the Status of Women and Girls is an independent, non-partisan agency working to advance the causes of women and girls. Toward that end, the Commission develops public policy recommendations by advising the Governor and the Legislature on issues impacting women and educating and informing its constituencies—thereby providing opportunities that empower women and girls to make their maximum contribution to society.

The California Commission on the Status of Women and Girls has been re-established since June 2012. The new mission of the Commission is to be an educational touch point, provide the Legislature with information relevant to policies for California's women and girls, and conduct outreach. In the past nine months the Commission has relocated to the California State Library building, hired a new Executive Director (Rebecca Blanton), and formed partnerships with both the California Department of Veterans Affairs (CalVet), the California Research Bureau (CRB), and the California Department of Education. The Commission also has a new emphasis on outreach and has already been recognized by Mt. St. Mary's College. Additionally, Ms. Blanton has received numerous internship requests.

The growth and success of the Commission is inherently limited without consistent funding. It is impossible to hire full time staff, guarantee intern placements, or expand the Commission's goals without guaranteed funding.

For FY 2013-14 the Governor's Budget includes trailer bill language proposing the establishment of a special fund allowing the Commission to carry out its duties. The Governor's Budget provides no General Fund moneys for FY 2013-14 and ongoing.

- 1. Special Fund Creation.** Trailer bill language proposes the creation of the Women and Girls Fund in the State Treasury subject to the approval of the Department of Finance. This fund would house all fundraising efforts including gifts, bequests, or donations.



**STAFF COMMENTS**

The newly appointed Executive Director of the Commission will provide an update to the Subcommittee on the work of the Commission.

The Subcommittee may wish to consider whether the important work of Commission can be fully accomplished within the very tight funding constraints put on the Commission by the current funding mechanisms.

**7760 DEPARTMENT OF GENERAL SERVICES****ISSUE 1: STATEWIDE OFFICE BUILDING MAINTENANCE**

The Governor's Budget proposes to assess a \$.10 per square foot charge on State office building rents to pay for deferred maintenance and ADA compliance costs.

**BACKGROUND**

The Governor proposes to increase the monthly rental rate for DGS-managed office buildings by \$.10 per square foot for a period of ten years to fund special repairs. According to Department of General Services (DGS), the repairs are necessary to comply with the Americans with Disabilities Act (ADA) and address deferred maintenance. The additional funds from the \$.10 surcharge would be deposited into a dedicated account for repairs statewide. The rental increase would provide \$11 million annually for these repairs for a total of \$110 million over the ten-year period. This level of funding matches DGS' cost estimate for the identified repairs—\$82 million for ADA compliance and \$28 million in deferred maintenance.

**LAO RECOMMENDATION**

We recommend that the Legislature reject the proposal because a temporary, across-the-board \$.10 rate increase is an inappropriate way to fund special repairs across multiple facilities. The rental rates should be set at amounts sufficient to cover debt service, ongoing operations, and maintenance costs as well as build up a reserve for the repair or replacement of building systems and equipment. Accordingly, we recommend that the Legislature direct DGS to adjust existing rates to meet each facility's individual needs over time. While more complex, such individual adjustments would result in rental rates that more accurately reflect the cost of operating and maintaining each building. For buildings with significant ADA compliance issues and deferred maintenance, the new building rate may need to include a temporary multiyear increase to cover these one-time costs as well as an increase in the base rental rate to prevent the accumulation of additional deferred maintenance. For newer buildings, DGS also may determine that minor rate increases are needed to establish a sufficient reserve for future scheduled maintenance and special repairs.

**STAFF COMMENTS**

There are two ways to approach funding the special repairs needed to comply with the federal ADA. The LAO suggests that rental rate increases should correspond to the condition of a building, while DGS suggests increasing rent equally for all buildings. While both views have merit, staff believes that the Administration's approach is more compelling seeing as departments have little control over the existing condition of their building.

The LAO also notes that while the DGS proposal has sufficient funding to clear the existing \$28 million deferred maintenance backlog over the next ten years, that funding may not be sufficient to cover existing maintenance needs over the same time period. The Subcommittee may wish to question DGS on whether this rent increase should be adjusted upward to address building maintenance needs.