

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

TUESDAY, APRIL 2, 2019

1:30 P.M. - STATE CAPITOL, ROOM 447

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**ITEMS FOR VOTE-ONLY****0855 CALIFORNIA GAMBLING CONTROL COMMISSION**

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**VOTE-ONLY ISSUE 1: TRIBAL NATION GRANT FUND PROGRAM (AB 880)**

The Governor's Budget requests \$237,000 Indian Gaming Special Distribution Fund and 1.0 position to support the increase in Commission workload associated with establishing, implementing, and administering the new Tribal Nation Grant Fund (TNGF) Program as outlined in AB 880 (Gray, Chapter 801, Statutes of 2018). The Commission also requests provisional language providing the authority to transfer excess revenues from the Revenue Sharing Trust Fund to the TNGF and approximately \$39.3 million TNGF to provide grants to eligible tribes, as required by AB 880.

**BACKGROUND**

AB 880 establishes the nine-member Tribal Nation Grant Panel and the TNGF Program and authorizes the Panel to award grants from available funds in the Tribal Nation Grant Fund (TNGF) to nongaming and limited-gaming tribes, as specified. In addition, this bill establishes the Office of the Governor's Tribal Advisor. The requested position would disburse grants, prepare annual reports, and provide other administrative services.

**Staff Recommendation: Approve as Budgeted**

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**0890 SECRETARY OF STATE**

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**VOTE-ONLY ISSUE 2: RISK LIMITING AUDITS (AB 2125)**

The Secretary of State (SOS) requests \$305,000 General Fund one-time in 2019-20 to assist in the implementation of AB 2125 (Quirk, Chapter 913, Statutes of 2018).

**BACKGROUND**

Existing law requires an elections official to conduct a public manual tally in 1 percent of the precincts chosen at random by the elections official. AB 2125 authorizes risk-limiting audits in lieu of the 1 percent manual tally for counties opting to do so beginning with the March 2020 statewide primary election. These types of audits have been found to be as accurate as a 1 percent sample. The proposed funding would enable SOS to consult with experts, draft regulations, and test software.

**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 3: OFFICE OF VOTING SYSTEM TECHNOLOGY ASSESSMENT STAFFING**

The SOS requests for its Office of Voting Systems Technology Assessment (OVSTA) \$165,000 General Fund (\$160,000 ongoing) for one position to serve as lead technology specialist of the unit.

**BACKGROUND**

Created in September 2005, OVSTA was charged with two main responsibilities: (1) voting system examination, testing, and certification for use in California elections; and (2) overseeing the approval of ballot printers, as well as authorizing and monitoring the manufacture and distribution of ballots for an election. Over the years, that scope has expanded to voting technologies including electronic poll books, ballot on demand, and Remote Accessible Vote-by-mail Systems. Three staff currently work in this office and the requested position would provide oversight and quality assurance in testing, documentation and certification to ensure consistency and quality. This includes reviewing and monitoring the testing in the testing lab, test plans, test work papers, test reports, incident documentation, consultant contracts, consultant invoices, and county contracts and reimbursement requests. In the past, this position was unnecessary because voting technology was relatively static; however, voting technology is being tested more now to ensure it is secure in advance of the 2020 election.

**Staff Recommendation: Approve as Budgeted****VOTE-ONLY ISSUE 4: HELP AMERICA VOTE ACT SPENDING PLAN**

The Governor's budget requests \$19.6 million in expenditure authority in 2019-20 from the Federal Trust Fund to continue implementation of the statewide mandates of the Help America Vote Act (HAVA) of 2002.

**BACKGROUND**

The HAVA requires statewide modernization or replacement of voting equipment, education and training programs for election officials and poll workers, development and dissemination of voting information to increase voter participation and confidence, voting systems testing and approval, and a statewide voter registration database. To date, California has received \$392.4 million in federal funds (including interest, this fund totals \$438.0 million) to implement these mandates.

In April 2018, Congress approved and the President signed \$380 million HAVA dollars in the 2018 Omnibus Appropriations bill. Of this appropriation, California will receive approximately \$34 million "New HAVA Funds". Areas of suggested use for these funds include replacing voting certain equipment; implementing a post-election audit system; upgrading election-related computer systems to address cyber vulnerabilities; facilitating cybersecurity training; implementing established cybersecurity best practices; and funding other activities that will improve the security of elections for Federal office.

The Governor's Budget proposes nearly \$17 million in New HAVA Funds for county assistance for improving voting systems, implementing risk limit auditing, election assistance for individuals with disabilities and improving the secure administration of elections and \$2.7 million for voter education, voting system testing and approval, and continued administration of HAVA activities.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 5: HELP AMERICA VOTE ACT SPENDING PLAN-VOTE CAL**

The Governor's Budget requests \$10.8 million in spending authority from the Federal Trust Fund to cover the Maintenance and Operations and support for security enhancements for the VoteCal statewide voter registration system.

**BACKGROUND**

The SOS entered into an agreement with the U.S. Department of Justice to develop and implement a statewide uniform, centralized, interactive, and computerized voter registration database (VoteCal) in accordance with Section 303 (a) of HAVA passed by Congress in 2002. The VoteCal system supports the registration of voters and is administered jointly by the SOS elections division and county elections officials.

SOS would use the requested \$10.8 million for VoteCal allocated to California in April of 2018 as follows: \$5.5 million for state maintenance and operations; \$3.0 million of local assistance support for county efforts associated with cyber security risks and the associated infrastructure needs; \$1.0 million for external consulting, which includes development of security training curriculum and training of counties; and \$1.3 million for state VoteCal security enhancements.

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**Staff Recommendation: Approved as Budgeted**

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**VOTE-ONLY ISSUE 6: NATIONAL VOTER REGISTRATION ACT MAINTENANCE AND EXPANSION**

The Secretary of State (SOS) requests \$535,000 General Fund in 2019-20 and \$520,000 in 2020-21 to support three additional positions and the translation of educational and training materials for the entities designated as voter registration agencies into nine additional languages, as well as American Sign Language (\$23,000).

**BACKGROUND**

Under federal law offices, states must designate certain offices and programs as voter registration agencies in order to help expand voter registration opportunities to eligible voters. These offices/programs include DMV field offices, county welfare departments, and the University of California and other higher education institutions. Under state law, SOS acts as a coordinator for county election officials and voter registration agencies and complies voter registration information on its website. SOS also has the authority to add new voter registration agencies and evaluate compliance with state and federal requirements.

SOS also collaborates with the Department of Motor Vehicles, county election offices, and designated NVRA agencies to increase opportunities for people to register to vote. While SOS has had the resources to maintain the program, it has been increasingly difficult to expand the program. The additional resources and funding will help cover the costs of maintaining, researching, and expanding the National Voter Registration Act (NVRA) campaign that the California Secretary of State's office oversees.

**Staff Recommendation: Approved as Budgeted****VOTE-ONLY ISSUE 7: TRAILER BILL LANGUAGE: FULL TEXT OF STATE BOND MEASURES**

The SOS proposes trailer bill language that would require the full text of measures related to debts and liabilities is printed in the state voter information guide consistent with the State Constitution.

**BACKGROUND**

The California Constitution requires ballot pamphlets printed by the SOS to include the complete text of proposed measures that create debts or liabilities of the state. The proposed trailer bill language will eliminate a conflict created by AB 606 (Berman, Chapter 656, Statutes of 2017) as it relates to the full text of a state measure relating to debts and liabilities. AB 606 amended Elections Code section 9086(f) to discontinue the printing of ballot measures in the state voter information guide beginning with the June and November 2018 elections.

The proposed trailer bill language clarifies the state Constitution requirement that the full text of a state measure relating to debts and liabilities, including a bond measure be printed in the state voter information guide.

According to SOS, the fiscal impact of this trailer bill language will vary from election to election depending on the number and length of state measures relating to debts and liabilities, including bond measures that are included in the voter information guide. For illustrative purposes, if this clarification had been in place for the November 2018 election it would have increased the printing and mailing of the voter information guide costs by approximately \$3.5 million. For example, in the November 2018 election there were four separate state bond measures on the ballot totaling 54 pages. The actual voter information guide had 96 pages in the November and adding the additional 54 pages would have brought the total to 150 pages, but pages are in multiples of 16, so it would have rounded up to 160 pages. While final costs are not available for the November 2018 election, a prior election with a voter information guide of a similar size came to \$56,000 per page to print and mail.

Given the volatility of election-related costs and consistent with past practice, a budget augmentation for the potential additional costs associated with this trailer bill language will not be made at this time. There was no budget reduction with the passage of AB 606. To the extent future voter information guide costs exceed the existing elections appropriation, the Secretary of State will seek a supplemental appropriation. This is consistent with past practice for election-related costs.

The proposed language is shown on the next page:

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 9084 of the Elections Code is amended to read:

9084. The state voter information guide shall contain all of the following:

(a) A complete copy of each state measure.

(b) ~~(1) Except as provided in paragraph (2), before each state measure,~~ a conspicuous notice that identifies the location on the Secretary of State's ~~Internet Web site~~ internet website of the specific constitutional or statutory provision that the state measure would repeal or revise.

(2) The text of a measure relating to debts and liabilities, including a bond measure, shall be printed in the state voter information guide as required by Section 1 of Article XVI of the California Constitution.

(c) A copy of the arguments and rebuttals for and against each state measure.

(d) A copy of the analysis of each state measure.

(e) Tables of contents, indexes, art work, graphics, and other materials that the Secretary of State determines will make the state voter information guide easier to understand or more useful for the average voter.

(f) A notice, conspicuously printed on the cover of the state voter information guide, indicating that additional copies of the state voter information guide will be mailed by the county elections official upon request.

(g) A written explanation of the judicial retention procedure as required by Section 9083.

(h) The Voter Bill of Rights pursuant to Section 2300.

(i) If the ballot contains an election for the office of United States Senator, information on candidates for United States Senator. A candidate for United States Senator may purchase the space to place a statement in the state voter information guide that does not exceed 250 words. The statement shall not make any reference to any opponent of the candidate. The statement shall be submitted in accordance with timeframes and procedures set forth by the Secretary of State for the preparation of the state voter information guide.

(j) If the ballot contains a question on the confirmation or retention of a justice of the Supreme Court, information on justices of the Supreme Court who are subject to confirmation or retention.

(k) If the ballot contains an election for the offices of President and Vice President of the United States, a notice that refers voters to the Secretary of State's ~~Internet Web site~~ internet website for information about candidates for the offices of President and Vice President of the United States.

(l) A written explanation of the appropriate election procedures for party-nominated, voter-nominated, and nonpartisan offices as required by Section 9083.5.

(m) A written explanation of the top 10 contributor lists required by Section 84223 of the Government Code, including a description of the ~~Internet Web sites~~ internet websites where those lists are available to the public.

SEC. 2. Section 9086 of the Elections Code is amended to read:

9086. The state voter information guide shall contain as to each state measure to be voted upon, the following, in the order set forth in this section:

(a) (1) Upon the top portion of the first page, and not exceeding one-third of the page, shall appear:

(A) Identification of the measure by number and title.

(B) The official summary prepared by the Attorney General.

(C) The total number of votes cast for and against the measure in both the State Senate and Assembly, if the measure was passed by the Legislature.

(2) The space in the title and summary that is used for an explanatory table prepared pursuant to paragraph (2) of subdivision (e) of Section 9087 and Section 88003 of the Government Code shall not be included when measuring the amount of space the information described in paragraph (1) has taken for purposes of determining compliance with the restriction prohibiting the information described in paragraph (1) from exceeding one-third of the page.

(b) Beginning at the top of the right page shall appear the analysis prepared by the Legislative Analyst if the analysis fits on a single page. If it does not fit on a single page, the analysis shall begin on the lower portion of the first left page and shall continue on subsequent pages until it is completed.

(c) Immediately below the analysis prepared by the Legislative Analyst shall appear a printed statement that refers voters to the Secretary of State's Internet Web site internet website for a list of committees primarily formed to support or oppose a ballot measure, and information on how to access the committee's top 10 contributors.

(d) Arguments for and against the measure shall be placed on the next left and right pages, respectively, following the final page of the analysis of the Legislative Analyst. The rebuttals shall be placed immediately below the arguments.

(e) If an argument against the measure has not been submitted, the argument for the measure shall appear on the right page facing the analysis.

(f) Before each state measure, a conspicuous notice identifying the location on the Secretary of State's Internet Web site internet website of the complete text of the state measure. The Secretary of State's Internet Web Site internet website shall contain the provisions of the proposed measure and the existing laws repealed or revised by the measure. The provisions of the proposed measure differing from the existing laws affected shall be distinguished in print, so as to facilitate comparison. There shall be printed immediately below each state measure, except for a measure relating to debts and liabilities under Section 1 of Article XVI of the Constitution, including a bond measure, in no less than 10-point bold type, a legend substantially as follows: "If you desire a copy of the full text of the state measure, please call the Secretary of State at (insert toll-free telephone number) and a copy will be mailed at no cost to you."

(g) The following statement shall be printed at the bottom of each page where arguments appear: "Arguments printed on this page are the opinions of the authors, and have not been checked for accuracy by any official agency."

#### STAFF COMMENTS

The proposed language would conform state law to the State Constitution. Staff has no concerns with the proposed language.

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#### Staff Recommendation: Approve proposed trailer bill language

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**VOTE-ONLY ISSUE 8: RECORDS MANAGEMENT SERVICES**

The Governor's Budget requests \$660,000 General Fund (\$630,000 ongoing) to support six positions for the State Archives' California Records and Information Management (CalRIM) Unit.

**BACKGROUND**

Since 2014, the SOS has administered the statewide records management program, CalRIM, with three staff. There is currently a backlog of more than 100 records retention schedules and this has resulted in delays in records being sent for storage and destruction which has resulted in additional storage costs for the state. The requested positions would also work with local entities to maintain records which they currently are required to do, but do not do because of the lack of staff. The additional staff would eliminate the backlogs, reduce response time to state departments and the Legislature, reduce storage costs, and increase customer service.

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**Staff Recommendation: Approved as Budgeted**

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**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING****VOTE-ONLY ISSUE 9: SEXUAL HARASSMENT PREVENTION INTERACTIVE TRAINING (SB 1343)**

The Governor's Budget requests for the Department of Fair Employment and Housing (DFEH) \$255,000 General Fund in 2019-20 and \$20,000 ongoing for consultants to create online, interactive, sexual harassment and abusive conduct prevention training pursuant to SB 1343 (Mitchell, Chapter 956, Statutes of 2018).

**BACKGROUND**

SB 1343 reduces the sexual harassment training requirement threshold from employers with 50 or more employees to employers with five or more employees, including non-supervisory employees. It also requires that, by January 1, 2020, DFEH create two online, interactive, sexual harassment and abusive conduct prevention trainings. One training must be aimed at non-supervisors and must be one hour in length. The other training must be aimed at supervisors and must be two hours in length. The trainings must contain prompts for the viewer to answer questions in order to continue the training; must be dubbed into Spanish, Mandarin, Vietnamese, Korean, and Tagalog; must be subtitled in English, Spanish, Simplified Chinese, Vietnamese, Korean, and Tagalog; and must offer users the opportunity to print a certificate of course completion. These funds will allow approximately 18 hours of interactive video

content on its servers (3 hours of video in 6 languages), which would be accessible by potentially thousands of individuals at any given time.

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**Staff Recommendation: Approve as Budgeted**

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**1701 DEPARTMENT OF BUSINESS OVERSIGHT**

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**VOTE-ONLY ISSUE 10: PILOT PROGRAM FOR INCREASED ACCESS TO RESPONSIBLE SMALL DOLLAR LOAN (AB 237)**

The Governor's Budget requests for the Department of Business Oversight (DBO) \$340,000 from the State Corporations Fund in 2019-20 and \$320,000 ongoing for two positions to examine registered "Pilot Program" finders at least once every 24 months as required by AB 237 (Gonzales-Fletcher, Chapter 1016, Statutes of 2018).

**BACKGROUND**

The Pilot Program for Affordable Credit Building Opportunities was first authorized in 2010 to address California's shortage of affordable loans. California Financing Law lenders approved by the Commissioner to participate in the Pilot Program are authorized to charge higher interest rates and fees on loans from \$300 to \$2,500. Pilot Program lenders are authorized to use "finders." Finders as defined in statute are unlicensed companies authorized to act on the Pilot Program lenders' behalf.

AB 237 expands the "Pilot Program" and makes changes to the DBO's administration of the program. Specifically, the bill: 1) requires the DBO to examine each finder used by a Pilot Program licensee at least once every 24 months; 2) authorizes DBO to charge a Pilot Program licensee that uses one or more finders a fee to offset the costs of finder examination; 3) increases Pilot Program licensees' reporting requirements; 4) increases the maximum permissible loan amount from \$2,500 to \$7,500 and establishes a debt-to-income cap of 36 percent of the borrower's monthly income for a loan greater than \$2,500; 5) requires Pilot Program licensees to perform reasonable background checks on their finders and; 6) requires Pilot Program licensees to reduce the interest rate on loans made to borrowers who obtain subsequent loans and meet certain requirements.

Currently DBO has eight examiners that conduct exams; however, existing staff are unable to absorb the workload to examine finders. Based on past trends, and the increased permissible loan amount, DBO expects that the number of finders participating in the program will continue to increase. The examinations are designed to uncover predatory and unlawful practices that harm consumers.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 11: CALIFORNIA FINANCING LAW LICENSE AMENDMENT PROCESSING**

The Governor's Budget requests \$330,000 from the State Corporation Fund in 2019-20 and \$311,000 ongoing for one Corporation Examiner and one Associate Governmental Program Analyst position to process California Financing Law license amendments.

**BACKGROUND**

The DBO is responsible for administering the California Financing Law (CFL) which requires licensing and regulation of finance lenders and brokers making and brokering consumer and commercial loans, except as specified. The CFL requires licensees to file notifications with the Department when they want to amend a license. License amendment notifications are required to change addresses, names, officers, directors' branch managers, authority, and surrenders. The number of licensees has increased significantly in the last few years which has resulted in a backlog of amendments. The business processes have been reviewed in this area in order to reduce workload; however, the section has been unable to eliminate the backlog.

Currently, amendments are processed by three staff. The DBO is requesting two additional positions to ensure prompt processing of licensee amendments to maintain up-to-date CFL licensee information available to both internal and external stakeholders. With a total of five positions, DBO projects that it will be able to process all new amendments filed by licensees in a timely manner and significantly reduce the backlog to about 4.0 months by 2023-24.

**Staff Recommendation: Approve as Budgeted****VOTE-ONLY ISSUE 12: INTERNAL AUDIT UNIT WORKLOAD**

The Governor's Budget requests for DBO \$149,000 from various fund sources in 2019-20 and \$140,000 ongoing for one Associate Management Auditor position to provide ongoing independent, objective evaluation and assessment of operational effectiveness and program compliance.

**BACKGROUND**

The DBO's internal audit unit was established in 2016-17 following the consolidation of the Department of Corporations and the Department of Financial Institutions to form DBO. The unit reports directly to the commissioner of the DBO, and its role is to provide independent and objective assurance and consulting activity to improve the operations of the department. It is responsible for performing internal audits and coordinating external audits to ensure a systematic, disciplined approach to evaluate program effectiveness and mitigate risk throughout the DBO.

At the time the unit was established, the DBO had not performed a department-wide risk assessment to determine the appropriate staffing level needed to monitor the effectiveness of programs. As a result, only two positions were requested and approved. These two positions have been able to complete seven audits a year. The DBO later performed a department-wide risk assessment leading to the development of an annual audit plan that calls for approximately 11 annual audits. As a result, DBO is requesting one additional auditor so that it can complete 11 audits a year.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 13: CALIFORNIA RESIDENTIAL MORTGAGE LENDING ACT- EXAMINATION CYCLE**

The Governor's Budget requests \$854,000 State Corporations Fund in 2019-20 and \$804,000 ongoing for five Corporation Examiner positions to carry out the regulatory requirement to examine California Residential Mortgage Lending Act (CRMLA) licensees and California Financing Law licensees that conduct residential mortgage activities.

**BACKGROUND**

The CRMLA authorizes licensees to make and service residential mortgage loans secured by properties with one to four family residences. The Department issues licenses under the CRMLA to companies that meet the requirement to be a residential mortgage lender, mortgage loan servicer or both. The CRMLA requires the Department to examine each CRMLA licensee at least once every 48 months, or more often as the commissioner deems necessary and appropriate. The Department currently has 418 licensees that must be examined at least once every four years. As a result, it must conduct approximately 105 examinations a year.

The Department also regulates residential mortgage lenders and servicers under the CFL. To maintain accreditation with the Conference of State Bank Supervisors (CSBS), DBO standards require the examination of each CFL licensee conducting mortgage activities at least once every 5 years. The Department currently has 237 licensees. As a result, it must conduct approximately 47 examinations a year.

The DBO is requesting additional staff to ensure that its workload is completed in a timely manner and to address the increasing complexity of these types of reviews.

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**Staff Recommendation: Approve as Budgeted**

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**7501 DEPARTMENT OF HUMAN RESOURCES****VOTE-ONLY ISSUE 14: ADMINISTRATIVE FUNDING REALIGNMENT**

The Governor's Budget proposes a reduction of \$575,000 in reimbursement authority for the phase-out of the Alternate Retirement Program (ARP). Additionally, trailer bill language is proposed to provide direct transfer authority in fiscal year 2019-20 and ongoing for services rendered by CalHR's various reimbursable programs.

**BACKGROUND**

**Alternate Retirement Program.** SB 1105 (Committee on Budget and Fiscal Review, Chapter 214, Statutes of 2004) created ARP under the Deferred Compensation Plan, which required that new state employees that met the eligibility requirements as specified in law would not contribute to the California Public Employees' Retirement System (CalPERS) for a period of approximately 24 months. Instead, these new employees contributed to ARP for this period allowing them to save for retirement. No employer contribution to CalPERS occurred during this period of time. In January 2013, ARP was closed to new state employees first hired on or after July 1, 2013 and the program was inoperative effective January 2013.

**Reimbursable Programs and Proposed Trailer Bill Language.** The Governor's Reorganization Plan Number One of 2011 consolidated all of the functions of the Department of Personnel Administration (DPA) and the merit-related operational functions of the State Personnel Board into CalHR. The proposed trailer bill language provides CalHR with direct transfer authority for its reimbursable programs and would reduce workload associated with billing and processing and resolve cash flow issues.

**Staff Recommendation: Approve as Budgeted****VOTE-ONLY ISSUE 15: STATEWIDE MEDICAL AND PSYCHOLOGICAL SCREENING POLICY**

The Governor's Budget proposes four permanent positions, the re-direction of an existing position, and \$188,000 (\$100,000 General Fund and \$88,000 Reimbursements) for fiscal year 2019-20, and \$179,000 (\$100,000 General Fund and \$79,000 Reimbursements) ongoing to create a new Pre-Employment Services Division that provides statewide consultation and direction on medical and psychological pre-employment screening.

**BACKGROUND**

CalHR's existing medical review practices and policy guidance provided to state departments are insufficient to ensure consistent application of and compliance with rules

governing the hiring process. This creates significant potential liability exposure for CalHR and, more broadly, all state departments engaged in the hiring process.

Existing staffing is primarily clinical (e.g., physician, psychologist) or clerical in nature, focused around administering medical and psychological screenings that CalHR performs in-house. The current organizational structure has the Medical Officer, Chief Psychologist, and Administrative Support Manager each reporting, individually, to the Deputy Director of Labor Relations who has broad statewide responsibilities. However, to ensure adequate oversight of the program statewide, CalHR is proposing a new Pre-Employment Services Division with a dedicated executive manager that will oversee these sensitive and highly-specialized functions. CalHR will redirect the Medical Office and the Psychological Screening Program from under the oversight of the Labor Relations Division to a newly created Pre-Employment Services Division.

The proposal establishes permanent position authority for three positions currently funded as temporary help and provides funding and position authority for an office technician. The proposal also redirects an existing position, and includes \$100,000 annually for legal services to advise the Division and ensure compliance with hiring rules.

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**Staff Recommendation: Approve as Budgeted**

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**7503 STATE PERSONNEL BOARD**

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**VOTE-ONLY ISSUE 16: COMPLIANCE REVIEW UNIT-FUNDING REALIGNMENT**

The Governor's Budget proposes a reduction of \$1.6 million from reimbursements and an increase of \$911,000 from the General Fund and \$687,000 from the Central Services Cost Recovery (CSCR) Fund to align the Compliance Review Unit (CRU) funding with that of other central service state entities.

**BACKGROUND**

The State Personnel Board's (SPB) CRU conducts compliance reviews of appointing authorities' personnel practices in five areas: examinations, appointments, equal employment opportunity, personal services contracts, and mandated training. The purpose of these reviews is to ensure state agencies are in compliance with merit-related laws, rules, and policies and to share best practices identified during the reviews. The CRU performs and manages both SPB's and the Department of Human Resources' (CalHR's) compliance reviews.

CalHR's reviews are funded by the General Fund and the CSCR, whereas SPB's reviews are funded by reimbursements. This proposal would align the funding sources of the state's human resources auditing function and increase efficiency by reducing SPB's billing and departments no longer having to process payments to the SPB.

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**Staff Recommendation: Approve as Budgeted**

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**7910 OFFICE OF ADMINISTRATIVE LAW**

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**VOTE-ONLY ISSUE 17: STAFFING INCREASE**

The Governor's Budget requests for the Office of Administrative Law (OAL) \$109,000 (\$63,000 General Fund and \$46,000 Central Service Cost Recovery Fund) in 2019-20 and on-going for one Associate Governmental Program Analyst to address increased workload.

**BACKGROUND**

The OAL is responsible for reviewing and approving/disapproving regulations proposed by state agencies for compliance with the Administrative Procedure Act. Each year, with a staff of 21 employees, OAL reviews and takes action on over 700 filings submitted by over 200 state agencies. OAL also provides advice and formal training to state agency personnel concerning the requirements of the APA to improve the regulations of the state and reduce the number of lawsuits concerning regulations that are unclear, inconsistent with other laws or enforced without proper authority. In the last five years, the number of Public Records Act requests received has increased significantly, and the number of requests received has more than tripled since 2016. OAL used to receive a few requests each year; however now it receives 1-2 requests each week. These requests have become more complex and deal with more sensitive matters such as, lethal injection of inmates, assault weapons, and Proposition 57. The additional staff person will help to address the increased workload.

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**Staff Recommendation: Approve as Budgeted**

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**8620 FAIR POLITICAL PRACTICES COMMISSION**

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**VOTE-ONLY ISSUE 18: CAMPAIGN DISCLOSURES-ADVERTISEMENTS (AB 2188)**

The Governor's budget requests for the Fair Political Practices Commission (FPPC) \$200,000 General Fund in 2019-20 (\$193,000 ongoing) for one full-time Senior Commission Counsel to implement the provisions of AB 2188 (Mullin, Chapter 754, Statutes of 2018).

**BACKGROUND**

AB 2188 requires online platforms that sell political ads, as specified, to make specified information about those political ads available to the public (provide a hyperlink to more information). It also makes various changes to the required format for disclosures on electronic media ads that are required by existing law. These changes go into effect January 1, 2020. The requested position will draft regulations, provide legal advice to candidates or committees, and provide educational information about the changes.

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**Staff Recommendation: Approve as Budgeted**

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**8955 DEPARTMENT OF VETERANS AFFAIRS**

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**VOTE-ONLY ISSUE 19: DEFERRED MAINTENANCE**

The Governor's budget provides one-time funding of \$5 million General Fund for critical deferred maintenance projects at the Veterans Home of California (VHC)-Yountville.

**BACKGROUND**

The budget proposes \$5 million for the project shown below. The elevator modernization is a critical project to ensure safety and the two projects proposed for Rector Dam are also necessary.

| Summary  | BY Funding  |
|--|-------------|
| Part 1 - VHC-Yountville: Elevator Modernization  | \$3,700,000 |
| Part 2 - VHC-Yountville: Repair paved roads and upgrade gravel roads at Rector Reservoir | \$800,000   |
| Part 3 - Replace media in the Rector Reservoir plant filters and related upgrades.       | \$500,000   |
| Total  | \$5,000,000 |

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 20: CALIFORNIA TRANSITION ASSISTANCE PROGRAM**

The Governor's budget proposes \$1.1 million (\$45,000 one-time) General Fund and 8 positions in 2019-20 and annually thereafter to ensure that service members, veterans, and their families residing in California receive the resources and information they need to successfully transition from military to civilian life. Also includes funding to upgrade two existing positions.

**BACKGROUND**

The federal 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. To complement the federal program, the state established the California Assistance Program (CalTAP) in 2016-17. This program has been successful at helping veterans transition back to civilian life. About 3,300 veterans were served in 2017-18 and it is estimated that 4,200 will be served in 2018-19. With the additional resources that are being requested in this budget proposal, CalVet estimates it will serve 15,000 veterans beginning in 2020-21.

CalTAP currently has seven positions that have worked on strategic planning, research and analysis studies, site visits, and developing relationships with external partners. Through these efforts, two key priorities for CalTAP were identified: separating service members and student veterans. Further, the method in which CalTAP would engage with separating service members was established, as well as the identification of gaps in veteran specific services offered to student veterans across California's community college (CCC) system.

With the addition of six Training Coordinator positions and additional managers, CalTAP will conduct outreach events at CCC districts at a rate of three districts a month. At this interval, CalTAP Training Coordinators will visit each district once every-two years and ensure that all attending veterans have the opportunity to interface directly with CalTAP during their educational pursuit within California.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 21: EMERGENCY COORDINATION**

The Administration proposes \$152,000 (\$145,000 General Fund and \$7,000 Farm and Home Building Fund of 1943) and one permanent position that will be responsible for CalVet's plans, response, and coordination in the event of an emergency.

**BACKGROUND**

CalVet operates eight state veterans homes and that combined house nearly 2,500 residents, in addition to two cemeteries. Some of the homes are more likely to experience wildfires and have fewer options for emergency resources, relocation sites, and staffing because of their rural nature. In addition, staff trying to respond to emergencies are more likely to experience compromised transportation lines making it difficult for them to get to work.

Fires during 2017 and 2018, threatened four veterans homes and two veterans cemeteries due to their proximity to forests, wildlands, and other undeveloped areas. Each individual facility's response and preparedness met licensing and regulatory requirements, including the training of staff, the conducting of drills, and implementing emergency protocols. While CalVet executed its response to each of the fires safely, successfully, and in compliance with regulatory requirements, an additional position will support the Department's ability to respond to disasters as effectively as possible. As wildfires grow more numerous and more devastating, CalVet must take a proactive approach to maintaining emergency preparedness.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 22: NORTHERN CALIFORNIA VETERANS CEMETERY, IGO: WATER SYSTEM UPGRADE**

The Governor's budget includes \$917,000 General Fund to complete the preliminary plans, working drawings and construction phases for a water system upgrade at the Northern California Veterans Cemetery.

**BACKGROUND**

The Budget Act of 2015 included \$525,000 for this project. However, in working with the Department of General Services and the State Fire Marshal (SFM), CalVet has determined that the project must address additional fire suppression related deficiencies to meet current National Fire Protection Standards and SFM, California Building Code, and California Fire Code requirements. Specifically, the existing fire sprinkler, water pressure, and water supply systems must be upgraded. Additionally, the fire riser, sprinkler cross mains, fire water supply, diesel fire pump and enclosure, and electrical connections for the fire pump and fire alarm monitoring panel must be replaced. Consequently, project costs have increased by \$917,000 (\$76,000 preliminary plans, \$100,000 working drawings, and \$741,000 construction). Total project costs are \$1.4 million (\$96,000 preliminary plans, \$151,000 working drawings, and \$1.2 million construction). Project completion is anticipated by June 2020.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 23: TECHNICAL ADJUSTMENT TO CONVERT BLANKET POSITIONS TO AUTHORIZED POSITIONS**

The Governor's budget requests a net-zero cost technical adjustment to transition 32.5 positions from the temporary help blanket to authorized positions.

**BACKGROUND**

Currently, the CalVet meets workload demands at the Veterans Homes, Veteran Services Division District Offices, cemeteries, and Headquarters via authorized positions and the utilization of blanket positions. Many blanket positions are of a temporary nature, such as filling behind employees who are out on medical or family leave. However, some duties currently performed by staff in the blanket are permanent. To provide more transparency and in order for CalVet to receive accurate funding for employee compensation and retirement adjustments, which is not provided for blanket positions, CalVet is requesting to establish 32.5 permanent positions. This request is consistent with guidance issued by the Department of Finance on July 2018.

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**Staff Recommendation: Approve as Budgeted**

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**1111 DEPARTMENT OF CONSUMER AFFAIRS****VOTE-ONLY ISSUE 24: MEDICAL EXPERT REVIEWERS**

The Governor's budget is requesting \$499,000 Contingent Fund of the Medical Board of California in 2019-20 and ongoing annually to increase the hourly rate for trained Medical Expert Reviewers.

**BACKGROUND**

The Expert Reviewer Program was established in July 1994 as an impartial and professional means to support the investigation and enforcement functions of the Medical Board. Experts are essential for consumer protection and provide professional reviews and opinions on Board cases. Experts review the facts of medical cases and determine if the standard of care has been met. Experts also conduct professional competency, physical, and psychiatric examinations. Since 2009, the Board has compensated its experts at the rate of \$150 per hour. The market rate for

comparable experts is greater and can range from \$300 to \$1,000 per hour. This increase would help to reduce the existing pay gap, help the Medical Board to obtain a larger and more qualified pool of experts, and assist with decreasing disciplinary timelines. The hourly increase would only be available to those who complete the Medical Board's training. The proposed hourly rate increases by specialty are shown below.

| <b>Projected Outcomes</b>                       |                     |                                |                                     |                                   |                  |
|---|---------------------|--------------------------------|-------------------------------------|-----------------------------------|------------------|
| Type of Service <sup>1/</sup>                   | Current Hourly Rate | 5-Year Average Expert Expenses | Proposed Hourly Rates <sup>2/</sup> | Proposed Expert Expenses Increase | Increase         |
| Review/Report Case Review Neurosurgery Only     | \$150               | \$26,400                       | \$300                               | \$52,800                          | \$26,400         |
| Testifying Neurosurgery Only                    | \$200               | \$1,300                        | \$400                               | \$2,600                           | \$1,300          |
| Review/Report Case Review All Other Specialties | \$150               | \$1,361,200                    | \$200                               | \$1,814,900                       | \$453,700        |
| Testifying All Other Specialties                | \$200               | \$72,100                       | \$250                               | \$90,100                          | \$18,000         |
| <b>Total</b>                                    |                     | <b>\$1,461,000</b>             |                                     | <b>\$1,960,400</b>                | <b>\$499,400</b> |

1/ Projected based on a 5-year average of cases sent.

2/ Hourly rates will only be increased for those who complete training.

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### **Staff Recommendation: Approve as Budgeted**

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#### **VOTE-ONLY ISSUE 25: LEGISLATIVE WORKLOAD**

The Administration includes in its January budget various requests totaling \$2.8 million for 22 positions in 2019-20 to address increased licensing and enforcement workload associated with provisions passed during the 2017-18 legislative session.

#### **BACKGROUND**

Below is a summary of the legislation passed in the 2017-18 legislative session that is addressed in the budget requests for resources shown in the table below:

**AB 93 (Medina, Chapter 743, Statutes of 2018) - Board of Behavioral Sciences:** Establishes new requirements related to supervised experience and educational requirements for marriage and family therapist, clinical social worker, and professional clinical counselor trainees, interns, and applicants for licensure regulated by the BBS.

**AB 926 (Irwin, Chapter 750, Statutes of 2017)- Cemetery & Funeral Bureau:** Authorizes cemetery authorities to apply to the Bureau to convert its endowment care fund from a net income distribution to a unitrust distribution method as of January 1, 2020, and requires the Bureau to annually review whether they continue to meet the conditions of a unitrust distribution method, evaluate the effectiveness of the unitrust method, and report to the Legislature in its next two sunset hearings.

**AB 2037 (Bonta, Chapter 647, Statutes of 2018) - Board of Pharmacy:** Provides an alternative program to authorize a pharmacy located in the state to provide pharmacy services to the patients of covered entities that are eligible for discount drug programs under federal law, using an automated patient dispensing system.

**SB 1447 (Hernandez, Chapter 666, Statutes of 2018) - Board of Pharmacy:** Repeals the general automated drug delivery system (ADDS) provisions and the additional conditions for an ADDS located in a health facility. The bill instead would require an ADDS, as defined, to meet specified requirements in order to be installed, leased, owned, or operated in the state, including a license for the ADDS issued by the California State Board of Pharmacy to the holder of a current, valid, and active pharmacy license of a pharmacy located and licensed in the state.

**SB 212 (Jackson, Chapter 1004, Statutes of 2018) - Board of Pharmacy:** Establishes a stewardship program, under which a manufacturer or distributor of covered drugs or sharps, or other entity, as specified, would be required to establish and implement, either on its own or as part of a group of covered entities through membership in a stewardship organization, a stewardship program for covered drugs or for sharps.

**AB 2998 (Bloom, Chapter 924, Statutes of 2018) - Bureau of Household Goods & Services:** Prohibits a person, including a manufacturer and custom upholsterer, from selling or distributing new, not previously owned, juvenile products, mattresses, or upholstered furniture that contain flame-retardant chemicals at levels above 1,000 parts per million.

**SB 1483 (Hill, Chapter 578, Statutes of 2018) - Bureau of Household Goods & Services:** Expands the definition of "service contracts" to include any consumer good used primarily for personal, family, or household purposes.

**SB 501 (Glazer, Chapter 929, Statutes of 2018) - Dental Board of California:** Revises the requirements for the administration of various levels of outpatient sedation related to general anesthesia, deep sedation, moderate sedation, and minimal sedation and report findings to the Legislature by January 1, 2022. Additional training and continuing education requirements will be required for the administration of general anesthesia or deep sedation for dental patients under 13 years of age. The bill would also require an onsite inspection and evaluation of the licensee and the facility, equipment, personnel, and procedures utilized by the licensee prior to issuance of any permits.

**SB 798 (Hill, Chapter 775, Statutes of 2018) - Osteopathic Medical Board:** Requires medical school graduates, including graduates of osteopathic medical schools, to obtain a postgraduate training license beginning January 1, 2020.

**SB 1465 (Hill, Chapter 514, Statutes of 2018) - Contractor's State License Board:** Requires a licensee to report to the registrar within 90 days of the date that the licensee has knowledge of any civil action resulting in a final judgment, executed settlement agreement, or final arbitration award in an action in which the licensee is named as a defendant or cross-defendant, that meets specified criteria, including that the amount or value of the judgment, settlement payment, or award is \$1,000,000 or greater and that

the action is the result of a claim for damages to a property or person allegedly caused by specified construction activities of a licensee on any part of a multifamily rental residential structure.

**SB 1480 (Hill, Chapter 571, Statutes of 2018) - Veterinary Medical Board:** Requires the Veterinary Medical Board to randomly inspect at least 20 percent of veterinary premises annually.

**SB 1482 (Hill, Chapter 858, Statutes of 2018) - Dental Hygiene Board (Board):** Requires the Board to conduct random audits of at least 5 percent of its licensees annually to ensure that licensees are complying with continuing education requirements.

**Summary of Requests for Legislative Workload  
(in thousands)**

| Board/ Bureau                          | Proposal Title                                     | Requested Funding 2019-20 | Requested Positions 2019-20 | Proposed Funding 2020-21 |
|--|--|---------------------------|-----------------------------|--------------------------|
| Board of Behavioral Sciences           | AB 93 (Medina, Chapter 743, Statutes of 2018)      | \$89                      | 1                           | 81                       |
| Cemetery and Funeral Bureau            | AB 926 (Irwin, Chapter 750, Statutes of 2017)      | \$69                      | 0.5                         | \$61                     |
| Board of Pharmacy                      | AB 2037 (Bonta, Chapter 647, Statutes of 2018)     | \$288                     | 1.5                         | \$272                    |
| Board of Pharmacy                      | SB 1447 (Hernandez, Chapter 666, Statutes of 2018) | \$182                     | 1                           | \$166                    |
| Board of Pharmacy                      | SB 212 (Jackson, Chapter 1004, Statutes of 2018)   | \$476                     | 3                           | \$1,429                  |
| Bureau of Household Goods and Services | AB 2998 (Bloom, Chapter 924, Statutes of 2018)     | \$197                     | 2                           | \$211                    |
| Bureau of Household Goods and Services | SB 1483 (Hill, Chapter 578, Statutes of 2018)      | \$102                     | 1                           | \$94                     |
| Dental Board                           | SB 501 (Glazer, Chapter 929, Statutes of 2018)     | \$547                     | 4                           | \$465                    |
| Osteopathic Medical Board              | SB 798 (Hill, Chapter 775, Statutes of 2018)       | \$224                     | 2                           | \$208                    |
| Contractor State License Board         | SB 1465 (Hill, Chapter 514, Statutes of 2018)      | \$217                     | 2                           | \$201                    |
| Veterinary Medical Board               | SB 1480 (Hill, Chapter 571, Statutes of 2018)      | \$336                     | 3                           | \$312                    |
| Dental Hygiene Board                   | SB 1482 (Hill, Chapter 858, Statutes of 2018)      | \$99                      | 1                           | \$91                     |
| <b>Total</b>                           |  | <b>\$2,826</b>            | <b>22</b>                   | <b>\$3,591</b>           |

The Administration has justified the requested positions for the implementation of the legislation identified above.

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**Staff Recommendation: Approve as Budgeted**

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**VOTE-ONLY ISSUE 26: BOARD AND BUREAU WORKLOAD**

The Administration includes in its January budget various requests from 18 boards and bureaus to align staffing allocations with actual and projected workload. The requests total 28.1 ongoing positions and \$2 million from various special funds.

**BACKGROUND**

Below are the specific Board and Bureaus requests:

**California Board of Accountancy** - Requests \$490,000 in 2019-20 and ongoing to establish and fund 10.0 permanent positions (3.0 Enforcement Unit and 7.0 Licensing) and \$78,000 for the Certified Public Accountant Examination (CPA Exam). Currently, temporary help staff is addressing the permanent workload in these units. This proposal would align permanent staffing resources with ongoing workload. The CPA Exam funding is required to ensure the Board is in compliance with the American with Disability Act.

**Board of Behavioral Sciences** - Requests permanent position authority for two positions, one for the Examination Unit and one for the Cashiering Unit. Currently, temporary help staff is addressing the permanent workload in the units. This proposal would align permanent staffing resources with ongoing workload. The Board is not requesting funding and it will absorb any costs within existing resources.

**Dental Hygiene Board of California** - Requests 0.8 permanent position in its Enforcement Unit. Currently, temporary help staff is required to address permanent workload. This proposal would align staffing resources with ongoing workload. No funding is required because the Board will absorb any costs within existing resources. Additionally, the Board requests \$99,000 in 2019-20 and \$91,000 in 2020-21 and ongoing for 1.0 position for the Licensing Unit.

**Physical Therapy Board of California** - Requests \$161,000 in 2019-20 and \$153,000 in 2020-21 and ongoing for 1.0 position to serve as Board's Assistant Executive Officer and align manager-to-staffing ratio with the California Department of Human Resources staffing allocation guidelines. The Board also requests \$201,000 in 2019-20 and \$185,000 in 2020-21 and ongoing for 2.0 positions for the Continuing Competency Program. Currently, resources are being redirected from other high priority areas to meet this workload, which may result in delays in those programs. This proposal would align

permanent staffing resources with ongoing workload. Lastly, 1.0 position is requested for the Cashiering Unit. Currently, temporary help staff is addressing the permanent workload. This proposal would provide permanent staffing resources for ongoing workload. No funding is required, any costs will be absorbed within existing resources.

**Physician Assistant Board** - Requests \$257,000 in 2019-20 and \$233,000 in 2020-21 and ongoing to establish and fund 2.5 permanent positions (1.0 Enforcement Unit and 1.5 Licensing). Currently, temporary help staff is addressing the permanent workload in these units. This proposal would align permanent staffing resources with ongoing workload.

**Board of Psychology** - Requests permanent position authority for one position in its Enforcement Unit. Currently, temporary help staff is addressing the permanent workload. This proposal would align permanent staffing resources with ongoing workload. No funding is requested, and the Board will absorb any costs within existing resources.

**Osteopathic Medical Board of California** - Requests \$250,000 in 2019-20 and ongoing for expert reviewers (\$50,000) and investigation costs (\$200,000).

**California State Board of Pharmacy** - Requests \$248,000 in 2019-20 and \$232,000 in 2020-21 and ongoing for 2.0 permanent positions to perform probation monitoring functions for the Board. Currently, temporary help staff is addressing the permanent workload in these units. This proposal would align permanent staffing resources with ongoing workload.

**Dental Board of California** - Requests 0.7 permanent position (0.5 Licensing and 0.2 Administration Unit). Currently, temporary help staff is addressing the permanent workload. This proposal would align permanent staffing resources with ongoing workload. No funding is requested, any costs will be absorbed within existing resources.

**State Dental Assistant Program** - Requests 2.0 permanent positions (1.0 Continuing Education Unit and 1.0 management-level position). Currently, temporary help staff is addressing the permanent workload. This proposal would align permanent staffing resources with ongoing workload and align manager-to-staffing ratio with the CalHR guidelines. No funding is requested and any costs will be absorbed.

**Medical Board of California** - Requests \$337,000 in 2019-20 and \$333,000 in 2020-21, and \$120,000 in 2021-22 for 1.1 positions and the necessary resources to establish the Licensed Physicians from Mexico Pilot Program, as required by Chapter 1157, Statutes of 2002. The Board also requests a budget reduction of \$1.9 million in 2019-20 and ongoing to account for lower Attorney General expenses as a result of the abolishment of the vertical enforcement model for Medical Board.

**Registered Dispensing Opticians (RDO)** - Requests \$87,000 one-time in 2019-20 to fund and conduct an occupational analysis of the RDO's national examination.

**Bureau of Security and Investigative Services & Private Security Services** - Requests 4.0 permanent positions in its Enforcement Unit. Currently, temporary help staff is addressing the permanent workload. This proposal would align permanent staffing

resources with ongoing workload. No funding is requested and any costs will be absorbed within existing resources.

**Bureau of Real Estate Appraisers** - Requests budget reduction of \$350,000 in 2019-20 and ongoing by eliminating 3.0 permanent positions to align resources with workload.

**Summary of Board and Bureau Workload Resources Request  
(in thousands)**

| Board/ Bureau   | Proposal  | Requested Funding 2019-20 | Requested Positions 2019-20 | Proposed Funding 2020-21 |
|---|---|---------------------------|-----------------------------|--------------------------|
| Board of Accountancy  | Temporary Help and Exam Accommodations                              | \$568                     | 10.0                        | \$568                    |
| Board of Behavioral Sciences  | Staffing Augmentation   | \$0                       | 2.0                         | \$0                      |
| Dental Hygiene Board  | Licensing and Enforcement Staffing Augmentation                     | \$99                      | 1.8                         | \$91                     |
| Physical Therapy Board  | Assistance Executive Officer  | \$362                     | 4.0                         | \$338                    |
| Physician Assistant Board   | Licensing and Enforcement Staffing Augmentation                     | \$257                     | 2.5                         | \$233                    |
| Board of Psychology   | Position Authority  | \$0                       | 1.0                         | \$0                      |
| Osteopathic Medical Board   | Expert Reviewer and Investigations                                  | \$250                     | 0.0                         | \$250                    |
| Board of Pharmacy   | Enforcement Unit  | \$248                     | 2.0                         | \$232                    |
| Dental Board  | Licensing, Examination, and Administration Unit                     | \$0                       | 0.7                         | \$0                      |
| Dental Assisting Program  | Program Manager and Continuing Education Auditor                    | \$0                       | 2.0                         | \$0                      |
| Medical Board   | Mexico Pilot Program and Abolishment of Vertical Enforcement Method | -\$1,575                  | 1.1                         | -\$1,579                 |
| Registered Dispensing Opticians   | Occupational Analysis   | \$87                      | 0.0                         | \$0                      |
| Bureau of Security and Investigative Services & Private Security Services | Staffing Augmentation   | \$0                       | 4.0                         | \$0                      |
| Bureau of Real Estate Appraisers  | Staffing Reduction  | -\$350                    | -3.0                        | -\$350                   |
| <b>Total</b>  |   | <b>-\$54</b>              | <b>28.1</b>                 | <b>\$133</b>             |

The requests for these resources have been justified based on workload metrics and in many cases are converting temporary help to permanent help and do not require the expenditure of additional funds.

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**Staff Recommendation: Approve as Budgeted**

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**7920 STATE TEACHERS' RETIREMENT SYSTEM**

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**VOTE-ONLY ISSUE 27: ENGAGEMENT AND RISK MANAGEMENT**

The Governor's budget requests for the State Teachers' Retirement System (CalSTRS) \$4.0 million in ongoing funding from the Teachers' Retirement Fund for 7.0 positions for enterprise compliance, litigation and investment engagement activities. In addition, this request will provide funding for external auditors to perform an annual independent audit of CalSTRS financial statements.

**BACKGROUND**

According to CalSTRS, the requested funding will enhance its management of the operational, financial, legal and reputational risks of the organization. The seven permanent positions requested are as follows:

- Four positions in Audit Services under the Enterprise Compliance Services division to implement an enterprise-wide compliance program;
- Two positions in the Office of General Counsel Litigation Services division to address increasing workload and reduce reliance on external counsel; and
- One position in Public Affairs to develop a public engagement strategy to address heightened public concerns regarding specific investments such as those related to investments in assault weapons.

**STAFF COMMENTS**

The budget request (and additional information that was requested by staff) does not justify on a workload basis why the position in the Public Affairs unit is needed. It is unclear what types of activities would be performed and how many hours of work would be performed in a given year regarding political and social investments. Furthermore, it is unclear why this workload could not be absorbed by the existing 35 staff in the Public Affairs unit. Concerns around making investments in certain social and environmental

areas are not new and presumably this type of workload has been absorbed by this unit in the past.

The LAO has pointed out that Proposition 162 (passed by the voters in 1992) gives pension boards complete authority over how pension fund dollars are used and as a result, any action the Subcommittee takes on this issue is nonbinding.

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**Staff Recommendation: Approve as Budgeted, except Reject the one Public Affairs position**

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## **ITEMS TO BE HEARD**

### **0890 SECRETARY OF STATE**

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The Secretary of State (SOS), a constitutionally established office, is the chief elections officer of the state and is responsible for the administration and enforcement of election laws. The SOS also is responsible for administering and enforcing laws pertaining to filing documents associated with corporations, limited liability companies, partnerships, limited partnerships, unincorporated associations and pertaining to filing bonds and perfecting security agreements. In addition, SOS is responsible for commissioning notaries public, enforcing the notary laws, and in conjunction with being the home of the State Archives, administering a state records management program and preserving documents and records having historical significance. The SOS is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The SOS also operates the Safe at Home program, maintains the Domestic Partners and Advance Health Care Directives registries, provides support functions for the Voting Modernization Board, and is home to the California Museum.

The Governor's budget proposes expenditures for 2019-20 of \$124.1 million and 563 positions. The proposed amount is \$149 million less than 2018-19 mostly due to the one-time funding of \$134 million provided last year to update county election systems.

#### **ISSUE 1: COUNTY ELECTION SYSTEMS (INFORMATIONAL ONLY)**

The Administration has no proposal.

#### **BACKGROUND**

Many California counties use voting systems that are at or near their life expectancy. In 2015, California updated its voting system certification and testing standards — known as the California Voting System Standards. Since then, 20 of California's 58 counties have purchased voting systems that meet these higher standards, while several other counties have started the process of upgrading their systems. However, many counties are still using legacy systems that were not tested to the latest standards.

The 2018 Budget Act included \$134.3 million for counties to replace aging voting systems. With a dollar-for-dollar match from counties, this will result in \$268.6 million for improvements for election equipment. This is the first significant funding towards voting systems in California in 15 years. In addition, and as discussed elsewhere in this agenda, California received \$34 million from the Elections Assistance Commission as the final disbursement of money from the Help America Vote Act (HAVA) and \$20 million of these funds have been designated to help counties purchase new voting equipment.

Secretary of State Alex Padilla recently stated that in an effort to strengthen the security of California's election infrastructure, he has initiated the process for withdrawing certification or conditional approval of voting systems that were not tested or certified under the most recent state security standards. County elections officials must implement a voting system that meets the state's newest testing and certification standards in time for the March 3, 2020 Presidential Primary Election. Counties unable to meet this deadline can request an extension.

**STAFF COMMENTS**

It is critical that the election equipment in California is up to date so that it works properly and is secure. It would be helpful for the Legislature to have an assessment of how much funding is necessary to upgrade all counties' voting systems by the 2020 election. In addition, it is important that SOS and the Legislature assess if there are other innovative (and perhaps less costly) approaches to updating and ensuring the security of voter systems that should be considered. For example, counties may want to switch from a system where voters cast ballots in smaller, neighborhood precincts to a "vote center" system, in which a smaller number of voting sites are open for several days leading up to an election, offering spots where voters can vote in person or drop off a mail-in ballot. This approach is likely to reduce costs for new voting equipment.

The Committee may wish to ask for an update of which counties are likely to be unable to meet the deadline for updating their systems, an estimate of how much funding would be necessary to upgrade all county voting systems, and what can be done to help ensure all voting systems meet state standards.

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**Staff Recommendation: Informational Only**

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**8955 DEPARTMENT OF VETERANS AFFAIRS**

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The California Department of Veterans Affairs (CalVet) honors and serves California's 1.75 million veterans and their families by ensuring our veterans have access to the benefits they have earned to enable them to meet their needs. CalVet promotes and delivers innovative services through efficient, cost-effective programs and collaboration with key stakeholders and partners.

The Governor's budget proposes expenditures for 2019-20 of \$488.9 million and about 3,200 positions. The proposed amount is roughly the same as 2018-19. Most of the expenditures are for the operation of the state's eight veterans homes.

**ISSUE 2: UPDATE ON THE MASTER PLAN FOR THE STATE'S VETERANS HOMES  
(INFORMATIONAL ONLY)**

The Administration had no proposal in its January budget.

**BACKGROUND**

California operates eight veterans homes that provide residential or long-term care services to about 2,500 veterans. The services provided at the homes range from independent living-style domiciliary care to intensive skilled nursing services and memory care for residents with dementia and/or mental impairment. Funding for the veterans homes primarily comes from the General Fund (proposed to be \$333.8 million in 2019-20), which is partially offset by federal funds and member fees (estimated to be \$122.9 million).

***CalVet Currently Working on a System-wide Master Plan for the Homes.*** CalVet is required to develop a system-wide Master Plan for the veterans homes. Last year, Adopted the Legislature extended the due date of the master plan from July 1, 2019 to December 31, 2019, and required CalVet to report to the Legislature on who it has consulted with during the development of the master plan. Key components of the master plan include (1) an assessment of current demand for services, (2) projecting future long-term care needs of California's veterans, and (3) determining how to align the veterans homes system to meet current and future demand across all levels of care.

***Needs Assessment and Stakeholder Meetings Underway.*** As part of its development of the Master Plan, CalVet is conducting a needs assessment to determine how many and what types of services veterans might want to receive in the state's veterans homes in the future.

In addition, CalVet has held stakeholder forums in Yountville, Chula Vista, and San Bernardino to receive input from legislative leaders representing the regions, local officials representing the areas immediately around the veterans homes, representatives of the skilled nursing industry and of state agencies that work in health and aging services, representatives of veterans' needs and interests (including the CalVet Board, the United States Department of Veterans Affairs, veterans' service organizations such as the VFW, and County Veteran Service Officers), and other state level stakeholders. CalVet has also reached out to the residents of its homes.

**STAFF COMMENTS**

CalVet is well into the process of developing the Master Plan for the state's veterans homes. It is important to ensure these homes meet California's veterans' needs now and in the future. Based on the changing needs of the current and future populations of veterans, it is possible that the proposed plan may require the Legislature to consider a different approach to its system of veterans homes.

The Committee may wish to ask CalVet for an update on the needs assessment and preliminary findings, a summary of the types of feedback it has received during stakeholder meetings, and early thoughts on changes to the veterans homes system that the Legislature might want to consider.

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**Staff Recommendation: Informational only**

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**ISSUE 3: PROGRAM REVIEW AND AUDITS**

The Administration requests \$832,000 (\$749,000 General Fund and \$83,000 Farm and Home Building Fund of 1943) and 6.0 permanent positions beginning in 2019-20 to establish a Program Review and Internal Audits Unit.

**BACKGROUND**

Inadequate internal controls, underground regulations, and insufficient documentation of policies and procedures at CalVet has been identified in several audits and reports by the California State Auditor including, but not limited to:

- January 29, 2019 - California Department of Veterans Affairs and Department of General Services: The Departments' Mismanagement of the Veterans Home Properties Has Not Served the Veterans' Best Interests and Has Been Detrimental to the State
- October 27, 2009 - CalVet: Although It Has [Increased] Its Outreach Efforts ... Needs to Improve Its Strategic Planning Process, and Its CalVet Home Loan Program [does not] Address the Housing Needs of Some Veterans
- May 9, 2013 - California Department of Veterans Affairs: It Has Initiated Plans to Serve Veterans Better and More Cost-Efficiently, but Further Improvements Are Needed
- February 18, 2014 - DVBE Program: Meaningful Performance Standards and Better Guidance by the California Departments of General Services and Veterans Affairs Would Strengthen the Program
- August 26, 2014 - State Agencies Credited Their Employees With Millions of Dollars Worth of Unearned Leave
- July 7, 2015 - Follow-Up—California Department of Veterans Affairs: Better Collection and Use of Data Would Improve its Outreach Efforts, and It Needs to Strengthen its Oversight of CVSC Programs

The proposed unit will consist of one Supervising Management Auditor, one Senior Management Auditor, three Associate Management Auditors, and one Office Technician. Establishing this unit will provide the Department's Secretary and executive management with independent consulting and objective assurance with the intent of improving the effectiveness of the Department's operations, increasing efficiencies, and reducing fraud, waste, and abuse.

**STAFF COMMENTS**

Establishing an internal audit unit at CalVet is a good idea and over time may help to improve the operations of CalVet. There have been repeated concerns and numerous audits, as mentioned above, regarding the operations of CalVet. Establishing an internal audit unit, may help to identify early operational weaknesses at CalVet and ensure that there is ongoing oversight to help improve various programs.

The Committee may wish to ask if CalVet plans to have this unit operate a hotline that would serve both CalVet employees and residents of the homes, providing them with an opportunity to report concerns. The Committee may also wish to ask how this unit will maintain independence while it is housed within CalVet.

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**Staff Recommendation: Approve as Budgeted**

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**ISSUE 4: MINORITY AND UNDERREPRESENTED VETERANS DIVISION**

The Administration has no proposal.

**BACKGROUND**

The Minority and Underrepresented Veterans Division within CalVet is currently staffed by one person who is a deputy secretary. This person appears to attend 2-3 events around the state each month addressing groups such as disabled veterans business groups, noncitizens, and tribal veterans. While it is commendable that CalVet has a high-level person staffing this role, this person has no additional resources to help them fulfill their mission which is to:

Promote the full and impactful use of State of California and Federal veterans benefits, programs, and services by minority and underrepresented veterans. To advocate on behalf of minority and underrepresented Veterans by identifying gaps in services or barriers to access and we seek solutions. To proudly lead and support initiatives that educate the public about the unique needs of minority and underrepresented veterans.

Also, state law requires CalVet to promote the Disabled Veterans Business Enterprise (DVBE) program and to track the effectiveness of its promotional efforts. However, a recent audit by the State Auditor (February 2019) found that CalVet and the Department of General Services have not measured the success of their outreach efforts in encouraging more firms owned by disabled veterans to participate in the DVBE program. In the audit report, CalVet states that it plans to do a workload analysis and request more positions for this workload in the future. For now, it has internally redirected two positions.

**STAFF COMMENTS**

Without additional resources, the impact the Minority and Underrepresented Veterans Division can make to reach minority and underrepresented veterans and connect them with their federal benefits is very limited. Additional staff would allow the Division to be more visible statewide and to attend more events to provide outreach to minority and underrepresented veterans. Additional resources would also help ensure that CalVet is fulfilling its responsibilities regarding the DVBE program.

The Subcommittee may wish to have the Division describe what it does, the level of resources available for these efforts, and to discuss what it would do if it had additional staff. Finally, the Subcommittee may wish to consider permanently funding additional staff in this division to support the deputy secretary.

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**Staff Recommendation: Hold open**

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**1111 DEPARTMENT OF CONSUMER AFFAIRS**

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The Department of Consumer Affairs (DCA) includes 37 boards, bureaus, commissions, and programs. Through these entities, DCA licenses approximately 3 million individuals in roughly 250 professional categories, such as doctors, acupuncturists, and cosmetologists. In addition, DCA licenses certain businesses, such as auto repair facilities. As part of its regulatory responsibilities, DCA also investigates complaints and disciplines violators of licensing requirements. Additionally, DCA provides certain services to its boards and bureaus, including staff training, consumer education and outreach, and legal and audit services.

The Governor's budget proposes \$699 million from various funds for support of DCA in 2019-20, which is small reduction from the current-year estimated expenditures, which are \$703 million. This decrease primarily reflects limited-term funding provided to the Bureau of Cannabis Control in 2017-18 and 2018-19 for the development of an information technology (IT) solution and facility improvements.

**ISSUE 5: BOARD OF REGISTERED NURSING-STAFFING AUGMENTATION**

The Governor's budget requests \$7.1 million in 2019-20, \$6.5 million in 2020-21 and 2021-22, and \$3.3 million to the Board of Registered Nursing (BRN) Fund, Professions and Vocations Fund in 2022-23, and ongoing to fund 67 positions to address deficiencies within BRN's Licensing Division, Administration & Public Information Unit, and Enforcement Division. Resources are requested for the following programmatic areas:

- Public Information Unit - Consumer Assistance Call Center & Correspondence: (23 positions—three-year limited term)
- Registered Nurse - Continuing Education Audits: (2 positions)
- Continuing Education Providers: (6 positions)
- Fingerprint Requests: (3 positions)
- Administration, Human Resources and Information Technology: (4 positions)
- Executive Management Staff: (2 positions)
- U.S. Evaluations: (11 positions)
- International Evaluations: (3 positions)
- Advanced Practice: (1 position)
- Technical Services: (4 positions)
- Complaint Intake: (4 positions)
- Nursing Education Consultants: (1 position)
- Probation Program: (3 position)

**BACKGROUND**

The BRN is the regulatory agency for Registered Nurses (RN) in California. The BRN has a licensee population of approximately 525,000 RN and advance practice licensees and an additional estimated 35,000 applicants annually.

Investigations, audits, and media reports over the last 10 years have uncovered significant issues at BRN that include licensing and renewal delays, increased complaints, and the failure to take timely action against unsafe practitioners. The positions being requested are intended to help address these concerns.

**STAFF COMMENTS**

According to BRN, approval of these positions will allow it to reduce significant delays in the business processing times and provide better customer service to consumers, applicants, licensees, and stakeholders. These positions will also allow the Board to better serve and protect the public by responding to discipline cases in a timely manner, reducing significant delays in case processing time, alleviating case backlogs, and improve the Board's capacity to monitor disciplined nurses.

Recently enacted legislation, provided changes to fee levels that allow for increased revenue. The increased revenue will provide adequate funding for the staff requested in this proposal. The LAO has not raised any concerns with this proposal.

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**Staff Recommendation: Approve as Budgeted**

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**ISSUE 6: CONSUMER AFFAIRS ADMINISTRATIVE WORKLOAD AND PRO RATA**

The Governor's budget requests \$5.2 million in 2019-20 and 24.5 positions (declining to \$4.5 million in 2020-21, \$3.6 million in 2021-22 and \$2.1 million ongoing) to address increased workload across various areas of DCA's centralized services.

Of the total funding requested, DCA's board and bureaus would fund \$2.9 million and 18 positions via "pro rata" (assessments for the services DCA provides) for legal, accounting, fiscal, and human resources services. Board and bureaus would fund the costs of the Office of Professional Examination Services, the Division of Investigation, and Health Quality Investigations based on actual workload.

The following positions and funding are being requested:

| <b>Unit</b>   | <b>Positions</b>   | <b>2019-20<br/>(in millions)</b> | <b>Description</b>   |
|---|--------------------|----------------------------------|--|
| Business Services and Fiscal Operations                   | 7                  | \$1.2                            | Two-year limited term funding to address increased workload.             |
| Legal Affairs Division                                    | 8                  | \$1.67                           | Three-year limited term funding to create a regulations unit.            |
| Office of Human Resources                                 | 3                  | \$0.05                           | Conversion of positions to permanent.                                    |
| Office of Professional Examination Services (usage based) | 2                  | \$0.29                           | Permanent positions for increased workload.                              |
| Division of Investigation (usage based)                   | 4.5                | \$0.80                           | Permanent positions for increased workload.                              |
| Health Quality Investigations (usage based)               | Consultant Funding | \$1.2                            | Increased workload to investigate Medical Board and healing arts boards. |
| <b>Total</b>  | <b>24.5</b>        | <b>\$5.2</b>                     |  |

**BACKGROUND**

DCA is 99 percent funded by a portion of the licensing fees paid by California's state-regulated professionals in the form of "pro rata." Pro rata funds the centralized services that DCA provides to the various boards and bureaus. These services include administrative services, legal, accounting, budgeting, human resources, investigations, and examinations.

Pro rata is apportioned primarily based on the number of authorized staff at each board, regardless of how much of DCA's services the boards say they use. DCA charges boards based on actual use for some services, such as the Office of Information Services, the Consumer Information Center, and the Office of Professional Examination Services. Based on DCA's data, pro rata costs for every board have increased an average of 112

percent since fiscal year 2012-2013. The 2019-20 proposal would increase DCA's pro rata budget by 3.6 percent.

**Concerns About DCA's Pro Rata Are Longstanding.** In the past, the Legislature has raised concern that DCA's methods of allocating pro rata might not result in a fair allocation of costs among the boards and bureaus, including that some entities might be paying for services they are not receiving. In response to these concerns, the Legislature passed SB 1243 (Lieu, Chapter 395, Statutes of 2014), which required DCA to report annually by July 1 on the pro rata calculation of administrative expenses. SB 1243 also required DCA to conduct a study of its current system for prorating administrative expenses.

The 2015 report recommended that DCA explore several alternative approaches to calculating pro rata, including activity-based costing, which more directly ties charges to the use of services such as by charging hourly rates. However, the report also noted that moving to a system such as activity-based costing is hampered due to DCA's lack of past client usage and workload data and systems to capture such data. To date, DCA has not made significant modifications to its process for distributing its administrative costs.

**Actions Taken Last Year to Address Pro Rata Concerns.** Last year, during budget discussions, pro rata issues came up in the context of removing the California Bureau of Real Estate (CalBRE) out of DCA. While CalBRE was under DCA, its pro rata costs increased from approximately \$1.8 million in 2013-14 to \$5.7 million in 2017-18. (This factor was one of the main rationales for moving CalBRE out of DCA.) However, the Administration's budget proposal initially only reflected a reduction to DCA's budget of \$1.3 million. This mismatch in the amount CalBRE was paying for services and DCA's proposed reduction raised concerns about pro rata and cost allocation among the boards and bureaus.

The 2018 Budget Act provided \$242,000 to DCA to conduct organizational change management (OCM) reviews of the centralized services it funds through pro rata charges in order to identify efficiencies. Below is the schedule upcoming OCM reviews.

1. Legal Affairs (Regulations) – Report in 3/19
2. Division of Investigation (Special Operations Unit [allocated based on positions] & Investigations [allocated based on usage]) – Report in 11/19
3. Office of Information Services (Help Desk) – Report in 4/20
4. Office of Human Resources (Hiring and Recruitment) – Report in 7/20
5. Business Services Office (Facilities) – Report in TBD
6. Fiscal Operations (Payables) – Report in TBD

#### LAO COMMENTS

The LAO finds that DCA's request for additional positions funded through pro rata is premature given that OCM reviews the Legislature funded have not been completed yet.

As a result, the entire amount of staff being requested may not be needed if the OCM reviews result in the identification of improved business processes that require fewer staff.

Also, the lack of client usage information for pro rata-funded services makes it difficult to assess appropriate staffing levels and some portions of the request appear inflated. For example, the Governor's proposal does not appear to account for reductions in workload from the removal of CalBRE. Specifically, to help transition CalBRE to its own department, DCA is scheduled to provide various services (such as fiscal, accounting, human resources, examination, and education services) to CalBRE through 2019-20. The value of these services totals \$1.5 million in 2018-19 and \$1 million in 2019-20. Once DCA is no longer providing these services, the LAO anticipates there would be some decline in its workload. However, these reductions do not appear to be reflected in DCA's future workload estimates. Additionally, the request for legal services staff for the creation of a unit devoted to promulgating regulations was based on DCA's estimate of the amount of time necessary for it to complete its work on all the regulation packages that it estimates boards and bureaus will propose in a year. However, this does not appear to take into account that DCA's legal staff already do work related to promulgating regulations, so some of the proposed work is not new and should not require additional staff.

The LAO recommends that the Legislature reduce the Governor's proposal from \$5.2 million and 24.5 positions to \$2.3 million for 6.5 positions and consultant services in 2019-20 (\$2.1 million ongoing). This action would eliminate funding for the portions proposed to be funded through pro rata because they are premature and lack sufficient justification. If, after OCM reviews of the relevant pro rata-funded services are completed, DCA determines that additional resources are still necessary, it can return with a budget request in the future. This additional time will also give DCA an opportunity to develop a more fully justified proposal for requesting any additional resources necessary for these activities. This recommendation reflects that the LAO does not have specific concerns with the requests for the usage-based services.

**STAFF COMMENTS**

Staff agrees with the LAO's finding that some of this request is premature because it gets out ahead of the OCM reviews that last year the Legislature intentionally directed DCA to complete. The request to establish a regulations unit does not account for existing staff performing this workload and improvements DCA has identified it can make to its process. Staff notes that DCA has a short-term need to close out year-end accounts (a process which has been delayed because of the implementation of FI\$Cal, according to DCA). As a result, the Committee may wish to consider approving the positions requested for this purpose (7 positions for \$1.2 million) for one year, in addition to adopting the LAO's recommendation to approve \$2.1 million for 6.5 positions and funding for consultants to provide the usage-base services.

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**Staff Recommendation: Hold Open**

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**ISSUE 7: BUSINESS MODERNIZATION PLAN AND BREZE IT SYSTEM UPDATE**

The Administration is requesting resources for the California State Board of Pharmacy and the California Board of Accountancy to implement their respective Business Modernization Plans and engage in planning efforts to transition to new information technology systems. Specifically the Administration requests:

- Pharmacy - One-year limited-term funding of \$251,000 in 2019-20 to fund 2.0 staff positions to provide program support during the BMP.
- Accountancy - One-year limited-term funding of \$251,000 in 2019-20 to fund 2.0 staff positions to provide program support during the BMP.

**BACKGROUND**

In 2009, the BreEZe project was approved with a budget of \$28 million and an expected completion date of June 2014. The original plan was to implement the system in three phases, but the project had significant implementation challenges and project costs for Release 1 and 2 alone rose of \$96 million. Ultimately, the final Release, which was to include the Boards of Pharmacy and Accountancy, was cancelled.

In 2017, DCA had not yet proposed a plan for Release 3 boards and bureaus, including a time line for the completion of cost-benefit analyses that would be used to inform decisions about whether entities previously slated for Release 3 would come onto BreEZe or another system. In response to concerns about lack of information on the plan for Release 3, the 2017-18 Budget Act and SB 547 (Hill, Chapter 429, Statutes of 2017) required DCA to report on the progress of Release 3 entities' transition to a new licensing technology platform by December 31 of each year. The 2017-18 budget also provided \$1.3 million in special funds for DCA to conduct reviews of the business activities of Release 3 boards and bureaus in order to prepare them to transition to new IT systems. These reviews were intended to identify and document existing "as-is" business processes and recommend changes. The \$1.3 million was contingent on DCA's submission of information about the department's plan and time line for completing reviews of business activities, as well as agreements of Release 3 entities that they were committed to participate according to the proposed plan.

In response to the above requirements, DCA produced a business modernization plan in December 2017 that identified the anticipated timing of activities related to development of IT systems for Release 3 boards and bureaus, such as completing reviews of business activities, completing the Project Approval Lifecycle procurement process, and going live with the new systems. The 2017 business modernization plan also identified challenges and opportunities facing each entity and assessed their organizational readiness.

In December 2018, DCA submitted an updated business modernization plan. Unlike the 2017 plan, the 2018 business modernization plan did not include an assessment of each entities' challenges and opportunities or organizational readiness. Instead, the 2018 plan provided descriptions of the business activities and other actions taken thus far by each entity. In addition, the 2018 business modernization plan identified various budget change proposals that it anticipated requesting to enable entities to move forward with their IT projects, including the request for the Board of Pharmacy and Board of Accountancy.

**LAO COMMENTS**

The LAO finds that DCA is allowing Release 3 entities to proceed with addressing their IT needs at their preferred time lines, recognizing that each has different levels of organizational readiness and operational priorities. As a result, some entities are now reporting delays in completing certain activities and lack clear time lines for proceeding with their projects. Specifically, as shown in the figure below, two entities—the Professional Fiduciaries Bureau and the Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board—have postponed business activities and schedules for their projects are unknown. Additionally, another three entities—the Board of Professional Engineers, Land Surveyors, and Geologists; the Board of Chiropractic Examiners; and the Bureau of Private Postsecondary Education—report that they have experienced delays and indicated that revised schedules will be developed pending approval of BCPs. (These BCPs have not yet been submitted to the Legislature.)

**Figure 2**

### Anticipated Schedules for Release 3 Entities in 2017 and 2018 Business Modernization Plans

| Entity                                    | Business Process Mapping Completion Date <sup>a</sup> |           | Planned Launch Date |           |
|---|---|-----------|---------------------|-----------|
|   | 2017 Plan   | 2018 Plan | 2017 Plan           | 2018 Plan |
| Accountancy                               | 8/2019  | 8/2020    | 9/2022              | 9/2023    |
| Acupuncture                               | 11/2018   | Completed | 1/2022              | 1/2022    |
| Architecture/Landscape Architect          | 10/2019   | 10/2019   | 11/2022             | 11/2022   |
| Athletic Commission                       | 3/2020  | 3/2020    | 10/2023             | 10/2023   |
| Automotive Repair                         | 12/2019   | 12/2019   | 12/2022             | 12/2022   |
| BPELSG                                    | 12/2017   | Completed | 11/2020             | Delayed   |
| Cemetery and Funeral                      | 8/2019  | 8/2019    | 1/2023              | 1/2023    |
| Chiropractic Examiners                    | 2/2018  | Completed | 7/2021              | Delayed   |
| Contractor State Licensing                | 3/2020  | 3/2020    | 1/2024              | 1/2024    |
| Court Reporters                           | 2/2019  | Completed | 6/2022              | 6/2022    |
| Household Goods and Services <sup>b</sup> | 1/2020  | 1/2020    | 1/2024              | 1/2024    |
| Pharmacy                                  | 10/2021   | 10/2021   | 7/2025              | 7/2025    |
| Private Postsecondary Education           | 1/2018  | Completed | 7/2021              | Delayed   |
| Professional Fiduciaries                  | 6/2018  | Delayed   | 1/2022              | Delayed   |
| SLPAHAD                                   | 9/2018  | Delayed   | 3/2022              | Delayed   |
| Structural Pest Control                   | 10/2018   | 10/2018   | 1/2022              | 1/2022    |

<sup>a</sup> Identifies business processes that would need to be incorporated in new information technology system.  
<sup>b</sup> Previously known as the Bureau of Electronic and Appliance Repair Home Furnishings and Thermal Insulation.

BPELSG = Board of Professional Engineers, Land Surveyors, and Geologists and SLPAHAD = Speech-Language Pathology and Audiology and Hearing Aid Dispensers Bureau.

In enacting reporting requirements, the Legislature sought more certainty about DCA's plan for Release 3 boards and bureaus. This lack of information is problematic because it makes it difficult for the Legislature to oversee these projects and ensure that they are completed in a timely manner. Furthermore, boards and bureaus postponing business activities and not providing clear time lines calls into question their level of commitment to moving forward with implementing IT improvements.

The Legislature has an interest in ensuring that these projects are completed because Release 3 entities will continue to rely on a patchwork of multiple outdated IT systems until they transition to new IT systems. Consequently, long turnaround times for licensing and enforcement activities will continue to be problems for many of the boards and bureaus. Additionally, the lack of clear timeframes reduces potential opportunities to bundle the procurements of IT systems which could provide efficiencies or cost savings.

The LAO recommends that the Legislature require DCA and boards and bureaus that have experienced delays to report at budget hearings on:

- (1) DCA's rationale for its approach of allowing boards and bureaus to proceed at their preferred time lines and not requiring them to provide updated completion dates in the 2018 business modernization plan and
- (2) Reasons boards and bureaus have delayed work towards new IT systems.

This information would allow the Legislature to evaluate whether it is comfortable with DCA's current approach to the IT projects for the Release 3 boards and bureaus. Additionally, the information would help explain why some entities have delayed their IT-related business activities—for example, whether they have other operational priorities or other challenges to moving forward. Based on this information, the Legislature could determine if it wants to direct DCA or the boards and bureaus to proceed more quickly with developing their IT systems.

**STAFF COMMENTS**

Staff agrees with the LAO's comments. Regarding the specific budget proposal for the Boards of Pharmacy and Accountancy, staff has no concerns.

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**Staff Recommendation: Approve as Budgeted**

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**7501 DEPARTMENT OF HUMAN RESOURCES**

The Department of Human Resources (CalHR) is responsible for managing the state's personnel functions and represents the Governor as the "employer" in all matters concerning state employer-employee relations. CalHR is responsible for issues related to recruitment, selection, salaries, benefits, and position classification, as well as provides a variety of training and consultation services to state departments and local agencies.

The Governor's budget proposes \$111.3 million from various funds for CalHR in 2019-20, which is about the same as current-year estimated expenditures.

**ISSUE 8: STATEWIDE HUMAN RESOURCES WORKLOAD**

The Governor's Budget requests eight positions and \$1.3 million (\$603,000 General Fund, \$312,000 Central Service Cost Recovery Fund, and \$352,000 Reimbursements) for 2019-20 and \$1.2 million (\$569,000 General Fund and \$294,000 Central Service Cost Recovery Fund, and \$332,000 Reimbursements) ongoing for Limited Examination and Appointment Program (LEAP) examination development, workforce planning, statewide recruitment, human resources management, and leadership performance and career development.

**BACKGROUND**

The Administration proposes to add eight positions to improve various human resources functions. The requested positions by division are shown in the table below.

| Division                             | Positions Requested | Functions  |
|--------------------------------------|---------------------|--|
| Selection and IT (LEAP Examinations) | 3                   | Update existing LEAP examinations and create new examinations.                     |
| Workforce Development                | 3                   | Focus on state department workforce planning and improving recruitment strategies. |
| Human Resources Management           | 1                   | Onboard and manage staff of proposed Office of Digital Innovation (50 staff)       |
| Personnel Management                 | 1                   | Address issues with state performance evaluation and merit process.                |

**LEAP Examinations.** The LEAP process was established in 1984 as a demonstration project to employ individuals with disabilities into state civil service and in 1989, the program became permanent. The LEAP examination process is designed to minimize the adverse impact of the traditional examination process by providing an alternate means of assessing specific classification qualifications and skills of job applicants who are disabled. LEAP further facilitates the recruitment of applicants who are disabled to provide departments with qualified candidates for specific job classifications.

Currently there are about 250 open online examinations compared to only nine open online LEAP examinations. Effective November 1, 2017, any job classification may be deemed a LEAP-certified classification. Therefore, it is necessary for CalHR to develop additional LEAP minimum qualification assessments for all open service-wide classifications. The three requested positions would develop these assessments.

**Workforce Development.** The workforce and succession planning function is tasked with advancing workforce and succession planning activities statewide, curating an informed and accurate picture of the workforce planning challenges and opportunities at the department, agency, and state levels, and instituting workforce planning as an operational norm at all levels. There is more work to do in these area to help departments implement workforce and succession plans. Work also need to be done in the area of statewide recruitment to establish California as an employer of choice. Two of the requested positions would work on workforce planning and one position would work on statewide recruitment.

**Human Resources Management.** One position is requested to onboard approximately 50 positions for the proposed Office of Digital Innovation and to provide ongoing human resources services.

**Personnel Management.** One position is requested to establish and lead statewide performance (supervisors and managers) and career development (rank-and-file to management).

#### STAFF COMMENTS

Staff has no concerns with this proposal. Staff recommends holding this item open until the newly proposed Office of Digital Innovation is heard in Subcommittee 4 because this request proposes one position to perform the HR functions for that office.

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#### Staff Recommendation: Hold open

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This agenda and other publications are available on the Assembly Budget Committee's website at: <https://abgt.assembly.ca.gov/sub4hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Farra Bracht.