

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 6 ON BUDGET PROCESS, OVERSIGHT, AND PROGRAM EVALUATION

ASSEMBLYMEMBER PHIL TING, CHAIR

WEDNESDAY, AUGUST 3, 2022

1:30 PM – 1021 O STREET, ROOM 1100

The public may attend this hearing in person or participate by phone. This hearing can be viewed via live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub6@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

A moderated telephone line will be available to assist with public participation.

*To provide public comment, please call toll-free number: **877-692-8957 / Access Code: 1850 1100***

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ISSUE 1: STATE BUDGET RESERVE LEVELS

The Subcommittee will explore the optimal reserve level for the State budget.

BACKGROUND**History of State Reserve Requirements.**

Prior to Proposition 2 in 2014, the State had no firm set-aside rainy day fund or reserve goal. Proposition 58, approved by voters in 2004, required the Governor each year to decide whether to let 3 percent of General Fund revenues go into a reserve called the Budget Stabilization Account. Governors generally could not allow these deposits to remain in the reserve, given the state's fiscal problems at the time.

Approved by voters in 2014, Proposition 2 strengthened constitutional provisions related to the Budget Stabilization Account to facilitate saving for future economic downturns and set the target goal for this fund as ten percent of General Fund Revenue. Unlike Proposition 58, Proposition 2 required deposits to the Budget Stabilization Account in essentially every year when the economy is growing. Proposition 2 also created the Public School System Stabilization Account to facilitate saving to help ensure that school funding is maintained during future economic downturns. Together, these reserve requirements represented a clear policy response to the problems of revenue volatility that had hampered management of California's finances in prior decades.

Current General Fund Reserve Levels. The 2022-23 budget includes \$37.2 billion in total budgetary reserves related to the General Fund.

These reserves include:

- \$23.3 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund);
- \$9.5 billion in the Public School System Stabilization Account;
- \$900 million in the Safety Net Reserve; and
- \$3.5 billion in the state's operating reserve.

The Rainy Day Fund is now at its constitutional maximum (10 percent of General Fund tax proceeds). Accordingly, Proposition 2 also requires the General Fund to dedicate at least \$465 million for infrastructure investments in 2022-23. Over the multi-year forecast period, the Budget reflects \$8 billion in supplemental deposits split evenly between the Rainy Day Fund and the Safety Net Reserve. These deposits are above what is constitutionally required.

Other State Cash Balances. In addition to General Fund reserves, the General Fund and the state's other accounts, including hundreds of special and other funds, collectively holds tens of billions of dollars of other fund balances not needed for immediate use.

Some of that cash is encumbered (appropriated and committed to future expenditures), and some is not yet encumbered. As of June 30, 2022, the General Fund's total cash balance equaled \$84.6 billion, and other state accounts (including the Budget Stabilization Account and other state funds) collectively held \$77.1 billion of cash resources. These state funds—more than \$160 billion in total—made up the bulk of the \$232 billion average daily portfolio in the State Treasurer's Pooled Money Investment Account as of June 2022. Participating local governments also invest tens of billions of dollars in that portfolio. The effective yield of the \$232 billion in that portfolio is currently 0.861 percent, up from 0.500 percent on average during the 2020-21 fiscal year.

Reserves were vital in allowing the state to shield most programs from the feared effects of the COVID economic downturn during the 2020 Budget process. Beyond the reserves' use to prevent budget cuts, the State has begun to use its growing cash balances more productively in recent years. For example, SB 84 (a part of the 2017-18 Budget package), loaned \$6 billion of cash balances to help address state liabilities to the Public Employees' Retirement Fund of CalPERS. In July 2019, AB 1054 (Holden) authorized state cash loans to the new Wildfire Fund, which pays eligible claims for electric utilities related to specified wildfires. In February 2022, SB 115 (a bill amending the 2021-22 Budget) authorized about \$2 billion of loans to ensure that rent relief programs could continue to help Californians. In addition, for decades, state loans authorized by Sections 16312 and 16313 of the Government Code have provided interim funding for various public works projects.

LAO Comments.

LAO notes that while General Fund-related reserves are at the highest level in history in total funds, the State had made \$3.1 billion in optional deposits to the Budget Stabilization Account in prior years which had resulted in the Budget Stabilization Account equaling 11 percent of General Fund in 2019-20, so it could be argued that the reserve was higher as a percentage that year.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Anne Hollingshead, Legislative Analyst's Office
- Lisa Mierczynski, Department of Finance

STAFF COMMENTS

Over the last decade, California has almost exclusively experienced the upside growth from its reliance on volatile person income tax revenues. This has allowed the State to build a sizable reserve to mitigate future revenue declines. However, what is the optimal size for such a reserve and what other tools should the State employ to provide financial resiliency in future recessions?

The Budget Stabilization Account has yielded real benefits to the State in the last decade. Having a sizable cash account reserve on hand—coupled with ample cash balances across state government—has freed the state from decades old practice of the need of accessing cash borrowing on the private in the short-term municipal debt market, leading to significant savings in interest costs. Additionally, the State was able to enter the pandemic in a financially strong position, which allowed it to make investments to protect public health while also avoiding any significant reductions from the quick downturn in the economy in 2020.

However, as the State looks to its balance sheet overall, accumulating a giant pile of cash in a reserve and other accounts may not be the best strategy for improving the state's fiscal position. The State's cash accounts are largely stagnant assets, especially in an inflationary environment. The Subcommittee may wish to consider how using one-time revenue to reduce liabilities or building infrastructure may compare in terms of value to just depositing more cash into a reserve that has the paltry growth of a private checking account.

ISSUE 2: LANGUAGE ACCESS

The Subcommittee will discuss strategies for addressing language access challenges in governmental services.

BACKGROUND

California has the highest proportion of households that speak a language other than English at home, its 43.9 percent of population that do so is more than double the national average of 21.5 percent. Despite the State having such a distinct and significant demographic characteristic, governmental program at both the State and local levels offer minimal, informal, and often obsolete services to assist these important Californians from accessing government services, benefits, and protections.

The COVID-19 Pandemic exposed the cost of the lack of attention core government programs has towards addressing language access deficiencies. From failures to reach non-English speaking populations to offer direct public health services like COVID-19 testing and vaccinations, to well-documented failures of EDD to address language issues to unemployed Californians, to challenges reaching these populations with the Golden State Stimulus; language access emerged as a critical weakness in California governance. Even more troubling, a racist wave of violence and hate was directed specifically at the AAPI community, which encountered language and cultural barriers that prevented the reporting of crimes, leaving victims unprotected and isolated.

The State's current approach to language access is rooted in the 1973 Dymally-Alatorre Bilingual Services Act, which set requirements for State and local governments to provide services in languages other than English, including requirements for staff with fluency in other languages and translation of materials.

While this policy has been a durable cornerstone in half a century of bilanguage services in the State, it has three key limitations. First, it doesn't include oversight, auditing, and enforcement mechanisms, which means that many governmental entities are not in compliance with these requirements, with some academic surveys finding that administrators at some California governmental entities were entirely unaware of the law. Second, the thresholds for bilingual services set in Dymally-Alatorre reflect the demographics of California fifty years ago, which fail to capture some significant communities in the State, especially those that speak Asian and indigenous Latin American languages. Finally, the framework of bilingual services envisioned in 1973 neglects the importance of cultural norms and practices on building trust and communication. Merely translating a form from English to another language is not sufficient to overcome actual language access barriers that prevent Californians from having the power to interact with their government.

For many California governmental entities, compliance with Dymally-Alatorre is achieved through a patchwork of AT&T contracted phone translators, text plugged into the Google Translate application, and reliance on family members or uncompensated staff to act as interpreters on an ad hoc basis. Often there is an expectation that a non-English speaker provide their own language access services or strangers are supposed to intervene as volunteers. This dynamic was at play even in the Assembly Budget Committee this year, when a Chair of a Subcommittee hearing had to translate Spanish input from the public on a budget priority for the Committee and the administration. This minimal level of service and resources is not sufficient to overcome language access barriers and perpetuates the disconnect of California's government with these communities.

The Legislature has acted to address this dynamic at times in the intervening years. At the direction of then Chair Assemblymember Cardenas, the Assembly Budget Committee in 2001 required every state department to report on compliance with Dymally-Alatorre during their budget hearings, which temporarily raised the profile of this issue. In addition, 2003's SB 853 (Escutia) required health care service plans to provide enrollees with access to language assistance in obtaining health care services. This bill took almost a decade to fully implement and only applied to for the Department of Managed Health Care. Additionally, 2011's AB 305 (Furutani) attempted to revisit the thresholds for Dymally-Alatorre language requirements to capture more languages.

Yet recently policymakers have considered a more centralized and comprehensive solution to this policy problem. The State's response to the 2020 Census reflected a more comprehensive directed intervention was needed to overcome the language and cultural barriers some Californians have with government. The State recognized the isolation lack of connection many non-English speaking communities had with traditional governmental institutions, compounded by an explicit nativist and anti-immigrant tone from the Trump administration. To overcome this barrier, the State created relationships with smaller community partners that had trusted existing relationships in these communities. Using this approach, the State was able to outreach to these communities in a credible manner that was not only presented in the correct language, but also presented in the correct cultural context for the target community. This one-time investment of \$187 million was seen as a demonstration of how the State could overcome cultural barriers to empower and mobilize communities that had traditionally been overlooked and ignored.

Recent legislative discussions included consideration about the best way to make meaningful progress and improving the ability of California government at all levels to connect to Californians in a language they can understand. For example, SB 17 (Pan) proposed creating the Office of Racial Equity, which would require each state department to create a Racial Equity Action Plan. Advocates suggested that having a centralized entity in State government with such a mission would create a mechanism for enforcement and accountability of language access issues and improve state practices. The 2021 Budget passed by the Legislature included a proposal to develop a centralized

state translation corps, similar to the model used by the European Union to allow that government conduct business in its 24 official languages. While both of these initiatives have not progressed, they reflect the desire for a more centralized and coordinated approach by the State.

The administration has two recent initiatives that have the potential to impact language access in California:

1. **The Chief Equity Officer:** The 2021-22 budget included funding for a Chief Equity Officer at the Governmental Operations Agency. The Officer's intended duties are to focus on equity issues related to control agency functions overseen by the Agency—specifically hiring of state employees, and contracting procedures. This position has not yet been filled.
2. **Office of Community Partnerships and Strategic Communications:** As proposed in the 2022 budget, the Office of Planning and Research would administer \$65 million of ongoing funding with the intent of conducting public awareness and outreach campaigns. The supporting materials for this proposal note the Governor's Office intent to use this funding to continue and build upon the 2020 Census outreach strategy, by making the connections with trusted community partners durable and ongoing.

The 2022 budget also includes \$5 million for a Language Access pilot at the Government Operations Agency, which is intended to pilot language access practices at least one department and provide dedicated resources for translation for state administrative and legislative hearings to overcome language and cultural barriers to government services.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Santosh Seeram-Santana, Chinese for Affirmative Action
- Justyn Howard, Governmental Operation Agency
- Scott Morgan, Office of Planning and Research

STAFF COMMENTS

The rationale for including this item for discussion is to engage the administration in identifying future efforts to centralize language access accountability and best practice within state government. This hearing was originally scheduled for April 25, 2022, prior to the budget being enacted, which was intended to help inform the best department to house the Assembly's proposed language access pilot. However, now that that pilot is

located in the Governmental Operations Agency, this discussion will allow for critique and/or validation of that decision.

This pilot is intended to demonstrate the benefits of a centralized and high-profile effort to improving state government language access service levels to help generate a systemwide change across state government. While the administration has made thoughtful investments towards empowering communities impacted by language access barriers, these initiatives do not target improving state and local government practices. The Assembly may wish to explore how these two efforts could help achieve these goals:

1. The Governmental Operations Agency is a control agency, and thus has a role in establishing state processes, including shaping the State Administrative Manual. This agency was the home of the Census outreach efforts for 2020 and has some experience in such an initiative. The newly established Office of Digital Innovation is centered around building a better user experience for the public, which could be expanded to consider language access. Additionally with the power to control staffing (CalHR) and procurement (DGS and CDT), this agency has leverage to implement this power. However, this agency does not often face the public directly and has recently been tasked with resolving tough governmental challenges, like the DMV backlog, the EDD strike-force and vaccination distribution logistics. Thus, it may not be in the best position to continue this discussion.
2. The Office of Planning and Research offers another alternative for building an initiative for language access. The proposed Office of Community Partnerships and Strategic Communications is intended to be the successor to the 2020 Census efforts to connect to communities that are also impacted by language access challenges. However, it is not clear how effective OPR, an extension of the Governor's Office, can be in enforcing other state departments in adopting best practices.

Either of these options could help advance a centralized language access effort by the State, as could partnerships with other entities, including the Department of Finance. Alternatively, it could be argued that a decentralized approach that is specific to each department would be more effective, but maybe done in a different manner than current practice.

