

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, MAY 10, 2022

1:30 P.M. – 1021 O STREET, ROOM 1100

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@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. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.

The hearing room will be open for attendance of this hearing. Any member of the public attending a hearing is strongly encouraged to wear a mask at all times while in the building. The public may also participate in this hearing by telephone.

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

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VOTE-ONLY CALENDAR

0559 LABOR AND WORKFORCE DEVELOPMENT AGENCY

VOTE-ONLY ISSUE 1: LABOR AND WORKFORCE DEVELOPMENT AGENCY OPERATIONS

The Labor and Workforce Development Agency requests 10 positions and \$1,391,000 Reimbursements and \$916,000 Labor and Workforce Development Fund in 2022-23 and ongoing to manage existing and new workloads. Over the past several years, Labor Agency has redirected staff from other departments to address ongoing workloads within the Agency. LWDA notes that while this approach was key to the short-term success of various initiatives within the Agency, it is not an appropriate practice to support long-term workload as it ultimately has a negative impact on department's operations. Under this proposal, LWDA is requesting the following positions so that eight redirected positions can be returned to the department of origin:

- Exempt Senior Advisor: Originally redirected from the Department of Industrial Relations, this position is a leadership role focused on the Unemployment Insurance program (UI) and the Disability Insurance programs and general COVID-19 response. The Senior Advisor interfaces directly with EDD leadership on UI matters including legislation, funding, administration, personnel, public relations, developing initiatives, language access, customer-centric design, reforming operations, and modernizing programs in preparation for future economic downturns.
- Deputy Secretary of Policy: Responsible for the review and development of all Legislation within the Agency, including performing research and analysis of policy initiatives in other states, reviewing relevant state and federal policies, and assessing the effectiveness of existing laws and policies within the Agency and its departments.
- Associate Secretary for Enforcement and Partnerships: Originally redirected from the Department of Industrial Relations, this position is tasked with overseeing the effectiveness and efficacy of various enforcement program. The Associate Secretary is also responsible for intra-agency collaboration and partnerships with public stakeholders.
- Agency Information Officer: Originally redirected from the Employment Development Department, this position is responsible for cybersecurity, assisting with departmental cybersecurity incidents and remediation, IT portfolio management, delegated project management, IT audits, and IT contracts review

- Deputy Secretary for Communications: Originally redirected from the Department of Industrial Relations, this position is responsible for the digital, social, and traditional media strategies, for drafting and reviewing responses to media inquiries and other public information requests and vetting proposed responses through the Governor's Office.
- Special Assistant to the Secretary: Originally redirected from EDD, this position is responsible for managing the Secretary's calendar, meetings, and commitments, prepares briefing materials and background information for meetings, screening visitors and incoming calls, reviews, tracks, and responds to correspondence, and coordinates travel plans and itineraries for the Secretary and Undersecretary. The Special Assistant also coordinates activities with the Governor's Office, Legislators, other Agency Secretaries, and department executive leadership.
- Research Data Specialist I: Originally redirected from the Department of Industrial Relations, this position is responsible for research and system development efforts to develop policy and programs. Projects currently include efforts to improve the collection and reporting of data for use by departmental management and executive leadership in making evidence-based decisions on program investments, policy changes and systems improvement, and initial development work related to the Community Economic Resilience Fund (CERF) program, sector initiatives in healthcare and climate impact, and programs and policies affecting target populations, such as immigrants, youth and adults with disabilities.
- Associate Governmental Program Analyst: Originally redirected from the Department of Industrial Relations, this position is responsible for a variety of functions in support of legislative coordination and bill analyses for the Agency.

LWDA also requests two new positions to address Agency workload:

- Deputy Secretary Care Policy: Would be responsible for developing strategies, policies, partnerships, and program initiatives at Labor Agency that improve job quality and create career pathways in the long-term care, childcare and health care sectors. The Deputy Secretary will conduct research and analysis on the policy, regulatory, reimbursement and legislative frameworks that affect job quality and career advancement in the care sectors, and develop strategies and programs that improve the quality of jobs, expand access to these jobs for underserved populations, and build pathways for career advancement and wage progression.
- Assistant Secretary for Climate: Would be responsible for the oversight and continued development of the Agency's growing portfolio of climate-based workforce development programs. This portfolio includes the Community Economic Resilience Fund (CERF) program, the Displaced Oil and Gas Worker Fund program, the Extreme Heat Action Plan High Road Training Partnerships

program, the Well Capping Workforce Pilot program, and the Low Carbon Economy Workforce grant program.

STAFF COMMENT

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 2: AGENCY INFORMATION SECURITY PROGRAM DEVELOPMENT

The Labor and Workforce Development Agency requests \$615,000 in reimbursements and 3 permanent positions in Fiscal Year 2022-23 and ongoing, to address Information Technology security workload. According to the LWDA, this includes securing critical information technology assets, guarding against compromise of systems, and ensuring the confidentiality, integrity, availability, and privacy of personal information. Currently, LWDA only has one staff position serving as both the Agency Information Security Officer and Privacy Officer. Various audits conducted by California Department of Technology about LWDA departments show a growing number of cybersecurity incidents. As an example, LWDA notes that information disclosure for social security numbers is an increasing risk if remediation plans are not developed.

Under this proposal, the LWDA plans to establish a Risk Office and Privacy Office, staffed by positions that include a Privacy Officer, Risk Officer, and a Cybersecurity Technologist. The Risk Office would prepare a portfolio of the LWDA entity information assets including the categorization and classification of sensitive and confidential information, associated projects, system's life cycle, audits, risk assessments, and data owners. Ensure data owners and the information technology teams address privacy and risk with the appropriate policies and procedures. According to LWDA, the technical specialist position would design and architect the technical capabilities which includes Continuous Vulnerability Management, Multi-Factor Authentication, Anti-Phishing Program, Anti-Malware Protection, Asset Management, Incident Response, Continuous Patch Management, Privileged Access Management, Security and Privacy Awareness Training, Security Continuous Monitoring, Network Threat Detection and Protection, Data Loss Prevention, Log Management, Application Whitelisting, Mobile Device Management, Application Development Security, Disaster Recovery, Encryption, Network Access Control and Cloud Security Management.

Concurrently, the Privacy Office's responsibility would be to ensure LWDA complies with State and Federal mandates and ensure the protection of sensitive and confidential data. The Privacy Officer will develop plans, policies, and procedures with the LWDA entities to address privacy for all information assets including paper (mail) and information systems.

STAFF COMMENT

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

VOTE-ONLY ISSUE 3: AB 680 IMPLEMENTATION RESOURCE
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The California Workforce Development Board (CWDB) requests \$160,000 Greenhouse Gas Reduction Fund (GGRF) ongoing and one position, an Interagency Climate Policy Specialist, to implement AB 680 (Burke, Chapter 746, Statutes of 2021).

AB 680. AB 680 requires the State Air Resource Board (CARB) to work with the LWDA to update, by July 1, 2025, the funding guidelines for administering agencies to ensure that all applicants to grant programs funded by the GGRF meet fair and responsible employer standards (e.g.: documented compliance with applicable labor laws and labor-related commitments concerning wages, workplace safety, rights to association and assembly, and nondiscrimination standards) and provide inclusive procurement policies (e.g.: applicant procurement policies that prioritize bids from entities that demonstrate the creation of high-quality jobs or the creation of jobs in under-resourced, tribal, and low-income communities, or both the creation of high-quality jobs and the creation of jobs in those communities).

Planned Compliance. The CWDB states that it will require a full-time staff person to research general and agency-related job standards. It is anticipated this position will be a full-time collaborator with the CARB on implementation requirements.

STAFF COMMENT

This item was listed as a non-discussion item in Subcommittee 4 on February 22, 2022. A spring finance letter was submitted to make a technical correction and reflect the request for one staff position.

Staff Recommendation: Approve as Budgeted and Adopt Spring Finance Letter**VOTE-ONLY ISSUE 4: SOCIAL ENTREPRENEURS FOR ECONOMIC DEVELOPMENT LIQUIDATION EXTENSION**

The Employment Training Panel (ETP) requests to extend the liquidation term for the Social Entrepreneurs for Economic Development (SEED) Initiative authorized by the 2020 Budget Act, from June 30, 2022 to June 30, 2023. According to the Administration, this request will provide authority to extend contract terms entered into by grantees of the first round of the SEED Initiative, known as SEED 1. ETP is requesting Budget bill language be included to make this change.

Background.

The SEED initiative was established through AB 82 (Chapter 14, Statutes of 2020) and aimed to support the entrepreneurship of immigrants and limited English proficient individuals through microgrants, training, and technical assistance. SEED 1 contract terms are currently for 13 months and are scheduled to expire on 6/30/2022. ETP reports the following workload history:

Workload History sheet

Workload Measure	PY	CY
Total Award Amount	\$9,650,000	\$9,650,000
Total Paid Amount	\$2,195,000	\$4,923,298
Total Remaining Balance	\$7,455,000	\$4,726,702

According to ETP, community-based organizations are reporting that 13 months is an insufficient amount of time to get the new programs up and running, provide quality outcomes, and organizational capacity building. The ETP requests authority to extend the term end date for the SEED 1 grantees to 6/30/2023 to provide grantees with additional time to further their outreach to the target populations and exhaust all funds.

STAFF COMMENT

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Adopt Spring Finance Letter

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 5: ELECTRONIC ADJUDICATION MANAGEMENT SYSTEM MODERNIZATION

The Department of Industrial Relations (DIR) requests \$2.5 million in 2022-23 from the Workers' Compensation Administration Revolving Fund to begin the initial planning and project cost to modernize the Department's Electronic Adjudication Management System (EAMS).

Background. DIR's Division of Worker's Compensation is responsible for the regulation and administration of workers' compensation claims. It does so by providing administrative and judicial services to resolve disputes that arise in connection with claims for workers' compensation benefits. EAMS is the IT system supporting this function: it allows the Department to schedule hearings to review the issues brought before the DWC, process documents for case related court documents, and assist with case management. EAMS currently supports approximately 7.8 million cases.

DIR notes that EAMS is nearing its technological end-of-life and must be replaced to maintain functionality. DIR also points out existing system limitations with EAMS, such as the inability to track and evaluate data, and challenges in upgrading the system. As a result, DIR notes that when legislative and regulatory changes occur, the division is unable to implement these changes without considerable cost and effort

Proposal. DIR is requesting funding for a total of six positions: four for DWC and two for DIR's Office of Information Services (OIS), and associated operating expenses, including funding for business and data analyst consultants. The breakdown is as follows:

- DWC requests funding for two Senior Legal Typists, one Workers' Compensation Judge, and one Workers' Compensation Consultant to implement the necessary changes. These staff will serve as subject matter experts to determine the most effective creation and implementation of the new system within the division.
- OIS is requesting funding for two Information Technology Specialist I for contract management, business analysis, and data cleansing.

DIR notes that the resources requested will fund the initial planning and project costs – subsequent proposals will be submitted for the remaining project costs.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Adopt Spring Finance Letter

0890 SECRETARY OF STATE

VOTE-ONLY ISSUE 6: ELECTIONS: VOTER HOTLINE STAFFING

The Secretary of State (SOS) is requesting \$540,000 General Fund in 2022-23 and ongoing for the use of temporary staff to assist with statewide election voter support on the SOS's Voter Hotline.

Background. The SOS is statutorily required to operate a confidential toll-free Voter Hotline to report the denial of voting right, report election fraud or misconduct, and to report the misuse of voter registration information. Additionally, the California voter information guide is also required to include the toll-free number of the Voter Hotline, providing a way for voters to request published copies of the full text of proposed ballot measures ahead of an election, a request that must be fulfilled within one business day.

The Voter Hotline is a year-round resource to voters during regular business hours and within peak election season during extended hours, including weekends, to assist voters. After business hours, voters may contact the Voter Hotline and leave messages to request documents such as voter registration applications, vote-by-mail applications, state Voter Information Guides, and Text of Proposed Laws be mailed to them or to report

instances of potential election fraud. The Voter Hotline currently operates in English and nine additional languages.

The SOS notes that it saw a significant increase in phone calls and requests from voters. As an example, for the September Recall election, the SOS processed 2,994 voice messages and 32,334 live calls. According to the SOS, this figure represents a 39 percent increase from the previous primary election in 2018 and a 142 percent increase from the previous presidential primary election in 2016.

Proposal. This proposal would fund temporary resources to support the Voter Hotline during peak election dates, including training and preparation of temporary staff. The proposal includes the following components:

- *Retired Annuitant Managers:* These managers would train and prepare the management team before temporary staff are onboarded. The SOS notes needing an SSM II for project development and management, and two SSMs I to oversee daily operations, training, and personnel management.
- *Temporary Staffing Agency Contract:* The SOS expects using approximately 25 temporary staff for a period of 90 days, with additional costs for the Department of General Services and Office of Legal Services to advertise and review contract bids.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 7: ELECTIONS: VOTER'S CHOICE ACT RESOURCES

The Secretary of State (SOS) requests \$452,000 General Fund in 2022-23 and \$437,000 annually thereafter to support 3 positions for the continued administration of the Voter's Choice Act (VCA) of 2016 mandates.

Background. The Voter Choice Act was enacted in 2016 and allowed specific counties on or after January 1, 2018, and all other counties, on or after January 1, 2020, to choose to conduct elections where all voters are mailed a ballot and where vote centers and ballot drop-off locations are available prior to and on Election Day. The VCA requires county

election officials to have a voter education and outreach plan that is approved by the SOS and that includes several components, such as use of media, community outreach, language access, and more.

In 2018, five counties adopted the VCA voting model. In 2020, the number of VCA counties increased to 15 counties. In 2022, 28 counties are operating under the California VCA. The SOS explains that while funding was obtained to cover county outreach and education costs and state-level outreach and education and reporting costs, no additional funding was received for the staffing costs associated with the increase in workload.

Proposal. The SOS requests 3 staff to cover the new workload associated with statewide compliance for new and existing VCA counties, ongoing legislative reporting and research, and coordinating statewide voter outreach and education across all 28 counties operating under the VCA model. The three positions are described below:

- *VCA Research Manager:* Would be responsible for research related to improving the VCA program for the SOS. This position would also be responsible for using research to identify and communicate challenges in VCA implementation statewide.
- *VCA County Outreach and Education Manager:* Would be responsible for working with county elections officials and plans and coordinates voter education and outreach efforts across VCA counties statewide. The position also serves as liaison with Community Based Organizations at state and local levels to ensure community engagement especially in hard-to-reach communities.
- *VCA Policy and Planning Manager:* Would be responsible for advising VCA counties and onboarding new VCA counties on compliance with various requirements set

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 8: ELECTIONS: FISCAL STAFFING NEEDS

The Secretary of State (SOS) requests a permanent augmentation of 7 positions and \$951,000 (\$664,000 Business Fees Fund and \$287,000 General Fund) in 2022-23 and \$916,000 (\$639,000 Business Fees Fund and \$277,000 General Fund) annually thereafter to support the SOS' budget operations.

Background. In July 2018, the SOS transitioned to the new state accounting system of record, the Financial Information System of California (FI\$Cal). Several state departments and agencies, including the SOS, reported significant challenges throughout this transition. The SOS explains that although it received permanently funded positions to support the workload within both its Procurement section and its Accounting Office as a result of the transition to FI\$Cal, a request associated with the increase in workload in the Budgets Office was deferred so that attention could be given to the timely completion of the Month-End-Close (MEC) and Year-End-Close (YEC) processes to meet the State Controller's Office's year-end financial statement deadlines.

The SOS experienced delays in the completion and submission of that transitional year's financial statements, with the final reports for 2018-19 being submitted in late September 2020. To address these timelines, the SOS hired a retired annuitant to assist with the FI\$Cal MEC/YEC process and submitting year-end financial statements to the SCO. With the recently appropriated additional staffing in the Accounting Office, increased staff experience within the FI\$Cal system, and assistance from the retired annuitant, the SOS was able to gain some ground and submit the 2020-21 year-end reports by early October 2021. Although progress has been made with the MEC / YEC process, the SOS believes it continues to have insufficient resources to perform its budget functions. Following an internal evaluation, it is the SOS' assessment that its Budget Office is significantly understaffed and, without changes, the SOS runs the risk of falling behind in the timely completion of the budget drills required for both the building of the upcoming budget, as well as the reporting of the prior year actuals.

Proposal. To meet its budget responsibilities, the SOS is requesting 7 positions: 2 Staff Services Managers I and 5 Associate Budget Analysts. Currently, the SOS has three Associate Budget Analyst positions and one Staff Services Manager II, which in turn reports to a Staff Services Manager III.

Under this proposal, the Budget Office is proposed to be comprised of two distinct units; a technical unit which will complete the budget building duties and a program unit which will complete the duties related to divisional expenditure and revenue tracking and projecting. Each function will consist of four Associate Budget Analysts, each overseen by a Staff Services Manager I.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

0840 STATE CONTROLLER

VOTE-ONLY ISSUE 9: CALIFORNIA STATE EMPLOYEES TELEWORK AND HEALTHCARE STIPENDS

The State Controller's Office (SCO) requests \$495,000 (\$297,000 General Fund; \$198,000 Central Service Cost Recovery Fund (CSCRF)] in 2022-23 and \$194,000 (\$116,000 GF; \$78,000 CSCRF) in 2023-24 and ongoing to support the disbursement of the California State Employees Telework and Improving Affordability and Access to Healthcare stipends.

Background on Telework Stipend. During the COVID-19 global pandemic, the Administration directed all non-essential telework eligible staff to transition to telework as a protective measure to limit the spread of the virus. The state deployed an emergency telework program (ETP) based on guidance from the California Department of Human Resources (CalHR) in order to reduce the number of employees at state buildings. Since the initial ETP, the state conducted multiple studies related to staff telework eligibility, and benefits and savings attributed to teleworking such as reduced vehicle expenses, time saved due to decreased commute times, and other pertinent sources of information. In 2021-22, the state began implementing a mostly permanent teleworking workforce, with an additional requirement that every state department incorporate telecommuting as a work option.

CalHR informed state departments and SCO of agreements reached with specified bargaining units (BUs) for a telework stipend and the requirements departments must meet to ensure timely payment of the stipend upon full ratification. SCO anticipates the statewide telework stipend upon ratification and legislative approval, will be retroactive to October 1, 2021. As of March 2022, six BUs have negotiated consistent telework stipend side letters.

All active state employees who have a telework agreement on file and meet criteria to telework shall receive either a \$25 (if office-centered employee) or \$50 (if remote-centered employee) stipend for each eligible pay period. Based on the initial analysis of the telework stipend and the known population of state employees eligible to receive

these payments, SCO anticipates issuing 200,000 direct deposit payments and 32,000 printed warrants in 2021-22 (1 retroactive payment and 3 payments for April, May and June) and 600,000 direct deposit payments and 96,000 printed warrants beginning in 2022-23.

Background on Affordability and Access to Healthcare Pay Differential. In 2019, CalHR and SEIU Local 1000 ratified an MOU providing a healthcare stipend. Under this MOU, SEIU Local 1000 represented employees eligible to be enrolled in a CalPERS health plan receive a monthly cash payment of \$260. This payment will be provided for 36 months commencing with the July 1, 2020 pay period, expiring the June 30, 2023 pay period. This letter was revised, effective, July 1, 2022, and provides that anyone enrolled in state sponsored health benefits will still be eligible to receive the \$260 cash payment; anyone not enrolled in state sponsored health benefits will not be eligible to receive the \$260. This population may be eligible to enroll in a flex cash program during a special open enrollment period. Further, Excluded and Exempt employees aligned with SEIU BUs are also receiving this monthly additional cash payment.

In 2020-21, SCO issued a monthly average of more than 109,000 new healthcare payments. While the update to the side letter will reduce the number of monthly payments related to the Healthcare payments for the final year of the program, SCO will continue to incur increased costs and therefore requires additional funding to process and disburse these payments.

Proposal. SCO notes that it does not have the resources to absorb increased costs related to the telework stipend and healthcare payments. Based on initial estimates, these workloads will result in SCO issuing an additional 1,786,000 (696,000 telework stipend and 1,090,000 healthcare payments) in 2022-23; and 696,000 telework stipend payments in 2023-24 ongoing. The estimated costs for this workload was calculated based on current eligible and actual telework percentages from DGS Telework Dashboard statistics as of February 2022. Proposed funding would cover direct deposit electronic funds transfer service fees, operating expenses, as well as printing and postage costs associated with printing and mailing warrants.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 10: UNCLAIMED PROPERTY MANAGEMENT SYSTEM REPLACEMENT

The SCO requests \$323,000 in 2022-23, \$1,183,000 in 2023-24, \$1,647,000 in 2024-25, \$1,685,000 in 2025-26, and \$1,724,000 in 2026-27 and ongoing from the Unclaimed Property Fund (UPF) to support the replacement of its current Unclaimed Property System (UPS2000) with a new unclaimed property management system.

Background. The SCO Unclaimed Property Division (UPD) is responsible for administering California's unclaimed property laws, which requires banks, insurance companies, corporations, and certain other entities to report and submit their customers' property to the State Controller's Office when there has been no activity for a period of time. Common types of unclaimed property are bank accounts, stocks, bonds, uncashed checks, insurance benefits, wages, and safe deposit box contents. The SCO is responsible for safeguarding such property until it is reunited with or claimed by its rightful owner.

The UPD uses UPS2000 as the system to manage the unclaimed property the state receives from businesses, safeguards for owners, and returns to claimants. Among its functionalities, UPS2000 records all of the unclaimed property received by the state including details of when the property was reported and by which business, who the owner or owners are, when they were last in contact with the business, and how they are related to the property. UPS2000 records property types and values, claims made against each property and whether they have been paid, denied, or are still outstanding. The system is the data hub for all unclaimed property that is listed on the Controller's website, where owners and heirs can initiate their claims.

SCO reports several challenges due to the aging of the UPS2000 system. For example, outdated database environment causes slow server performance, increased data processing time, and increased system time-out errors. Multiple attempts to update the server environment have failed because the service provider cannot accurately test the parts of UPS2000 that were custom built to fit California's unclaimed property system needs. SCO also notes that requests for fixes and enhancements are continually delayed by the service provider and the provider's inability to commit resources. For example, in 2018, the SCO illustrates that UPD began planning a shopping cart enhancement, which would allow claimants to claim multiple properties simultaneously. The service provider estimated six months to complete the project, but project implementation took 3 years.

Finally the system is unable to transition away from manual processes. UPD's workflows remain manual paper processes because UPS2000 cannot accommodate the transmission or storage of digital forms, holder reports, claims, or claim documentation. Aside from claims that qualify for the eClaim process, claimants must still mail claim forms and claim documentation such as photo identification, proof of social security number, proof of relationship to deceased persons, and verification of address. Under this manual process, it can take an average of 179 days from receipt before a claim is processed.

Proposal. SCO requests permanent resources from the Unclaimed Property Fund to replace the current system with a new unclaimed property management system. The new system is expected to be a cloud-based software service, which reduces dependency on architectural platforms because the components are supported across different environments that can be integrated and updated. The SCO provides the following outline for project planning and implementation:

- *Consulting and Professional Services: External* – \$135,000 in 2022-23, and \$90,000 in 2023-24 for independent verification and validation services for project and implementation plans. \$208,000 in 2023-24 to support vendor costs for claim scanning workload.
- *Office Equipment* – \$3,000 in 2023-24 for two small volume document scanners to digitize incoming claims.
- *Information Technology* – \$188,000 in 2022-23 and \$563,000 in 2023-24 for the procurement and implementation of a new unclaimed property management system, and \$319,000 in 2023-24, \$1,647,000 in 2024-25, \$1,685,000 in 2025-26, \$1,724,000 in 2026-27 and ongoing for continued support of the new system.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

0955 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 11: VETERANS HOME OF CALIFORNIA – YOUNTVILLE EMERGENCY POWER CONNECTION
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CalVet requests \$5,321,000 General Fund in 2022-23 to install transfer switches and upgrade electrical panels in seven residential buildings at the Veterans Home of California-Yountville. Total project costs include design, construction, project management, and associated project fees. This project will allow for temporary emergency generator power connections and protect the health and safety of residents and staff.

Background. In June of 2021, an electrical feeder cable providing power to VHC-Yountville failed. At the time, the Napa region was under heatwave conditions and residents in the seven buildings were without air conditioning. CalVet notes that the VHC-Yountville's Domiciliary and Residential Care for the Elderly residents have one or more factors that increase risk of serious illness or death from excessive heat due to the lack of an operational heating ventilation and air conditioning system. Because of the potential risk to the health and safety of the residents living in these seven buildings, CalVet began preparation plans during the blackout to relocate residents to other Homes and outside facilities such as hotels and temporary shelters. Fortunately, the power was restored within approximately 24 hours and these plans were not executed.

CalVet has expressed concerns that over the last few years Napa County and neighboring Sonoma County have experienced increased, intense, and record-breaking wildfires that have resulted in unplanned power outages at the Home and in the local community. To prevent further wildfires during severe weather events in the area, in 2019 Pacific Gas & Electric began to increase the use of Public Safety Power Shutoffs (PSPS) on their energized power lines in Napa County, sometimes shutting off power for days at a time. Although to date only Rector Reservoir has yet been subject to a PSPS event, CalVet believes that the Home will likely experience power outages due to wildfires and PSPS events in the future because of where VHC-Yountville is located, particularly during the hotter summer months when high temperatures and poor air quality from nearby fires will further exacerbate health risks for the residents.

Proposal. CalVet proposes installing transfer switches and upgrading electrical panels in the seven residential buildings without back-up power at VHC-Yountville. According to the Department, these measures would help safeguard the health and safety of the residents occupying those buildings during unplanned power outages. Power to each resident bedroom will allow for the operation of medical equipment such as oxygen concentrators or CPAP machines, power for lighting throughout each building, as well as heating and conditioned air.

STAFF COMMENTS

This item was heard in Subcommittee 4 on May 3, 2022.

Staff Recommendation: Approve as Budgeted

7760 DEPARTMENT OF GENERAL SERVICES

VOTE- ONLY ISSUE 12: JANUARY BUDGET PROPOSALS

The Subcommittee will approve budget proposals heard in March.

BACKGROUND

The January budget includes eleven budget proposals for the Department of General Services and a related trailer bill item:

1. \$100.7 million one-time General Fund in 2022-23 to address critical elevator and Direct Digital Control deficiencies in buildings owned and operated by DGS.
2. \$2 million General Fund in capital outlay statewide planning and studies funding to be allocated by the Department of Finance to state agencies to develop design and cost information for new projects. These studies assist departments and decision makers with the evaluation of project feasibility and to inform funding levels for future budgets. These funds will be used to develop refined design, cost, and schedule information (budget packages or studies) for new capital outlay projects. This helps ensure total project costs are more accurate, funding levels are appropriate, and the project scopes are feasible. More accurate funding information also provides decision makers with a better understanding of total project costs to ensure the proposed solution is cost-effective and has been vetted to ensure viability.
3. \$4.9 million in authority from the Service Revolving Fund in 2022-23 and 2023-24, and then \$4.7 million in ongoing authority from the Service Revolving Fund beginning in 2024-25. DGS also requests position authority for 7.0 permanent positions and limited-term funding for 2.0 positions beginning in 2022-23 to support DGS' information technology (IT) security, privacy, and enterprise services.
4. \$412,000 in ongoing authority from the Service Revolving Fund (SRF) and 3.0 positions beginning in 2022-23 due to the increased need for public affairs services to DGS programs and external customers.
5. Position authority for 5.0 permanent positions for workload related to the recently expanded California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.
6. \$728,000 (\$305,000 ongoing) two-year limited-term authority from the Service Revolving Fund and 5.0 positions in 2022-23 to support emergency procurement services workload in accordance with the State Emergency Plan

7. \$36,000 from the General Fund in 2022-23 to exercise the lease purchase option to acquire the Joe Serna Jr. California Environmental Protection Agency (CalEPA) Building located at 1001 "I" Street in Sacramento. The building is occupied by various CalEPA departments, which will continue to be housed there after the acquisition. The 25-year lease agreement will expire in May 2023, and DGS has the option to purchase the building for one dollar at the end of the term. The request also includes funding for related acquisition and real estate due diligence activities necessary to complete the transaction. A facility condition assessment is currently underway using existing departmental funding, which will help inform future maintenance and operation of the building by DGS.
8. Position authority for 10.0 permanent positions effective 2022-23 to transition workload associated with deferred maintenance, special repair projects, and ongoing technology maintenance from a private contractor to state personnel.
9. \$153,000 in ongoing authority from the Service Revolving Fund (SRF) and 1.0 position to provide the necessary support to sustain their Equipment Management Maintenance Insurance Program (EMMP).
10. \$738,000 ongoing Service Revolving Fund authority and 4.0 permanent positions beginning in 2022-23 to address increasing workload from emergency response functions, support the training and compliance auditing of the statewide travel policy, and increase usage of its services among optional users.
11. Technical trailer bill language related to the Public Buildings Construction Fund which allows other sources of funds, beyond the General Fund, to repay bonds in the future for user-requested enhancements.

STAFF COMMENTS

The Subcommittee considered this budget proposal on March 1, 2022, but did not have a quorum to adopt these proposals at that time.

Staff Recommendation: Approve as Budgeted.

VOTE- ONLY ISSUE 13: DEPARTMENT OF GENERAL SERVICES SPRING FISCAL LETTERS

The Department of General Services submitted three Spring Fiscal Letters.

BACKGROUND

The Department of Finance submitted a Spring Fiscal Letter for three new proposals:

1. \$938,000 in ongoing expenditure authority from the Service Revolving Fund (SRF) beginning in Fiscal Year 2022-23 to align budget authority with necessary personal services and operating expenses for user-requested enhancements.
2. \$1,763,000 million in one-time expenditure authority from the General Fund in fiscal year 2022-23 for full project funding to replace and repair the roof structure at the Secretary of State Archives Building (SOS) located at 1500 11th Street in Sacramento.
3. \$1.9 million in ongoing expenditure authority from the General Fund, and 10.0 positions, beginning in 2022-23 to implement oversight and review compliance functions for the State telework policy.

STAFF COMMENTS

The Subcommittee previously considered the DGS telework oversight activities at the March 1, 2022 hearing. The proposed Spring Letter seems consistent with the discussions that occurred at the time.

In addition to these three letters, the Department also submitted a proposal that details its role in a proposal to improve the Developmental Services Fair Hearing process. Since the Department of General Services is in a support role to that initiative, any action on that proposal will be in Subcommittee 1.

Staff Recommendation: Adopt Spring Fiscal Letters

7501 DEPARTMENT OF TECHNOLOGY

VOTE- ONLY ISSUE 14: JANUARY BUDGET PROPOSALS

The January budget includes two budget proposals for the California Department of Technology that were considered on March 1, 2022.

BACKGROUND

The Governor's budget proposes \$54.6 million General Fund each year for three fiscal years, starting in 2022-23, for Department of Technology to (1) reduce State Data Center IT service rates by shifting funding for some of its internal administrative expenditures and positions from cost recovery to General Fund, and (2) cover short-term net revenue losses in the TRSF resulting from some state entities moving the provision of their IT services from the State Data Center to private vendors.

The LAO recommend the Legislature approve only budget-year funding for both proposals and reject requested out year funding to ensure legislative oversight continues through the annual budget process. Additionally, the LAO requested the Legislature adopt placeholder trailer bill language that directs Department of Technology and Finance to work with the Legislature to define the rate re-evaluation process over the next several years and provide oversight.

STAFF COMMENTS

By adopting the LAO recommendation, the department should be able to go forward with the rate proposal, but in a manner that allows more evaluation and discussion in future years. Staff will continue to discuss this action with the administration and the Senate to insure such oversight does not undermine department's efforts to improve data center operations and efficiency.

Vote Only-Action: Adopt LAO Recommendation (Approve funding for one year, with Trailer Bill Language)

VOTE- ONLY ISSUE 15: DEPARTMENT OF TECHNOLOGY SPRING FISCAL LETTERS

The Administration has proposed three Spring proposals.

BACKGROUND

The Administration has put forward three Spring Fiscal Letter Proposals:

- \$3.490,000 in on-going Technology Services Revolving Fund (TSRF) authority and 5 positions to meet increased demand for project approval, independent project oversight, Budget Change Proposal (BCP) analysis, and procurement services to state entities as required under Government Code 11546 and Public Contract Codes (PCC) 12100, 12120 and 6611.
- \$2,761,000 and 11 positions in fiscal year 2023-24 and 2024-25, and \$2,089,000 and 11 positions ongoing, to fund enhanced security oversight efforts. The requested positions will support departments in remediating postaudit findings, improve statewide usage and application of self-assessment security metrics, and facilitate more efficient and timely reporting to the Legislature.
- \$1,680,000 ongoing to fund cloud hosting costs for the Security Operations Center. The 2021 Budget Act included \$20.1 million General Fund for the Security Operations Center, which was previously funded via cost recovery. To align the funding model for the entire SOC, General Fund is necessary to fund these cloud hosting costs.

STAFF COMMENTS

The proposed changes to the budget seem justified, especially the proposed augmentation to the IT Security proposal, which is responsive to discussion at the March 1, 2022 Subcommittee hearing.

In addition, as discussed at the March 1, 2022 Subcommittee hearing, the LAO has crafted supplemental reporting language in response to the request from Subcommittee staff. This language is intended to further respond to the IT Security audit. The proposed language is as follows:

1. Nonreporting Entities' Information Security (IS) Compliance. On or before November 18, 2022, the Legislative Analyst's Office (LAO) shall submit a report to the relevant budget subcommittees and policy committees of each house of the Legislature on the IS compliance of nonreporting entities—that is, those entities that fall outside of the Governor's direct authority and are not required by state law to comply with and report on

IS policies and procedures set by the California Department of Technology (CDT). The report shall, at a minimum:

- (a) Identify each of the nonreporting entities.
- (b) Consider whether some nonreporting entities could benefit from compliance with and reporting on IS policies and procedures similar to those set by CDT based on, but not limited to, non-reporting entities':
 - (i) Current role and criticality of functions within California state government.
 - (ii) Current IS practices and procedures.
 - (iii) Types and use of external oversight mechanisms (such as compliance audits and technical security assessments).
 - (iv) Identified IS weaknesses and plans for remediation.
- (c) Provide options for the Legislature to consider to improve nonreporting entities' IS compliance so as to be at least comparable to reporting entities and to achieve a maturity level that reflects the development and implementation of foundational IS program practices and procedures.

Any confidential information collected from nonreporting entities and used by the LAO to prepare this report shall remain confidential in conformance with state law.

Vote Only-Action: Adopt Spring Fiscal Letter and Supplemental Reporting Language

0511 GOVERNMENT OPERATIONS AGENCY

VOTE-ONLY ISSUE 16: GOVERNMENT OPERATIONS JANUARY BUDGET PROPOSALS AND INFORMATION PRACTICES ACT

The Government Operations Agency has two budget proposals and the Subcommittee received a request from the Assembly Privacy and Consumer Protection Committee.

BACKGROUND

The Government Operations Agency has two January proposals in the budget:

- Administration Positions: 2 positions and \$435,000—\$170,000 General Fund and \$265,000 reimbursements—in 2022-23 and ongoing to fund and manage existing

workload associated with oversight and management of state government operations. Approving this request will allow GovOps to appropriately support and provide oversight for our emergency services functions under the State's Emergency Plan and provide policy development and statewide input on privacy policies for our agency and reporting departments.

- Government Excellence and Transformation Center: 4 positions and \$665,000 General Fund in 2022-23 and ongoing to staff the Government Excellence and Transformation Center (GET Center) and accelerate the modernization of state operations. The GET Center will accelerate the modernization of state operations by partnering with state departments to conduct innovative pilots that could be scaled across state government for broad adoption. Additionally, the GET Center will establish a repository of best practices and case studies of successful operational innovations that measurably improve the state's operational effectiveness.

The budget also includes two trailer bill proposals:

- Adopts language clarifying that Government Operations staff are "excluded employees" consistent with their role as the oversight entity for CalHR. This language already applies to entities like CalHR, PERB, Legislative Council and the Department of Finance, where their confidential role in human resources practices set them apart from other state staff.
- Formerly establishes the Chief Equity Officer position, approved in last year's budget, in Government Code.

TRAILER BILL REQUEST FROM PRIVACY AND CONSUMER PROTECTION COMMITTEE
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At the request of the Assembly Privacy and Consumer Protection Committee, the Subcommittee shall adopt placeholder trailer bill regarding person information practices.

The proposed changes would include the following amendments to the Act:

- The definition of "personal information" is amended to more adequately encompass data, whether or not it is deidentified, that is reasonably capable of identifying or describing an individual.
- The definition of "record" is amended to mean a file or grouping of personal information that is maintained by an agency.
- Data minimization: the statute is amended to prohibit agencies from using records containing personal information for any purpose or purposes other than the

purpose or purposes for which that personal information was collected, except as required by federal law, or as authorized or required by state law.

- Amendments specify that negligent violation of the provisions of the IPA by an officer or employee of an agency constitutes a cause for discipline, rather than only intentional violations.
- Amendments ensure that intentional disclosure of medical, psychiatric, or psychological information in violation of the IPA is punishable as a misdemeanor, whether or not the wrongful disclosure results in economic loss or personal injury to the individual to whom the information pertains.
- Rather than prohibiting an agency from disclosing any personal information in a manner that would link the information disclosed to the individual to whom it pertains, except as specified, the amendments prohibit an agency from disclosing any personal information in a manner that could link the information to the individual.
- Amendments require that intra- and inter-agency disclosures of identifiable personal information further the purpose for which the information was acquired, rather than simply being related to or compatible with those purposes, to better regulate unexpected or inappropriate uses of the information.
- To simplify the statute, the definition of “system of records” is struck from the statute, since it serves little function beyond the provided definition of “records.” Any reference to a “system of records” is replaced by a reference to “records.”

STAFF COMMENTS

This issue was heard on March 1, 2022 but the Subcommittee did not have a quorum at the time to take action.

Vote Only-Action: Approve as Budgeted and Adopt Placeholder Trailer Bill

0650 OFFICE OF PLANNING AND RESEARCH

VOTE- ONLY ISSUE 17: JANUARY BUDGET PROPOSALS

The Governor’s budget requests.

BACKGROUND

Based upon discussion at the March 1, 2022 hearing, adopt the following budget proposal as Approve as Budgeted:

- Extend and Re-Appropriate Funding for Climate Change Research. Proposes to extend and re-appropriate \$4.75 million Greenhouse Gas Reduction Fund (GGRF) appropriated in 2019 for the Climate Research Program.
- Extend Funding for Market Development for Woody Biomass. \$4 million one-time General Fund over two years: \$2 million in 2022-23 and in 2023-24 to expend pilot program adopted in 2021.
- Support California Jobs Plan Act of 2021. Proposes \$574,000 GGRF and one position ongoing to support the California Air Resources Board with workload related to the implementation of Chapter 746 of 2021 (AB 680, Burke). The new position would coordinate across agencies and update guidelines, provide technical assistance materials, improve application processes, and provide technical assistance for applicants to meet the new labor standards for the program.
- CEQA Workload (AB 819). Proposes \$374,000 General Fund and one position to modernize the CEQA filing process and other responsibilities related to the implementation of Chapter 97 of 2021 (AB 819, Levine). While this legislation initially was not expected to have significant implementation costs, the California Department of Technology subsequently identified additional necessary expenses.
- Affordable Rental and Owner-Occupied Housing (AB 1095). Proposes \$158,000 General Fund and one position ongoing to support new workload related to the implementation of the Affordable Housing and Sustainable Communities Program pursuant to Chapter 355 of 2021 (AB 1095, Cooley)
- Clean Energy Package Implementation (AB 525). Proposes \$354,000 General Fund one time for technical assistance to support a study of supply chain, economic development strategies, and workforce development assessments to meet the requirements of Chapter 231 of 2021 (AB 525, Chiu).
- Proposes \$219,000 General Fund and one position ongoing to support Climate and Wildfire workload related to several new laws enacted last year.
- \$10 Million One Time to Expand Foster Grandparent and Senior Companion Programs. The requested funding would be used to expand the capacity of Area Agencies on Aging—a public or nonprofit agency designated by the state to address the needs and concerns of all older persons at the regional and local levels—to increase the number of AmeriCorps FG and SC projects. California Volunteers would competitively award one or more grants to Area Agencies on Aging that apply for funding to administer FG and SC projects.
- \$9.25 Million One-Time General Fund to Increase Diverse Participation in Biomedical Research Projects. This proposal would create a network of ten state agencies and eight nongovernmental agencies to raise awareness of and participation in research among groups that are underrepresented in biomedical research studies. The goal is to sustainably increase the number of participants from underrepresented backgrounds who are recruited, enrolled, and retained in biomedical research studies.

- \$10 Million One-Time General Fund for Depression Research. This funding would provide grants to precision medicine research projects focusing on depression. These precision medicine research projects would be located in California. Funded institutions would need to provide in-kind contributions to cover indirect costs. CIAPM would require the research teams to partner with a nonprofit community organization, patient organization, or county institution that provides support to people with depression.

Consistent with discussion in Subcommittee, approve the following proposals, but with funding authorization ending in 2025-26 instead of ongoing.

- \$438,000 Ongoing General Fund for Legislative Workload. This proposal would fund two new positions to support bill analysis workload across OPR and its programs such as California Volunteers and the Strategic Growth Council. The Governor and the Legislature have continued to expand OPR's responsibilities. Currently, OPR has only one full-time staff dedicated to legislative workloads. The additional staff would assist in the preparation of bill analyses and in responding to legislative inquiries.
- \$10 Million Ongoing General Fund to Expand Neighbor to Neighbor Program. This proposal would significantly expand the Neighbor-to-Neighbor program that was established during the pandemic.
- \$3.86 Million to Establish Climate Action Corps Permanently. The Governor proposes to establish the California Climate Action Corps permanently. This proposal is for \$3.86 million General Fund for 2024-25 and ongoing.
- \$3 Million Ongoing General Fund for California Education Learning Lab. Of this amount, \$2 million would restore CELL's ongoing base to its pre pandemic level of \$10 million. The remaining \$1 million would support the expansion of a free adaptive learning homework system. The existing system, which was developed by faculty at UC Davis, CSU San Bernardino, and Mendocino College for introductory chemistry, was supported by a one-time CELL grant.

Adopt the following proposal, but with provisional budget bill language requiring the Office of Planning and Research to report to the Legislature on the awards that were made and the justification for the awards (Conforming to Senate recommendation):

- \$30 Million One-Time General Fund for New Round of Innovation Awards. The Golden State Awards initiative would support at least 20 awards to individuals or teams at, or associated with, the public higher education segments who have developed or are developing innovative practices.

STAFF COMMENTS

With this action two January proposal will remain open pending further conversations with the administration and the Senate:

- \$20 million one-time General Fund for a grant to Carnegie Science for a climate research hub in Pasadena.
- \$65 million General Fund in 2022-23 and ongoing to create and implement the Office of Community Partnerships and Strategic Communications (OCPSC) in order to manage the state's highest priority public awareness and community outreach campaigns.

OPR also has a portion of the Tribal Affairs proposal, but action on that item is expected in Subcommittee 3.

Vote-Only Action: Adopt Proposed Action, As Noted on Agenda

VOTE- ONLY ISSUE 18: OPR SPRING FISCAL LETTERS

The Department of Finance has submitted an April Fiscal Letter that makes two changes to OPR budget.

BACKGROUND

The Department of Finance has requested the two following changes to the January budget:

- \$421,000 one-time to allow the Office of Planning and Research to contract with a third-party planning facilitator to support the Associate Degree for Transfer Intersegmental Implementation Committee pursuant to Chapter 566, Statutes of 2021 (AB 928, Berman).
- Language to allow the reappropriation of 2021 funds for SB 7 CEQA Act Review activities.

STAFF COMMENTS

While the OPR costs were not envisioned in the appropriations analysis for AB 928 last year, the supporting documentation provided by Office justify the resources.

Vote-Only Action: Adopt Spring Fiscal Letter

9210 LOCAL GOVERNMENT FINANCE

VOTE- ONLY ISSUE 19: COUNTY WILDFIRE BACKFILL SPRING FISCAL LETTER

The Department of Finance has submitted a request April Fiscal Letter for a one-time backfill for property taxes lost in Plumas and El Dorado County due to recent wildfires.

BACKGROUND

The Department of Finance has submitted a request for \$3.783 million for a one-time backfill for property taxes lost in Plumas and El Dorado County for 2021-22 and 2022-23 as a result of recent wildfires. The proposal includes provisional language that requires the counties to submit a claim to demonstrate the loss as a condition of receiving the reimbursement. The language also requires the county auditor-controller to review the claim and detail any insufficiency or overpayment by December 1, 2024, with the county needing to repay any overage of the reimbursement.

STAFF COMMENTS

In the last five years, the State has intervened to temporarily backfill property tax revenue for small counties impacted by wildfire. Without this intervention, these counties lack the fiscal resiliency to absorb the sudden loss in revenue and cannot continue to offer core public services.

Vote-Only Action: Adopt Spring Fiscal Letter

0840 STATE CONTROLLER

VOTE- ONLY ISSUE 20: YEAR END CLOSE FISCAL REPORTING

The Subcommittee will act on language considered at the March 1, 2022 hearing.

BACKGROUND

At the March 1, 2022 hearing, the Subcommittee discussed the California State Auditor report of delayed Annual Comprehensive Financial Reports reporting by departments. Staff recommended the following reporting language to allow for future oversight of this issue:

The State Controller's Office will report to the budget committee on March 1, 2023 the department name, fund name, and closure date on any funds not closed out for the 2021-22 fiscal year by November 1, 2022. It is the intent of the Legislature to review this list and require departments with profound, chronic, or unexplained delinquency in reporting to testify to the Budget Committee about the path toward correcting this deficiency.

STAFF COMMENTS

The Committee has revisited this issue several times over the last four years, this information will allow further oversight to be more proactive.

Vote-Only Action: Adopt Supplemental Reporting Language

ITEMS TO BE HEARD

8880 Fi\$CAL

ISSUE 1: Fi\$CAL SPRING FISCAL LETTER

The Department of Finance has issued a Spring Fiscal Letter for the Fi\$Cal project.

PANEL

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

- Miriam Ingenito, Fi\$Cal
- Ted Ryan, Department of Finance
- Brian Metzker, Legislative Analyst's Office

BACKGROUND

Fi\$Cal is the main enterprise resource information system of the state and includes the central state accounting, budgeting, and procurement functions. The project was recently fully implemented, although the cash management functions performed by the Controller will take a few years to migrate from their legacy systems.

A Spring Fiscal Letter requests the following three items:

- Transitioning Consultant Workload to State Staff and Workload Backlog Adjustment BCP. DOFi\$Cal requests \$16.6 million (\$9.9 million General Fund) in 2022-23 and \$11 million (\$6.6 million General Fund) in 2023-24 and ongoing to transition some department activities from external contracting resources to state staff; cover user license fee increases; and provide DOFi\$Cal with both external contracting resources and state staff to work on the current backlog of user-requested enhancements. (Forty-six positions in 2022-23 and ongoing also are requested in this proposal.)
- IT Security and Internal Control Resources BCP. Fi\$Cal requests \$5.3 million (\$3.2 million General Fund) in 2022-23, \$4.3 million (\$2.6 million General Fund) in 2023-24 and 2024-25, and \$3.4 million (\$2.1 million General Fund) in 2025-26 and ongoing to support information security and internal control activities. (Thirteen permanent positions in 2022-23 and ongoing also are requested in this proposal.)
- Departmental Onboarding and California State Payroll System (CSPS) Adjustment BCP. Fi\$Cal requests \$24.3 million (\$14.6 million General Fund) in 2022-23, \$5

million (\$3 million General Fund) in 2023-24, \$3.2 million (\$1.9 million General Fund) in 2024-25, and \$846,000 (\$508,000 General Fund) in 2025-26 and ongoing to support new departments onboarding to FI\$Cal with change management, training, user support, and other activities. (Five permanent positions in 2022-23 and ongoing also are requested in this proposal.)

LAO ANALYSIS AND RECOMMENDATION
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Analysis

FI\$Cal IT Project Not on Track to Meet Current Schedule and Scope. Special Project Report 9—the most recent project approval documentation for the FI\$Cal IT project—set a project finish date of June 30, 2022 and confirmed the remaining project scope as production of state government annual financial reports using both FI\$Cal and SCO's legacy system, with the underlying data validated by SCO using newly developed reports and tools. It is our understanding from the administration that the FI\$Cal IT project will not finish this remaining project scope by the approved finish date.

Future of FI\$Cal IT Project to Be Discussed Over Next Several Months. It is also our understanding from the administration that the FI\$Cal IT project partners will discuss how to complete the remaining project scope and prioritize future project activities over the next several months, starting in earnest in late May. Some of the topics to be discussed include (but are not limited to) the validation work for the state government annual financial reports, the FI\$Cal system becoming the state's Book of Record, onboarding the remaining deferred (and possibly some of the exempt) departments, and prioritizing the list of user-requested system enhancements. Decisions on these topics could inform the prioritization of user-requested system enhancements, which would impact the work of resources requested in the department's Transitioning Consultant Workload to State Staff and Workload Backlog Adjustment BCP. It is also at least possible more external contracting resources (alongside the additional state staff) will be needed to complete future project activities.

Supplemental Report Language Could Inform Conversations Between Administration and Legislative on FI\$Cal's Future. Decisions about the future of the FI\$Cal project must be clearly communicated to the Legislature to facilitate discussions about future budget actions and policy direction. To help inform the Legislature about the work that remains to be done for the FI\$Cal IT project (and the FI\$Cal IT system, in general), what disagreements between the project partners need to be addressed, and what key decisions have been and/or must be made to finish the project (and implement the system consistent with state law), the Legislature could consider requiring a report from FI\$Cal department and the FI\$Cal IT project team on these topics (at a minimum). Provisional budget bill language that withholds some amount of funding for the user-requested

enhancement backlog (which might change or be prioritized differently over the next several months) could ensure a report is timely delivered to the Legislature to inform its conversations with the administration about the future of FI\$Cal.

No Specific Concerns with FI\$Cal's Requested Departmental Onboarding and IT Security and Internal Control Resources. We raise no specific concerns with FI\$Cal's requested resources for departmental onboarding (in the Departmental Onboarding and CSPA Adjustment BCP) and for information security and internal controls.

Recommendations

We recommend the Legislature approve supplemental report language that requires FI\$Cal IT project partners (at a minimum) to identify what work remains to be done on the FI\$Cal IT system, what disagreements between the project partners need to be addressed, and what key decisions must be made to finish the project (and implement the system consistent with state law). To ensure FI\$Cal IT project partners submit this report, we also recommend the Legislature approve provisional budget bill language that withholds some amount of funding for user-requested enhancements in the Transitioning Consultant Workload to State Staff and Workload Backlog Adjustment BCP.

We also recommend the Legislature defer consideration of \$9.2 million (\$5.5 million General Fund) of the proposed \$18.4 million (\$11.1 million General Fund) (and proposed provisional budget bill language) for FI\$Cal to develop and implement integrations between the proposed CSPA IT project and FI\$Cal until 2023-24. This is consistent with our recommendation from February that the Legislature defer consideration of development and implementation funds for CSPA until 2023-24.

STAFF COMMENTS

The proposed Spring Letters were expected and reflect the final stages of onboarding remaining ten deferred departments and transitioning the book of record to the FI\$Cal system. However, the slower pace of this transition and lack of a firm timeline for the book of record transfer in this proposal is disappointing.

The LAO acknowledges in its analysis of these proposals that the project is not on track to meet its current schedule and scope, that the future of FI\$Cal will be discussed over the next several months, and recommends supplemental reporting language and budget bill provisions to bring more ensure FI\$Cal remains accountable to the Legislature.

As an alternative, staff had asked the FI\$Cal project to craft trailer bill language to respond to specific concerns, which would be a stronger response to finishing the migration of the last functions to this project. The language would have three elements:

1. Set a statutory deadline for when the State book of record for cash management will use the Fi\$Cal system. The Subcommittee has granted extensions and additional resources toward this goal several times over the last five years, but the actual date seems still nebulous and elusive. Given the Controller will transition leadership in the budget year, having a firm deadline in place will prevent having to continually revisit this issue in the future.
2. Create a better oversight mechanism for the transition of the last departments to the Fi\$Cal system. At this point in the Fi\$Cal project, the change in accounting processes and training are the main barriers to moving forward, but the state is still using clunky technology project oversight mechanism. The Subcommittee spent considerable time in past years working on an alternative to the IT project planning to reflect the mature state of this project that is currently in statute, but it appears the administration has ignored this and reverted back to the SPR process, which is slower and harder for the Legislature to oversee.
3. Make changes to existing Fi\$Cal reporting to capture recommendations from California State Auditor and Joint Legislative Audit Committee findings.

In addition, staff was also disappointed at the slow cadence of transitioning the last departments to Fi\$Cal. From questioning of the project in a prehearing, it appears that a few other state departments might be able to begin the transition during the budget year but were not ready for purposed of the budget bill. Thus, staff recommends adding provisional language to the Fi\$Cal item so if departments can begin migration during the fiscal year, the Department of Finance can request funding, subject to Joint Legislative Budget Committee approval.

Subcommittee staff intends to engage the LAO, Senate, Fi\$Cal, Finance, and the Controller's office in further discussions on the trailer bill to make sure it is workable for all parties, but still provides the structure and oversight that Subcommittee needs to finish the last elements of the project.

While this action includes adopting Fi\$Cal resources for the CSPS IT project, the main funding request for the project with the Controller remains open. The Fi\$Cal resources may need to be scoped to conform with the approach adopted in the current year budget, especially if the Subcommittee completely rejects the Controller proposal.

Staff Recommendation: Adopt Spring Fiscal Letters, Budget Bill Language, and Placeholder Trailer Bill Language

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

ISSUE 2: DIRECTOR OF IMMIGRANT INTEGRATION TRAILER BILL LANGUAGE

The Governor's budget includes trailer bill language to amend the Director of Immigrant Integration.

PANEL

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

- Representative, Governor's Office of Business and Economic Development
- Brian Weatherford, Legislative Analyst's Office
- Tim Weber, Department of Finance

BACKGROUND

The Director of Immigrant Integration was established by SB 84 (Committee on Budget and Fiscal Review, Chapter 25, Statutes of 2015). This proposal would make the following changes to the current law:

- Provides that in addition to planning and coordination of immigrant services and policies in California, the director shall also include immigrant integration initiatives to advance the economic and social inclusion of immigrants in California including, through multigenerational integration.
- Requires the Director to develop recommendation with stakeholder input to improve California's digital clearinghouse of information and referral systems for services available to immigrants.
- Requires the Director to coordinate with local government immigrant affairs offices to streamline information and maximize impact of state and local services for immigrants.
- Requires the Director to convene state departments and agencies in coordination with the Governor's Office of Business and Economic Development, when appropriate, to advance immigrant integration.
- Require the Director to provide technical assistance to state agencies on immigration policies and immigrants, including assistance in evaluating their programs for accessibility and effectiveness in providing services to immigrants.

STAFF COMMENTS

The Subcommittee may wish to ask the following:

- The BCP mentions that Director of Immigrant Integration would be housed within GO-Biz, but the trailer bill language does not move the position into GO-Biz. Can GO-Biz please explain.
- Please explain what they see the Director's role to be moving forward.

Staff Recommendation: Hold Open

ISSUE 3: LOCAL GOVERNMENT SUSTAINABILITY FUND TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language for the Local Government Sustainability Fund.

PANEL

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

- Representative, Governor's Office of Business and Economic Development
- Brian Weatherford, Legislative Analyst's Office
- Tim Weber, Department of Finance

BACKGROUND

GO-Biz requests statutory changes to establish the Local Government Budget Sustainability Fund to provide grants to counties that both are facing sustainability challenges and are committed and willing to advancing a more climate-resilient local economy. GO-Biz also requests \$100 million General Fund in 2023-24, \$100 million in 2024-25, and \$250 million in 2025-26 for this program.

Counties will be selected based on Designated Geographic Areas (DGA) inclusive of High Poverty and High Unemployment counties from January 2022 California Competes Tax Credit list of High-Poverty and High Unemployment Areas listing and all subsequent changes to the DGAs under future CalCompetes application periods until funds have been exhausted.

The trailer bill describes the grant as intended in the following way:

"This article is intended to focus on providing short-term support for county government services in areas of the state facing high unemployment or high poverty that demonstrate a commitment to advancing a more climate-resilient local economy and pursuing economic diversification initiatives and projects that will provide long-term budget stability. Funds provided under this article are intended to enable county governments to pursue a range of projects that have the potential to diversify their industry presence and create high road jobs, while allowing for the unmitigated continuation of constituent services."

The program would provide grants on a rolling basis to local entities. Go-Biz shall develop, in consultation with other state agencies and departments, as it sees fit, criteria for the selection of grant recipients, which shall include, but not be limited to, all of the following:

- Applicants shall be limited to county governments in high unemployment or high poverty areas. For purposes of this grant program, high unemployment and high poverty areas are defined as geographic areas with a poverty rate or geographic

rate that is 150 percent of the California statewide poverty rate, per the most recently updated data available from the United States Census Bureau's American Community Survey 5-Year Estimates on or after January 1, 2022.

- Applicants shall explain current challenges to local revenue sustainability with the next four years, and specifically challenges that pose a risk to the ability of applicants to continue existing government services.
- Applicants shall explain how funding secured from this program will be used to support its ability to pursue projects that would advance one of the following three categories:
 - Process Improvement Projects
 - Economic Diversification and Stability Projects
 - Workforce Development Projects
- Go-Biz shall report to the Legislature on an annual basis on the dollar amounts and number of grants provided to each local entity. The office shall evaluate and prioritize grants, to the extent permissible under state and federal equal protection laws, in accordance with the following criteria:
 - Assessment of proposal details
 - Assessment of coalition-building capacity
 - Other qualitative and quantitative measures determined by the specific project or grant application utilizing these funds for required match funding.
- Eligible uses for grant funds shall include, but are not limited to:
 - Staffing requirements, position classifications, and wages
 - Projects Costs
 - Match Funding

STAFF COMMENTS

This item was originally heard on February 1, 2022, however at the time of the hearing, trailer bill language was not available.

The Subcommittee may wish to ask the following:

- How does the grant provide for the immediate needs of local governments in stabilizing revenue for local constituent services as noted in the intent language?
- Is this model of stabilizing revenues for local governments a sustainable model?

- What feedback has the Administration received from local government entities that may be eligible for these funds?
- Is the discretion provided to Go-Biz too broad? When will the program be implemented, is there additional time to further shape this program?

Staff Recommendation: Hold Open

7730 FRANCHISE TAX BOARD**ISSUE 4: TAX PAYMENT FLEXIBILITY FOR LOW-AND-MODERATE INCOME TRAILER BILL LANGUAGE**

The Governor's budget includes trailer bill language to allow low-and-moderate income households who owe outstanding taxes for tax years 2019, 2020, or 2021, to pay off those debts by September 30, 2023, and have penalties or interest related to late filing and payment waived.

PANEL

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

- Nick Thomas, Department of Finance
- Representative, Legislative Analyst's Office

BACKGROUND

As a result of the Covid-19 Pandemic, the Internal Revenue Service (IRS) and Franchise Tax Board (FTB) delayed their tax filing deadlines for both tax years 2019 and 2020. 2019 taxes were due on July 15, 2020, and 2020 taxes were due on May 17, 2021, delayed from their usual April 15 deadline.

This trailer bill language would do the following:

- Waives Penalties and Interest. Allows families who earned less than \$150,000, or individuals who earned less than \$75,000, to take advantage of an interest-free payment period for their taxes owed and be relieved of certain penalties, fees, and interest that are related to delayed filing or payment. This will be available for tax years 2019, 2020, and 2021.
- Provides Flexibility for Taxpayers. Taxpayers will be allowed to make installment or full payments on their outstanding tax obligations.
- Includes Refunds Penalties and Interest Already Paid. If an eligible taxpayer already paid off tax debts from tax years covered by this program and their payment included impacted penalties or interest, those penalties or interest will be automatically refunded by the FTB.
- Provides that Interest and Penalties Resume on September 30, 2023. If the taxpayer has remaining debts for eligible tax years as of September 30, 2023, penalties and interest will be reassessed starting October 1, 2023.

STAFF COMMENTS

This item was originally heard on March 22, 2022, but at that time trailer bill language was not available. The language can be located here: [RN2211284 v3 \(ca.gov\)](#)

According to DOF, this proposal will provide flexibility for low-to-moderate income Californians that may be struggling financially as a result of the Covid-19 Pandemic to delay their tax payments and not incur any interest or penalties. Tax years 2019, 2020, and 2021, were targeted as payment due dates related to those tax years were after the onset of the Covid-19 Pandemic. The negative effects of the Covid-19 Pandemic disproportionately affected the low-to-moderate income households that are targeted by this proposal.

DOF estimates that the impact would be about one million tax returns in each tax year and reduce personal income tax collections by \$100 million in 2021-22, \$60 million in 2022-23, and \$7.4 million in 2023-24.

Staff Recommendation: Hold Open.
