

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

**ASSEMBLYMEMBER JOAN BUCHANAN, CHAIR**

**THURSDAY, MAY 31, 2012**

**9:00 A.M. - STATE CAPITOL ROOM 444**

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## VOTE-ONLY ITEMS

### CONTROL SECTION 4.30 LEASE REVENUE BONDS

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#### VOTE-ONLY ISSUE 1: LEASE REVENUE PAYMENT ADJUSTMENTS

**May Revision.** The May Revision requests technical corrections to the amounts budgeted for lease-revenue debt service payments in Fiscal Years 2011-12 and 2012-13.

#### BACKGROUND

The requested change reflects a decrease of \$18.4 million (\$13.6 million General Fund in 2011-12 and \$4.6 million General Fund in 2012-13). The decrease to the budgeted debt service amounts are a result of a bond refunding to take advantage of lower interest rates and identification of surplus funds used to offset debt payments.

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**Staff Recommendation: Approve May Revision request**

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### 7300 AGRICULTURAL LABOR RELATIONS BOARD

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#### VOTE-ONLY ISSUE 1: GENERAL COUNSEL ALLOCATION

#### BACKGROUND

At its May 23, 2012 hearing, state Senate Budget Subcommittee No. 2 approved shifting \$200,000 within two items in the Agricultural Labor Relations Board budget. The shift moved \$200,000 from the Board Administration budget item to the General Counsel Administration budget item. This shift is cost neutral to the General Fund.

The shift is necessary to help the General Counsel oversee union representation elections among farmworkers.

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**Staff Recommendation: Conform with Senate Subcommittee No. 2 allocation regarding General Counsel funding**

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**8950 DEPARTMENT OF VETERANS AFFAIRS**

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**VOTE-ONLY ISSUE 1: COUNTY VETERANS SERVICE OFFICES****BACKGROUND**

At a February 28, 2012 oversight hearing and at the April 18, 2012 budget hearing, the Subcommittee discussed the need for state funding of County Veterans Service Offices (CVSOs) to provide a greater incentive to CVSOs to assist veterans in applying for federal compensation and pension benefits. The Subcommittee approved the following staff recommendations at the April 18, 2012 hearing:

*"Adopt placeholder Trailer Bill Language directing the Department of Veterans Affairs to alter the formula it uses to provide subvention funding to County Veterans Service Officers to incentive increasing filings for federal compensation and pension benefits and other activities that bring the most federal dollars to the state."*

*"Amend Military and Veterans Code Section 974 to require the Department of Veterans Affairs to include in its annual report of the activities of County Veterans Services Officers data indicating the types of activities performed by each CVSO."*

After further discussion with the Department of Veterans Affairs, CVSOs and other stakeholders, and due to a potential conflict with pending legislation, the Subcommittee may wish to consider altering the trailer bill language and rescinding its action to amend Military and Veterans Code Section 974.

With regard to the trailer bill language, the Subcommittee may wish to retain direction to the department to alter the formula it uses to provide subvention funding to CVSOs and add the following component: *"Conduct a review of the highest-performing and lowest-performing CVSOs, and based on this review, produce a best-practices manual for CVSOs by June 30, 2013."*

With regard to Military and Veterans Code Section 974, pending legislation, AB 2198 (Nielsen), also seeks to amend the section in a similar manner as the Subcommittee envisioned. To avoid a potential chaptering conflict, which could result in the Subcommittee's actions being nullified, the Subcommittee may wish to rescind its action on this issue.

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**Staff Recommendation: Approve revised trailer bill language regarding CVSOs and rescind action to amend Military and Veterans Code Section 974.**

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**1760 DEPARTMENT OF GENERAL SERVICES**

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**VOTE-ONLY ISSUE 1: SUPPLEMENTAL REPORT ON STATE MAIL EXPENSES****BACKGROUND**

California state government currently spends an estimated \$135 million per year in postage, \$17 million per year on express delivery and small parcel shipping, and additional resources on managing mailing address data and printing and inserting mailings into envelopes.

As the state looks at various ways to cut costs, it is appropriate to conduct a systemwide review of postage processes to determine if there are efficiencies and best practices that could reduce expenditures. Ideas for savings in postage include eliminating mailings that are not legally required, using Internet, text messages or other social media in place of mail, changing the design, shape or weight of mail pieces to lower costs, or presorting mail, which can lead to reduced charges from the U.S. Postal Service.

While some state departments have altered their mailing practices to cut costs, there has been no systemwide review of best practices that could be applied statewide. The Subcommittee may wish to require that the Department of General Services examine statewide mailing practices and develop recommendations for lowering costs.

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**Staff Recommendation: Approve the following Supplemental Reporting Language: "The Department of General Services shall examine current state expenditures for mail and postage and report to the Legislature not later than January 1 2013 the amount of money that could be saved by adopting enterprise-wide mail best practices including but not limited to use of presort mail opportunities to maximize postage discounts, using modern technology to identify lowest rates, depositing postage funds in interest-earning postage accounts, reviewing and redesigning mailings for postage savings, and assessing potential for digital mail technologies."**

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## ITEMS TO BE HEARD

### 8820 COMMISSION ON THE STATUS OF WOMEN

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The Commission on the Status of Women is an independent, non-partisan agency working to advance the causes of women. Toward that end, the Commission influences public policy by advising the Governor and the Legislature on issues impacting women and educating and informing its constituencies—thereby providing opportunities that empower women and girls to make their maximum contribution to society. The Commission consists of a 17-member body including the Superintendent of Public Instruction, the Labor Commissioner, three Assemblymembers and three Senators. Nine of the 17 members are public members: one appointed by the Speaker of the Assembly, one by the Senate Committee on Rules, and seven are appointed by the Governor. Public members serve four-year terms and are reimbursed for necessary expenses.

The 2011-12 budget for the commission includes \$265,000 General Fund and \$2,000 Reimbursements, and 2.1 personnel years.

#### ISSUE 1: ELIMINATION

The Governor's Budget proposes to eliminate the Commission on the Status of Women for a savings of \$270,000 General Fund in 2012-13. The Administration states that many other forums address the same issues as the Commission.

#### BACKGROUND

Created in 1965 as an advisory commission under Governor Pat Brown, and then made permanent through a 1971 statute signed by Governor Ronald Reagan, the Commission on the Status of Women performs the following functions, as described in Chapter 3.1 of the Government Code:

1. Studies women's educational and employment problems, needs and opportunities; state laws impacting women's civil and political rights; the effect of social attitudes and pressures and economic considerations in shaping the roles of women; and laws, practices or conditions that may limit opportunities for women.
2. Acts as an informational clearinghouse on the status of women and their needs.
3. Conducts activities, develops recommendations and provides advice on preventing or minimizing problems brought about by the changing roles and responsibilities of women.
4. Encourages women's organizations and other groups to institute activities to meet women's educational, employment and related needs.
5. Provides reports to the Legislature, including providing its position on any pending legislation.

The Commission is the only state agency that looks specifically at all issues impacting women. Among its duties, the Commission holds public hearings across the state. Hearings between 2006 and 2010 in Los Angeles, Fresno, Sacramento, San Francisco, San Diego, Fontana, Redding and Pasadena included testimony from more than 600 individuals.

In addition, the Commission appoints members to the State Advisory Committee on Sexual Assault Victim Services Program and sponsors numerous reports and pieces of legislation. The Commission was the lead sponsor of SB 222 (Evans & Alquist), Chapter 509, Statutes of 2011, which required every individual and group health insurance policy to provide maternity services, and AB 76 (Lieber), Chapter 706, Statutes of 2007, which requires the Department of Corrections and Rehabilitation to create a gender-focused plan for female inmates. The Commission also works with other state agencies, and partnered with the Department of Veteran's Affairs to hold a Women Veteran's Conference in October 2011.

The Administration first proposed eliminating the Commission in last year's May Revise. The Subcommittee voted to reject the proposal and refer the matter to a policy committee. In a line item veto, the Governor reduced the Commission's General Fund appropriation by \$200,000, essentially cutting the Commission's budget in half. Due to the cut, the Commission is currently out of funding and remaining staff have been laid off.

#### STAFF COMMENT

The Subcommittee received nine letters supporting the commission and opposing the elimination proposal. Several letters noted the continuing need for the Commission by noting the following disparities:

- Women make only 84 cents for every dollar earned by men; African-Americans earn only 68 cents and Latinas only 59 cents.
- Women fill only 28% of the seats in the California Legislature.
- 40% of women experience intimate partner violence in their lifetime.
- In California's 400 largest companies, women comprise only 3.3% of CEO's.
- The current budget crisis and economic recession are having a disproportionate negative impact on women and children.
- More than one third of households headed by women with children have income that falls below the poverty level.

One letter supporting the Commission was signed by representatives of 52 different groups or associations. Another letter, from Vicky Barker, legal director of the California Women's Law Center, stated the Commission serves a "crucial role as an independent voice for the women and girls of California through its work with the Legislature and other state agencies."

"The Commission has also served an invaluable role in its groundbreaking advocacy on behalf of women who are victims of violence, including domestic violence, teen dating violence and trafficking," Barker wrote.

On April 24, 2012, Assembly Speaker John Pérez and Commission Chairwoman Geena Davis announced an agreement that will provide \$150,000 from the Assembly budget for partial funding of the Commission. In addition, the Commission and legislators serving on the Commission – Assemblywoman Bonnie Lowenthal, D-Long Beach and Senator Noreen Evans, D-Santa Rosa – announced plans to restructure the Commission.

Proposed reforms include, but are not limited to, changing the name of the Commission to the Commission on the Status of Women and Girls; requiring gubernatorial appointments to be representative of the state's geographic regions if possible; focusing the Commission's studies on gender equity in education, business, the media, health and safety and military service; establishing the Commission as a central hub for information and resources on issues that impact the lives of women and girls; and developing a strategy for attracting financial support from private groups with the intent to sustain the work of the Commission with less support from the General Fund.

The Assembly funding will partially sustain the Commission, but restoring current-year funding level will allow it to enact these proposed changes.

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**Staff Recommendation: Reject trailer bill language eliminating the Commission and restore current-year funding levels for 2012-13. In addition, approve placeholder trailer bill language reforming the Commission.**

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**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING**  
**1705 FAIR EMPLOYMENT AND HOUSING COMMISSION****ISSUE 1: ELIMINATE THE FAIR EMPLOYMENT AND HOUSING COMMISSION**

**Governor's Budget Request.** The Governor's Budget proposed eliminating the Fair Employment and Housing Commission and transferring the Commission's adjudicatory and regulatory functions to the Department of Fair Employment and Housing. This would create a net savings of \$391,000 to the General Fund in 2012-13.

*This item was first heard by the Subcommittee at its May 1, 2012 hearing, but the issue was held open to allow more discussion. A revised proposal was released May 16, 2012. See discussion below.*

**BACKGROUND**

The Administration's original proposal was intended to address inefficiencies related to the fact that only about eight cases per year related to the Fair Employment and Housing Act ended up in hearing at the Commission. The initial proposal eliminated the Commission on January 1, 2013 and shifted its duties to the Department. The proposal would shift 0.7 positions from the Commission to the Department in 2012-13, with that number growing to 1.5 positions in 2013-14, reflecting the consolidation for six months in 2012-13 and for the full year in 2013-14. The net impact would be General Fund savings of \$391,000 in 2012-13 and \$784,000 in 2013-14, and a reduction of 1.8 positions in 2012-13 and 3.5 positions in 2013-14.

At its May 1, 2012 hearing, discussion centered on two concerns: whether it was appropriate to house both the prosecutorial and adjudication functions within the same department and the desire to retain some type of commission to address civil rights issues.

Based on those concerns, the Administration has prepared a revised proposal. The proposal:

- Eliminates the Commission and achieves the same General Fund savings as the original proposal: \$391,000 in 2012-13 and \$784,000 in 2013-14 and ongoing.
- Creates the Fair Employment and Housing Council, with seven members to be appointed by the Governor and confirmed by the Senate. Councilmembers would receive \$100 per diem plus travel expenses. Staffing costs would be absorbed by the department. The Council's primary role would be rulemaking and holding public hearings on Fair Employment and Housing Act-related issues, providing technical (but not financial) assistance to local advisory councils as needed, and issuing publications and reports to the Governor and Legislature as necessary.
- Would allow the department to file cases directly in court, and would require all investigated cases to undergo mandatory dispute resolution, which would be provided free of charge to all parties prior to the filing of a civil complaint.

- Authorizes the court to award reasonable attorney's fees and costs, including expert witness fees, against any party other than the state. The department would use the Attorney General's \$170 per hour rate as its fee basis.
- Creates a special fund for the deposit of awarded legal costs, to be appropriated by the Legislature in support of the department, or for transfers to the General Fund to offset the costs of the department.

In addition to the above requirements, the department agrees to produce an annual report to the Governor and Legislature, already required under existing law that would include expanded content: qualitative and quantitative information about complaints, settlements, judgments, individual and class/group actions, regulations, outreach, partnerships, and other outcomes of the department and new council.

Under the new proposal, the department would receive 1.5 new positions to handle the mandatory dispute resolution.

<b>STAFF COMMENT</b>
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The new proposal appears to address the Subcommittee's concerns while still achieving the savings sought by the Administration.

The Administration believes the new proposal will not result in a heavy workload for state superior courts due to the requirement that cases undergo mandatory dispute resolution before going to court, which will result in few new court cases. The Administrative Office of the Courts has indicated to staff that it has no concerns regarding the proposal.

Moving the handful of cases that had been heard before the Commission to court also will have one other consequence. While cases heard before the Commission had a cap on damages of \$150,000 per complainant on employment cases, there is no cap in court. (There was no cap on damages regarding housing cases heard before the Commission.) Thus, moving the cases once heard by the Commission to court will mean there is no cap on damages. The Administration notes that there currently is no cap on cases heard in the courts, and this has not impacted parties' decision-making as to whether to go to court or not. They do not believe this will lead to more court cases.

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**Staff Recommendation: Reject trailer bill language eliminating the Fair Employment and Housing Commission and transferring its functions to the Department of Fair Employment and Housing and approve placeholder trailer bill language adopting the alternative proposal.**

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**0502 CALIFORNIA TECHNOLOGY AGENCY**

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**ISSUE 1: NEGOTIATIONS OF IT CONTRACTS**

The Subcommittee will consider extending the authority to negotiate IT procurement to the California Technology Agency.

**BACKGROUND**

Public Contract Code Section 6611 provides the Department of General Services (DGS) the authority to use "negotiated process" for new and existing procurements for goods, services, information technology, and telecommunications procurement. If certain preconditions are met, DGS is granted authority to use this procurement mechanism in lieu of existing state procurement processes.

In 2010, TechAmerica released a White Paper entitled "State of California Utilization of Public Contract Code Section 6611 for Negotiations of Contracts", which argued for expanded use of the flexible Section 6611 procurement process. The paper included a survey, which found that DGS most frequently used the Section 6611 provisions for activities related to IT projects that were at risk of failure, like the 21<sup>st</sup> Century Project. The paper concluded that expanded use of this provision would save costs and improve the success of state IT projects.

**STAFF COMMENT**

The Subcommittee could take the first step to expand the use of this innovative procurement model by expanding the current authority for Section 6611 contracts to the California Technology Agency. This expansion would hopefully encourage the California Technology Agency to consider expanding the use of Section 6611 procurement for future IT projects.

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**Staff Recommendation: Adopt Placeholder Trailer Bill Extending Public Contract Code 6611 to the California Technology Agency.**

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