# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

**ASSEMBLYMEMBER JIM COOPER, CHAIR**

**THURSDAY, MAY 24, 2018**
**1:30 P.M. - STATE CAPITOL, ROOM 447**

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## 7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

### VOTE-ONLY ISSUE 1: INFORMATION TECHNOLOGY CLASSIFICATION CONSOLIDATION

On March 29, the Administration submitted a spring finance letter requesting $1.9 million ongoing ($921,000 General Fund, $271,000 federal funds, and $713,000 special funds and reimbursements) appropriation for 2018-19 for the ongoing increased costs resulting from the statewide IT Classification. EDD is proposing to fund this with a mixture of fund sources.

### BACKGROUND

In June 2015, the State began an effort to consolidate IT classifications. The newly proposed classifications will transition approximately 36 current IT classifications into five rank-and-file IT classifications and four IT supervisory/managerial classifications. In developing the new IT classifications, the statewide team grouped classifications which have similar functions and/or salaries into one new classification. The consolidation of the classifications result in a salary increase to over half of the staff impacted by this change. The changes to the current classifications took effect on January 31, 2018. The number of positions impacted and the dollar calculations are provided in the table below:

| Information Technology (IT) Classification Overview for State Fiscal Year 2018-19 | | | | | |
|---|---|---|---|---|---|
| IT Classification | | Number of Positions | Net Impact | | Total |
| Prior | New | | PS | Benefits | |
| Systems Software Specialist III (Supervisory) | IT Manager I | 13 | $9,204 | $3,320 | $12,524 |
| Data Processing Manager II | IT Supervisor II | 22 | $264 | $95 | $359 |
| Systems Software Specialist II (Supervisory) | | 1 | $144 | $52 | $196 |
| Systems Software Specialist II (Technical) | IT Specialist (Ranges A – C) | 51 | $8,568 | $3,091 | $11,659 |
| Staff Information Systems Analyst (Specialist) | | 67 | $578,880 | $208,819 | $787,699 |
| Staff Programmer Analyst (Specialist) | | 38 | $328,320 | $118,435 | $446,755 |
| Systems Software Specialist I (Technical) | | 34 | $294,576 | $106,262 | $400,838 |
| Associate Systems Software Specialist (Technical) | IT Associate | 4 | $864 | $312 | $1,176 |

### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Approve Spring Finance Letter.**

## VOTE-ONLY ISSUE 2: ACCOUNTING RESOURCES

EDD requests 15 positions and $6.9 million to provide resources to complete accounting transactions in its legacy system to meet federal reporting requirements necessary to provide unemployment benefits without interruption while also transitioning to the Financial Information System for California (FI$Cal). This includes up to $5 million for vendor services to manage this temporary additional workload and allow for successful transition to the new system. Funds will be funded equally by the Disability Insurance (DI) Fund and the EDD Contingent Fund for 2018-19.

### BACKGROUND

EDD is one of the largest state departments with almost 8,000 employees at hundreds of service locations throughout the state and offers a wide variety of services to Californians under the Unemployment Insurance (UI), DI, Workforce Innovation and Opportunity Act, and Wagner-Peyser programs. EDD also handles the audit and collection of payroll taxes for 1.4 million employers and maintains employment records for more than 18 million California workers.

EDD is mandated to maintain a fully automated accounting and program cost accounting system utilizing a state uniform accounting and reporting system. Currently, the EDD maintains five legacy and two modernized financial information legacy systems. They include the Cost Accounting System (CAS), and two personal computer based systems. CAS is EDD's primary accounting system that captures monthly personal service expenditures, operating expenses and equipment expenditures, sub-grants, and benefit payment information. It also performs cost allocation and reports monthly program expenditures. Additionally, EDD maintains legacy procurement and asset management systems, which were used to manage the department's portfolio of capitalized and sensitive assets.

The FI$Cal project seeks to enable the state to combine various state entity's accounting, budgeting, cash management, and procurement operations into a single integrated financial management system. The project is being implemented by the Department of FI$Cal in releases, with some (mostly smaller) departments having implemented the project over the past two to three years, and a number of other (mostly larger) departments – including the EDD – scheduled to implement the project in 2018-19.

Based on the complex nature of EDD's legacy systems, combined with the varied programs and funding within EDD, resources are required in order to ensure as smooth a transition as possible without interruption to the vital services EDD provides to the people of California.

The EDD also provides administrative services for two other state agencies, the California Workforce Development Board, and the Labor and Workforce Development Agency. These two agencies would thus also be impacted when the EDD implements FI$Cal. This proposal improves the quality of financial compliance through FI$Cal by enabling EDD to meet all federal and state requirements.

With the transition of FI$Cal, current processes must be redesigned to adapt to the new system, and it is critical to have appropriate and adequate staffing. In addition, these resources will provide EDD's Fiscal Programs the resources to perform mandated federal and state reporting activities, grant management responsibilities, and financial audit assistance.

The EDD is also requesting $5 million for vendor services to manage this temporary additional workload and allow for successful transition into the new system. Specifically, to assist EDD with successful transition activities and ensure business processes conform to federal and state rules, the additional temporary vendor assistance supplements staff levels in order to adequately support implementation and post go-live operations.

### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Adopt May Revision proposal.**

## VOTE-ONLY ISSUE 3: ADJUSTMENTS FOR BENEFITS PROGRAMS

The May Revision proposes technical adjustments to various benefits programs.

### BACKGROUND

**Disability Insurance Program**. For 2017-18, benefit payments are projected to decrease by $66.46 million from the level previously estimated in the October 2017 Revise. The proposed change includes a decrease of $95.49 million in benefit payments for the Disability Insurance (DI) program and an increase of $29 million in benefit payments for the Paid Family Leave (PFL) program. Total benefit payments are estimated to be $6.73 million, which includes $882.51 million for the PFL program. The DI program's Average Weekly Benefit Amount (AWBA) decreased from $565 to $560 and the PFL program's AWBA increased from $615 to $624.

For 2018-19, benefit payments are projected to increase by $172.07 million from the level previously estimated in the October 2017 Revise. The proposed change includes an increase of $75.76 million in benefit payments for the DI program and an increase of $96.28 million in benefit payments for the PFL program. Total benefit payments are estimated to be $7.51 million which includes $1.02 billion for the PFL program. The DI program's AWBA decreased from $609 to $600 and the PFL program's AWBA increased from $655 to $663.

**Unemployment Insurance Program.** For 2017-18, benefit payments are projected to decrease by $249.6 million from the level previously estimated in the October 2017 Revise. Total benefit payments are estimated to be $5.56 billion. Decreases are being driven by the slight decline in the unemployment level; despite an increase to the Average Weekly Benefit Amount (AWBA) from $321 to $323.

For 2018-19, benefit payments are projected to increase by $6.12 million from the level previously estimated in the October 2017 Revise. Total benefit payments are estimated to be $5.76 billion. The increase is driven by the AWBA increasing from $324 to $329, while the unemployment rate remains steady. The 2017-18 and SFY 2018-19 projected benefit amounts include a buffer of three percent for economic uncertainties. Without this buffer, benefits would decrease by $337.29 million in 2017-18 and decrease by $161.51 million in 2018-19.

**School Employees Fund.** The SEF is a joint pooled risk fund administered by EDD, which collects contributions based upon a percentage of total wages paid by public schools and community college districts. The contribution rate is calculated annually based upon the formula established per Section 823 of the California Unemployment Insurance Code. Money deposited in the SEF is used to reimburse the Unemployment Fund for the cost of Unemployment Insurance benefits paid to former employees of those school employers who have elected this option in lieu of paying the tax-rated method, as is required of private sector employers.

Local Assistance (disbursements) includes benefit charges and claims management fees. The estimated Local Assistance for 2017-18 is $3.53 million higher than reported in October 2017,for a total of $91.46 million. This increase is due to actual benefit charges that have come in higher than projected, as current year charges continue to come in at higher levels than the prior year, and the average weekly benefit amount (AWBA) rises. The estimated Local Assistance for 2018-19 is $8.86 million higher than the 2018-19 level reported in October 2017, for a total of $89.83 million. This increase is due to a change in assumption that benefit charges would decrease from current year to budget year as a result of anticipated lower wage levels and more stable school budgets. However, the AWBA has been rising and schools are facing budget uncertainty in the face of rising pension costs.

**Unemployment Insurance Loan Interest Payment.** The May Revision requests an additional $300,000 for the Unemployment Insurance Loan Interest payment. The outstanding loan is projected to be repaid in 2018 with our last interest payment of $10.6 million due in September 2018.

The recent Great Recession resulted in unprecedented high unemployment rates in California and throughout the country. Because of the dramatic increase in UI claims from these unemployed workers, the amount of regular UI benefits paid to unemployed workers in California nearly doubled during that time. Coupled with a financing structure that has not been updated since 1984, there was simply not enough revenue coming in to cover all of the benefit costs.

Beginning in January 2009, California has been borrowing from the federal government to ensure the payment of UI benefits to eligible unemployed workers. Federal law allows states to take advances to meet their benefit payment obligations, per Title XII of the Social Security Act. Interest costs on the outstanding loans cannot be paid from the UI Trust Fund, or by UI grant funds. Therefore, California borrowed from the State Disability Insurance Fund for the first two interest payments; and those loans must be repaid with interest by the General Fund. The subsequent interest payments have been made directly from the General Fund. Sections 303 and 1202 of the Social Security Act outline the states' requirements regarding UI loan interest.

As part of the American Recovery and Reinvestment Act, interest owed on borrowed funds was waived through December 31, 2010. Interest began accruing on January 1, 2011, and the resulting seven interest payments of $303.5, $308.2, $259.0, $217.4, $171.1, $111.3, and $49.8 million were made to the Department of Labor on September 30th of each year from 2011 through 2017, respectively.

### STAFF COMMENTS

These are technical adjustments.

**Staff Recommendation: Adopt May Revision proposal.**

## VOTE-ONLY ISSUE 4: LOCAL ASSISTANCE ADJUSTMENT BUDGET BILL LANGUAGE

The May Revision proposes provisional budget bill language to align budget authority with current federal allotments for local area activities, and to allow EDD to spend federal grant dollars for local youth programs if actual receipts are underestimated.

### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Adopt May Revision proposal.**

## VOTE-ONLY ISSUE 5: WORKFORCE INNOVATION OPPORTUNITY ACT DISCRETIONARY FEDERAL FUNDS

The Governor's May Revision proposes $60.4 million in state-level discretionary federal Workforce Innovation Opportunity Act (WIOA) funding in 2018-19, a $1.5 million decrease relative to 2017-18.

## BACKGROUND

Federal law provides that a certain portion of federal WIOA funding, up to 15 percent, may be held by the state for "statewide workforce investment activities," while the remainder of WIOA funds are passed on to Local Workforce development boards to provide services to unemployed or underemployed adults and youth. The statewide funds are sometimes referred to as "discretionary funds." The actual amount of discretionary funds that may be reserved at the state level, subject to the 15 percent cap, depends on congressional appropriations.

The May Revision decreases funding for some previously funded items while making offsetting increases in other previously funded items.

- **SlingShot 2.0 Regional Plan Support:** Reduce by $3.1 million (a majority which were from carry over funds from 2016-17) for a total of $6 million. This supports regional leadership capacity for the implementation of WIOA regional plans in each Regional Planning Unit (RPU); support Regional Accelerators in the RPUs that build on existing Workforce Accelerator projects (described on the following page) and support new approaches and partnerships that accelerate employment for populations with barriers, including immigrants and/or ex-offenders; support Regional Organizers that assist RPUs in regional plan implementation, leadership coordination, SlingShot development, Workforce Accelerator coordination, and model sector initiatives; and support activities that may lead to the re-designation of multiple local workforce areas within an RPU to a single local workforce area.
- **Model Multiple-Employer Industry Sector Programs**: Reduce by $800,000 for a total of $2.2 million (funding in 2016-17 was approximately $2 million). Funds are awarded to local workforce regions to implement or advance model sector partnerships. Successful partnerships will emphasize job quality, immigrant integration, and commitment to the joint interests of employers and workers. Targeting key sectors identified in the regional plan, model partnerships will utilize proven earn and learn training approaches (such as incumbent worker training, paid internships, formal apprenticeship) and demonstrate leadership and investment from industry in partnership with labor, education, and community based organizations. Funds will also support technical assistance, intermediary training, and program assessment.

- **Service for In-School At Risk Youth:** Eliminate the program ($600,000), which was created last year. This program sought to expand youth services offered by state staff at local job centers, establish partnerships with other local agencies and community-based organizations, and educational institutions that work with youth. Staff notes that there are a variety of programs funded through the slingshot, and workforce accelerator programs that target and engage youth.

- **Regional Workforce Accelerator Program**: Increase of $200,000 for a total of $6.1. This program awards funds to local programs to test innovations that accelerate employment for populations with barriers to employment by more effectively removing barriers and creating improvements in training and job placement. Emphasis is on development of new strategies among related organizations and/or cross-program and service alignment that can improve employment outcomes for formerly incarcerated/ex-offenders and immigrant populations and others with barriers to employment.

- **High Performing Boards:** Increase of $100,000. This program will be used to engage businesses and workforce partners regionally to develop sector strategies, build regional awareness of effective business engagement practices, and develop strategies to serve priority populations with barriers to employment. These funds will be used to meet the requirement of Senate Bill 698 (Lieu), Chapter 497, Statutes of 2011, which requires the Governor to establish, through the State Workforce Board, standards for certification of high-performance local workforce boards and to reserve specified federal discretionary funds for high-performance local workforce boards.

- **Administration and Program Services**: Increase of $2.7 million for a total of $37.4 million to fund (1) comprehensive services at ACJCC's, (2) audit, compliance and fraud prevention, (3) labor market information program, (5) local program oversight and technical assistance, (6) financial management and information technology, (7) WIOA implementation, (8) CAAL-Skills performance and participant data alignment, (9) CWDB administration, policy development and program partner coordination.

| | | | |
|---|---|---|---|
| **5940019 - Services to Bridge Education and Workforce Gaps for Targeted Populations** | | | |
| Regional Workforce Accelerator Program: Focus on Ex-Offender and Immigrant Populations | $5.9 | $0.2 | $6.1 |
| CalJOBS[SM] | $1.6 | $0.0 | $1.6 |
| SlingShot 2.0: Regional Plan Support | $9.1 | ($3.1) | $6.0 |
| High Performing Boards | $0.0 | $0.1 | $0.1 |
| Model Multiple-Employer Industry Sector Programs | $3.0 | ($0.8) | $2.2 |
| Governor's Award for Veterans' Grants | $5.0 | $0.0 | $5.0 |
| Disability Employment Accelerator | $2.0 | $0.0 | $2.0 |
| Services for In-School At Risk Youth | $0.6 | ($0.6) | $0.0 |
| **Total Services to Bridge Education and Workforce Gaps for Targeted Populations** | **$27.2** | **($4.2)** | **$23.0** |

## LEGISLATIVE PROPOSAL.

Assemblymember Kevin McCarty proposes a pilot program administered by the Employment Training Panel, funded through WIOA, to award grants to at least one nonprofit and at least one Community College, for the purposes of case management, career technical education, and employment placement services for Special Immigrant Visa (SIV) refugees. Sacramento serves over 50 percent of this population in the state and the language reflects a way to opens the RFP to everyone but specifies the county that serves, and is anticipated to serve, the most SIVs.

## STAFF COMMENTS

There is no language prohibiting the use of the WIOA discretionary funds for other programs beside those that are listed. It is staff's understanding that Slingshot 2.0 is being phased out and that regional plans established through the Slingshot 2.0 program should already be incorporated into the regular work of these other programs. For those reasons, staff would recommend using the Slingshot 2.0 program to fund this request.

**Staff Recommendation: Reduce the Slingshot 2.0 Regional Plan Support to $1 million, Provide $5 million for the Refugees Career Pathways and placeholder trailer bill language, approve the remaining May Revision proposal items.**

## VOTE-ONLY ISSUE 6: BREAKING BARRIERS IN EMPLOYMENT FOR ADULTS WITH AUTISM PILOT PROGRAM

This budget proposal proposes workforce development fund dollars to create a three-year pilot program under the California Workforce Development Board to do all of the following:

- Develop a manual to train employers in building workplace capacity for individuals with autism; and
- Implement free employer trainings in Sacramento and Los Angeles counties based on the developed manual.
- Recruit and train young adults with autism to participate in the program, developing their self- advocacy and leadership abilities. Participating youth will receive payment for their involvement in the program.

## BACKGROUND

Autism Spectrum Disorder (ASD) is the fastest growing developmental disability in the United States. It is a life-long disability that can cause developmental problems in the areas of social interaction, speech, language, communication, and behavioral functions. Seventeen years ago, 1 in 150 children were born with ASD; today it is1 in 68.

As young adults with ASD age out of the K-12 education system, they find that access to support services begin to dwindle. Many are forced to live with their parents, never reaching full independence. According to a 2013 report published in the Journal of the American Academy of Child and Adolescent Psychiatry, unemployment and underemployment for young adults with autism is estimated at 90% nationwide.

While multiple factors can be attributed to the low employment numbers for young adults with ASD, a fundamental component is a lack of understanding of ASD. For instance, many employers, and society at large, have a misperception that individuals with ASD are not able to hold careers – focusing on their social disabilities, rather than seeing their strong abilities for specialized tasks. Individuals with autism can possess extremely high intellect and be very valuable assets to companies when given the opportunity.

However, most employers are unfamiliar with the specific characteristics associated with ASD and thus are unaware of specific employment techniques and strategies that can be instituted with employees to help maximize productivity and increase opportunities for sustained employment. Proper education, outreach, and training of employers can help them take affirmative action to recruit, hire, promote, and retain individuals with autism.

Furthermore, it is critical that the State engage young adults with autism in outreach and education efforts. They can directly help dispel myths, reduce stigma, and educate employers. This will not only increase employment opportunities, it will also promote self-advocacy and leadership in these young adults – other critical components to long-term success.

### STAFF COMMENTS

Assemblymember Rubio has requested funding in the amount of $1.5 million.

**Staff Recommendation: Provide $1.5 million for a three-year pilot program.**

## 8260 CALIFORNIA ARTS COUNCIL

### VOTE-ONLY ISSUE 7: ARTS COUNCIL LOCAL PLANNING AUGMENTATION

The California Arts Council (CAC) requests a one-time augmentation of $5 million for local assistance in 2018-19 and provisional language to make this funding available for expenditure for three years, and authority to transfer up to $250,000 of this amount for administrative costs. These funds will allow the CAC to meet the increased demand in all existing grant programs. Additionally, the administrative resources will allow the CAC to conduct an evaluation of the entire CAC grant program portfolio.

### BACKGROUND

This item was heard at the May 17, 2018, hearing. Assemblymember Chu requested to increase the Arts Council funding by $10 million ongoing.

**Staff Recommendation: Increase CAC by $5 million over the May Revision and adopt provisional budget bill language.**

## 7501 DEPARTMENT OF HUMAN RESOURCES

### VOTE-ONLY ISSUE 8: STATEWIDE TRAINING CENTER TRAILER BILL LANGUAGE

The May Revision includes trailer bill language to allow all public employees access to state training programs.

#### BACKGROUND

The California Department of Human Resources (CalHR) is responsible for ensuring the State is meeting the training needs of its workforce. Since 2013, CalHR's Statewide Training Center has been creating a centralized training infrastructure with the capability to provide a variety of new civil service-taught training solutions along with its vendor offerings. The Statewide Training Center is a reimbursable program funded through the tuition charged to the employers of the class participants.

Since CalHR provides best practices training programs, there is occasional demand for public employees outside of the Executive Branch to seek participation in training classes through the Statewide Training Center. Although CalHR's focus in on the development of the state's workforce there is no reason that all public employees should not benefit from the affordable programs developed and offered by the Statewide Training Center when capacity permits.

This trailer bill would ensure that all public employees could take advantage of the state's training programs by expressly stating the CalHR has the authority to provide training to any public employee and collect registration fees from their employing entity without the need for an interagency agreement.

#### STAFF COMMENTS

This item was heard at the May 17, 2018, hearing. Concerns about the trailer bill language were addressed during committee.

**Staff Recommendation: Adopt placeholder trailer bill language.**

## 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

### VOTE-ONLY ISSUE 9: BUDGET BILL LANGUAGE

The Governor's budget proposes a change to budget bill language relating to 2240-101-3317 and 2240-101-6082 relating to SB 2 and the Veteran's Housing and Homelessness Prevention Program.

#### BACKGROUND

The current language includes a provision that funds appropriated "… be available for liquidation of encumbrances and expenditures…" This language is confusing and incorrect. In order to clarify, the Governor's budget requests a technical change to remove "and expenditures".

#### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Adopt placeholder budget bill language.**

### VOTE-ONLY ISSUE 10: GATEWAY CITIES COUNCIL OF GOVERNMENTS—HOUSING STRATEGY ASSESSMENT

The Gateway Cities Council of Governments (COG) represents 27 cities in southeast Los Angeles County and is a sub-region of the Southern California Association of Governments. The Gateway Cities COG seeks $50,000 to develop a housing strategy assessment for its region. The assessment would provide recommended strategies that will help local governments there produce housing, reduce homelessness, and receive the support they need to do this. The Gateway Cities COG is looking to develop housing strategies that will help its region meet state policy goals for housing production, while integrating other state efforts such as policies to address climate change and improve transportation.

**Staff Recommendation: Approve one-time General Fund grant of $50,000 to the Gateway Cities Council of Governments to develop a housing strategy assessment.**

## VOTE-ONLY ISSUE 11: SB 35 TECHNICAL CLEAN UP LANGUAGE

SB 35 was part of the 2017 Housing package. There are additional technical clean up provisions that are needed by the Department of Housing and Community Development and local governments in order to implement the measure. This item adopts placeholder trailer bill language to implement agreed upon technical provisions to implement SB 35.

**Staff Recommendation: Approve placeholder trailer bill language.**

## VOTE-ONLY ISSUE 12: STATEWIDE HOUSING PACKAGE AND TRAILER BILL LANGUAGE

The budget provides $538.3 million from various funds and 81 positions in 2018-19, $739.9 million and 128 positions in 2019-20, and $796.1 million and 146 positions in 2020-21 and 2021-22, and $796 million and 145 positions in 2022-23, and ongoing to implement recent legislative changes.

### BACKGROUND

This item was heard at the April 3, 2018, hearing. At the time of the hearing, the Administration was still working on trailer bill language. Under the Governor's plan, the funding from SB 2, about $125 million is proposed to go to the California Emergency Shelter Grant (ESG) Program.

### STAFF COMMENTS

Staff recommends approval of the resources included in this proposal. Staff also recommends that the Subcommittee continue to monitor the progress of the staffing plan at HCD.

Further staff recommends a 50/50 split of funding for the Governor's CA ESG model and funding to the Housing for Healthy California program under AB 74.

**Staff Recommendation: Approve as budgeted and adopt placeholder trailer bill language that would provide a 50/50 split of funding for the California ESG program as outlined by the Administration and funding for Housing for Healthy California under AB 74.**

## VOTE-ONLY ISSUE 13: MEADOWVIEW AREA PROPOSAL

This proposal would provide resources for economic development, neighborhood revitalization and community investment for the Meadowview area.

### BACKGROUND

According to the Sacramento County Blue Ribbon Commission Report on Disproportionate African American Child Deaths 2013, of the 486 African American child deaths from 1990 through 2009 in the four categories of third-party homicides, infant sleep-related, child abuse and neglect homicides and perinatal conditions, 81 percent (392 of 486) are from six primary Sacramento County neighborhoods. These neighborhoods are the most disproportionate relative to the ratio of the child population. The top neighborhood with the largest number and percent of African American child deaths in the four categories was the Meadowview neighborhood with 182 deaths or 37 percent.

This proposal would provide resources for economic development, neighborhood revitalization and community investment for the Meadowview area.in the amount of $6 million and an additional $500,000 for law enforcement candidate training at Sacramento State.

**Staff Recommendation: Approve $6.5 million for job training and economic development for the Meadowview area.**

## 7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

## VOTE-ONLY ISSUE 14: PRISON TO EMPLOYMENT AND AB 1111 FUNDING

The budget provides $16 million General Fund in 2018-19, and $20 million in 2019-20, to better link education and job training in prison to post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.

### BACKGROUND

This item was heard at the March 13, 2018, hearing.

The Prison to Employment Initiative proposes $36 million, over two years, to fund regional and local planning, implementation of regional and/or local plans to integrate reentry and workforce services, direct services to the formerly incarcerated, and post-release supportive services grants. These grants will go to Regional Planning Units and their partners to accelerate the alignment of correctional education and training and increased workforce system collaboration by achieving the following objectives:

- Better link education, job training, and work experience in prison to post-release jobs
- Integrate the services of 181 reentry service providers and 200 America's Job Centers of California (AJCC) career centers using the regional plans from the 14 Regional Planning Units.
- Fund regional integration, direct services, and post release supportive services provided by partners.

Last year, AB 1111 (E.Garcia) established the Breaking Barriers to Employment Initiative for the purpose of assisting individuals who have multiple barriers to employment. However, this program did not receive funding in the 2018-19 budget.

### STAFF COMMENTS

Both programs will help break down barriers to employment. Staff recommends supplemental reporting language in order to measure the effectiveness of both programs moving forward. Additionally, since the Prison to Employment initiative focuses on formerly incarcerated, staff recommends that funding for AB 1111 exclude formerly incarcerated for the first two years of funding.

**Staff Recommendation: Approve as budgeted the Statewide Prison to Employment Initiative, fund AB 1111 at $25 million (General Fund) for a two year period, provide supplemental reporting language for both programs, and adopt placeholder trailer bill language.**

## 7320 PUBLIC EMPLOYMENT RELATIONS BOARD

### VOTE-ONLY ISSUE 15: BUDGET AUGMENTATION

This item was heard at the March 13, 2018, hearing. The Public Employment Relations Board (PERB) is a quasi-judicial administrative agency charged with administering the eight statutes that establish the collective bargaining process for about 2.3 million governmental employees in California. Such disputes include “unfair labor practice” claims. Section 3541 of the Government Code establishes PERB and specifies that the board “shall be independent of any state agency.” For January through March 2018, it takes about 165 days to process Office of the General Counsel cases, which directly affect the workload of the Division of Administrative Law. PERB reports it takes about 117 days to process cases at the Division of Administrative Law. PERB also notes that there are 37 cases, which are over one year old.

**Staff Recommendation: Approve an additional $5 million ongoing General Fund.**

## VOTE-ONLY ISSUE 16: NEW EMPLOYEE ORIENTATION

The Legislature adopted AB 119 (Committee on Budget), Chapter 21, Statutes of 2017, which required certain public sector entities to allow public section representatives to present to employees during new employee orientation and provide employee contact information to the representative entities. However, some employees were inadvertently not included in the bill.

**Staff Recommendation: Adopt placeholder trailer bill language regarding technical clean-up for employee orientation.**

## VOTE-ONLY ISSUE 17: KERN HOSPITAL AUTHORITY

The Legislature approved AB 2546 (Salas), Chapter 613, Statutes of 2014, which authorizes the Kern County Board of Supervisors to establish the Kern County Hospital Authority to manage, administer, and control the Kern Medical Center (KMC), and for the operation of additional programs, facilities, care organizations, physical practice plans, and delivery systems, and specifies the new Authority's governance, powers, and procedures. The language also contains extensive provisions relating to the Authority's effects on current KMC and County employees, including benefits, seniority, and retirement. However, additional language is needed to clarify legislative intent regarding benefits.

**Staff Recommendation: Adopt placeholder trailer bill language to clarify legislative intent.**

# 7350 DEPARTMENT OF INDUSTRIAL RELATIONS (DIR)

## VOTE-ONLY ISSUE 18: DOMESTIC WORKERS

This proposal would provide $5 million to create a co-enforcement program, under which Division of Labor Standards Enforcement (DLSE) would provide grants to specified community groups for education and training needed for outreach to the domestic work sector. DLSE also would be required to create and maintain a resource hub and helpline on DIR's website. This co-enforcement program will empower workers and provide resources for community groups to help inform a primarily immigrant workforce on their rights.

## BACKGROUND

Domestic workers, who are primarily immigrant women, have historically been excluded and denied basic protections afforded to other workers. AB 241 (Ammiano, 2013) enacted the Domestic Worker Bill of Rights that granted overtime compensation to specified domestic workers after 9 hours in one day and 45 hours a week. Two years ago, SB 1015 (Leyva, 2016) extended domestic workers the permanent right to overtime pay.

According to a report from the UCLA Labor Center, 16 percent of households or two million households in California employ domestic workers to provide care for children, housecleaning, and support for seniors and people with disabilities. By 2022, the number of personal care aides in California will have increased by 52 percent to over half a million workers.

The National Domestic Worker Alliance reported that 25 percent of domestic workers are paid below the California minimum wage for a number of reasons that include poorly delineated tasks, long workdays, and low pay. The median hourly wage for the domestic worker surveyed was $10 an hour. The report argues that while not all domestic work employers treat their employees poorly, the lack of enforceable standards increases the likelihood of mistreatment.

Despite the extension of new protections, domestic workers continue to experience substandard working conditions and domestic employers are often not aware of the labor laws that govern their homes. The current climate of fear stemming from escalated immigration enforcement also disproportionately impacts the domestic work sector.

The co-enforcement model is a collaboration between state and local labor standards agencies with worker centers and other community groups to improve compliance and enforcement. This is done by training worker and community groups in the law and using their networks and cultural and linguistic competence to improve outreach to low-wage workers in ways that increase worker awareness of their legal rights at work and increase worker power to demand decent conditions at work.

A successful co-enforcement case study involved a popular San Francisco dim sum restaurant, Yank Sing. The Chinese Progressive Association (CPA) and Advancing Justice-Asian Law Caucus (ALC) worked closely with SF Office of Labor Standards Enforcement (OLSE) and the California Division of Labor Standards Enforcement (DLSE) to achieve a $4.25 million settlement and complete workplace transformation for nearly 300 workers. Many workers were afraid to talk with agency staff so the CPA and AAAJ-ALC helped organize the claimants, educate the workers' on wage laws and their rights, and turned workers into leaders during the campaign.

DLSE has engaged in other co-enforcement partnerships, including contracting with the Wage Justice Center (WJC) to enforce unpaid judgments. WJC has collected over $8.25 million on behalf of 5,500 workers over several years. Commissioner Su credits community partners for the increased strategic enforcement now possible with co-enforcement. DLSE also uses community partnerships to identify workers for complaints and communicate more effectively. For example, DLSE partnered with the Community Labor Environmental Action Network (CLEAN) in Los Angeles to enforce labor laws among the city's carwashes. Such practices increase the efficient utilization of DLSE's limited resources and build trust in vulnerable communities.

Co-enforcement has provided worker groups some funding, legitimacy, and a direct connection to enforcement agencies so that vulnerable workers can have real power. Co-enforcement also offers a way to educate and connect enforcement agencies to the underground and low-wage economy and the marginalized workers who are often beyond the reach of conventional enforcement efforts. Co-enforcement is a win-win-win for workers, community organizations, and for government seeking an effective and efficient way to enforce laws in low-wage sectors.

**Staff Recommendation: Adopt $5 million for co-enforcement program for domestic workers, require DIR to host a hub of information for domestic workers on their website and create a hotline for domestic workers.**

## 0845 DEPARTMENT OF INSURANCE

### VOTE-ONLY ISSUE 19: SAN FRANCISCO DEPARTMENT OFFICE

The Department of Insurance needs statutory flexibility to reflect possible changes to its office location in the Bay Area.

#### BACKGROUND

Current law requires the Department of Insurance to operate office locations in Sacramento, Los Angeles, San Francisco, and San Diego. The Department has been informed that it will lose its lease for its San Francisco location.

The Department may not be able to renew secure space in San Francisco and may need to relocate to Oakland given existing real estate market conditions. The Department of Finance has requested trailer bill language to broaden the location requirement to the Bay Area to accommodate this reality.

#### STAFF COMMENTS

The proposed language would be a placeholder to allow discussion around making the other geographic designations for offices more regional, rather than identifying aa specific city.

**Staff Recommendation: Adopt Placeholder Trailer Bill**

## VOTE-ONLY ISSUE 20: CAPITAL OUTLAY PROPOSALS: SACRAMENTO REGION

The Governor's Budget proposes four Projects in the Sacramento Region. The total cost of all four projects is estimated to be $1.3 billion with $30.4 million in General Fund costs estimated in the current year. These projects are all part of the 10-Year Sequencing Plan put forward by DGS to address the infrastructure needs of the Sacramento Region.

### BACKGROUND

1. **State Printing Plant Demolition.** DGS requests $815,000 General Fund for the working drawings phase of the State Printing Plant Demolition project. Total project cost is estimated to be $16.4 million ($909,000 for preliminary plans, $815,000 for working drawings, and $14.7 million for construction). The project includes demolition and hazardous material mitigation of the 17-acre property to prepare it for new office space development.

   Since the mid-1990s, the State has targeted the 17.3-acre parcel on which the existing Printing Plant is located for future office development. The existing State Printing Plant located at 344 North Seventh Street in Sacramento was built in 1954 and has well-documented health and safety, infrastructure and programmatic deficiencies. The Office of State Publishing is in the process of programming replacement space with the intention of using leased facilities for the new Printing Plant. Leased space is more appropriate due to the changing nature of the printing industry. The DGS sponsored 2008 Sacramento Region State Office Planning Study updated in 2015 per legislative requirements, identifies the Printing Plant site as a desirable office development area. The site is well situated to transit, offering another benefit for office development; and offers an attractive solution to meeting the state's identified need for new and/or renovated office space. Before office development can occur, demolition of the existing structures and hazardous materials clean up, including removing/replacing contaminated soil, must take place.

2. **New Richards Boulevard Office Complex**. DGS requests $18 million General Fund for the performance criteria phase of a new Richards Boulevard Office Complex project. Total project cost is estimated to be about $1 billion ($18 million for performance criteria and $1 billion for design-build).

   This project would construct a new office campus of approximately one million net usable square feet on the state property at the corner of Richards Boulevard and North Seventh Street, the current site of the State Printing Plant. The demolition of the State Printing Plant, scheduled for completion in early 2021, will create a vacant state-owned clean parcel on which to develop office space to house agencies currently located in leased space or in buildings requiring renovation.

The proposal to develop an office complex on the site will create a future opportunity to relocate business, consumer services and housing agency departments out of leased space, as well as relocating the California Department of Tax and Fee Administration staff out of the 450 N Street Building and other leased space. The complex would consist of four buildings, and include office space, retail and childcare.

3. **Gregory Bateson Building Renovation.** DGS requests $5.2 million General Fund for the performance criteria phase of a project to renovate the Gregory Bateson Building. Total project cost is estimated to be $161 million ($5.2 million for performance criteria, and $155.8 million for design-build).

   This project would renovate the historically significant Gregory Bateson Building located at 1600 Ninth Street in Sacramento. Infrastructure studies and building assessments conducted in 2008 and 2015 found a variety of deficiencies within the Bateson building. The building is ranked fifth statewide for state owned, DGS-controlled office buildings requiring renovation or replacement.

   The building contains approximately 215,000 net usable square feet. The current occupants, the Health and Human Services Agency, Department of Developmental Services, and Department of State Hospitals, will be relocated to the New O Street Office Building in March 2021. Proposed tenants for the renovated Bateson Building include California Natural Resources Agency departments from leased space that are not consolidating into the New Natural Resources Agency Headquarters Building.

   The project includes renovation of all major building systems, applicable reinstatement of energy systems, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunications systems will be replaced. In addition, repairs to prevent water intrusion and hazardous material abatement will be performed. A security officer station and physical barriers also will be placed at one of the building entrances.

4. **Jesse Unruh Building Renovation.** DGS requests $6.3 million General Fund for the performance criteria phase of a project to renovate the historic Jesse Unruh Building. Total project cost is estimated to be $89.8 million ($6.3 million for performance criteria, and $83.5 for design-build).

   This project would renovate and restore the Jesse Unruh Building, which was ranked ninth in the statewide rankings for buildings needing renovation or replacement. Infrastructure studies conducted in 2008 and 2013 identified several deficiencies within the building. The building contains approximately 125,000 net usable square feet. The current occupants of the building include the State Treasurer's Office (STO) and the California State Transportation Agency. The STO will be returned to the building.

The project includes renovation of all major building systems, restoration of historic elements, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunication systems will be replaced. Other project elements include elevator replacement, roof and window replacement, repairs to exterior terra cotta, and lead paint and asbestos abatement.

### STAFF COMMENTS

These proposals build upon the discussion last year about the state infrastructure in the Sacramento region. The ability for DGS to renovate and update buildings relies on the sequencing of these projects. DGS cannot renovate buildings without swing space for existing building residents.

However, staff feels that the sequencing plan is incomplete if DGS does not incorporate facilities that house legislators and legislative staff into the plan. The work on the State Office Building Strategy could be done at the same time as some of the other projects and DGS should maximize swing space for the Sacramento region as a whole rather than piecemeal.

**Staff Recommendation: (1) Approve resources as budgeted; (2) Amend sequencing plan to require DGS, in consultation with the Legislature's Join Rules Committee to incorporate facilities that house legislators and legislative staff into their downtown sequencing plan; and (3) Adopt placeholder TBL to authorize lease revenue bonds to finance the reconstruction of the State Capitol Annex and buildings related to the Annex project, which will be utilized only in the event that financing is not available from other sources (such as Proposition 2 infrastructure funds).**

## VOTE-ONLY ISSUE 21: STATE PROJECT INFRASTRUCTURE FUND

The Assembly will conform to the State Project Infrastructure Fund to the overall architecture of the Assembly’s budget plan.

### BACKGROUND

The May Revision proposes transferring $630 million from the General Fund to the State Project Infrastructure Fund (SPIF)—first established in the 2016-17 budget—to support future phases of office building renovation projects in the Sacramento area. The SPIF is continuously appropriated for the renovation and construction of state buildings, including the State Capitol Annex. The May Revision anticipates using the $630 million transfer to fund parts of planned downtown state building projects.

## STAFF COMMENTS

The LAO has concerns with the SPIF, finding that it limits legislative oversight. Accordingly, the LAO recommends modifying the SPIF statute so that the fund is no longer continuously appropriated.

In order to fit achieve the funding level projected in the budget, staff recommends reducing the proposed transfer to the SPIF to $200 million in 2018-19. In addition, adopt placeholder trailer bill language to increase accountability and oversight.

**Staff Recommendation: Reduce proposed transfer to the SPIF to $200 million in 2018-19. In addition, adopt placeholder trailer bill language to increase accountability and oversight.**

## VOTE-ONLY ISSUE 22: ELECTRIC VEHICLE SERVICE EQUIPMENT INFRASTRUCTURE ASSESSMENT AND FACILITY

DGS, Office of Sustainability, requests a one-time augmentation of $15.6 million ($7.8 million General Fund and $7.8 million Service Revolving Fund) in 2018-19, and one permanent position to continue the installation of Electric Vehicle Service Equipment in state facilities.

## BACKGROUND

The Zero Emission Vehicle (ZEV) Five Year Infrastructure Plan requires DGS to oversee plans to make electric vehicle charging infrastructure available in at least five percent of workplace parking spaces at state facilities, and to increase state fleet ZEV purchases to 50 percent by 2025. DGS assists state agencies in developing and implementing workplace charging plans that will result in EVSE, and reports the results of EVSE-related facility assessments to the Administration. DGS also is charged with supporting state agencies in completing readiness surveys, conducting site assessments, oversight of architectural and engineering functions, construction management, system activation, and identification of alternative funding options if available.

In 2017-18, DGS received a one-time augmentation of $6.7 million and three permanent positions to fund facility assessments, design, installation and program oversight for year one of the ZEV Five-Year Infrastructure Plan. This included surveying departments on their EVSE needs. Initial surveys and assessments were completed in 2017. Candidate locations for in-field site assessments and preliminary architecture and engineering services have been selected. The office also is planning on conducting annual updates to these surveys. Beginning on December 31, 2017, agencies were asked to submit updates that describe any changes to their plans.

This request is to fund year two of the DGS ZEV Five-Year Infrastructure Plan to install EVSE in state facilities to support both the state fleet and state employee charging needs. $14.3 million will support approximately 1,200 EVSE installations and the remaining $1.3 million will support 1,600 facility assessments throughout California.

**STAFF COMMENTS**

This item was heard at the March 20, 2018, hearing.

**Staff Recommendation: Approve as Budgeted.**

## 0840 STATE CONTROLLER'S OFFICE

### VOTE ONLY ISSUE 23: CALIFORNIA STATE PAYROLL SYSTEM (CSPC)

The May Revision proposes $4.6 million General Fund in 2018-19 ($3.4 million in 2019-20, $2.6 million in 2020-21, and $1.9 million in 2020-21, and ongoing) to fund positions to complete the Project Approval Life Cycle (PAL) process, including selection and implementation of the selected payroll solution. This also includes development of additional features/functionality and statewide implementation of the Employee Self-Service portal web application.

**BACKGROUND**

Beginning in 2016, the State Controller's Office (SCO) began to assess current information technology and the latest industry standards, and initiated the re-engineering of a new Human Resource Management and Payroll System. The new initiative named the California State Payroll System Project (CSPS). A 2016-17 approved May Revision Budget Change Proposal (BCP) funded eight positions and $2.4 million in 2016-17, and $2.8 million in 2017-18 to support positions in performing business process documentation of human resource management and payroll processing practices to refine the scope of the future project, and to complete the California Department of Technology (CDT) PAL Stage 1 Business Analysis (S1BA).

In May 2017, SCO submitted the PAL S1BA to the California Department of Technology (CDT) for approval. The S1BA documents the governance plan, leadership participation, stakeholders, resources, organizational change management, data management, strategic goals, program background, and the problems and opportunities for the project. The information provided in the S1BA will be detailed and refined through each stage of the PAL process. CDT approved the SIBA on October 18, 2017.

An approved 2017-18 BCP provided an additional $2.97 million to support 11 limited-term positions, to continue performing business process documentation of human resource management and payroll processing practices, and begin the CDT PAL Stage 2 Alternatives Analysis (S2AA), which includes a current-state assessment of SCO's as-is business processes. The 11 staff have and will continue to provide subject matter expertise (SME) on the existing Legacy HR, Payroll, and Leave Accounting systems, and direct input into PAL documentation.

The 2017-18 BCP also authorized funding to contract with a procurement support vendor to create new, or refine existing, mid-level solution requirements, assist with the performance of a market survey, conduct the final alternative analysis, prepare financial analysis worksheets, and aid in the development of a procurement strategy. In February 2018, SCO conducted solicitations for a procurement support vendor and expects to award a contract this month.

SCO is requesting permanent and limited-term resources to support both the development of PAL deliverables/documentation and the development and implementation of a statewide ESS portal web application, as follows:

- **CSPS PAL Development.** SCO requests funding to support 19 continuing positions to continue work on the project activities that will drive the review of business process and payroll policy reengineering, assessing options, and designing a new statewide payroll approach. As part of this request, SCO is requesting that 11 of the existing limited-term positions be continued permanently with eight of the remaining positions being requested as one-year limited-term and one being requested as one-year limited-term in 2019-20. The 11 positions support the core project staff and administrative support and the need for these positions will continue for the duration of the project. In addition to these positions, SCO will retain the services of retired annuitant staff with decades of experience and extensive knowledge in all personnel and payroll disciplines in 2019-20. These staff will provide critical support to the documentation process. The continued presence of these staff serve as a mitigation against the institutional knowledge lost due to the ongoing retirement of other long-term key staff.

- **Statewide ESS Portal.** SCO is requesting resources for five positions for 2018-19 and 2019-20 to complete the development and implementation of a statewide ESS web portal. While the CSPS project is pursuing a long-term alternative solution to the payroll system, many years will lapse before a new system is implemented. In the interim, SCO is developing an ESS web portal application designed to interface with the legacy mainframe system that provides employees access to read specific payroll data, such as leave balances, W-2s, employment history, and paystubs.

## STAFF COMMENTS

This item was heard at the May 21, 2018, hearing. There were concerns about legislative oversight if there was approval of the staff. But SCO informed the committee that in order to move forward with the larger project, SCO would have to ask for additional resources, whereby the Legislature would be able to evaluate the proposal.

**Staff Recommendation: Adopt May Revision proposal**

## VOTE-ONLY ISSUE 24: SPRING FISCAL LETTER ON FI$CAL

The Department of Finance issued a Spring Fiscal Letter to adjust the Controller's budget to reflect changes related to the Fi$Cal project.

### BACKGROUND

The Department of Finance proposed a Spring Fiscal Letter to reflect a change in audit claims caseload and to clarify Fi$Cal project milestones. The proposed adjustments would increase General Fund costs by $151,000 in 2018-19.

### STAFF COMMENTS

These adjustments are technical.

**Staff Recommendation: Adopt Spring Fiscal Letter**

## VOTE ONLY ISSUE 25: SB 2 RECORDING FEE HARDSHIP REFUND PROPOSAL

SB 2 (Chapter 364, Statutes of 2017, Atkins) imposes a fee of up to $225 at the time of recording of specified real estate transaction documents, excluding property sales.

Mr. Salas has presented proposals to the Legislature to provide hardship refunds to low-income individuals who otherwise would be subject to this fee. This proposal would create a three-year pilot program to gauge demand for such refunds in Imperial, Kern, and San Benito Counties. Proposed trailer bill language would cap the total refunds and administrative costs of the pilot program, to be paid from SB 2 funds, at no more than $2.5 million per year. After this cap is reached, no more refunds would be disbursed. Maximum hardship refunds would be established in the annual budget act. The Controller's Office would report on the demand for refunds under the pilot program.

**Staff Recommendation: Approve placeholder TBL and BBL to establish a three-year hardship refund pilot program for SB 2 recording fees in three counties and to set the maximum hardship refund at $225 in 2018-19 (beginning January 1, 2019).**

## CONTROL SECTION 1.5: INTENT AND FORMAT

### VOTE-ONLY ISSUE 26: TECHNICAL CONFORMITY

The Department of Finance has requested technical changes to Control Section 1.5 of the budget to reflect the use of the Fi$Cal System.

#### BACKGROUND

Pursuant to Government Code 13338, the budget act must articulate the State's financial structure. Control Section 1.5 includes instructions related to the accounting structure of the state budget. The May Revision provides technical changes to reflect the use of the Fi$Cal system, the role of the Controller, and some small clarifications to this section.

#### STAFF COMMENTS

These small clarifying changes update the budget act to reflect current fiscal practices in the State.

**Staff Recommendation: Adopt May Revision**

## 8860 DEPARTMENT OF FINANCE

### VOTE-ONLY ISSUE 27: BOND DEBT SERVICE

The May Revision includes a technical change to reflect updated bond debt service costs.

#### BACKGROUND

The May Revision reflects lower bond debt service payments in 2017-18 by $107 million to $6.8 billion, all funds.

In 2018-19, estimated debt service is projected to increase by $144.9 million to $7.2 billion, all funds. The proposed increase reflects projected increases in interest rates.

#### STAFF COMMENTS

This technical item reflects actual bond service debt payments

**Staff Recommendation: Adopt May Revision**

## 0650 OFFICE OF PLANNING AND RESEARCH

### VOTE-ONLY ISSUE 28: TRANSFORMATIVE CLIMATE COMMUNITIES REAPPROPRIATION

The May Revision includes provisional language that allows the Office of Planning and Research to transfer reappropriated funds for Transformative Climate Communities.

#### BACKGROUND

The budget includes a provision to reappropriate Transformative Climate Communities funding appropriated in 2016 and 2017. In both years, the appropriation was made late in the fiscal year, which had delayed the expenditure of the funds. The May Revision proposes to add language that allows the department to transfer funds to other agency or department for support costs and local assistance.

#### STAFF COMMENTS

This technical item is consistent with grants awarded on January 18, 2018.

**Staff Recommendation: Adopt May Revision**

### VOTE-ONLY ISSUE 29: PRECISION MEDICINE

The budget proposes funding and trailer bill language to change the precision medicine program.

#### BACKGROUND

The Governor's budget includes $30 million for precision medicine and Trailer Bill Language that would transition the existing precision medicine program into a stand-alone non-profit corporation.

The proposed investment is a substantial increase over prior years. The 2014‑15 budget first provided $3 million in one‑time state funds for precision medicine research. The Legislature again provided $10 million in one‑time funding for this purpose in 2016‑17 and 2017‑18.

In addition, the budget includes trailer bill language to create a nonprofit corporation called the California Institute to Advance Precision Health and Medicine with a governing board that includes the Director of OPR and 18 directors, 16 appointed by the Governor and 1 appointed by both the Speaker of the Assembly and Senate Rules Committee. The Administration comments that this new entity will transition from the initiative, hosted through an interagency agreement to a more sustainable and long-standing institute beginning in 2018.

The Subcommittee heard this issue on April 24, 2018

### STAFF COMMENTS

The existing Precision Medicine program structure has been effective and thus the proposed structure in the trailer bill is unnecessary.

In addition, this state effort would be more effective be integrating with a rare disease research effort already underway. By appropriating $12 million, UC Davis Institute of Regenerative Cures will be able to partner with an existing nationwide research effort that is developing diagnostic and disease treatment methods from innovative collaborative research.

**Staff Recommendation: Adopt $42 million for Precision Medicine, with $12 million for the UC Davis Institute of Regenerative Cures. Do not adopt any Trailer Bill language and making conforming changes to budget bill language.**

## VOTE-ONLY ISSUE 30: 2020 CENSUS OUTREACH FUNDING

The Subcommittee will adopt 2020 Census Outreach funding.

### BACKGROUND

The Governor's budget includes a census outreach proposal for the next three years. The proposed $40.3 million plan includes 22 limited term positions, $17.5 million for a media campaign and $12.5 million of outreach efforts conducted by nonprofit entities.
On May 22, 2018, the Senate adopted $95 million additional for census outreach efforts.

### STAFF COMMENTS

The Senate level of funding is a good start to fully funding of the necessary Census outreach efforts conducted by community based organizations, but fails to fully capture the needs for local county committees and statewide media needs. Staff recommends an additional $12 million be allocated to cover the projected costs of the Los Angeles County complete count effort, as requested by the County and $6 million identified by the County of Santa Clara. However, other jurisdictions have yet to identify their expected resource needs. To allow these issues to be addressed this year, staff recommends provisional budget bill language to allow the Department of Finance to augment this item during the fiscal year, subject to the review of the Joint Legislative Budget Committee, including allowing the Office to add position authority.

To ensure that the State's efforts are moving at an aggressive pace, staff recommends adopting trailer bill language that will provide reporting over the fiscal year, so that the two select committees on the census, as well as both house's budget committees, can continue to monitor our census outreach efforts. The reports will include the following elements:

- A report, due October 1, which articulates the Administration's contract management approach for census outreach, media, public relations, and local effort initiatives.
- A report, due December 1, which projects expenditure levels by contractor, state staffing levels, expenditures by local partners linked to the State.
- Monthly reporting of expenditures, encumbrances, and vacancies for the Census Outreach effort.

With the proposed additional funding, the State would have over $107 million for community based contracts and $26.7 million for local community count efforts, with no staff onboard to begin the contracting process. When faced with similar workload challenges, other departments that have already had staff in place have taken over 18 months to get this funding out on the street. Staff recommends that the Subcommittee consider moving the Census Outreach effort to a more robust department or agency that can insure that these operational issues are overcome.

**Staff Recommendation: Increase funding by $113 million for 2020 Census Outreach and adopt Placeholder Trailer Bill Language.**

## 9658 PROPOSITION 2 INFRASTRUCTURE PAYMENTS

### VOTE-ONLY ISSUE 31: INFRASTRUCTURE AND FISCAL STABILITY FUND

The proposed Assembly budget plan anticipates the future requirement—so long as the rainy day fund is filled to its constitutional maximum level—to invest around $1 billion per year from the General Fund on infrastructure or deferred maintenance projects. This item proposes a plan for how the state will invest any Proposition 2 infrastructure funds that materialize over the next few years.

### BACKGROUND

***Prop. 2 Infrastructure Investment Requirement.*** Once the rainy day fund is filled, Proposition 2 requires the State to use moneys that otherwise would go to the rainy day fund on infrastructure or deferred maintenance instead. Assuming that the rainy day fund is filled in 2018-19, the administration estimates that required Proposition 2 infrastructure investments from the General Fund would total around $1 billion per year. This infrastructure spending requirement would remain in place until the rainy day fund drops below its maximum level—presumably, the next time there is a significant economic downturn.

***Planning for the Future.*** Trailer bill language in the Assembly budget plan will create two new state funds to enhance transparency related to anticipated Proposition 2 infrastructure investments:

- **Infrastructure and Fiscal Stability Fund (IFSF):** to receive transfers from the General Fund for use in funding Proposition 2 infrastructure investments.
- **Capitol Annex Fund:** to receive transfers from IFSF for rebuilding the State Capitol Annex and construct other nearby state facilities related to the Annex project (for example, a Visitor's Center and a potential state building that would temporarily house certain legislative and executive branch offices during the Annex's reconstruction).

The budget plan expresses legislative intent to use 40 percent of any required Proposition 2 infrastructure funding in 2019-20, 2020-21, and 2021-22 to help school and community college districts build infrastructure and fund deferred maintenance. By dedicating a portion of possible Proposition 2 infrastructure funds to school and community college districts, the State would aim to help improve their facilities, while also providing a small measure of budgetary relief to these districts. Placeholder trailer bill language requires the Director of Finance to report to the Legislature by January 10, 2019, on options for distributing the funding to districts in order to achieve these goals. (Proposition 98 funding for districts would not be affected.)

The Assembly budget plan continuously appropriates 40 percent of any required Proposition 2 infrastructure funding in 2019-20, 2020-21, and 2021-22 to the Capitol Annex Fund. This funding will be the primary funding source for rebuilding the Capitol Annex and related state facilities. This infrastructure project was advanced by the Legislature's Joint Committee on Rules, as authorized in Senate Bill 836 of 2016. Information on the project is available at annex.assembly.ca.gov. (The budget plan also includes a backup funding source for the project: trailer bill language that authorizes the issuance of lease-revenue bonds if Proposition 2 or other funding sources are not available.)

The Legislature would have the ability to appropriate the remaining Proposition 2 infrastructure funding in each year's state budget.

## STAFF COMMENTS

This item plans ahead for state finances, given the possibility that there will be one or more years when Proposition 2 requires the General Fund to spend money on infrastructure or deferred maintenance projects.

**Staff Recommendation: Approve placeholder trailer bill language that (1) creates two new funds to administer anticipated Proposition 2 infrastructure investments, (2) expresses legislative intent to use a portion of those investments through 2021-22 to fund school and community college infrastructure and deferred maintenance projects, and (3) continuously appropriates a portion of anticipated Proposition 2 infrastructure funds through 2021-22 to rebuild the State Capitol Annex and construct other nearby state facilities related to the Annex project.**

## VOTE-ONLY ISSUE 32: PROPOSITION 2 DEBT PAYMENTS

The Subcommittee will consider the proposed Assembly Proposition 2 Debt Payment proposal.

### BACKGROUND

Proposition 2 requires a specified amount to be paid from the General Fund to retire certain public debts or liabilities in each fiscal year through 2030. Under the Administration's May Revision revenue estimates, $1.7 billion of General Fund spending must be used for this purpose. In various items throughout the budget bill, the Governor proposes the following payments to fulfill this $1.7 billion requirement:

- $611 million to pay down a part of last year's $6 billion transaction that reduced the state's CalPERS pension liabilities.
- $382 million to pay loans previously made to the General Fund from "weight fee" transportation funds.
- $235 million to pay loans previously made to the General Fund from other transportation accounts.
- $205 million to pay loans previously made to the General Fund from various state special funds.
- $195 million to pay down state retiree health liabilities.
- $100 million to fund previously unpaid Proposition 98 obligations ("settle up").
- $18 million to pay down pre-2004 non-Proposition 98 local mandates.

### STAFF COMMENTS

Because the Assembly budget plan uses LAO revenues, which include higher capital gains, the plan results in a higher Proposition 2 debt funding requirement currently estimated at $2.2 billion in 2018-19. Staff recommends adopting Governor's proposal above, with the following placeholder modifications, in order to meet this $2.2 billion funding requirement:

- Reduce payments on state special fund loans from $205 million to $131 million in 2018-19 by delaying repayments to the High-Cost Fund-B Administrative Committee and Hospital Building Funds, which already have substantial fund balances.
- Include a $120 million Proposition 2 supplemental payment to the University of California Retirement Plan in 2018-19, as reflected in a related Subcommittee 2 agenda item.

Appropriate a supplemental $390 million Proposition 2 payment to the Judges' Retirement System (JRS) I at CalPERS in 2018-19, conditioned on CalPERS (1) accepting the payment and crediting it to reduce payments the state General Fund otherwise would have to make on JRS I unfunded liabilities due in 2020-21 (at least $190 million) and 2021-22 (at least $200 million) and (2) agreeing to credit any additional return generated from the $390 million to JRS I accounts..

**Staff Recommendation: Adopt Conforming changes to Proposition 2 Debt Payments.**

## 0540 NATURAL RESOURCES AGENCY

### VOTE-ONLY ISSUE 33: INVESTMENTS

The Subcommittee will consider additional investments for the budget year.

### BACKGROUND

The Assembly budget plan includes various investments intended to address policy problems across the state. This includes $1 million to the City of Lodi for erosion control at Lodi Lake.

**Staff Recommendation: Approve $1 million investment for Lodi Lake.**

## 9658 BUDGET STABILIZATION ACCOUNT
## CONTROL SECTION 35.50

### VOTE-ONLY ISSUE 34: BUDGET DEFICIT SAVINGS ACCOUNT AND BUDGET STABILIZATION ACCOUNT

The Subcommittee will conform Control Section 35.50 to reflect the Assembly package scoring and the use of the Budget Deficit Savings Account.

### BACKGROUND

The Budget Stabilization Account section in 9568 of the budget articulates the amounts and timing of transfers to the Budget Stabilization Account in the budget year. Control Section 35.50 provides the calculation of State General Fund and the required contributions to the Budget Stabilization Account.

The Assembly adopted the Budget Deficit Savings Account on May 21, 2018.

### STAFF COMMENTS

The Assembly Budget architecture assumes LAO revenues that increase the required Budget Stabilization Account contribution by $2.2 billion. These sections of the budget must be updated to reflect these numbers.

The Assembly further deposits $773 million to fully fill the Rainy Day Fund at its maximum of 10 percent of General Fund. To maximize reserves, the Assembly plan uses the new Budget Deficit Savings Account (BDSA) as a holding account for the discretionary BSA transfer.

- On October 1, transfer the $773 million to the new BDSA.
- In the 2019 May Revision, the Department of Finance would estimate the amount needed to fill the BSA.
- Between June 15 and June 30, the Controller would transfer the amount identified in the May Revision, up to the $2.2 billion balance of the account from the BDSA to the BSA.
- If the economy continued to grow and it costs less to fill the BSA than $2.2 billion, the balance of the BDSA would remain as an extra reserve.

**Staff Recommendation: Adopt Budget Deficit Savings Act transfer and conforming changes to these savings to reflect this change and the impact of Assembly revenues on the BSA.**

## 7502 CALIFORNIA DEPARTMENT OF TECHNOLOGY
## 7760 DEPARTMENT OF GENERAL SERVICES

### VOTE-ONLY ISSUE 35: INFORMATION TECHNOLOGY PROCUREMENT

The May Revision includes a trailer bill proposal to clarify the role of the Department of Technology and the Department of General Services in information technology procurement.

### BACKGROUND

The Department of Technology (CDT) proposes several clarifying amendments to the Public Contract Code (PCC) to delineate between those information technology (IT) procurements that CDT has authority over versus IT procurements that the Department of General Services (DGS) has authority over. CDT indicates that, as currently written, the PCC does not accurately describe what an IT project is, which causes confusion at the department level regarding which procurements CDT and DGS have authority over. CDT and DGS worked collaboratively on this proposal.

Typically, DGS handles the procurement of IT goods and services, such as computers, software licenses, cloud storage capacity. CDT oversees “projects,” which include customizing off the shelf products or implementing large scale information technology integration into a department’s operations.

### STAFF COMMENTS

The proposed amendments reflect the evolution of state IT project management, that transitions systems into “maintenance and operations” while they are still evolving and changing due to business requirements. For example, the State’s largest project, Fi$Cal, will be transitioning into maintenance and operations while one of the major project components has yet to be fully implemented. DGS's process is focused on getting the State the best value for the purchase of a good, CDT is balancing procurement costs against overall risk and training cost for a technology change. CDT's approach is more appropriate for large projects that are still evolving in the maintenance and operations stage.

Some stakeholders have raised concerns that the specific language in the bill is too broad and may go beyond the intent of the proposal. Staff recommends adopting placeholder trailer bill language to allow time for stakeholders and the Department of Finance to work out changes to avoid such a consequence.

**Staff Recommendation: Adopt Placeholder Trailer Bill Language**

## C.S. 6.1 DEFERRED MAINTENANCE

### VOTE-ONLY ISSUE 36: DEFERRED MAINTENANCE

The Assembly will adopt a $550 million deferred maintenance plan.

### BACKGROUND

The May Revision included $1.06 billion General Fund and $7 million in Special Fund in funding for deferred maintenance.

### STAFF COMMENTS

The Assembly Deferred Maintenance Plan reflects the overall budget architecture of the Assembly and makes $550 million of General Fund deferred maintenance, plus $17 million of special fund maintenance.

| **Control Section 6.10--Deferred Maintenance Funding** | |
|---|---|
| *In Millions* | |
| | Assembly Proposal |
| **General Fund** | |
| Corrections and Rehabilitation | $84 |
| Judicial Branch | 50 |
| State Hospitals | 50 |
| California State University | 35 |
| University of California | 35 |
| Parks and Recreation | 50 |
| Water Resources (Levee Repairs) | 100 |

| | |
|---|---|
| General Services | 37.5 |
| Developmental Services (Porterville Facility) | 30 |
| Military Department | 25 |
| Veterans Affairs | 25 |
| State Special Schools | 8 |
| Cal Expo | 5 |
| Network of California Fairs | 4 |
| Office of Emergency Services | 3 |
| Food and Agriculture | 2 |
| Employment Development Department | 2 |
| Forestry and Fire Protection (Cal Fire) | 2 |
| California Conservation Corps | 1 |
| California Science Center/Exposition Park | 1 |
| Hastings College of the Law | 0.5 |
| **Total, General Fund** | **$550** |
| | |
| **Proposition 68** | |
| CalExpo | $10 |
| **Total, Proposition 68** | **$10** |
| | |
| **Motor Vehicle Account** | |
| California Highway Patrol | $5 |
| Motor Vehicles | 2 |
| **Total, Motor Vehicle Account** | **$7** |

**Staff Recommendation: Approve Assembly Deferred Maintenance Plan**

## 8955 DEPARTMENT OF VETERANS AFFAIRS

### VOTE-ONLY ISSUE 37: MENTAL HEALTH SERVICES ACT FUNDING FOR COUNTY VETERANS SERVICES OFFICES

Proposes a one-time allocation of $5 million ($1 million for five years) from Proposition 63, Mental Health Services Act to the California Department of Veterans Affairs for grants to County Veterans Services Offices for the provision of mental health services to veterans.

**Staff Recommendation: Approve the Proposal.**

### VOTE-ONLY ISSUE 38: ALAMEDA COUNTY VETERANS SERVICES OFFICERS

Proposes $100,000 General Fund (one-time) for the Alameda County Veterans Services Office (CVSO) to fund additional staff to assist veterans in Alameda County. This would help to increase staffing levels consistent with other CVSOs.

**Staff Recommendation: Approve the Proposal.**

## 0890 SECRETARY OF STATE

### VOTE-ONLY ISSUE 39: SECRETARY OF STATE-CYBER SECURITY COORDINATION

Proposes $1 million General Fund annually for the Secretary of State to coordinate activities and information sharing between federal, state, and local officials, including county registrars of voters, to reduce the likelihood and severity of cyber incidents that could interfere with the integrity of California elections.

**Staff Recommendation: Approve the Proposal.**

## C.S. 12.00 STATE APPROPRIATION LEVEL
## 0110 SENATE
## 0120 ASSEMBLY
## 0130 LEGISLATIVE ANALYST'S OFFICE

### VOTE-ONLY ISSUE 40: STATE APPROPRIATION LIMIT

The May Revision adjusts the State Appropriation Limit calculations

#### BACKGROUND

Pursuant to the California Constitution, the budget for the Legislature can only increase by the amount of the State Appropriation Limit calculation. The Department of Finance projects that this increase will be 4.03 percent.

#### STAFF COMMENTS

Adopting this technical item will conform the Legislature's budget to the projected SAL adjustment.

**Staff Recommendation: Adopt May Revision and conform the budget items for the Senate, Assembly, and Legislative Analyst's Office to reflect the updated SAL numbers.**

## 7730 FRANCHISE TAX BOARD

### VOTE-ONLY ISSUE 41: CALIFORNIA CHILD AND DEPENDENT CARE EXPENSES CREDIT

This proposal would extend the California Child and Dependent Care Expenses Credit to allow tax filers with under certain conditions to apply for the credit.

### BACKGROUND

California's Child and Dependent Care Expenses Credit allows families with an annual income below $100,000 to claim a state tax credit equal to a percentage their child care expenses. The state credit was refundable from 2000 to 2010; however, in 2011, the State made the credit nonrefundable due to budget shortfalls. The nonrefundable credit only provides benefits to families who owe state income tax, which means low-income families are excluded even though they face rising child care expenses.

Making the credit refundable again will allow working families who do not owe state income taxes, but who do pay other taxes like sales and property tax, to benefit from a tax refund to offset some of their childcare expenses.

The credit starts at 50 percent for $40,000 or less and then phases out. The percentage of the allowable state credit shall be determined as follows:

| If the adjusted gross income is: | The percentage of credit is: |
|---|---|
| $40,000 or less ........................ | 50% |
| Over $40,000 but not over $70,000 ........................ | 21.5% |
| Over $70,000 but not over $100,000 ........................ | 17% |
| Over $100,000 ........................ | 0% |

### STAFF COMMENTS

Refundable credits make a significant difference for people working to provide for their families. This proposal will complement the EITC actions already taken by the Subcommittee to help working families.

**Staff Recommendation: Adopt California Child and Dependent Care Expenses Credit and placeholder trailer bill language.**

# ITEMS TO BE HEARD

## 0515 BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY
## 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

### ISSUE 1: HOMELESSNESS

The May Revision requests an additional $359 million in homelessness funding in 2018-19, including:

| Governor's May Revision | | | | |
|---|---|---|---|---|
| **Department** | **Program** | **2018-19 (GF)** | **Ongoing (GF)** | **SB 2** |
| Homeless Coordinating and Financial Council | Emergency Homeless Aid Block Grants | 250 | | |
| | Council Administration | 0.5 | 0.5 | |
| Department of Social Services | CalWORKS Housing Support Program | 24.2 | 48.3 | |
| | CalWORKS Homeless Assistance Program | 8.1 | 15.3 | |
| | Senior Home Safe Program | 15 | | |
| Office of Emergency Services | Domestic Violence Shelters and Services | 10 | | |
| | Homeless Youth and Exploitation Program | 1 | | |
| Department of Health Care Services | Homeless and Mental Illness Program | 50 | | |
| Department of Housing and Community Development | California Emergency Shelter Grants | | | 125 |
| **Total** | | **$358.8** | **$64.1** | **$125.0** |

The May Revision includes trailer bill language transferring the Homeless Coordinating and Financing Council into the Business, Consumer Services, and Housing Agency (BCSH).

### BACKGROUND

The Governor's May Revision focuses on emergency aid to assist locals in addressing homelessness until more state resources are available next year. The focus on emergency aid is critical and complements the work done by the Legislature in the last two years to provide affordable and supportive housing.

Last year, the State passed a comprehensive Housing Package aimed at providing a permanent source of housing funding in future years. Collectively, these bills shorten the housing development approval process, provide incentives to streamline development, promote local accountability to adequately plan for needed housing, and invest in affordable housing production through dedicated real estate transaction fee revenues and an anticipated $4 billion voter-approved housing bond. The Housing

Package addresses the state's housing shortage and affordability pressures by streamlining barriers to development, enabling greater enforcement and accountability of housing laws, and dedicating additional investment to housing.

Two years ago, the State made a sizeable investment to tackle the State's growing homelessness problem. On July 1, 2016, Governor Brown signed legislation enacting the No Place Like Home program, which dedicates $2 billion in bond proceeds to invest in the development of permanent supportive housing for person who are in need of mental health services and are experiencing homelessness, chronic homelessness, or who are at risk of chronic homelessness.

**Assembly Plan.** The Assembly plan also focuses on emergency aid with real dollars today to address the problems facing our cities. On May 8, 2018, the Subcommittee heard from mayors about how the homeless crisis has grown over the last two years and the need for additional resources to complement the work started at the local level. The societal and fiscal effects of exploding homelessness have ravaged local communities throughout the state.

***Funding.*** The Assembly plan proposes to dedicate $1.5 billion in General fund for the Emergency Homeless Aid Block grants and to make additional changes to the trailer bill language, including, but not limited to:

- Flexible funding for local governments (eligibility may include cities and counties) for emergency response to homelessness that moves people to permanent housing;
- Expanded uses of the funding to allow local governments to use the funding for shelters, navigation centers, motel vouchers, bridge housing, recuperative or respite care to temporarily house, shelter diversion, homeless prevention and homeless outreach, and permanent supportive housing;
- Provisions for accountability including ensuring that applicants provide the Agency with a plan on how they will use the funding; and use-it or lose-it provisions for all funding, since the funding is intended for emergency aid.

| Assembly Homelessness Plan | | | | |
|---|---|---|---|---|
| **Department** | **Program** | **2018-19** | **Ongoing** | **SB 2** |
| Homeless Coordinating and Financial Council | Emergency Homeless Aid Block Grants | 1,500 | | |
| | Council Administration | 0.5 | 0.5 | |
| Department of Social Services | CalWORKS Housing Support Program | 24.2 | 48.3 | |
| | CalWORKS Homeless Assistance Program | 25.92 | 48.3 | |
| | Senior Home Safe Program | 15 | | |
| Office of Emergency Services | Domestic Violence Shelters and Services | 10 | | |
| | Homeless Youth and Exploitation Program | 1 | | |
| Department of Health Care Services | Homeless and Mental Illness Program | 50 | | |
| Department of Housing and Community Development | California Emergency Shelter Grants | | | 62.5 |
| | AB 74 Housing for Healthy California | | | 62.5 |

| | | | |
|---|---|---|---|
| **Total** | **$1,626.6** | **$97.1** | **$125.0** |

***CalWORKS Homeless Assistance Program (HAP).*** The CalWORKs HAP provides CalWORKs families with support to meet reasonable costs of securing housing. HAP benefits include (1) temporary housing assistance (HA), which helps families pay the costs of temporary shelter, and (2) permanent HA, which helps families secure housing or prevent eviction. Families are restricted to receive the benefit once in a 12-month period. Temporary HA provides a payment of $65 per day for a family of four or fewer, and an additional $15 for each additional family member, not to exceed $125 per day. Temporary HA is provided for up to 16 consecutive calendar days. Following the 16 days, even if the family did not receive HA for all 16 days, the temporary shelter benefit is considered exhausted.

The Governor's May Revision provided funds to increase the base temporary HA payment from $65 to $85 per day, but made no change to the 16-consecutive day restriction.

The Assembly plan would provide an additional $17.8 million (General Fund) in 2018-19 and $33 million (General Fund) in 2019-20 and ongoing to remove the requirement that the 16 days of HA be consecutive. These estimated resources support the assistance, administration, and automation costs to make this change. This will allow the 16 days to be used within the calendar year for families that experience more than one instance of housing instability or homelessness. Adopt placeholder trailer bill language to effectuate this change, with implementation starting January 1, 2019.

***Homeless Coordinating and Financing Council.*** Approve as budgeted with the following changes. Dedicate one out of the three positions be dedicated to Homeless Youth. Additionally, adopt trailer bill language to expand the membership of the Council to include a member who is a formerly homeless youth who lives in California.

***Low Income Housing Tax Credit Cap Changes.*** Existing law disallows, generally, losses from passive activities that exceed the income from passive activities for the current year. A taxpayer can carry forward disallowed passive losses to the next taxable year. A similar rule applies to credits from passive activities. Existing law also limits passive losses that an individual can take against non-passive income for the Low Income Housing Tax Credit to $75,000.

The Assembly plan proposes to eliminate the dollar limitation of $75,000, related to the offset of passive activity losses for rental real estate activities, if the taxpayer actively participated in the real estate activities. Given that the federal government has recently reduced the amount of state and local taxes that can be deducted from an individual's federal tax return to $10,000, many California taxpayers will be looking for opportunities to reduce their overall state tax liabilities. By removing the $75,000 cap the hope is it will encourage more individual taxpayers to invest in the Low Income Housing Tax Credit as a way of offsetting their tax liabilities. This has no additional General Fund impact.

***SB 2.*** The Governor's proposal provides the one-time funding for 2018-19 from SB 2, to be used for an expanded California Emergency Shelter Grant (ESG) program. The Assembly proposal would provide 50 percent for the CA ESG program and 50 percent to AB 74, Housing for Healthy California.

**Staff Recommendation: Adopt Assembly Homelessness Plan.**

## 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

### ISSUE 2: OFFICE OF MIGRANT SERVICES FARMWORKER HOUSING TRAILER BILL LANGUAGE

The May Revise proposes trailer bill language related to the Office of Migrant Services Farmworker housing.

### BACKGROUND

The trailer bill language intends to provide continuity of education for the children of farmworkers and keeping families together in the same household. Under the existing "50-mile rule", children and spouses are considered as part of the requirement that all immediate family live outside of a 50-mile radius of the center for at least 3 months out of the preceding 6 months. Often times children stay with caretakers or family members to continue their schooling near an OMS center while the parents continue migrant work elsewhere. Because the "50-mile rule" applies to immediate family members, leaving children with caretakers can disqualify the household from eligibility at the center in the following year. This language intends to address that issue. Additionally, this language allows flexibility for a provider, upon approval of HCD, to set-aside up to 75 percent of units at an OMS center for farmworkers with school-age children.

### STAFF COMMENTS

There have been concerns raised with the trailer bill language. If this proposal moves forward for further discussion in conference, it should move without Section 50710.1.

**Staff Recommendation: Hold Open.**

## ISSUE 3: SOUTHERN CALIFORNIA DISASTER PLANNING ASSISTANCE

The May Revise proposes $480,000 (General Fund) for state operations to address the 2017 Southern California disaster, including $271,000 for a contract to support recovery and complete housing needs assessments in the affected counties, $159,000 for workload to implement the contract, and $50,000 for a contract to facilitate disaster planning in local General Plans.

### BACKGROUND

California experienced a series of unprecedented natural disasters in 2017. Pursuant to the State of California Emergency Plan, HCD is responsible for leading housing and community development disaster recovery work, whether by leading a taskforce or engaging directly in program delivery. Various state entities have contributed to a coordinated response, involving interagency task forces and working groups.

For the October Northern California fires, HCD secured a contract to provide technical assistance to impacted jurisdictions, develop a needs assessment, and build capacity. Resources to address the Northern California wildfires were proposed in the 2018-19 Governor’s Budget and an Executive Order allocated $652,000 to HCD for 2017-18 via the Disaster Response-Emergency Operations Account. However, requests to address the Southern California disasters were premature at the time.

The proposal will allow HCD and GCR Inc., (GCR) to support recovery and complete housing needs assessments in the affected Southern California counties. The contract will support local recovery efforts and better position these jurisdictions to receive and utilize federal disaster funds. The portion of the request for HCD workload will allow the Department to oversee and implement the contract, including providing technical assistance and expertise on housing recovery solutions, identifying resources that can be directed to recovery for housing purposes, and assisting in the development of recovery plans.

Additionally, this proposal will support disaster planning in local General Plans by creating a model and centralizing resources for jurisdictions throughout the state.

### STAFF COMMENTS

Staff has no concerns with the one-time funding included in this proposal.

**Staff Recommendation: Adopt May Revision proposal.**

## 0515 BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY

### ISSUE 4: INCREASED LEGAL AND PROGRAMMATIC WORKLOAD

The Business, Consumer Services and Housing Agency requests $524,000 and 4 positions in 2018-19 and ongoing to accommodate an increase in Agency workload relating to the addition of two departments, housing initiatives, and involvement with special projects including, but not limited to, cannabis banking and statewide emergency issues.

### BACKGROUND

The Agency initially had nine departments under its oversight and 15.0 employees to manage its workload. Beginning July 1, 2018, the Agency will grow to 11 departments with the same number of authorized positions. The Agency has added oversight for the Bureau of Cannabis Control, the Cannabis Control Appeals Panel, the Department of Real Estate, and the Home Mover's Program to the Agency's portfolio. In addition, housing initiatives are underway which have required additional oversight and administration including the Housing Package of 2017. The Agency also is involved with statewide emergency issues, such as the recent wildfires in the northern and southern regions of the state, which have required a dedication of Agency resources.

The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for the licensing and enforcement of medical marijuana and a voter initiative in November 2016, Proposition 64, authorized the recreational use of marijuana. As a new area of licensing and enforcement in California, complex issues arise daily related to areas such as regulation of a previously unregulated industry, banking of cannabis funds, development of a statewide licensing system, state and local interrelationships, and coordination between state agencies. In addition, the Cannabis Control Appeals Panel is a new entity within the state requiring the development of regulations, fiscal systems, facilities, and hiring procedures.

The Agency has not received additional resources to address this new workload. The request is for 4.0 additional permanent positions.

### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Approve the Spring Finance Letter.**

## 0890 SECRETARY OF STATE

### ISSUE 5: AB 195 FIX (LEGISLATIVE PROPOSAL)

Trailer bill language is proposed to suspend for two years the local bond-related provisions in AB 195 (Obernolte, Chapter 105, Statutes of 2017) to allow time for concerns to be addressed through the policy process and not affect near-term elections.

### BACKGROUND

AB 195 requires changes to the ballot label for local bonds to include in the statement of the measure to be voted on the amount of money to be raised annually and the rate and duration of the tax to be levied, instead of making such a requirement applicable only to local initiative measures (i.e., measures that are placed on the ballot through a petition signed by voters of the local jurisdiction).

Local governments are asking to be exempted from this requirement because they assert it makes ballot labels confusing and misleading to voters.

### STAFF COMMENTS

Various local entities are going out for bonds in November 2018. With the provisions of AB 195 in place, some local governments contend that voters will be presented confusing and misleading information.  Staff recommends the adoption of placeholder trailer bill language that suspends for two years the provisions of AB 195 that affect local bonds. This will allow time for a more comprehensive solution to be worked out through the policy bill process.

**Staff Recommendation: Adopt placeholder trailer bill language.**