

**AGENDA****ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER ADRIN NAZARIAN, CHAIR****TUESDAY, APRIL 26, 2016****1:30 P.M. - STATE CAPITOL, ROOM 447**

<b>VOTE-ONLY CALENDAR</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>0954</b>	<b>SCHOLARSHARE INVESTMENT BOARD</b>	<b>1</b>
VOTE-ONLY ISSUE 1	LOCAL ASSISTANCE	1
<b>0981</b>	<b>CALIFORNIA ABLE ACT BOARD</b>	<b>2</b>
VOTE-ONLY ISSUE 2	IMPLEMENTATION OF THE QUALIFIED ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) PROGRAM.	2
<b>3100</b>	<b>CALIFORNIA SCIENCE CENTER</b>	<b>3</b>
VOTE-ONLY ISSUE 3	OFFICE OF EXPOSITION PARK MANAGEMENT (OEPM) ASSISTANT GENERAL MANAGER AND TECHNICAL ADJUSTMENT	3
<b>ITEMS TO BE HEARD</b>		
<b>0890</b>	<b>SECRETARY OF STATE</b>	<b>5</b>
ISSUE 1	UNANTICIPATED ELECTION COSTS	5
<b>8260</b>	<b>CALIFORNIA ARTS COUNCIL</b>	<b>6</b>
ISSUE 2	OVERVIEW	6
ISSUE 3	SPRING FINANCE LETTER: INCREASE IN REIMBURSEMENT AUTHORITY	7
<b>7730</b>	<b>FRANCHISE TAX BOARD</b>	<b>8</b>
ISSUE 4	FTB CUSTOMER SERVICE RESOURCES	8
<b>0840</b>	<b>STATE CONTROLLER'S OFFICE</b>	<b>11</b>
ISSUE 5	CALIFORNIA AUTOMATED TRAVEL EXPENSE REIMBURSEMENT SYSTEM REPLACEMENT (CALATERS)	11
<b>0950</b>	<b>STATE TREASURER'S OFFICE</b>	<b>13</b>
ISSUE 6	DEBT MANAGEMENT SYSTEM II PROJECT	13
<b>0959</b>	<b>CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE</b>	<b>15</b>
ISSUE 7	STAFF AUGMENTATION TO ADDRESS INCREASES IN WORKLOAD FOR EXISTING PROGRAMS	15
<b>1700</b>	<b>DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING</b>	<b>16</b>
ISSUE 8	REPLACE EXISTING CASE MANAGEMENT SYSTEM	16

**VOTE-ONLY CALENDAR****0954 SCHOLARSHARE INVESTMENT BOARD**

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**VOTE-ONLY ISSUE 1: LOCAL ASSISTANCE**

This Spring Finance Letter requests \$236,000 from the California Memorial Fund to provide adequate authority to make scholarships under the California Memorial Scholarship Program.

**BACKGROUND**

The California Memorial Scholarship Program provides scholarships for surviving dependents of California residents killed as a result of the terrorists attacks on September 11, 2001.

SB 384 (Gaines, Chapter 242, Statutes of 2014) requires the California Victim Compensation and Government Claims Board to identify, and confirm by documentation, all persons who are eligible for scholarships under the program, and, after creating a new list of eligible persons, to notify those persons of their eligibility by no later than July 1, 2015. SB 384 requires the ScholarShare Investment Board to service these scholarships only for individuals determined to be eligible by the California Victim Compensation and Government Claims Board. The ScholarShare Investment Board anticipates making new awards in 2016-17. Scholarships are about \$5,000 each.

**STAFF COMMENT**

Staff has no concerns with this proposal.

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

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**0981 CALIFORNIA ABLE ACT BOARD**

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**VOTE-ONLY ISSUE 2: IMPLEMENTATION OF THE QUALIFIED ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) PROGRAM**

This request includes a General Fund Loan of \$1.5 million to administer and implement the Qualified ABLE Program, for two years, and three positions including an Executive Director and funding for external consultants.

**BACKGROUND**

On December 19, 2014, President Obama signed the Stephen Black Jr., Achieving a Better Life Experience Act of 2014, which allows individuals who became blind or disabled before reaching the age of 26, to create tax-free saving account. ABLE accounts generally follow the same rules as 529s: individuals can make nondeductible cash contributions to an ABLE account in the name of a specified beneficiary, and with tax-free earnings. ABLE account distributions are not included in the beneficiary's income, as long as they are used for qualified services for the beneficiary and distributions do not exceed the cost of those services.

The ABLE Act directs states to establish one ABLE account for each beneficiary who is a resident of the state. The ABLE Act additionally directs the IRS to issue regulations by June 19, 2015, and implement the program to guide states as they enact legislation creating ABLE accounts. AB 449 (Irwin, Chapter 744, Statutes of 2015) implements the ABLE Act in California and directs the State Treasurer to administer the ABLE accounts.

SB 324 (Pavley, Chapter 796, Statutes of 2015) established the ABLE Board for the purpose of creating a statewide program to assist individuals and families with saving private funds for the purpose of supporting persons with disabilities.

Pursuant to AB 449, funding for the startup and administrative costs for the Board shall be provided in the form of a loan from the General Fund "sufficient to cover the Board's projected administrative costs for its first two years of implementing the program." The projected administrative cost for the first two years of operation is \$1.5 million. Once the loan has been expended and the revenues from the program are sufficient to cover the Board's ongoing costs, the loan shall be repaid within five years with interest.

**STAFF COMMENT**

Staff has no concerns with this proposal.

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

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**3100 CALIFORNIA SCIENCE CENTER****VOTE-ONLY ISSUE 3: OFFICE OF EXPOSITION PARK MANAGEMENT (OEPM) ASSISTANT GENERAL MANAGER AND TECHNICAL ADJUSTMENT**

This proposal requests \$150,000 and one position to provide funding for an Assistant General Manager position for the California Science Center, Office of Exposition Park Management (Expo Park). Additionally this request includes provisional language to allow augmentations for operational costs associated with major events at the park, after 30-day notification for the Joint Legislative Budget Committee. Finally, this request makes a technical adjustment to reflect reduced lease rental and insurance payments due the refinancing.

**BACKGROUND**

**Assistant General Manager position.** The workload of the Parks General Manager has increased greatly over the past two years and the current organization requires another management position to assist in park operations. Examples of additional workload include:

- The addition of at least one NFL team for the 2016 season and possible second team in 2017.
- Three onsite major capital projects each over a construction value of \$150 million.
- Two major adjacent capital projects that require interfacing with City of Los Angeles Public Works, County of Public Works, and Los Angeles Department of Water and Power.
- Increased special events.
- Increased contracts with more frequent rotation of the RFP solicitation process.
- The proposal of the Los Angeles bid for the 2024 Olympics.

**Provisional Language.** This proposal would add the following provision to Item 3100-001-0267.

*2. Upon approval of the Director of Finance, the amount available for expenditure in this item may be augmented for park operational costs, including but not limited to increased security and parking associated with major events at Exposition Park. Any augmentation under this provision shall be authorized no sooner than 30 days after notification in writing of the necessity of the increase to the chairperson of the committee in each house of the Legislature that consider appropriations, the chairpersons of the committees and the appropriate Subcommittees that consider the state budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine.*

**Technical Adjustment.** The technical adjustment would decrease Item 3100-003-0001 by \$268,000 to reflect reduced lease rental and insurance payments due to the refinancing of the original lease revenue bonds.

<b>STAFF COMMENT</b>
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Staff has no concerns with the proposal. The addition of one position will provide for the continued efficient management of the park.

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**Staff Recommendation: Approve the Spring Finance Letter including the provisional language and technical adjustment.**

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## ITEMS TO BE HEARD

### 0890 SECRETARY OF STATE

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#### ISSUE 1: UNANTICIPATED ELECTIONS COSTS (AB 120)

The Subcommittee will discuss the need to take action to address unanticipated elections costs associated with California's June primary.

#### BACKGROUND

The Secretary of State, in consultation with the Department of Finance, has requested \$16.3 million in immediate funding to address unanticipated workload associated with the State Primaries and the verification of signatures for petitions to appear on the November Ballot.

The urgent request for resources is the result of a confluence of two events. First, the hotly contested Presidential primary is expected to generate record turnout on June 7, 2016, straining the resources of county voter registrars. Simultaneously, these offices are processing the petitions of ballot initiatives for the November 2016 ballot, which is expected to have a large number of initiatives for consideration.

AB 120 (Committee on Budget) has been amended in the Senate to adopt the funding requested for this purpose.

#### STAFF COMMENTS

AB 120 (Committee on Budget) has been amended in the Senate to adopt the funding requested for this purpose.

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**Staff Recommendation: Informational Item**

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## 8260 CALIFORNIA ARTS COUNCIL

### ISSUE 2: OVERVIEW

The Council will provide an overview of their budget.

### BACKGROUND

The California Arts Council consists of eleven members, nine appointed by the Governor and one each appointed by the Senate and Assembly. The Council establishes general policy and approves program allocations.

The Council recognizes that the Arts are essential for the cultural, educational, social and economic development of California. The Council seeks to further its mandates and services to the public through the development of partnerships with the public and private sectors and by providing support to the state's non-profit arts and cultural community.

Fund Source (thousands)	2014-15 Actual	2015-16 Projected	2016-17 Proposed	BY to CY Change	% Change
<b>General Fund – HCD</b>	\$5,892	\$8,321	\$8,324	\$3	0.04%
<b>Reimbursements</b>	1,817	197	197	0	0%
<b>Graphic Design License Plate Account</b>	1,814	2,248	2,263	15	0.7%
<b>Federal Trust Fund</b>	1,013	1,099	1,114	15	1.4%
<b>Keep Arts in Schools Fund</b>	235	250	250	0	0%
<b>Total Expenditure</b>	<b>\$10,771</b>	<b>\$12,115</b>	<b>\$12,148</b>	<b>33</b>	<b>0.3%</b>
<b>Total Positions</b>	17.5	19.5	19.5	2	11.4%

According to the Arts Council, the results of the FY 2015-16 budget increase included:

- Two new programs: Artists Activating Communities and Cultural Pathways
- Two new positions officer/filled
- Adopted four programs that began as pilots in FY 2013-14 and FY 2014-15
- Sustained and increased investments in core grant programs

### STAFF COMMENTS

Staff has no concerns with this proposal.

**Staff Recommendation: Hold open.**

**ISSUE 3: INCREASE IN REIMBURSEMENT AUTHORITY**

This Spring Finance letter requests an augmentation of \$2 million in reimbursement authority for 2016-17 and ongoing. The funds will be received through an Interagency Agreement (IA) from the California Department of Corrections and Rehabilitation (CDCR) to provide funding for the CAC's Arts in Corrections program.

**BACKGROUND**

The CAC and CDCR, starting in 2013-14, partnered through an IA to create and operate a successful Arts-in-Corrections program in California. "Arts-in-Corrections" is a comprehensive term to describe the direct instruction and guidance in the creation of and participation in the visual, performing, literary or media arts to inmates in correctional settings. Arts-in-Corrections programming is provided by professional artists, individuals who have actively participated in their particular arts discipline and who are recognized as experts by their peers in the arts field. Those inmates who are actively involved in the creation and participation of the arts under the guidance of the Providers are the Arts-in-Corrections participants. To date, the CAC has reached over 2,000 Inmate Participants through the Arts-in-Corrections program.

The first two years of the project, 2013-14 and 2014-15, were part of a pilot project. Funding in 2013-14 was at \$1 million. In 2014-15 funding was increased to \$1.5 million, with an additional \$316,000 coming at the end of the fiscal year for a total of \$1.816 million. In 2015-16, funding was increased to \$3.5 million, including \$1.5 million of one-time funding. As part of a pilot program, funding levels were uncertain, so the CAC had been documenting the funds as unscheduled reimbursements. However, with the certainty of a multi-year IA the CAC would no longer have a need to leave the reimbursements unscheduled. The CAC would like the recent stability of the Arts-in-Corrections funding be reflected in the CAC budget.

**STAFF COMMENTS**

Staff has no concerns with this proposal.

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

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## 7730 FRANCHISE TAX BOARD

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### ISSUE 4: FTB CUSTOMER SERVICE RESOURCES

The Franchise Tax Board requests \$7.7 million (General Fund) and 85 positions for 2016-17, and \$7.1 million (General Fund) and 93 positions for 2017-18, and ongoing to enable the department to effectively transact business with taxpayers, interacting in ways that are more convenient for them and providing information allowing taxpayers to meet their tax filing and payment obligations.

#### BACKGROUND

FTB provides taxpayer assistance by providing direct service and guidance to millions of Californians annually to enable them to meet their obligation to file and pay the correct amount of tax voluntarily. FTB's goal is to provide customer service at the first point of contact to provide taxpayers the help they need to resolve their tax questions timely as well as minimize departmental costs. If taxpayers cannot reach FTB for assistance, they make multiple contacts through different customer service channels and accounts move to the more costly involuntary non-compliant collection cycle. FTB provides customer service through four existing primary channels:

- 24/7 website based and electronic self-service applications and programs.
- A taxpayer service contact center available via telephone 7:00 AM to 5:00 PM, Monday through Friday.
- Interactive live chat via the Internet.
- Personalized written correspondence, including Power of Attorney forms and correspondence on account issues, via the Internet or the U.S. Postal Service or email.

FTB is responsible for income tax administration for the State and on an annual basis ensures the proper and timely collection and credit to the State's fiscal accounts of over \$76 billion. Additionally, FTB's compliance activities annually collect over \$7 billion in additional revenue. Customer service is critical to ensuring that taxpayers get answers to their questions and help them timely and accurately file and pay. FTB strongly believes that the service levels and response times in its customer service channels are unacceptable.

- FTB is unable to answer almost one million calls offered annually (between 50 and 60 percent of calls offered).
- In the last several years, FTB has seen the response time to address taxpayers written questions increase to between six to eight months.
- FTB needs resources to support compliance with state and federal regulations regarding accessibility standards on FTB's applications and website pages to allow any and every taxpayer the ability to use our website.

**Other enhancements.** FTB has been actively pursuing enhancements to its customer service channels to address taxpayers' needs as well as enhance levels of service without additional resources. FTB has successfully deployed numerous website applications and tools to manage personal customer service channels that have been of great service to California taxpayers. Since 2011, the visits to FTB's website have increased by almost 78 percent. However, FTB has not been able to enhance service levels of staff for those taxpayers that still need assistance after utilizing self-service options.

**Spring Finance Letter.** FTB is requesting additional staffing levels to increase the level of access and service on customer service channels to better serve the taxpayers and ensure the protections of the voluntary compliance.

**1. Website Based and Electronic Self-Service Applications.** FTB considers its website as the most cost effective and primary channel for taxpayers and their representatives to obtain information when they need it. FTB is seeking resources to address an issue related to its website.

*Accessibility.* Accessible Technology refers to ensuring disabled employees and members of the public have access to information that is comparable to access available to others. Under existing federal and state laws and policies, state agencies are responsible for ensuring that their public websites are accessible to the general public and that their internal electronic and information technology systems are accessible by state employees, including persons with disabilities.

The proportion of the population that was disabled in California in 2008 was 10.1 percent. Disabilitystatistics.org shows that the proportion of the population that was disabled for California citizens between the ages of 21-64 is 8.5 percent, ages 65-74 is 25.9 percent and ages 75+ is 52.7percent.

**2. Telephone Assistance through FTB's Contact Center.** FTB utilizes the latest contact technology to route incoming calls through an Interactive Voice Response software program that attempts to resolve common taxpayer questions without the need for a line agent's interaction and/or redirects callers to the FTB website for common questions and expedited service. Annually, the Interactive Voice Response software handles approximately one million calls. The system offers some taxpayers choosing to speak with a line agent the option of waiting on hold or receiving a call back from a FTB line agent through the Virtual Hold program. Over the past five years, TSCS has received an average of 1.8 million telephone calls each year to its taxpayer assistance lines. In 2014-15, the TSCS contact center was only able to answer 941,000 of the 1.8 million calls who desired to speak to a line agent.

**3. Live Chat.** Live Chat is FTB's newest channel of providing taxpayer assistance via an interactive Internet based connection accessed through the FTB's home page, it serves as a more convenient service channel for taxpayers who would otherwise have called the contact center or corresponded with FTB.

Spring boarding on the success of Live Chat, FTB introduced Authenticated Live Chat in January 2016 as a companion to the vastly expanded MyFTB Account. With the new version of MyFTB, taxpayers have direct access to substantially more personal data. FTB is encouraging self-service; however, many taxpayers will continue to have questions or wish to interact with FTB. Taxpayers who might otherwise have called or corresponded with FTB on specific account problems will now have the opportunity to securely chat with FTB through Authenticated Live Chat.

**4. General Correspondence Management.** FTB manages three distinct workloads under the section including written correspondence, electronic correspondence, and power of attorney. FTB is requesting resources for each workload. With existing resources, FTB has historically been able to process written correspondence within a six to eight month period. FTB's goal is 30 calendar days.

<b>STAFF COMMENTS</b>
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This is a sizeable increase to FTB's existing programs. Staff will note that the original request that was submitted to the Department of Finance requested \$15 million and 180 positions in 2016-17, and \$15 million and 193 positions in 2017-18. The proposal in front of the committee is significantly smaller.

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**Staff Recommendation: Hold Open**

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**0840 STATE CONTROLLER'S OFFICE****ISSUE 5: CALATERS REPLACEMENT ALTERNATIVES**

This proposal requests \$1.086 million (\$619,000 GF, \$467,000 Central Service Cost Recovery Fund) in 2016-17 for three positions to continue the study of alternatives for replacing the California Automated Travel Expense Reimbursement System (CalATERS) vendor and reimbursement system and to maintain the current system without disruptions to service through 2016-17.

Additionally, SCO requests a funding realignment in 2016-17 and ongoing to more appropriately support the existing CalATERS workload which provides a central service function to other State entities.

**BACKGROUND**

The SCO, Personnel and Payroll Services Division (PPSD) operates and maintains CalATERS as a service to state department accounting offices and employees. Prior to 2000, travel advances and expense reimbursement claims were processed using a manual, paper-based method, which was labor intensive and often delayed payment reimbursement to state employees. In 2000, the SCO developed CalATERS to process claims more rapidly and accurately. The system allows employees to electronically submit claims through the internet, and for those claims to follow an automatic review, approval, and payment process.

In 2007, the Legislature adopted AB 1806 (Chapter 69, Statutes of 2006), which mandated all state agencies use CalATERS by July 1, 2009. The legislation allowed agencies to opt out of CalATERS if a business case could be made to the SCO and DOF if the use was not cost effective or feasible. Currently, CalATERS is used by 93 agencies, with 138,893 users, only 23 agencies were granted exemptions.

The CalATERS system was designed and built under a contract with International Business Machines, Inc. (IBM). In November 2013, CalATERS was fully upgraded to IBM's Global Expense Reporting Solution (GERS) to become compliant with the Americans with Disabilities Act (ADA) and compatible with Apple and Citrix environments.

CalATERS is a reimbursable program; most related costs are covered by fees to client departments. Currently the fee is \$4.46 per transaction. The SCO's CalATERS Unit includes 7.5 positions (6.5 permanent and 1.0 one-year LT), and 4.0 supporting positions (2.0 permanent and 2.0 one-year LT) in partner SCO divisions.

While CalATERS historically is self-supporting, additional costs were incurred in 2011-12 through 2013-14 due to running parallel systems between the rollout of GERS and the decommissioning of the original system. In July 2015, the SCO began working on the PAL with three one-year limited-term positions approved in a 2015-16 May Revise.

CalATERS is responsible for two types of reimbursements: travel expense reimbursement claims paid to employees, and travel advance reimbursement claims paid to reimburse departmental Office Revolving Funds (ORF). In 2014-15, CalATERS processed 332,632 claims with payments totaling \$62,843,486, and 31,315 reimbursements to ORFs totaling \$18,078,291. The workload and reimbursed amounts have increased over the years.

In May 2014, IBM announced that it will sunset and discontinue support for the current system effective March 31, 2016. To date, it is known that IBM can support CalATERS using a different platform, but at an increased costs. In December 2014, the SCO released a Request for Information to survey the Information Technology vendor community for potential solutions to replace the current system.

The funding requested would maintain the current level of service through 2016-17, while SCO evaluates solutions to replace the CalATERS system. The current CalATERS team is dedicated to the day-to-day system operations and maintenance, customer service, and administrative tasks, therefore, there is no capacity to take on the evaluation required to determine the best solution and to prepare for the Stage 3 Solution Development and Stage 4 Project Readiness and Approval documents.

#### **Budget Bill Language:**

*Add the following provision to Item 0840-001-0001*

*15. Notwithstanding any other provision of law, the Department of Finance may adjust amounts in any appropriation item, or in any category thereof, to remove amounts budgeted to reimburse the State Controller for costs to use the California Automated Travel and Expense Reimbursements (CalATERS) system. CalATERS costs will be directly funded. Departments using CalATERS will no longer require the expenditure authority for this purpose.*

#### **STAFF COMMENTS**

The resources requested will maintain service while SCO continues to find an alternative to the IBM sunset and discontinued support of the current system.

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

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## 0950 STATE TREASURER'S OFFICE

### ISSUE 6: DEBT MANAGEMENT SYSTEM (DMS) II PROJECT

The STO is requesting \$6.265 million in expenditure and reimbursement authority for 2016-17 to continue the DMS II Project. The DMS II Project was originally planned to be a replacement system for the STO's existing DMS, however following feedback in March 2015, it was determined that the STO would be better served to modernize its current Oracle platform.

#### BACKGROUND

The STO utilizes the existing DMS to carry out the Treasurer's mandated responsibilities. DMS was developed over 10 years ago to administer the State's outstanding debt, track and pay debt service and fees on outstanding debt, and track and validate the authority to issue new debt. It was developed in two phases. The first phase, implemented in 2002, replaced an aging legacy system, which provided basic debt service payment capabilities and tracking of the State's debt. The second phase, implemented in 2004, added further functionality to replace various ancillary systems that the STO maintained at that time.

Since 2004, the amount of State debt that is tracked by the STO has dramatically increased. Further, numerous changes in law and in the market have altered the makeup of the State's debt. These changes, combined with the current system's inflexibility and inability to handle change, has rendered DMS functionally incomplete and materially inadequate for current needs.

**Project History.** In 2012-13, the STO began to develop a plan to mitigate the identified existing DMS specific risks and the DMS II Project was launched in the 2013-14. In 2013, the STO's FSR determined that replacing the existing DMS system with a solution-based procurement using a System Integrator (SI) was in the State's best interest, as STO's in-house staff had neither the expertise, nor the capacity to overhaul the highly-complex Oracle environment. The FSR estimated releasing the DMS II RFP in February 2014.

However, the RFP took longer to develop due to a number of internal and external factors. The STO and Department of Technology agreed to release a draft-RFP prior to the formal RFP to gather more-informed vendor feedback and assess the viability of the recommended solution-based procurement.

The STO developed the Special Project Report (SPR) 1 to account for the schedule delay. It was submitted to the Department of Technology and approved in May 2015. Following the SPR 1 submission, the STO received valuable vendor feedback on the draft-RFP, and determined the STO needed to conduct additional analysis on the procurement strategy for the DMS II Project from the solution based procurement anticipated in SPR 1.

In April 2015, the STO retained expertise of third-party consultants to explore the possibility of identifying: (1) alternative procurement strategies to increase the vendor pool and lower implementation risks; (2) pursue a procurement that would enable the project to incrementally realize benefits from the system; and, (3) determine whether the DMS functional core could be leveraged as the foundation of the DMS II requirements.

The consultants determined the DMS functional core could be leveraged by expert-level technicians with competencies exceeding that of STO's in-house application developers.

The STO presented the revised DMS II procurement strategy to the Department of Technology, the Department of Finance, and the Legislature in May 2015. Accordingly, the STO committed to submitting the SPR 2, accompanied by this FY 16/17 BCP, which includes revised cost projections for future fiscal years. The STO will also submit reports to the Joint Legislative Budget Committee pursuant to the requirements detailed in the "Supplemental Report of the 2015-16 Budget Package."

**Spring Finance Letter.** The STO is requesting \$6,265,000 in expenditure and reimbursement authority for 2016-17 to continue the DMS II Project that was originally authorized in the 2013-14 Budget Act. The amount estimated in the SPR 1 for 2016-17 and the revised amount requested in this FL and the SPR 2 for 2016-17 consists of:

- \$120,000 for Hardware
- \$500,000 for Software/Licensing
- \$449,000 for the Project Management Support Services (PMSS) Consultant
- \$179,000 for the Independent Verification & Validation (IV&V) Consultant
- \$3,999,000 for the SI
- \$113,000 for CalTech Independent Project Oversight (IPOC)
- \$45,000 for Agency Facilities
- \$50,000 for Other
- \$810,000 for continued state staff funding which includes four existing positions and two new positions, and their respective project roles

<b>STAFF COMMENTS</b>
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The Subcommittee may wish to ask the STO to walk through project costs, from the original project to the current project? Also to explain how the STO decided to modernize its current system versus replace it?

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**Staff Recommendation: Hold Open.**

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**0959 CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

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**ISSUE 7: STAFF AUGMENTATION TO ADDRESS INCREASES IN WORKLOAD FOR EXISTING PROGRAMS**

The California Debt Limit Allocation Committee (CDLAC) requests one position and \$132,000 in expenditure authority to address an increase in applications/workload across CDLAC's existing programs.

**BACKGROUND**

Over the past two years, increased application workload has impaired CDLAC's ability to respond and provide timely service to applicants and the public. In 2015, CDLAC awarded over \$4.6 billion in allocation to applicants of various programs for immediate use. CDLAC is a small organization with only five analysts serving eight programs for the issuance of tax-exempt private activity bonds.

CDLAC allocates the federal tax-exempt private activity volume ceiling for the State through a variety of programs including multi-family housing, single-family housing, tax-exempt facilities, and industrial development bonds. Private banks or investors purchase the bond authority and because the interest is tax exempt, they require a lower level of return and can accord loan resources to a project for below market interest rates which results in costs savings to the project. CDLAC constituents indicate that demand for tax-exempt bond financing will continue to increase and remain high over the next several years and into the future given the strength of the economy and the recent CDLAC and Tax Credit Allocation Committee regulation changes that went into effect in 2016.

**STAFF COMMENTS**

The current staffing levels are small for CDLAC to meet its workload especially since the demand for allocation is anticipated to grow this year. Staff has no concerns with the proposal.

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

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**1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING****ISSUE 8: REPLACE EXISTING CASE MANAGEMENT SYSTEM**

This Spring Finance letter requests \$1.928 million (General Fund), \$1.450 million (Enforcement Litigation Fund), and three positions in 2016-17, and \$993,000 in 2017-18, to replace DFEH's current Case Management System (CMS). The total cost of the project is \$6.524 million of which \$2.153 is being redirected from existing resources. DFEH is also requesting \$944,000 (General Fund) for ongoing costs.

**BACKGROUND**

DFEH receives, investigates, conciliates, mediates, and prosecutes complaints of alleged violations of the Fair Employment and Housing Act (FEHA), Unruh Civil Rights Act, Disabled Persons Act, and Ralph Civil Rights Act. At the core of DFEH's mission is the mandate to provide thorough, timely, and fair investigations of discrimination complaints received from the public.

DFEH receives approximately 23,000 discrimination complaints annually and is required to investigate all complaints. Approximately 50 percent of the claims are requests for "Right to Sue." This occurs when complainants decide to immediately sue rather than proceed through DFEH's investigation process and the Right to Sue letter from DFEH is required to file the lawsuit. The remaining 50 percent of claims are investigated by DFEH.

When DFEH finds a complaint has merit, the FEHA requires that DFEH file a civil complaint within 365 days from the date the complaint was filed. To process and track this massive volume of complaints, DFEH implemented a web-based CMS known as "Houdini" in May 2012. The CMS allows complainants and/or their representatives to file online complaints, and provides the ability to submit online Public Records Act (PRA) and Right-to-Sue requests.

The vendor for the current CMS notified DFEH that the company will not renew its contract and will terminate all system support at the conclusion of the existing contract in December 2017. The CMS is a mission critical application for DFEH and lack of a system would require DFEH to revert to a paper-based process. This would be extremely time consuming and laborious, and would hinder DFEH's effectiveness in meeting the public need and in fulfilling its statutory mandate.

Implementation of a new system will allow DFEH to maintain continuity of services after termination of the existing CMS. Without a new CMS, DFEH would be forced to revert to a manual and paper intensive process, which would require requesting a significant number of staff to meet performance goals mandated by statute and by DFEH's federal partners. Without an efficient and automated CMS, DFEH will be unable to carry out its statutory mandates in a timely and effective manner.

With the new CMS implementation, DFEH will be able to address gaps in critical business functions that exist in the current system, including:

- Appointment System – to allow complainants or DFEH's staff to schedule an initial intake interview with an investigator
- Document Uploading – to allow the public to upload relevant case documents directly through the online portal.
- External Interfaces – to provide automated interface for uploading information into the systems – currently staff must key in information.
- Security – to implement an end-to-end encrypted secured connection, with additional security layers.
- Americans with Disability compliance – complies with the ADA by ensuring that individuals with disabilities would be able to navigate through the interface from the beginning.

Resources. To implement and support DFEH's critical business functions through a new CMS, DFEH plans to procure and implement a Commercial-Off-the-Shelf (COTS) Software-as-a-Service (SaaS) Customer Relationship Management (CRM) System that is hosted and maintained by the vendor in their cloud environment.

To implement and support the new system, DFEH would need three additional technical resources as follows:

- Systems Software Specialist I (1.0)
- Staff Information Systems Analyst (1.0)
- Associate Information Systems Analyst (1.0)

According to DFEH, the current staffing level within its IT Division is insufficient to provide support to both DFEH's current infrastructure and to implement and support the new CMS. However, the new CMS will be supported by a combination of existing and new IT resources.

<b>STAFF COMMENTS</b>
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In order to meet DFEH's needs, acquiring a COTS SaaS system that is hosted and maintained by the vendor is reasonable.

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

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