AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

TUESDAY, APRIL 24, 2018
1:30 P.M. - STATE CAPITOL, ROOM 447

VOTE-ONLY CALENDAR

ITEMS TO BE HEARD

VOTE-ONLY CALENDAR

0845 DEPARTMENT OF INSURANCE

VOTE-ONLY ISSUE 1: MENU MODERNIZATION IT PROJECT

The Governor's budget includes $278,000 of increased expenditure authority for the maintenance of the recently upgraded CDI Menu and Integrated Database.

BACKGROUND

The CDI Menu and Integrated Database IT project is in its fifth and final year and this budget request represents its transfer into routine maintenance and operations now that it has been fully implemented.

STAFF COMMENTS

The Assembly has reviewed and affirmed resources for this project every year for the last five years.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: ENHANCED FRAUD INVESTIGATION AND PREVENTION

The Governor's budget includes $7.725 million for enhanced fraud investment workload over three years.

BACKGROUND

Under current practice, the Department of Insurance redirects revenue derived from insurance fraud settlements towards additional fraud investigations. Recent fraud settlements have provided significant General Fund revenue that are proposed to be used for this purpose in the budget.

The Governor's budget includes $7.725 million for enhanced fraud investment workload over three years. Of this amount, $6.225 million would be used for state fraud investigations and $1.5 million would be used to support local district attorney prosecution of insurance fraud.

STAFF COMMENTS

While these funds are General Fund, this proposal is consistent with statutory language related to insurance fraud and proposals previously approved by the Assembly.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 3: FRAUD ANALYTICS DATA

The budget includes $485,000 for a service contract for fraud data analytic work

BACKGROUND

The Department of Insurance proposes $485,000 for the eDiscovery Software-as-a-Service solution for enhanced fraud investigation and prevention efforts in civic whistleblower cases.

STAFF COMMENTS

This small request is consistent with previous proposals by the Department of Insurance approved by this Subcommittee.

Vote-Only Recommendation: Approve as Budget.

VOTE-ONLY ISSUE 4: PRODUCER LICENSING ENFORCEMENT CASES

The Department of Insurance proposes $1.14 million and 6 positions to address increases in producer licensing enforcement caseload.

BACKGROUND

The Department of Insurance proposes $1.14 million and 6 positions to address increases in producer licensing enforcement caseload. In 2017-18, the Department projected a backlog of 1,507 pending cases, an increase of over 9 percent from the previous year. This proposed increase in staffing is to stabilize the backlog, which has been steadily increasing over the last five years.

STAFF COMMENTS

In the last five years, workload for this unit has grown. In 2017-18, this unit will receive 966 more cases per year, a 56.7 percent increase, than it did in 2013-14.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 5: IMPLEMENTING RECENT LEGISLATION FOR SURPLUS LINE BROKER

The Governor's budget includes $196,000 and one position to implement new legislation relating to surplus line brokers.

BACKGROUND

In 2017, the Governor signed AB 1641 (Daly, Chapter 477, Statutes of 2017) which gives the Department of Insurance the ability to expand surplus line brokers that can be admitted to California in certain situations.

STAFF COMMENTS

The proposed increase in resources is consistent with the 2017 appropriations analysis for the bill.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 6: WORKER'S COMPENSATION FRAUD PROGRAM

The Governor's budget includes $2.9 million to reflect updates on worker's compensation enforcement and prosecution costs at county district attorney offices.

BACKGROUND

The Governor's budget includes a proposed increase in expenditure authority related to worker's compensation workload for the budget year performed by county district attorney staff. The increase reflects the recommendation of the Fraud Assessment Commission, an appointed panel that considers the workload needs for the forthcoming year.

STAFF COMMENTS

The increase reflects an estimated 230 new cases of medical provider fraud in the current year, which resulted in the projected increase of total resources to $39.6 million for local grants for investigation and prosecution activities.

Vote-Only Recommendation: Approve as Budget.

0650 OFFICE OF PLANNING AND RESEARCH

VOTE-ONLY ISSUE 7: SPRING FISCAL LETTER FOR AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES LIQUIDATION PERIOD

The Department of Finance has issued a Spring Fiscal Letter to extend the liquidation period for the first round of funding.

BACKGROUND

The Department of Finance proposes to extend the liquidation period from June 30, 2020, to June 30, 2022, for the Affordable Housing and Sustain Communities program to allow for the completion of three projects underway through the Department of Housing and Community Development. The extension of liquidation will allow the State to demonstrate state funding commitment to lenders.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Spring Fiscal Letter.

VOTE-ONLY ISSUE 8: HOUSING PACKAGE IMPLEMENTATION

The Governor's budget includes $333,000 and two two-year positions for technical assistance related to the 2017 housing package.

BACKGROUND

The three bills of the 2017 Housing Package (SB 35, AB 73, and SB 540) provided CEQA streamlining benefits for housing projects. The Office of Planning and Research is responsible for drafting technical advisories on the new CEQA legislation for local government.

STAFF COMMENTS

The workload for the proposed temporary staff appears to be in line with the expectations of the bills approved by the Legislature in 2017.

Vote-Only Recommendation: Approve as Budgeted.

8860 DEPARTMENT OF FINANCE

VOTE-ONLY ISSUE 9: TRAILER BILL LANGUAGE: POOLED MONEY INVESTMENT BOARD

The Department of Finance has requested trailer bill language related to the Pooled Money Investment Board.

BACKGROUND

Current law allows the Governor to direct the Controller to transfer funds from special funds to the General Fund in the event that the General Fund is or will be exhausted.

The Governor’s budget proposes trailer bill language that would allow a designee of the Governor to direct this transfer on the Governor’s behalf.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Trailer Bill Language.

VOTE-ONLY ISSUE 10: TRAILER BILL LANGUAGE: STATE ADMINISTRATIVE COSTS

The Department of Finance has requested trailer bill language related to the administrative costs.

BACKGROUND

Current law identifies administrative costs reimbursed with the Central Cost Recovery Fund.

The Governor’s budget proposes trailer bill language that includes Department of General Services.

STAFF COMMENTS

This technical proposal is non-controversial.

Vote-Only Recommendation: Adopt Trailer Bill Language.

0984 CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS

VOTE-ONLY ISSUE 11: SECURE CHOICE PROGRAM IMPLEMENTATION

The Governor's budget includes a General Fund loan of $2.5 million in 2018-19 for the program's startup and administrative costs.

BACKGROUND

SB 1234 (Chapter 804, Statutes of 2016) allows the Board to establish in state government the California Secure Choice Retirement Savings Trust to be administered by the Board for the purpose of promoting greater retirement savings for private employees in California. The operational model for the Program is similar in part to the operational model for ScholarShare, the California 529 educational savings plan. Similar to ScholarShare, the Program shall be overseen by a public board chaired by the California State Treasurer.

The BCP includes resources for existing and new staff ($1.1 million), funding for external consultants ($1.0 million), and operating and overhead costs ($400,000).

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. There were no concerns with this proposal. Approval is consistent with past actions by this subcommittee.

Vote-Only Recommendation: Approve as Budgeted.

0840 STATE CONTROLLER'S OFFICE

VOTE-ONLY ISSUE 12: PERSONNEL AND PAYROLL SERVICES WORKLOAD

The SCO requests the following resources to address understaffing, workload automation and workload related to the Affordable Care Act and Public Employee's Pension Reform Act within Personnel and Payroll Services Division:

- 2018-19: $6,147,000 [$3,503,000 General Fund (GF); $2,644,000 Central Service Cost Recovery Fund (CSCRF)]
- 2019-20: $6,010,000 ($3,425,000 GF; $2,585,000 CSCRF)
- 2020-21 and 2021-22: $4,213,000 ($2,401,000 GF; $1,812,000 CSCRF)
- 2022-23 and ongoing: $3,778,000 ($2,153,000 GF; $1,625,000 CSCRF)
- 37.0 permanent positions and 19.0 limited-term (LT) positions (15.0 two-year LT; 4.0 four-year LT)

BACKGROUND

As part of the SCO Strategic Plan and the Controller's Functions, the Personnel and Payroll Services Division (PPSD) administers the Uniform State Payroll System (USPS) and processes all personnel and payroll transactions for employees of the CS, CSUs, and Judicial Council. The PPSD is responsible for providing information required to manage the personnel resources of the State and to properly account for salary and wage expenditures.

ACA and PEPRA Legislation Workload. The SCO is requesting 9.0 permanent positions and 4.0 four-year limited-term (LT) positions to support the ongoing work related to the ACA and the PEPRA legislation. Due to the complexity, changes and clarification by the IRS and CalPERS is ongoing. Directives continue to be issued on a flow basis.

PEPRA. The PEPRA creates a need for two categories of retirement members: New and Classic. The USPS was never designed to distinguish two different types of retirement members (Classic vs. New) with distinctly different characteristics, as required by the PEPRA legislation. It is expected that the PEPRA will remain as an exclusive workload under its own umbrella within the PPSD. Four years after enactment, PEPRA has become a large component of all retirement related workloads.

OPEB Workload Automation. The SCO is requesting funding to support 15.0 two-year LT resources in completing the OPEB automation effort. Bargaining Units (BUs) first adopted OPEB deductions in 2009-10 as a way to prefund post- employment benefits. Currently, 12 BUs and the Judicial Council have adopted the OPEB prefunding. At the beginning of the program in 2010, the PPSD processed OPEB deductions as a monthly point-in-time deduction outside of the payroll system using base pay. Currently, this process applies to one BU as of July 1, 2017, and the PPSD knows that creating deduction transactions from base pay is not a viable option. The remaining BUs are all moving, or have moved, to calculating OPEB based on all pensionable payments.

PPOB Workload. The SCO requests 24 permanent positions to address the current production workload and prevent the backlog of documents from increasing further. The PPOB receives documents for employee programs that departments and campuses cannot key in the system, such as benefit enrollments and changes or the processing ofretroactive payments, due to system limitations. Additionally, due to the USPS design, the PPOB must process all pay adjustments that are older than 13 months. These payments, considered retroactive, represent a large portion of the PPOB workload.

PMAB Workload. The proposal provides the minimum number of resources to achieve some critical project milestones supporting the SCO and CalHR and provides ongoing support of these projects once completed. It will also help to support the SCO's efforts to provide greater levels of support and guidance to state departments in personnel and payroll related data. Deliverables and milestone dates associated with these workloads will be monitored closely by the SCO. Reports will be developed to document the overall progress made, while making current the modernization needed to support previous and future policy and legislative changes affecting the CS, CSU, and Judicial Council workforce. The reports will specifically track the department's work in progressing forward.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 13: PAYROLL AUDITS

The SCO requests $682,000 ($389,000 GF; $293,000 CSCRF) in 2018-19, and $668,000 ($381,000 GF; $287,000 CSCRF) in 2019-20, to support five two-year limited term positions to perform audits of payroll controls and payroll records to ensure compliance with the SCO's decentralized legacy payroll system, processes, and practices.

BACKGROUND

In 2013-14 and 2014-15, the SCO received 5.0 two-year limited-term positions to perform audits of payroll controls and payroll records. This request was in response to an internal audit at the California Department of Parks and Recreation (Parks), as well an investigation by the California Attorney General's Office that disclosed a vacation buyout program that was instituted at Parks without authorization from Parks management or the California Department of Human Resources (CalHR), as required by state law.

The 5.0 two-year limited-term positions received in 2013-14 and 2014-15 expired June 30, 2015. Subsequently, the SCO received 5.0 permanent positions in 2015-16 and ongoing to continue to perform the audits of payroll controls and payroll records.

In 2016-17, 14 audits were performed by the existing five auditors. The complexity of the payroll and payroll-related transactions as well as the high-volume nature of payroll transactions poses a serious challenge in the performance of these audits using the current staffing levels.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. Staff has no concerns with the two-year limited term positions.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 14: LOCAL APPORTIONMENTS WORKLOAD INCREASE

The SCO requests $246,000 ($138,000 GF, $104,000 Central Service Cost Recovery Fund, and $4,000 Reimbursement) in 2018-19, for two positions to address increased workload related to apportionment payments to local governments and schools.

BACKGROUND

The Local Apportionments Section (Section) within the SCO's Local Government Programs and Services Division (LGPSD) is statutorily required to process payments to local governments. From 2011-12 to 2016-17, there has been a 52 percent increase in the number of programs, a 35 percent increase in the number of payments, and a 92 percent increase in the total amount paid out annually to local governments and schools. New programs and associated payments are evaluated every year to determine the impact to the Section. Each year, the increased workload appeared to be absorbable and was addressed through the use of overtime. By 2014-15, the continual increase in workload created an unsustainable level of work that could no longer be absorbed. To address the issue, resources were temporarily redirected to the Section from other areas in LGPSD until permanent resources could be obtained.

The gradual increases in workload have become unsustainable with existing resources because many new or amended statutes are complex and require extensive research and analysis before payments can be issued.

STAFF COMMENTS

This item was heard at the March 6, 2018, hearing. There were no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 15: ROAD MAINTENANCE AND REHABILITATION PROGRAM

The SCO requests $909,000 from the Road Maintenance and Rehabilitation Account (RMRA) in 2018-19, to support seven positions to ensure local agencies are spending funds on street, road, and highway purposes related to RMRA.

BACKGROUND

Senate Bill 1, (Chapter 5, Statutes of 2017) was passed on April 28, 2017. SB 1 created the RMRP to address deferred maintenance on the state highway system and the local street and road system, and the RMRA for the deposit of various funds for the program.

STAFF COMMENTS

These resources are necessary for the SCO to implement the provisions included in the 2017-18 Transportation Funding Package.

Vote-Only Recommendation: Approve as Budgeted.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

VOTE-ONLY ISSUE 16: BENEFITS SYSTEM MODERNIZATION (BSM)

The EDD requests a one-time budget augmentation of $4 million and 15 positions and a redirection of $4.4 million and 19 positions in 2018-19 for continuing Project Approval Lifecycle (PAL) tasks and pre-implementation readiness initiatives for the Benefit Systems Modernization project.

The EDD proposes to fund these PAL activities from the Unemployment Compensation Disability Fund (UCDF) and the EDD Contingent Fund (CF). The funding split includes $2,011,000 and 8.0 PEs from the UCDF and $2,011,000 and 7.0 PEs from the CF.

BACKGROUND

The EDD administers several multi-billion dollar benefit programs, including the Unemployment Insurance (UI), Disability Insurance (Dl), and Paid Family Leave (PFL). The EDD maintains the existing benefit systems for UI and Dl, which includes the UI Online System, the SDI Online System, the PFL application, the Single Client Database, and the UI and Dl mainframe applications in addition to other systems that support these programs. Partial system modernization was completed for both the Dl program, which implemented SDI Online in 2012, and for the UI program, which implemented UI Online in 2015. The PFL system has not been modernized since being implemented in 2004.

The BSM Project was initiated in 2016-17 with the approval of the Stage 1 Business Analysis of the California Department of Technology (CDT) PAL process in November 2016. Subsequently, the Legislature approved a one-time budget augmentation of $4,022,000 and 15 positions and a redirection of $3,162,000 and 15 positions in 2017-18 for Stage 2 Alternatives Analysis of the PAL activities. This BCP is requesting third year funding for the BSM Project to continue the PAL activities in Stage 3 Procurement Development and to begin the System Integrator procurement.

Vendors possessing unique skills with requirements extraction and IV&V experience are needed for Stage 3 and the solicitation component of the PAL. This proposal includes costs for contracts estimated at $3.1 million for 2018-19.

STAFF COMMENTS

This item was heard at the March 13, 2018, hearing. There were no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 17: IMPLEMENTATION OF SB 396 AND AB 677 – EMPLOYMENT GENDER IDENTITY AND DATA COLLECTION

The EDD requests $280,000 (Contingent Fund) in 2018-19 for one-time costs to implement the requirements of both AB 677 and SB 396.

BACKGROUND

AB 677, the Lesbian, Gay, Bisexual, and Transgender (LGBT) Disparities Reduction Act, requires the EDD to collect voluntary self-identification information pertaining to sexual orientation and gender identity in the course of collecting demographic data, implement the data collection by July 1, 2019, and report this data to the Legislature. SB 396 amends the California Unemployment Insurance Code to expand the definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals.

SB 396 expands the WIOA definition of an "individual with a barrier to employment" to include transgender and gender nonconforming individuals. The CalJOBS system is already configured to identify and track individuals facing barriers to employment, and can accommodate the additional identifier proposed by this bill.

The EDD cannot use federal WIOA or Wagner Peyser funds to implement AB 677 or SB 396, therefore the EDD is requesting the State's Contingent Funds to implement the new state legislation.

STAFF COMMENTS

This item was heard at the March 13, 2018, hearing. Staff has no concerns with the proposals.

Vote-Only Recommendation: Approve as Budgeted.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 18: APPRENTICESHIP PROGRAM FOR NONTRADITIONAL INDUSTRIES

The budget provides $3.5 million (Employment Training Fund) and 22 positions in 2018-19, $4.5 million and 32 positions in 2019-20, $5.7 million and 42 positions in 2020-21, and $5.6 million ongoing, to expand statewide apprenticeship opportunities to nontraditional industries and the inmate population.

BACKGROUND

California's State Strategic Workforce plan calls for creating a million middle-skill, industry-valued and recognized postsecondary credentials between 2017 and 2027 and for doubling the number of people enrolled in apprenticeship programs during that same period.

The challenge is to increase the number of apprentices in non-construction sectors and to increase access to an approved apprenticeship program for inmates, ex-offenders, veterans, women (currently at just over 6 percent) and other under-represented communities, in order to achieve the qualitative and quantitative goals of the State Strategic Workforce Plan. Despite efforts over the past 30 years to expand apprenticeship into other new and in-demand industries and occupations, such growth has been slow, sometimes negative, as new apprenticeship programs have not always received the ongoing support needed to sustain operations over time. Over two-thirds of all active apprentices are in the building and construction trades, and 92 percent of all construction apprentices are enrolled in joint management/labor programs.

In late November 2016, California was awarded $1.8 million from the ApprenticeshipUSA State Expansion Grant to help California develop and implement comprehensive strategies to support apprenticeship expansion. The 2017 Budget Act approved 6.0 positions and $923,000 to accomplish the objectives of the federal grant, and to begin the expansion and diversification of California's Strategic Workforce Plan.

This proposal requests the continuance of that initial funding with an ongoing augmentation of 42.0 positions and $5.6 million annually to be phased-in over a three-year period. In addition to enhancing a pathway to employment for ex-offenders, this proposal will provide resources to focus on engaging nontraditional industry leaders in apprenticeship and increase opportunities for veterans, women and low-income groups.

STAFF COMMENTS

This proposal will benefit employers across all industry sectors in their workforce training efforts, as the labor economy requires new skills and training to keep up with advancements in technology.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 19: DLSE RECRUITMENT AND ADMINISTRATIVE SERVICES

DIR requests $465,000 (Labor Enforcement and Compliance Fund) in 2018-19, and $415,000 ongoing and four positions for the Division of Labor Standards of Enforcement to support staff recruitment and retention, and for growing administrative needs.

BACKGROUND

The Administration unit acts as a liaison with DIR's Human Resources unit to oversee the hiring process, working closely with district office to monitor performance management, managing office space, and responding to Public Record Act (PRA) requests.

Recruitment and Retention. Of the Administration staff, only 2.5 are currently assigned to recruitment and retention activities, which, according to DIR, is insufficient with the volume of positions processed and filled by the Division each year, and the time and attention given to long-term staffing solutions. DIR requests 1.0 additional Staff Services Analyst dedicated to the Division's recruitment efforts, administration of training and mentoring of staff to maintain a strong, current knowledgebase on legislative requirements and processes, in conjunction with the Division-wide onboarding plan the Division has established.

Increased Facilities and Procurement Needs. The Prompt Payment Act requires state agencies to pay each vendor within 45 days of receiving an invoice. The State Controller's office, which issues pay warrants on behalf of all agencies, requires 15 days to process claims from DIR Accounting. DIR Accounting also requires 15 days to process requests from the Division. This leaves the Division with the remaining 15 days to process monthly invoices for 96 active contracts, creating a backlog. Vendor invoices have been consistently late. Contract renewals also have been continuously delayed and facility functions are becoming stalled. DIR requests 2.0 additional Staff Services Analysts to assist with the Division's facility needs.

Significant Growth in Number and Complexity of PRA Requests. Over the last four years, the Division has received 5,379 PRA requests, and the number has grown by more than 14 percent each year. In 2016-17, the Division received 36 percent more PRAs than the previous year. The unit currently employs 1.5 staff dedicated to processing PRA requests. In 2016-17, the Division received 1,855 requests, which is a 58 percent increase. A single PRA request involving data redaction can take approximately 2.25 hours, requiring 4,175 hours per year for staff to complete each request and make critical updates to the PRA management log. DIR requests 1.0 Staff Services Analyst to coordinate the Division's statewide PRA requests, and serve as a key liaison with the Department and the public upon the enactment of new legislation.

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 20: SCHOOLS' OCCUPATIONAL INJURY AND ILLNESS PREVENTION PROGRAMS

DIR requests $250,000 (Workers' Compensation Administration Revolving Fund) in 2018-19, 2019-20, and 2020-21, to allow the Commission on Health and Safety and Workers' Compensation to assist schools in establishing effective occupational Injury and Illness Prevention Programs (IIPP).

BACKGROUND

The Commission is responsible for examining the health and safety system, the workers' compensation systems, and the State's activities to prevent industrial injuries and occupational illnesses. Civil or administrative penalties assessed to school districts, state universities, or other specified educational facilities are deposited into the Revolving Fund. Educational facilities may apply for a refund of their penalties within two years and six months from the date of the violation if certain conditions are met. The remaining funds are to be used by the Commission to assist schools in establishing effective occupational injury and illness prevention programs.

Between 2008 and 2010, the Commission received two one-time appropriations of $307,000 and $185,000 and has an on-going appropriation of $75,000 annually to assist schools to develop and maintain IIPPs. The Commission subsequently contracted with the University of California (UC) Regents to develop a model training program for California schools, the School Action for Safety and Health Program (SASH).

The SASH program provides free trainings to help school districts reduce the high rate of work-related injuries and illnesses among school employees. Once trainees complete the training, they are certified by the UC and the Commission as SASH coordinators, allowing them to develop, implement, and evaluate injury and illness prevention activities in their respective organizations. The SASH program provides educational materials, planning templates, and other tools to help participants efficiently develop their IIPPs.

The Revolving Fund has accumulated approximately $1 million and can now be utilized to provide training and/or other assistance to more school districts.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 13, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 21: LEGISLATION

The item provides resources for three bills signed into law in 2017.

BACKGROUND

1. **Apprenticeship Training Funds - Grant Oversight (AB 581).** DIR requests $143,000 (Apprenticeship Training Contribution Fund) and one position in 2018-19, and $130,000 ongoing, to implement and meet the ongoing requirements of AB 581 (Chapter 553, Statutes of 2017).

AB 581 requires an apprenticeship program to keep adequate records that document the expenditure of grant funds from the California Apprenticeship Council to be eligible to receive such funds. The bill also requires those apprenticeship programs to make all records available to the DIR so that the Department is able to verify that grant funds were used solely for training apprentices.

2. **Immigration Worksite Enforcement Actions (AB 450).** DIR requests $1.6 million (Labor Enforcement and Compliance Fund) and eight positions in 2018-19 and $1.5 million ongoing to meet the requirements of AB 450 (Chapter 492, Statutes of 2017), which protect the immigrant workforce from unlawful detainment and workplace retaliation.

AB 450 seeks to protect workers by prohibiting employers from providing voluntary consent to allow federal immigration agents to access "nonpublic" areas of a worksite without being provided a judicial warrant. The provisions of the bill are aimed at protecting California's immigrant workforce from unlawful detainment and workplace retaliation.

3. Retaliation Enforcement (SB 306). The DIR requests $623,000 (Labor Enforcement and Compliance Fund) and 3.0 positions in 2018-19, and $585,000 ongoing to implement and meet the ongoing requirements of SB 306 (Chapter 460, Statutes of 2017). SB 306 provides three new enforcement tools for the Labor Commissioner in retaliation complaint investigations.

STAFF COMMENTS

The costs associated with all three bills are consistent with the bill's appropriation analyses. This item was heard at the March 13, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD

VOTE-ONLY ISSUE 22: CALIFORNIA GLOBAL WARMING SOLUTIONS ACT OF 2006

The budget provides $400,000 (Greenhouse Gas Reduction Fund) to implement AB 398 (Statutes of 2017) to create a report for the legislature that aligns the state workforce policy with the state's climate policy.

BACKGROUND

The Workforce Development Board is responsible for the development, oversight, and continuous improvement of California's workforce development system and the alignment of the education and workforce development systems.

AB 32 (Chapter 488, Statutes of 2006) designates the Air Resources Board (ARB), as the state agency charged with monitoring and regulating sources of greenhouse gas (GHG) emissions that cause global warming in order to reduce emissions of GHG. AB 32 requires ARB to adopt a statewide GHG emissions limit equivalent to the statewide GHG emissions levels in 1990 to be achieved by 2020. AB 398 extends ARB's cap and trade authority through 2030.

AB 398 requires the Workforce Development Board, in consultation with the ARB, to engage with specified stakeholders and produce a report to the Legislature, no later than January 1, 2019. The report will discuss the need for increased education, career technical education, job training, and workforce development resources or capacity to help industry, workers, and communities transition to economic and labor-market changes related to specified statewide greenhouse gas emissions reduction goals. The Workforce Development Board estimates the cost for the contract services at $400,000.

STAFF COMMENTS

The Workforce Development Board does not have the expertise to complete the report and will have to use contract services to gain the expertise to comply with the requirements of the bill. This item was heard at the March 13, 2018 hearing.

Vote-Only Recommendation: Approve as Budgeted.

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 23: LEGISLATION

There are three legislative proposals that include funding for DGS.

BACKGROUND

1. **Institutional Purchasers: Sale of California Produce.** DGS is requesting $308,000 (Service Revolving Fund) and two permanent positions to implement the provisions of AB 822 (Chapter 785, Statutes of 2017) and for the development of necessary regulations and updates to the State Contracting Manual.

   AB 822 creates a 5 percent bid preference for California-grown agricultural products purchased by state-owned or state-run institutions, with the exception of state universities. The bill will apply every time a state-owned or state-run institution intends to accept a bid or price for agricultural products grown outside the state. As a result, state agencies and institutions will now need to require suppliers to indicate whether they are proposing any agricultural products grown outside California. To implement AB 822, DGS is requesting resources for the development of necessary regulations and updates to the State Contracting Manual.

In order to comply with the provisions of this bill, DGS will implement a two-step verification and validation process. During the award process, DGS and departments purchasing agricultural products will be responsible for verifying each bidder's supply chain to determine whether a bid preference applied to products grown in California or products processed and packaged in California should be applied. Once awarded, DGS and purchasing departments will again need to verify the supply chain to ensure that contractors who received a preference deliver California-grown or California-processed or packaged agricultural products. Compliance checks also will be performed to ensure acquisitions continue to comply with any bid preference received. This will create a new and non-absorbable workload for DGS.

2. **New Certification for Small Business in Public Works Contracts.** The DGS, Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) is requesting $374,000 (Service Revolving Fund) authority in 2018-19, $274,000 in 2019-20, and ongoing and two permanent positions to implement the provisions of SB 605 (Chapter 673, Statutes of 2017).

   SB 605 created a new small business certification type specifically for the purpose of public works. The size limit eligibility criteria for this type of small business certification has more than doubled from a 100 employee count to a 200 employee count, and from the current $15 million in gross annual receipts to $36 million. The Small Business certification program affects all state departments, as they are required to meet the Executive Order mandate of 25 percent in small business participation. More than 40 local government partners also use the certification in their own local programs. To participate in state contracts and be counted toward the participation goals, businesses must become certified by the department. Certification is issued for two years, and re-certification can be requested within 90 days of the certification expiration. To implement this bill, the DGS will need to develop and apply the new certification type for small businesses for the purpose of public works.

3. **Public Contracts Bid Specifications: Buy Clean California Act**. DGS is requesting $638,000 (Service Revolving Fund) in 2018-19, $138,000 in 2019-20, and ongoing, and one permanent position to establish the maximum acceptable global warming potential for four categories of eligible building materials using a specified methodology for public works contracts, and to publish those thresholds in the State Contract Manual as required by AB 262 (Chapter 816, Statutes of 2017).

   AB 262, the Buy Clean California Act, requires DGS to establish a maximum acceptable global warming potential for four categories of building materials, using a specified methodology, by January 1, 2019. The bill generally prohibits building materials that exceed the maximum acceptable global warming potential from being used for University of California, California State University, and other types of state public works contracts entered on or after July 1, 2019. DGS would be required to review the maximum global warming potential standards every three years to determine whether they should be lowered further to reflect industry improvements. DGS must establish the reporting framework and maximum acceptable global warming potential for each category of eligible materials and thresholds for global warming potential in eligible materials. The State Contracting Manual will be updated to reflect the policy for evaluating environmental product disclosures and maximum allowable global warming potentials acceptable in public work contracts. In addition, DGS is required to submit reports to the Legislature with the first report due January 1, 2019, and a subsequent report due January 1, 2022, and every three years thereafter regarding status of the implementation and its effectiveness in reducing global warming potential.

STAFF COMMENTS

The funds allocated to these bills are consistent with the appropriation analyses of the bills. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 24: MERCURY CLEANERS SITE MONITORING

DGS, Asset Management Branch, requests ongoing General Fund authority in the amount of $578,000 to continue monitoring the results of remediation efforts of the former Mercury Cleaners site.

BACKGROUND

The State of California owns the real property site known as Mercury Cleaners at 1419 16th Street, Sacramento. DGS acts as the state's real estate manager for the site. The site has been owned by the state since 1967, and has been used by commercial dry cleaning businesses from 1947- 2015. High concentrations of hazardous materials exist on the site due to the former dry cleaning operations, primarily high concentrations of dry cleaning solvents in the soil and groundwater. The Central Valley Regional Water Quality Control Board (RWQCB) is the lead agency for the investigation, remediation, and ongoing monitoring of this site. Under direction of RWQCB, remediation is underway for cleanup of the hazardous materials. DGS is undertaking the cleanup in a "voluntary" compliance mode, which includes implementation of a proactive remediation project plan. Without remediation of the site, there is a potential health risk to occupants of surrounding residential housing sites, commercial businesses, and an adjacent child daycare facility.

Project spending to date for 2017-2018 (RESD/OFS)
DGS is currently in the process of closing out remediation contracts for the Mercury site as DGS continues monitoring ground water, collecting samples and preparing reports for the Water Board. The monitoring, sample collection and reporting is meant to verify the effectiveness of the Electric Resistance Heating (ERH) process and injection process used in remediation at the contamination source on the site. For the current budget year, DGS is on track to spend the $580,000 in the 2017-18 budget.

Fiscal Year	Funding	Expended/Encumbered	Balance Reverted
FY 14/15	$3.6M	$3.6M	$0
FY 15/16	$9.3M	$8.3M	$1M
FY 16/17	$2.1M	$2.1M	$0
Total Prior Year	**$15M**	**$14M**	**$1M**

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 25: MODIFICATIONS OF FUNDING STRUCTURE FOR CONTRACTED FISCAL SERVICES

DGS, Contracted Fiscal Services (CFS) requests a permanent net budget augmentation of $2.503 million beginning in 2018-19 to fully recover costs in providing fiscal services. DGS also requests a modification to the funding structure; a reduction of $3.07 million in Service Revolving Fund authority, an increase of $3.177 million in General Fund authority, and an increase of $2.396 million in Central Services Cost Recovery Fund authority.

BACKGROUND

The CFS unit within DGS provides budgeting and accounting services to other state departments, boards, and commissions that do not have the staff or expertise necessary to perform budget and/or accounting functions. Currently, CFS provides services to 43 boards, commissions, conservancies, authorities, and state agencies, and recovers its costs by billing customers through an interagency agreement. Each year, as part of the rates process, CFS estimates the number of hours that will be required to perform the budget and/or accounting services for each client-agency in the upcoming fiscal year and establishes a contract with each client-agency for these services. Each year, a significant amount of DGS staff time is used for the preparation, billing, and cash receipt functions related to these contracts. In addition to the time spent by DGS staff on CFS contract-related tasks, each client-agency spends administrative time each year on the authorization and monitoring of CFS contracts.

This net budget augmentation will align the budget for CFS with the costs incurred in providing fiscal services. The change in the funding structure will allow the Department of Finance (DOF) to allocate CFS funding needs through Pro Rata assessments to various client-agency special funds and adjustments to the GF. DOF will directly charge each client-agency's fund to appropriately recover the Central Services Cost Recovery Fund allocations for the services provided by CFS. Instead of preparing annual contracts for CFS services and paying for these services out of each client-agencies' state operations budget, this request proposes to fund CFS services using GF and the Central Services Cost Recovery Fund.

CONTROL SECTION LANGUAGE

SEC. 25.40. 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 from any state departments, that are used to reimburse the Department of General Services for Contracted Fiscal Services, budgeting and accounting services.

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

VOTE-ONLY ISSUE 26: INFORMATION TECHNOLOGY STAFF AUGMENTATION

ABC requests $854,000 in 2018-19, $340,000 in 2019-20, and $265,000 ongoing from the Alcoholic Beverage Control Fund for two positions in the Information Technology Branch to provide the capacity to modernize the department's internal and external services including:

BACKGROUND

ABC plans to modernize its internal and external services to better serve its stakeholders and fulfill its public safety mission.

The two additional staff will provide the resource capacity and the corresponding skillsets necessary to perform work beyond the basic maintenance of existing services and allow ABC to move forward on the proposals listed above. ABC also identified three areas where external consulting contracts in 2018-19, will be necessary to move the modernization efforts forward. Specifically, ABC requests the following for external consulting in 2018-19 and 2019-20:

- $250,000 to completely restructure and redesign ABC's public and internal websites,
- $250,000 to allow for price posting information to be submitted electronically and have the data available online, and
- $150,000 to complete the final three stages of the Project Approval Lifecycle (PAL) related to ABC's eService enhancements, for which a Stage 1 Business Analysis has been approved. This assistance will be necessary in order to

complete these planning steps in 2018-19 and be positioned to request resources to implement electronic payment solutions in 2020-21.

STAFF COMMENTS

Modernizing ABC's website and function will allow the ABC to do things like collect license payments online. This is consistent with the practice of many other departments. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 27: PHYSICAL AND INFORMATION SECURITY POLICY OPERATION

ABC requests $533,000 in 2018-19, and $146,000 in 2019-20, and ongoing from the Alcoholic Beverage Control Fund to address physical and information security issues.

BACKGROUND

In addition to the personally identifiable information that any department would have regarding its employees, ABC also collects and stores (hard copy and electronically) personally identifiable information from licensees during the licensing process and from individuals when cited by ABC agents. Given the volume of electronic personally identifiable information records easily exceeds 100,000. The 12th Annual 2017 Ponemon Cost of a Data Breach Study sponsored by IBM reports the cost for each lost or stolen record containing sensitive and confidential information is $141, if the ABC's records were compromised in a data breach, the total cost could exceed $15 million to recover systems, notify individuals, provide credit monitoring, bring in forensic teams, and restore operations. This cost does not include damage to ABC's reputation.

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 28: RESPONSIBLE BEVERAGE SERVICE TRAINING PROGRAM ACT (AB 1221)

ABC requests $578,000 and four positions in 2018-19, $561,000 and four positions in 2019-20, and $381,000 and three positions ongoing, from the Alcoholic Beverage Control Fund to develop and administer the program mandated by the provisions of the Responsible Beverage Services (RBS) Training Program Act, AB 1221 (Chapter 847, Statutes of 2017).

BACKGROUND

AB 1221 requires licensees to ensure all alcohol servers, as defined, successfully complete an RBS training course offered or approved by ABC, as demonstrated by passage of an examination. It is estimated that there are 400,000 alcohol servers employed at any one time in California. Alcohol servers would be required to take the training every three years. ABC is provided authority to charge fees to recover the costs of the program.

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 29: SANTA ANA STATE BUILDING RELOCATION

ABC is requesting $207,000 in 2018-19, and ongoing, for increased rent costs for the Santa Ana District office. ABC is moving out of the Santa Ana state building in coordination with DGS's effort to vacate the building and consolidate state programs into a larger leased office building that will better serve ABC and other tenant departments.

BACKGROUND

The primary issue for ABC stakeholders is the maintenance of licensing and compliance activities in the Orange County area. The public will benefit largely by having ABC maintain a presence in this community. This proposal intends to fund the increased costs related to the relocation of ABC's district office to a privately-owned building within the Orange County area. If this request is denied, ABC will be forced to absorb the increased costs of the new facility or find a location in Orange County which is closer to the current DGS rental rate ($1.92 per square foot for state buildings), resulting in holding staff positions vacant or reducing operating costs. If positions are held open to accommodate the increased rental costs, ABC licensees will experience longer wait times for assistance, and the enforcement and compliance operations may be reduced.

DGS has determined that relocating tenants to a privately-owned building in order to sell or repurpose the Santa Ana Office Building is more cost effective for the State than renovating the current building while tenants remained. Further, the current age and condition of the building causes morale and operational issues.

STAFF COMMENTS

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

Vote-Only Recommendation: Approve as Budgeted.

1701 DEPARTMENT OF BUSINESS OVERSIGHT

VOTE-ONLY ISSUE 30: INFORMATION TECHNOLOGY OFFICE – WORKLOAD GROWTH AND RISK MITIGATION

DBO requests four permanent positions and $613,000 (Special Funds) in 2018-19, and $577,000 (Special Funds) ongoing to begin to eliminate backlogs and fill critical resource and skill gaps in the Information Technology Office (ITO) organization. These resources will enable DBO to increase the capacity and competency of the ITO.

BACKGROUND

In 2016-17, DBO submitted a Budget Change Proposal (BCP) to fund seven permanent positions for the ITO for two years as part of a plan to move away from an IT service contract that was in place to support the day-to-day maintenance of the DOCQNET (self-service portal) system through June 2018. The DOCQNET system allows DBO to conduct its necessary and growing regulatory functions, which include revenue collection, enforcement actions, and licensee examinations and licensing. The DOCQNET system is designed to allow users to process license applications, complaints, and forms electronically, thus reducing the State's paper footprint.

The 2016-17 BCP was approved on the basis that the cost of procuring an IT contractor beyond June 2018 could be avoided if state IT staff were able to provide full DOCQNET support instead. The DBO is now well positioned to avoid the cost of the contractor once the contract expires in July 2018. As planned, the contract cost savings will be redirected to cover the ongoing cost of the seven positions. The seven positions consist of two programmers, two customer support specialists (help desk), one database administrator, one network support specialist, and one project manager, all of which who provide support for the DOCQNET system.

However, there are new issues, gaps and backlogs that must be addressed to ensure adequate support for the DBO IT systems. IT contractors have been used at DBO since its creation in July 2013, and have provided over 80 percent of IT maintenance and support of DBO systems to date. The use of IT contractors has been driven by the lack of state skills, expertise and resource capacity needed to maintain and support all DBO systems effectively and efficiently on an ongoing basis. The DBO ITO resource ratio, compared to the overall size of DBO, is far less than similar IT organizations across the state. Typical IT organizations represent approximately 10-15 percent of the workforce while the DBO IT ratio is currently only 6.2 percent. Adding four additional positions would increase the DBO IT ratio to 6.8 percent of the DBO's overall workforce.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 31: STUDENT LOAN SERVICING ACT IMPLEMENTATION

DBO requests $737,000 and five permanent positions in 2018-19 and $690,000 ongoing, for two positions to perform examinations of Student Loan Servicing Office licensees as required by AB 2251 (Chapter 824, Statutes of 2016), and three positions to handle consumer complaints. This request will be funded by the Financial Institutions Fund.

BACKGROUND

Current law requires DBO to create a new Student Loan Servicing Office to license and regulate student loan servicers and to enforce any violation of the Student Loan Servicing Act. The DBO also is required to examine the affairs of each licensee at least once every 36 months for compliance with the Student Loan Servicing Act.

In 2017-18, DBO was approved for three permanent positions to start up and administer the Student Loan Servicing Office. Additionally, DBO intends to begin receiving and approving licensee applications in January 2018 so that licensees can begin operations on July 1, 2018.

In 2018-19, the Financial Institutions Manager and the two Senior Financial Institutions Examiners will conduct initial exams on licensees to obtain an understanding of their operations, determine their compliance with California law and introduce the DBO's regulatory expectations. Because the majority of anticipated licensees are located outside California, exams will require extensive out-of-state travel. The DBO expects licensees to reimburse the DBO for examination time and travel costs incurred. In subsequent years, the examiners are expected to conduct initial exams on all new loan servicer licensees. As more companies enter the student loan refinance market, additional private loan servicer licensees are expected.

Beginning in 2018-19, to ensure all licensees are examined at least once every 36 months, the examiners will conduct 12 full scope exams annually. Because over 93 percent of the $1.34 trillion in student loan debt is held by the federal government, exams of the nine federal loan servicers require significantly more time and resources than the smaller private loan servicers.

Beginning in 2018-19, when the Student Loan Servicing Office opens, California borrowers are expected to file their complaints with DBO, and DBO must be prepared to address these complaints.

STAFF COMMENTS

The resources are consistent with the analysis in 2016. The 2016 analysis sized the program at 11 positions. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7503 STATE PERSONNEL BOARD

VOTE-ONLY ISSUE 32: ADMINISTRATIVE SERVICES WORKLOAD

SPB requests five positions and $655,000 ($223,000 General Fund, $263,000 Reimbursements, and $169,000 Central Service Cost Recovery) in 2018-19, and ongoing to provide internal administrative resources to assist with equal employment opportunity (EEO) duties, business services support, and manage Board proceedings. These resources will enable the Board to directly and efficiently carry out its constitutional authority over the merit system, and provide SPB on-site administrative support.

BACKGROUND

The Governor's Reorganization Plan 1 (GRP1) of 2011 consolidated specific functions of SPB and the former Department of Personnel Administration (DPA) into the new Department of Human Resources (CalHR). CalHR continues to provide administrative support to SPB and is partially reimbursed for these services.

Administrative. Prior to GRP1, SPB had 14.8 administrative positions and the former DPA had 17 administrative positions for a total of 31.8 positions. During the first year of GRP, SPB lost 7 administrative positions (3 abolished and 4 redirected internally to the Policy and Compliance Unit) and CalHR lost 2 administrative positions. SPB's remaining 7.8 administrative positions were transferred to CalHR, leaving SPB with no administrative support. In the second year, CalHR lost an additional 1.8 administrative positions. This left a total of 21 administrative positions to provide services to both CalHR and SPB.

Board Proceedings. Prior to the GRP1 of 2011, SPB had a small unit that prepared and reviewed all board items for submission on the board meeting agenda. Under GRP1, all of SPB's operational and administrative support functions were transferred to CalHR, including the unit that reviewed, vetted, and prepared items to take before the Board. Consequently, since July 2012, SPB has been without internal staff to perform this work. CalHR staff have attempted to perform these duties, including recommending which classifications can be consolidated or abolished, devising revision proposals to classification specifications, and preparing other types of Board items. Absent SPB's direct management, carrying out those functions has been burdensome, time consuming, and inefficient for both SPB and CalHR.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the March 20, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 33: SYSTEMIC LITIGATION UNIT

The Department of Fair Employment and Housing (DFEH) requests $262,000 in 2018-19, and ongoing to fund one position reclassified from the Federal Trust Fund in order to litigate large scale, systemic discrimination cases in accordance with California Civil Rights laws.

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 the department's mission is the mandate to provide thorough, timely, and fair investigations of discrimination complaints received from the public. The DFEH Enforcement Division is charged with conducting these investigations.

DFEH has brought a handful of high-profile, large systemic cases, often originating as Director Complaints over the last several years. These cases helped thousands of California residents victimized by discrimination and prevented discrimination from continuing against thousands more.

The state currently faces pressing challenges in enforcing its civil rights laws. The Attorney General's annual *Hate Crime in California* report demonstrates that hate crimes in California increased by 11.2 percent in 2016. According to the Attorney General, hate crimes based on racial bias, sexual orientation, and religious bias continue to be serious problems in California. After the presidential election in November of 2016, the Southern Poverty Law Center reported that California had 125 reported hate incidents, the most of any state in the nation.

According to DFEH, there is a growing need to bring systemic cases. These cases involve practices that discriminate against thousands of individuals and involve industries with large numbers of employees, including the motion picture, insurance, retail grocery, and technology industries. However, the ability of DFEH to bring systemic litigation is constrained due to its obligation to process individual complaints of discrimination (which remain at historically high levels). DFEH has a single senior attorney assigned to these cases on a full-time basis, the Associate Chief Counsel for Systemic Litigation.

STAFF COMMENTS

The resources will provide DFEH the resources to bring the systemic cases forward while still addressing their historic workload. Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 34: LEGISLATION

This item includes two budget change proposals that cover legislation enacted in 2017.

BACKGROUND

1. **Job Applicant Criminal History.** DFEH requests $1.9 million in 2018-19, and $1.2 million ongoing, for nine positions to process additional employment discrimination complaints associated with AB 1008 (Chapter 789, Statutes of 2017).

   AB 1008 amends the FEHA to make it unlawful for all employers - public and private - to seek conviction history information until a conditional offer of employment is made, or to include any questions seeking disclosure of an applicant's conviction history on a job application. It also sets forth rules and procedures regarding how employers may consider conviction history, how employers must notify applicants who are being rejected because of conviction history, and how job applicants may conduct an appeal of the employment denial. The statute exempts certain positions from its requirements. Finally, AB 1008 creates a new class of employment discrimination complaint that DFEH is required to litigate.

2. **New Parent Leave Act.** DFEH requests $218,000 in 2018-19, and $210,000 ongoing, for two positions to process additional complaints resulting from new parent leave labor protections under SB 63 (Chapter 686, Statutes of 2017).

   SB 63 establishes the New Parent Leave Act within the California Fair Employment and Housing Act. SB 63 expands the baby bonding component of CFRA by making it unlawful for an employer with 20 or more employees to refuse to allow an eligible employee to take up to 12 weeks of job-protected parental leave to bond with a new child within one year of the child's birth, adoption, or foster care placement. Employees are eligible if they have at least 1,250 hours of service with the employer during the previous 12-month period and live within 75 miles of the worksite. SB 63 prohibits an employer from refusing to maintain and pay for coverage under a group health plan during the duration of the leave or retaliating against an employee for exercising their SB 63 rights. SB 63 also establishes, upon appropriation by the Legislature, a pilot mediation program for DFEH to mediate claims arising under SB 63. The bill would affect up to 16 percent of the workforce and is aligned with DFEH's mission to ensure and enforce civil rights generally and family and medical leave specifically.

STAFF COMMENTS

Staff has no concerns with these legislative priorities. This item was heard at the April 3, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

9210 LOCAL GOVERNMENT FINANCING

VOTE-ONLY ISSUE 35: STATE SUPPLEMENTATION FOR COUNTY ASSESSORS PROGRAM TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language for a State Supplementation for the County Assessors Program (SSCAP).

BACKGROUND

The Governor's Budget proposes a trailer bill language to create a new program that would focus on the following:

- Provide county assessors with funding to hire new assessment staff and improve IT systems. This will allow assessors to more accurately value existing property and expeditiously enroll new property, and thereby increase countywide assessed values.
- Higher assessed values mean higher property tax revenue for K-14 schools, which offsets the State's Proposition 98 General Fund obligation.

The program would be a three year pilot program administered by the Department of Finance. The Governor's budget proposes $5 million in 2018-19, and future funding would be subject to the Budget Act. The program states that no single county can receive more than 15 percent of annual appropriation ($750,000). The County match is proposed to be $1 for each $2 in SSCAP funds received.

The 2014 Budget Act appropriates $7.5 million for the first year of a three-year State-County Assessors' Partnership Program to enhance county property assessment efforts. The purpose of the Program is to ensure that county assessors have the resources necessary to fairly and efficiently administer the county property tax rolls. Fair and efficient administration includes, but is not limited to, the expeditious enrollment of properties that are newly constructed or that change ownership, the timely levying of supplemental assessments when ownership changes occur, the timely reassessment of property to reflect market values, and the defense of assessed valuations that have been appealed. This program sunset in 2017.

STAFF COMMENTS

The California Assessors Association is in support of the new program. This proposal makes amendments to the old program to ensure that more counties apply for grant funding.

Vote-Only Recommendation: Adopt Placeholder Trailer Bill Language.

3100 CALIFORNIA SCIENCE CENTER

VOTE-ONLY ISSUE 36: INCREASE CALIFORNIA AFRICAN AMERICAN MUSEUM TEMPORARY HELP

The California African American Museum (CAAM) requests an increase of $175,000 in ongoing Exposition Park Improvement Fund to increase CAAM's Temporary Help beginning in 2018-19.

BACKGROUND

CAAM was chartered by the State of California in September of 1977. The Museum began formal operations in 1981 housed in temporary quarters at the California Museum of Science and Industry (currently known as the California Science Center). The current facility in Exposition Park opened its doors to the public during the Summer Olympic Games of 1984. CAAM researches, collects, preserves and interprets the history, art and culture of African Americans for public enrichment. In addition to its permanent collection of more than 4,500 objects of art, artifacts, and historical documents, CAAM also houses a research library containing more than 20,000 volumes. Over the past 30 years, both the museum and the park have grown and changed substantially.

The safety and security of state property and museum artifacts is a critical issue for the state. In addition, there are unique safety challenges in a culturally specific institutions (e.g., African American or Jewish) that must be factored in and considered. The increased staffing will help to create a more secure environment and positive experience for visitors.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the April 3, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 37: INCREASE CALIFORNIA SCIENCE CENTER REIMBURSEMENT AUTHORITY

The California Science Center requests a $157,000 increase in reimbursement authority; increasing the current authorization from $800,000 to $957,000.

BACKGROUND

During 2016-17, the Department exceeded its reimbursement authority by $80,000. The primary reason for the overage is attributed to higher utility costs associated with facility use and a compounded Consumer Price Index (CPI) increase to the Joint Operational

Agreement (JPA) between the Science Center and the Los Angeles Unified School District (LAUSD). The reimbursement increase associated with LAUSD and utilities is $157,000. The Department's request for a $157,000 increase in reimbursement authority will increase its total annual reimbursement authority of $800,000 to $957,000.

The Science Center and LAUSD maintain a Lease and JPA, which stipulates that the State will provide use of its land and facilities and support to the Dr. Theodore T. Alexander Jr. Science Center School, an affiliated charter school, to ensure it is maintained at a level equivalent to other Science Center facilities located within Exposition Park. In consideration for these services, LAUSD agreed to provide up to $400,057 reimbursement to the state for specified maintenance services received based on the Joint Operational Agreement and a proportion of operational costs based on square foot usage. LAUSD occupies 57.5 percent of the space, including 17.5 percent of common space shared with the Science Center. Services include engineering services, electrical services, plumbing services, painting services, grounds keeping, as well as support from other building trades, annual inspections of fire, HVAC, elevator and AQMD inspections, etc. The Science Center requested and the LAUSD approved a compounded CPI adjustment of $106,588 in April 2016; increasing the annual LAUSD reimbursed operating budget from $400,057 to $506,615.

LAUSD's reimbursement of utilities to the Science Center is accounted for separately. The total increase of reimbursable services is $157,000.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 38: INCREASE OFFICE OF EXPOSITION PARK MANAGEMENT AUTHORITY

The Office of Exposition Park Management (OEPM) requests an increase of $435,000 in reimbursement authority for 2018-19 and 2019-20. These funds will be used to provide California Highway Patrol (CHP) law enforcement services at Exposition Park during National Football League (NFL) game days.

BACKGROUND

The OEPM is responsible for public safety operations, parking services management and overall park beautification maintenance In addition, OEPM administers supervision and coordination of park-wide events, and facilitates communication efforts between state, city, county, and private entities represented within the park.

In 2016, the Rams, an NFL team, chose to move from Saint Louis, Missouri to Los Angeles. They selected the Los Angeles Memorial Coliseum as their temporary "home" during the construction of their permanent stadium.

This proposal is consistent with the OEPM's mission, including providing the highest level of public safety possible and efficient management of state property The CHP is the state's highest level law enforcement and policing agency, and it frequently provides security services on state property

The California Natural Resources Agency, Sixth Agricultural District Association and the OEPM entered into a Memorandum of Understanding (MOU) with USC and The Los Angeles Rams, LLC The Los Angeles Rams will pay equivalent USC Football parking rates ($25 instead of $14 [daily rate of $12.00 plus $2.00 security surcharge]), and the OEPM will provide the necessary law enforcement services through the CHP on OEPM operated property during NFL game days.

The OEPM has a contractual obligation to provide these services as long as the Los Angeles Rams pay the parking fees The Los Angeles Rams paid that rate for 2016-17 and 2017-18 Without the presence of CHP, other law enforcement agencies would need to be the lead agencies on state property.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

7730 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 39: AUDIT STAFFING INCREASE

The FTB is requesting $7.8 million General Fund in funding in 2018-19, and ongoing, to address unfunded needs for staff resources performing audits.

BACKGROUND

The Audit Division administers the Revenue and Taxation Code for individuals and business entities that do business in California. The program works with taxpayers and their representatives to administer and enforce the law effectively to ensure that all taxpayers meet their obligations to file and pay the correct amount due. The program utilizes innovative methods to promote these objectives through customer service, education, self-compliance letters, initiatives, and partnerships with other federal and state agencies. In performing these activities, the program considers the effects on taxpayers, increases the timeliness and effectiveness of enforcement actions, and focuses on adherence to FTB Regulation Section 19032, Audit Procedures, to complete audits in a timely manner.

The Audit Division has experienced an expansion of audits related to complex and sophisticated issues and filings. The relevant tax codes continue to be or have increased complexity and business entity organizational structures continue to introduce more complexity in tax filings and audits. The sophistication of tax professionals and the tax reducing strategies deployed continue to increase the complexity of the audit requiring increased skill sets by FTB staff.

Resources requested are attributed to two root causes:

1. **Complexity:** Over the last five years, FTB has identified more workloads at the Program Specialist I, II, and III levels which is inconsistent with FTB's funded position authority. Although thought to be limited in duration, FTB does not see this trend reversing.

2. **Salary Levels for Senior classifications:** FTB has a substantial amount of Program Specialist II and Program Specialist Ill staff in the maximum salary range. Generally, the majority of these positions are funded at the first salary step causing a significant gap in budgeted salaries versus salaries actually paid. FTB does not see this trend changing.

STAFF COMMENTS

This item was heard at the April 10, 2018, hearing. This proposal aims to allow the Audit Division to continue to offer opportunities at the higher technical level consistent with available inventories.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 40: ENTERPRISE DATA TO REVENUE PROJECT

The FTB requests $2.5 million General Fund and conversion of 20 limited-term positions to permanent status in 2018-19 and ongoing.

BACKGROUND

The EDR project was a 66-month IT project that began a multi-phased effort to modernize FTB's processes and systems. The project started in 2011-12 and was completed in 2016-17. As of April 30, 2017, the EDR project has generated $3.7 billion in revenue for the State since the inception of the project. FTB is well on the way to achieving the $4.7 billion revenue target.

In 2015-16, FTB was granted 20 three-year limited term positions to support ongoing work, continue to build the EDR solution and start the knowledge management and transition of the EDR solution to FTB. The solution adopted by the EDR project implemented improvements to FTB's enforcements activities and self-service tools. The EDR project enabled FTB to implement self-help tools for taxpayers and tax practitioners that eased burdens that existed related to filing a return or paying taxes due and supports California's voluntary compliance based taxation system.

Using both FTB's Knowledge Management (Kin) Program and the EDR's MDR O60, FTB has successfully completed Stage 0 and 1 of the transition to FTB and Stage 2 and 3 are well underway to be fully completed by June 2018. These 20 IT resources are critical to FTB's ability to successfully support EDR processes and applications ongoing.

STAFF COMMENTS

Staff has no concerns with this proposal.

Vote-Only Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 41: INFORMATION TECHNOLOGY SECURITY ENHANCEMENTS

FTB is requesting 23 permanent positions and $5.0 million ($4.9 million General Fund and $135,000 Special Funds) in 2018-19, and $4.1 million ($4.0 million General Fund and $111,000 Special Funds) in 2019-20, to accommodate workload growth within the critical functions of Information Security, Worksite Security, Privacy and Disclosure, and FTB's Infrastructure.

BACKGROUND

Privacy, Security, and Disclosure Bureau (PSDB) develops and enforces security policies and procedures for the safety of FTB's employees and California citizens, to ensure the confidentiality, integrity, and availability of FTB's information systems and the security of the information they contain. These departmental policies and procedures guide staff in the analysis and assessment of security measures for the protection of FTB's facilities, and to prevent, detect, and identify unauthorized access to information technology systems, networks, and data.

The Chief Security officer (CSO) also promotes awareness of Privacy and Security issues among management and staff, ensuring sound security principles are reflected throughout the organization's vision and goals. Subject matter experts within the Privacy, Security, and Disclosure Bureau provide technical security expertise to the department. FTB's CSO is responsible for the oversight and management of all aspects of information security, physical security, privacy and disclosure.

FTB is one of four pilot partners actively engaged in the California Cyber Security Integration Center (Cal-CSIC) project. Cal-CSIC shares threat intelligence to help maintain the security and integrity of the state's Information Technology (IT) infrastructure by preventing or minimizing incident-based losses, theft of information or disruption of services that could result in serious loss of information assets, revenue, public confidence, reputation, or market share. This partnership works with FTB technical staff and increases the amount of intelligence available to mitigate threats and risk.

STAFF COMMENTS

Staff has no concerns with this proposal. This item was heard at the April 10, 2018, hearing.

Vote-Only Recommendation: Approve as Budgeted.

7600 CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

VOTE-ONLY ISSUE 42: CENTRALIZED REVENUE OPPORTUNITY SYSTEM

The CDTFA requests the following resources to ensure that the Centralized Revenue Opportunity System (CROS) Project has the resources required to continue the Implementation Phase:

- $70.1 million redirection of two permanent positions, and 6.15 temporary position in 2018-19.

The CROS Project is an information technology modernization effort designed to expand tax and fee payer services, improve the efficiency and effectiveness of the operation and enhance its ability to generate increase revenues reducing the tax gap.

This request includes the continuation of funding authorized in 2017-18 only. This request also includes the reclassification of select, prior approved permanent positions.

BACKGROUND

CROS Project Progress to Date: The Feasibility Study Report (FSR), approved September 2011 redirected Department resources to the CROS Project to proceed with the Procurement Phase. The CROS Project submitted a Special Project Report (SPR) (March 2012) and Spring Finance Letter #1 (SFL) for FY 2012-13 to fund the project.

Based on the approved SPR (Project 0860-094), the FY 2012-13 SFL #1 authorized staffing and funding specifically for the CROS Project's Procurement Phase and Parallel Initiatives as well as for resources needed to address audit, collection, and registration backlogs.

The CROS Project submitted SPR #2 in December 2013 which addressed a nine month change in the Procurement schedule and extended the implementation approach by one year as a result of feedback received from bidders In response to the CROS Request for Information.

The CROS Project submitted SPR #3 to address a 19-month delay in the Procurement Phase to ensure the project had resources to start the implementation Phase. SPR #3 was approved in May 2016.

Based on SPR #3, a FY 2016-17 May Revise Finance Letter requested $17.5 million and authority for 44.6 positions (24.0 positions and 20.6 temporary help resources) to provide resources to begin the implementation Phase. Although this May Revise letter requested funding and position authority for subsequent years, the Legislature only authorized funding and position authority for FY 2016-17. The Department was directed to submit a budget augmentation request for subsequent years funding and position authority after selection of the CROS contractor.

On August 30, 2016 the Department approved selection of the CROS Contractor (Fast Enterprises, Inc.) as the contractor responsible for implementing the CROS Solution.

The CROS Project submitted SPR #4 and the CROS FY 2017-18 Budget Change Proposal, for resources necessary to develop and implement the CROS Solution. Resource analysis included review of the Contractor's proposed schedule, Project deliverables, the Department's Integrated Master Schedule, existing project management plans (including Governance Plans), as well as existing technical capabilities. SPR 4 was approved in February 2017.

This BCP proposes the following changes:

Permanent Positions. The Department requests continued funding for 29.0 positions authorized in FY 2017-18. These resources are needed to address full-time Project roles. The Department requests the following resources to fund permanent positions:

- $2 million and 2.0 redirected positions in FY 2018-19 and ongoing. The 2.0 positions will beredirected from the Fire Prevention Fee program, which is winding down due to the suspension of the Fire Prevention Fee via the Global Warming Act of 2017.

Temporary Help (In Lieu). The Department will use temporary help and overtime resources to provide specific skillsets. The Department requests the following temporary help:

- FY 2018-19: $292,000 and 4.0 temporary help positions

Overtime. Overtime resources will offset the use of existing Department staff that will be redirected from their ongoing duties and responsibilities, to serve as SMEs, Design Session team participants, trainers, and liaisons.

The Department requests the following overtime:

- FY2018-19: $4.4 million and 43.7 positions

Overhead. The Department also requests the following overhead temporary help and overtime. The overhead temporary help and overtime request is driven by standard CDTFA complements based on the total permanent position request.

Overhead Temporary Help:

- FY2018-19: $129,000and 2.15positions

Overhead overtime:

- FY2018-19: $2,000and 0.02 positions

PROVISIONAL LANGUAGE

1. The Department of Finance may augment the amount appropriated in Schedule (1) by an amount not to exceed $526,000 for overtime should the CDTFA require additional subject matter expert resources to support the implementation of required changes to the CROS Project associated with recently chaptered legislation. The Department of Finance may authorize an augmentation not sooner than 30 days after notification in writing to the Joint Legislative Budget Committee. This provision shall apply to any item currently appropriated for support of the CROS project. Any funds provided that are not expressly used for the specified purposes shall revert to the fund from which they were appropriated.

2. The Department of Finance may augment the following items in the FY 2018-19 fiscal year by the amount of any unencumbered funds for vendor compensation payments as of June 30, 2018, in those items: 7600-001-0004, 7600-001-0022, 7600-001-0070, 76000-001-0080, 7600- 001-0230, 7600-001-0320, 7600-001-0387, 7600-001-0439, 7600-001.0465, 7600-001-0623, 7600-001-0965, 7600-001-3015, 7600-001-3058, 7600-001-3065, 7600-001-3067, 7600-001-3212, 7600-OO1-3251, 7600-001-3260, and 7600-001.3270. Any augmentation pursuant to this provision shall be reported in writing to the Joint Legislative Budget Committee within 30 days.

STAFF COMMENTS

According to CDTFA, the project is on schedule and within budget.

Vote-Only Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

0511 GOVERNMENT OPERATIONS AGENCY

The Governor's budget includes $4.09 million for the Government Operations Agency (GovOps), in 2018-19, an increase of $325,000 or 8.6 percent from the current year. GovOps funding sources include the General Fund and reimbursements.

GovOps is responsible for coordinating state operations, including procurement, information technology, and human resources. GovOps oversees the Department of General Services, Department of Human Resources, Department of Technology, California Department of Tax and Fee Administration, Franchise Tax Board, State Personnel Board, Victim Compensation Board, Office of Administrative Law, California Public Employees' Retirement System, and California State Teachers' Retirement System.

ISSUE 1: CIVIL SERVICE TRAILER BILL LANGUAGE

The Governor's Budget proposes trailer bill language (TBL) to make the civil service system more efficient and transparent. Marybel Batjer, Secretary of Government Operations, will provide an overview of the TBL.

BACKGROUND

According to GovOps, the goal of the Civil Service Improvement Initiative is to produce a modern human resource system that will allow state departments to find and quickly hire the best candidates through a fair and merit-based process. Departments will be able to systematically determine their workforce needs and will be equipped to train and develop their employees to maximize their individual potential to better serve their departments' mission. An improved civil service system will produce a capable and engaged state workforce that is able to adapt to new challenges in serving the people of California, and will reflect the diversity of the population it serves.

STAFF COMMENTS

The trailer bill language was released on April 18, 2018. Staff is still reviewing the language.

Staff Recommendation: Hold Open.

ISSUE 2: 2020 CENSUS OUTREACH

The Governor's budget includes a three-year $40.3 million plan to ensure a complete count of Californians in the 2020 Census.

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. The total budget is displayed below.

Workload Measure	BY	BY+1	BY+2	Total
Administration – Personnel	$1,407,308	$1,957,950	$840,482	$4,205,740
Media Campaign (multi-lingual)	6,000,000	10,000,000	1,500,000	17,500,000
Admin CBOs & CBO outreach (QACs)	5,000,000	7,000,000	500,000	12,500,000
State Agency Outreach (SAWG)	150,000	150,000	-	300,000
Schools	500,000	500,000		1,000,000
Case Worker Training/outreach	250,000	250,000	-	500,000
Local Complete Count Committees	1,000,000	2,000,000	-	3,000,000
Travel/Administration (travel, equipment, office rent, printing, procurement review)	220,000	315,000	65,000	600,000
Sector Outreach	275,000	275,000	150,000	700,000
Total	$14,802,308	$22,447,950	$3,055,482	$40,305,740

The 2020 Census plan builds off the State's experience in 2000 and 2010. The State has lead efforts both years, with the dot-com height year 2000 effort much better resourced than the depths of the Great Recession effort of 2010. The chart below, contained in the Budget Change Proposal, shows the outcomes of the last three censuses in California.

Census Year	1990	2000	2010
CA Mail Response Rate	65%	70%	N/A*
CA Mail Participation Rate	N/A*	76%	73%
Versus Previous Census	N/A	+5% (MRR)	-3% (MPR)
State Budget	N/A**	$24.7M	$2.1M
National MPR	N/A	72%	74%

*There is no MPR figure for 1990 Census and no MRR for 2010.
** There was no official state Census outreach effort in 1990.

On March 23, 2018, President Trump signed the 2018 fiscal plan, which included $2.814 billion for the Census Bureau, a sharp increase from the 2017 level of funding.

Changes to federal 2020 Census activities.

The 2010 Census cost over $12 billion over the life cycle of the enumeration (which includes the preparation for and aftermath of the count). The Census Bureau estimated that completing the 2020 Census in a similar manner as 2010 would cost over $17 billion. To keep costs closer to the costs of the 2010 Census, the Census Bureau is making a number of significant changes to count operations, including:

- **Internet Response.** Historically, individuals primarily responded to the census via a mailed questionnaire. In 2020, only a portion of households will receive a mailed census. Most individuals will be encouraged to respond online. The Census Bureau aims to have over 50 percent of respondents respond via the internet. (Individuals also will have the option of responding by phone through the Census Questionnaire Assistance Center.)

- **Address List Update.** Typically, the Census Bureau relied heavily on field workers to update its national address list. (The national address list is used to mail census forms and follow up with non-respondents.) For the 2020 Census, the Census Bureau will rely primarily on local government data, satellite imagery, and other administrative records to update its address list.

- **Reduced Follow Up.** The Census Bureau expects to hire 50 percent fewer fieldworkers for nonresponse follow up in 2020. Consequently, field operations will be substantially reduced in 2020. In previous years, census field workers visited households that had not yet responded up to six times to complete their surveys. For 2020, the Census Bureau is committing to visiting nonrespondents at least once. Given the reduced field presence, the Census Bureau will rely heavily on administrative records—like those from the Internal Revenue Service—to complete the count.

- **Citizenship Question**. The federal government has decided to include a citizenship question in the census, which is projected to reduce the rate of response.

Challenges with Census Administration. Funding for the 2020 Census has been below estimated costs for a number of years. For the current year, the latest federal budget agreement provided $180 million less than was requested by the Census Bureau. These reductions have had a number of impacts to census preparations, including notable impacts to field testing:

- 2017 Field Test Canceled. The Census Bureau planned to test a number of features of the online response system in 2017, but canceled these tests due to budgetary uncertainty.

- Significantly Reduced Census “Dress Rehearsal.” Typically, the Census Bureau does a comprehensive test of census operations—known as an end-to-end test—in three areas of the county. The different locations chosen reflect the differing response challenges throughout the country. This year, this rehearsal will only occur in Providence, Rhode Island.

Recent federal action has been encouraging. The federal spending bill that was recently approved allocates $2.8 billion for Census activities, nearly twice the amount funding the previous fiscal year and $1.13 billion more than initial requested in the President’s budget.

Government Accountability Office Raises Concerns.

In a February 2017 report, the GAO identified the Census as a “High-Risk” area of the federal government, which was vulnerable to waste, fraud, abuse and mismanagement or need transformative change. The report cited the lack of resources, delays and missteps in the preparation phase of the census, and concerns about the Bureau’s IT projects.

LAO POTENTIAL CHALLENGES

The LAO has identified some key challenges for California in the upcoming census

- California Has a Large “Hard to Count” Population. Historically, the census has undercounted particular groups of people including young children, the elderly, low-income individuals, minorities, renters, foreign-born individuals, and individuals living in crowded households. As a majority-minority state, most residents of California fit into at least one of these categories. In addition to over half of residents being nonwhite, over a quarter of residents are foreign born, close to half live in rental housing, and 14 percent have incomes at or below the poverty line.

- California Was "Undercounted" in 1990 Census. California was undercounted by 2.7 percent in the 1990 Census—the fourth highest undercount percentage in the country. This cost California roughly $2 billion in federal funds over ten years. The undercount also likely cost California a seat in the House of Representatives. (See our 1999 report for more on the 1990 undercount in California.)

- Changes to 2020 Census May Affect California Count. Moving to a primarily internet-based census is a significant change from prior practice. Only a portion of households will receive a paper census; the rest will receive instructions by mail for how to respond online (or by phone). Concerns have been raised about individuals' willingness to respond via the internet given concerns about information security. These concerns—in combination with the potential for a question about citizenship—raise the possibility of an undercount in California in 2020. (By law, information collected in the census about immigration status cannot be passed on to immigration enforcement agencies.)

ADVOCATED CONCERNS

Advocates have sent letters to the Committee that suggest that additional resources are necessary for a complete count. Specifically:

- Nonprofit Contracts: Advocates believe that $12.5 million funding level for nonprofit contracts is far less than what is required to achieve the outreach goals of the State plan. Several different groups have contacted with the committee with different estimates of the funding gap.

- Local Complete Count Committees: Los Angeles County has requested the State provide $8.7 million for county complete count efforts. Los Angeles is considered the "hardest to count" county in California. This amount would exceed the $3 million proposed for all local complete count efforts.

- Media Funding: Some advocates have raised concerns that the media budget proposed in the State Plan would not be sufficient to penetrate in California's large and expensive media markets, especially in non-English media. Advocates compare the proposed $17.5 million media budget over three years with the $111 million annual media budget for Covered California and express concerns that the investment may not be sufficient to make a difference.

- Additional State staff: Advocates have expressed concern that the State's efforts are not ramping up fast enough and suggest the state needs to hire experience staff with grassroots organizing experience to create the regional strategies needed by 2020. In addition, there is concern regarding the speed to which the Office can begin contracting with nonprofits given its small core staff.

POSSIBLE QUESTIONS

Staff has concerns about the two conflicting timelines included in the Supplemental Reporting Language and the timeline outlined in the Board report. Staff would like to work with CalSTRS to ensure that the oversight included in last year's budget is preserved.

- How many staff do you currently have working on the Census? How many do you anticipate hiring and what is the timeline for getting staffed up?

- When do you plan to open an office in Southern California and what is the timeline to staff the region?

- How does the Administration plan to use the $17.5 million for media campaign? What kind of market research and message testing will be done to ensure what we are saying resonates with individual Hard-to-Count populations?

- How does the State help support local government efforts, like Los Angeles County? What is the State role versus that of the locals?

- What is the plan to support residents with answering questions in their language?

- In Section D of the Census BCP, Language access is listed just after Sector Outreach. Why is it not budgeted for the in the Workload Measures? Language access is a significant barrier to filling out the Census form. Does the Administration plan to develop a language access program?

- Your plan calls for a post-census evaluation to determine the overall success of the Census and make plans for 2030. However, what accountability measures will be taken to ensure public funds are used to the maximum effect during the actual count? For example, Community Group X receives funds to go door to door to encourage residents to fill out the Census. How would you account for their time or use of public funds to an Auditor? Hourly? By response rate?

- Many local governments and non-profits are expressing an interest in Census outreach. What steps are being taken to ensure efforts aren't duplicated? How will you keep everyone on message and collaborating?

- Will there be Census 2020 Golden State Bears for the public?

STAFF COMMENTS

Governor Jerry Brown observed that the federal government "is basically going to war against the State of California" over immigration issues. The federal government's approach toward the Census appears to be weaponized to hurt Californians. First by instilling fear in our residents that participate in a basic governmental function and then by punishing the State financially and politically by deliberately undercounting our true population.

California needs an aggressive and nimble approach to allow our residents to be counted in a safe and appropriate manner. The proposed budget plan for the census is a good start given the information available when it was constructed. However, in only the last three months, the politics, funding, and federal approach has changed in significant ways. It is unrealistic to believe California can construct an adequate plan for the next three years given the shifting political dynamics.

Advocates make a compelling case that additional resources will be necessary for the State to meet the challenges put before us. Staff recommends adopting a budget framework that signals that the State will provide the higher level of resources necessary to maximize a complete count of hard to reach populations. Staff will meet with advocates over the next months to help develop a recommendation that would meet this goal.

In addition, staff believes OPR needs the flexibility to ask for additional resources as it gets its efforts underway. As the Select Committee on the Census continues its oversight of the State's efforts, this will remove any doubt about the Legislature's commitment to devote resources to improve its overall success.

Staff Recommendation: Hold Open

ISSUE 3: 2020 CENSUS OUTREACH LANGUAGE ACCESS

The Subcommittee will discuss reporting requirements to monitor language access concerns related to the census.

BACKGROUND

Over 40 percent of Californians speak a language other than English at home, with at least 220 different languages spoken in California. As a result, language access is a major barrier to an accurate count of our population.

The Census Bureau cancelled its Spanish-language test census and has reduced funding for outreach and messaging related to the Census. This lack of planning at the federal level enhances the potential challenges in reaching all Californians.

The State Census plan does include reference to addressing language access, but does not provide a detailed description of how that would be achieved. The State appears to use a combination of outreach and CBO activities to address the issue, but some advocates have concerns that this strategy is not cohesive enough to target hard to count populations with specific language access problems.

STAFF COMMENTS

One of the few criticisms of the State's successful outreach efforts in 2000 and 2010 was the lack of a clear language access approach. Staff recommends OPR outline a strategy more clearly in a report, so the Subcommittee can perform further oversight of the issue in 2019.

SUPPLEMENTAL REPORTING LANGUAGE

The Office of Planning and Research shall provide a report on the how the State's Census 2020 effort will address language access issues by April 1, 2019. This report will include an identification of languages and populations where language access will be a challenge to a complete count, an assessment of the federal government's efforts to address language issues, and an articulation on how language gaps will be addressed by state and local efforts, including specific strategies for identified hard-to-count populations.

Staff Recommendation: Adopt Supplemental Reporting Language

ISSUE 4: PRECISION MEDICINE

The budget proposes 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.

STAFF COMMENTS

This is the third year in a row that the Subcommittee has considered Precision Medicine and funding has ultimately been included in the final budget. Staff believes this proposal is consistent with previous actions of the Subcommittee. However, it is unclear if changing the program structure is necessary.

Staff Recommendation: Hold Open.

8880 FI$CAL
0840 STATE CONTROLLER'S OFFICE

ISSUE 5: FI$CAL

The Subcommittee will revisit the Fi$Cal Project.

BACKGROUND

For decades, California's state accounting system was actually a fractured array of about 2,500 disconnected systems that were manually reconciled by staff in their independent systems to the State Controller's Book of Record (BOR). As a result, even simple accounting questions required extensive investment of staff time to research and answer or resolve accounting discrepancies. For example, on February 28, 2018 Assembly Budget Subcommittee #6 on Budget Process, Oversight, and Program Evaluation held a hearing that included a discussion of funding levels and spending on housing and homeless programs. Despite the work of two committee staff, the LAO, DOF, and the HCD over a period of five weeks, there were no clear answers on basic questions about expenditure levels for various state programs in housing. This problem arose because the data in the budget did not reconcile with the data provided by HCD, so there was not consensus on which funds were actually spent, and when. This example illustrates the fractured state of California's internal accounting.

In addition to having trouble interfacing these various systems, each department had evolved its own home grown accounting approach—an accountant in the Department of General Services would code expenditures differently than an accountant in the Department of Health Care Services. This made it difficult to compare departments and accounting staff had difficulty transferring between departments because their systems were so different. This lack of consistency between departments also meant there was no reliable department data to populate fiscal transparency websites, like those operated by Ohio and Texas, which has been the goal of many advocates for government oversight.

The State's core fiscal functions resided on stand-alone IT systems by different departments:

1. The State's Accounting General Ledger is managed by SCO.
2. The State Budget System in run by DOF.
3. Cash management is monitored by the Controller and the Treasurer.
4. Procurement is managed by the Department of General Services

In recognition of these important core functions, the FI$Cal Project is managed by a partnership of four control agencies—Department of Finance (DOF), State Controller's Office (SCO), State Treasurer's Office (STO), and the Department of General Services (DGS). However, the DOF has served as the primary champion for the project.

The FI$Cal Project was envisioned as a way to unify not only these major functions but include departmental functions as well, into one Enterprise Resource Planning (ERP) software suite. ERPs are the standard platform used by other large governmental entities and corporations to unify these different fiscal functions

While the Fi$Cal project included procuring a “commercial off the shelf” ERP suite and adjusting it to California’s needs, most of the complexity of the project is not related to the technology. Instead, the biggest challenge to the project has been the administrative complexity of standardizing business processes across 160 departments and retraining thousands of employees to do their jobs in a new process using a new system. In February 2016, the project recognize this change by adopting SPR 6, which increased the project costs and extended the implementation timeframe to allow the project to address problems faced during implementation.

SPR 7

In January of 2018, Fi$Cal issued SPR 7, which further modified the implementation timeframe for the tail end of the Fi$Cal project and included a project end date in 2019. The main driver of the new proposal is the inability for the project to onboard the Controller’s office’s cash management into the system. As a result, the project is proposing a stop-gap “integrated solution” which will essentially use both Fi$Cal and the existing Controller legacy system for cash management. This approach will allow the State to use the functionality of Fi$Cal without forcing the Controller to use the system for their cash activities.

The proposed integrated solution resolves a reconciliation issue between the FI$Cal system and Controller’s Book or Record. As departments transition their accounting activities on to FI$Cal, it creates errors in data conversion and human error that can impact their cash reporting. The integrated solution prevents these errors from impacting the integrity of our cash reporting and auditing.

In this solution, multiple interfaces will be built to enable the FI$Cal system and the Controller’s legacy system to run in tandem. The integrated solution provides a way for the Controller to validate departmental numbers in FI$Cal against the legacy system to ensure accuracy and a workable cutover solution, with the opportunity to validate data prior to turning off the legacy system.

The budget includes $25.6 million ($15.1 million General Fund) through 2021-22 implementing the Integrated Solution that will be used by SCO until it is ready to transition onto FI$Cal.

This proposal also includes provisional language to allow DOF to monitor project progress and continue funding SCO in support of meeting the milestones identified within SPR 7.

LAO FINDINGS ON FI$CAL

- ***SCO and STO Integrated Solution Presents Some Risk.*** The State has experienced considerable challenges implementing IT projects successfully. Given that FI$Cal is extremely ambitious and complex, the risks associated with it are even more acute. This is especially true for the Integrated Solution. The successful implementation of the Integrated Solution depends on multiple interfaces between FI$Cal and SCO's legacy systems so that they can operate in tandem. Developing the interfaces is technically challenging. Should any of the interfaces operate incorrectly, the state's accounting and cash management data may not be accurate.

- ***Single Integrated Financial System No Longer Achieved Within Modified Scope of SPR.*** The principal objective of the FI$Cal Project is to develop a single IT system that integrates all of the state's financial management functions, including budgeting, accounting, cash management, and procurement. This vision was conveyed to the Legislature through prior SPRs and budget proposals. Ending the FI$Cal Project before SCO completely transitions onto FI$Cal means the original vision of the project will not be fully achieved. While the Integrated Solution allows for the accounting and cash management functions to take place in FI$Cal through interfaces, this is not the same as having a single system. SCO's reliance on the Integrated Solution will also hinder the state's ability to achieve some of the cost savings envisioned by the FI$Cal Project, as the state will have to continue to fund the maintenance and operation of SCO's legacy systems until it completely transitions onto FI$Cal. The state currently maintains and operates SCO's legacy systems at an annual cost of $1.3 million.

- ***Accountability Mechanism Necessary to Ensure SCO Transitions to FI$Cal . . .*** It is essential to the original vision of the FI$Cal Project that SCO fully transition to the FI$Cal system and decommission its legacy accounting systems. Pursuant to SPR 7, there is no assurances that SCO will ever fully transition to FI$Cal. In fact, SCO has recently indicated that it may maintain some part of its legacy systems even after it fully transitions to FI$Cal. SCO explains that it could do this either because some functionality will not be fully supported by FI$Cal or to maintain historical data. An accountability mechanism is necessary to ensure the original vision of the FI$Cal Project is achieved.

- ***. . . But Provisional Language Delegates Too Much Control to DOF.*** We think that oversight of SCO's transition onto FI$Cal is important. However, we find that giving DOF the unilateral authority to withhold appropriated funding on a quarterly bases is too frequent, delegates too much oversight authority and control to DOF, and may be disruptive to SCO's progress.

- ***FI$Cal Project Cost Should Include SCO Budget Proposal.*** The Governor's budget proposal for SCO anticipates spending a total of $25.6 million ($15.1 million General Fund) through 2021-22 implementing the Integrated Solution that will be used by SCO until it is ready to transition onto FI$Cal. The

Integrated Solution was developed in collaboration with various project stakeholders, including the FI$Cal partner agencies—SCO, STO, DGS, and DOF—and CDT. As this is the agreed upon solution to address the challenges with deploying the accounting and cash management functions, these costs should be considered part of the FI$Cal Project, and therefore be included within the total project cost for FI$Cal.

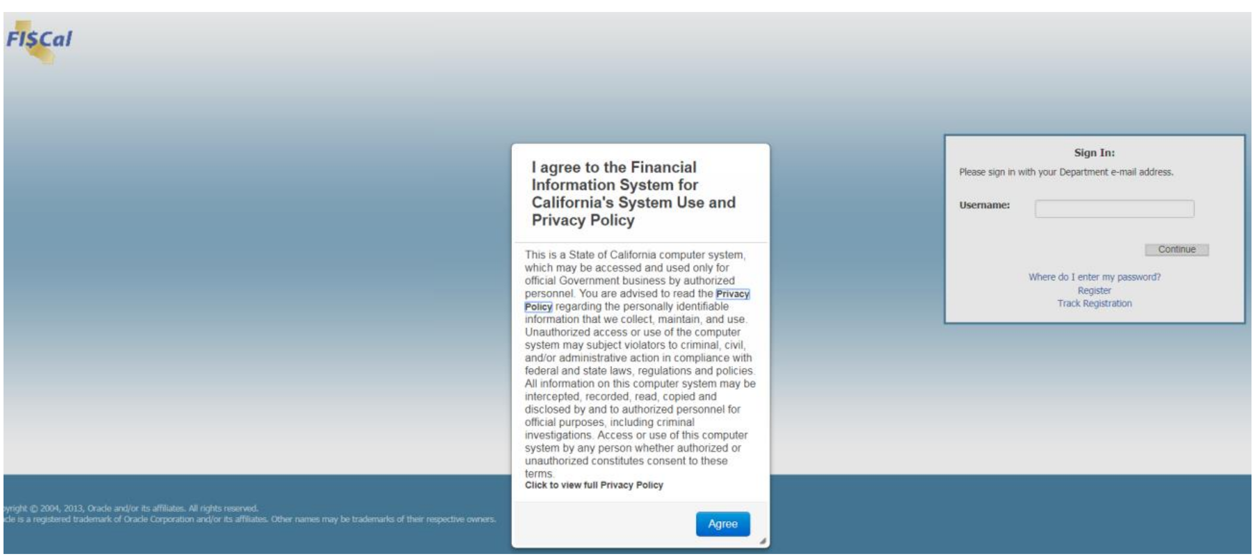
SCO BUDGET REQUEST

The SCO Integrated solution funding provides resources to allow the use of FI$Cal and the legacy cash management system over a period of four fiscal years, to provide a predictable and conservative transition of the functionality.

The Controller's Office has concerns that it will face barriers integrating reconciling cash management functions with departments that have not fully implemented the other functionality in FI$Cal. In specific, cash data depends on real-time financial information, but departments onboarding on the FI$Cal often struggle to stay current on accurate financial reporting due to overwhelming impact that implementation, training, and reconciliation has on department fiscal operations during implementation. The goal of the interim approach is to insure that both the State cash transactions are in sync with the FI$Cal transactions before transferring the functions. While this approach delays the integration of the two systems for four additional fiscal years, it also reduces the risk to the project and avoids large reconciliation efforts at the back-end of implementation.

STAFF COMMENTS

The FI$Cal system is operational and working in many areas already. In fact, the budget itself is built using this system and all staff on the Assembly Budget Committee have access:



But despite the progress, if the Controller's Office does not yet use FI$Cal system for cash management purposes, the FI$Cal project will have failed to meet the goal by the Legislature when the project was first approved. The state lacks reliable expenditure and fund balance data in real time because of the fragmentation of the existing accounting systems. As a result it is very hard to be really sure the State is really managing its money—and situations like the $54 million of funding hidden by the Department of Parks and Recreation are possible because the data is difficult to reconcile.

The proposed integrated solution reduces the overall risk the project and signals some welcomed forward momentum toward full completion of the functionality. The Subcommittee must continue to monitor this transition to insure that no further slippage of the timeline occurs.

Staff Recommendation: Approve as Budgeted

7502 CALIFORNIA DEPARTMENT OF TECHNOLOGY

ISSUE 6: DEPARTMENT OVERVIEW AND BUDGET PROPOSALS

The Department of Technology will provide a brief overview and present their budget proposal.

BACKGROUND

The Department of Technology has an array of different responsibilities, as summarized by this graphic, contained in the department's strategic plan:

Project Delivery

The Department is currently monitoring 24 projects with a total project cost of nearly $3 billion. Seventeen of these projects are reported to be on schedule and budget. The chart on the following page provides a list of these projects, along with a project status report:

Independent Project Oversight Report (IPOR) Rating

Green - Satisfactory, no corrective action necessary.
Yellow - Caution, risks/issues exist. There may be a need for corrective action in the near future.
Red - Escalated for immediate corrective action. There is a significant risk to the health of the project.
Blue - Not enough data is available to make a determination about the project health.
No Report Available - Indicates that a Report is not available for publishing for the reporting period.

View the Independent Project Oversight Report (IPOR) Rating Details

Department	Project Number	Project Name	Total Project Cost	Criticality Rating	Overall IPOR Rating
California Correctional Health Care Services	5225-146	Electronic Health Record System Project	$406,105,960	High	Green
Consumer Affairs – Regulatory Boards, Bureaus, Divisions	1111-001	Cannabis Licensing, Enforcement and Reporting (CLEaR)	$16,049,868	Medium	Green
Corrections and Rehabilitation, Department of	5225-170	Statewide Correctional Video Surveillance (SCVS)	$385,896,040	Medium	Green
Department of Conservation	3480-047	Well Statewide Tracking and Reporting (WellSTAR)	$72,422,844	Medium	Green
Department of Corrections and Rehabilitation	5225-157	Automated Re-entry Management System (ARMS)	$62,929,901	Medium	Green
Department of Corrections and Rehabilitation	5225-162	Career Technical Education (CTE)	$20,024,880	Medium	Green
Department of Fair Employment and Housing	1700-011	California Civil Rights System (CCRS)	$6,521,334	Medium	Green
Department of Health Care Services	4260-225	Provider Application and Validation for Enrollment (PAVE)	$68,953,386	Medium	Yellow
Department of Public Health	4265-056	Manufactured Cannabis Licensing System (MCLS)	$14,893,767	Medium	Green
Finance, Department of	8860-030	Financial Information System for California (FI$Cal)	$909,967,933	High	Yellow
Food and Agriculture, Department of	8570-084	CalCannabis Licensing	$17,451,991	Medium	Green
Food and Agriculture, Department of	8570-085	California Cannabis Track and Trace	$22,935,853	Medium	Green
Insurance, Department of	0845-042	CDI Menu Modernization Project (CMMP)	$21,391,153	High	Green
Motor Vehicles, Department of	2740-191	Centralized Customer Flow Management and Appointment System	$17,862,420	High	Green
Pesticide Regulation, Department of	3930-012	Product Registration Data Management System (PRDMS)	$6,909,505	Medium	Green
Public Health, Department of	4265-028	Women, Infants and Children Management Information System (eWIC-MIS)	$97,936,258	High	Green
Public Utilities Commission	8660-068	Transportation Carrier Application and Equipment e-Filing Portal (TCP)	$4,035,808	Medium	Red
Rehabilitation, Department of	5160-047	Enhanced Maintenance and Operations	$11,823,889	Medium	Blue
Secretary for California Health and Human Services Agency	0530-211	Child Welfare Services - New System (CWS-NS)	$420,744,069	High	Yellow
Secretary of State	0890-047	California Business Connect	$53,350,155	High	Yellow
Social Services, Department of	5180-153	County Expense Claim Reporting Information System (CECRIS)	$10,583,093	Medium	Red
Social Services, Department of	5180-186	State Hearings Appeals Case Management System (ACMS)	$18,843,759	High	Green
State Treasurer	0950-019	Debt Management System II	$19,773,758	High	Yellow
Tax and Fee Administration, California Department of	0860-094	Centralized Revenue Opportunity System (CROS)	$281,433,611	High	Green

Total Count : 24 **Total Cost : $2,968,841,235**

2018 BUDGET PROPOSAL

The California Department of Technology requests 5.0 positions and $4,661,000 ($1,463,000 ongoing) from the Technology Services Revolving Fund to augment the Security Solutions Unit within the office of Information Security in FY 2018-19. These resources reflect projected workload needs.

STAFF COMMENTS

This agenda item allows the Subcommittee to revisit previous discussions about IT project deliver and get the perspective of the Department of Technology. In addition, the Subcommittee may wish to revisit IT security issues, which were discussed in 2017.

Staff Recommendation: Approve as Budgeted.

ISSUE 7: STATE HUMAN RESOURCES WORKLOAD

The budget includes $1.8 million ($213,000 General Fund, $1.4 million Reimbursement, $161,000 Central Service Cost Recovery, and $32,000 Special Fund) and eight positions in 2018-19, and $1.9 million ($111,000 General Fund, $1.7 million Reimbursement, $83,000 Central Service Cost Recovery, and $32,000 Special Fund) in 2019-20, and ongoing to address Statewide Human Resources Workload in areas of training, retention, and recruitment.

BACKGROUND

Since 2015, the collective efforts of a wide variety of state agencies and departments have brought about significant improvements to the overall effectiveness of state government, as envisioned by the developers and leaders of Civil Service Improvement. CalHR has worked to successfully implement, improve, and modernize state government HR services. In some areas, CalHR lacks the resources necessary to fully achieve the desired outcomes of improvements that have been partially implemented thus far. This proposal enables CalHR to follow through on its commitment to fully modernize and improve HR services.

The resources will be allocated to the following Divisions:

Workforce Development Division

- *Statewide Training Center.* $759,000 Reimbursement (5.0 Training Officer IIs and 1.0 Office Technician-Typing).

Departments are looking to CalHR to provide more affordable statewide leadership development solutions to meet additional mandated training requirements for all levels of state leaders. Department directors are seeking CalHR's help in addressing their leadership succession planning challenges, which most departments list as one of their top risks as identified in the State Leadership Accountability Act (SLAA) process. CalHR's new policy requiring departments to have workforce and succession plans has created additional pressure on the STC as more departments are pursuing training options to address the leadership and staff development challenges identified in their new workforce and succession plans.

- *Learning Management System.* $330,000 ($188,000 General Fund and $142,000 Central Service Cost Recovery) in 2018-19 and $150,000 in 2019-20 and ongoing.

The STC is requesting one-time funding of $330,000, and ongoing funding of $150,000 to procure and customize a new LMS solution. The STC anticipates needing approximately $150,000 in future years for ongoing LMS maintenance and operations depending upon final configuration of the solution. CalHR needs to model the way by quickly adopting one of the new Enterprise HR approved LMS solutions and expand STC operational effectiveness well beyond the limitations of the current e-Reg system. The new LMS system will provide the STC with the training modalities and tracking ability needed to support the new leadership and Lean statewide training programs.

- *Statewide Employee Engagement Program. $441,000 Reimbursement (1.0 Staff Personnel Program Analyst)*

In 2017-18, CalHR received $135,000 reimbursement authority to create a Statewide Employee Engagement Program that would procure vendor-hosted survey support for approximately 21 departments, representing 17 percent of the 123 departments that will ultimately benefit from this new service. In order to build the capacity to meet projected demand and ensure that all departments have the ability to use this new service to increase engagement and therefore organizational performance, this proposal expands program capacity in a phased approach.

Selection Division

- *Selection Hiring and Consulting.* $136,000 Reimbursement (1.0 Staff Personnel Program Analyst).

Current state selection and hiring practices, policies, and procedures are antiquated, cumbersome, and unable to meet high user demands for flexibility in hiring while remaining compliant with merit principals. CalHR's goal is to update selection and hiring practices, making them user friendly while providing for the high user demand necessary to fulfill department hiring needs. The requested staff will be able to dedicate the time necessary to accomplish the goal without redirecting staff from current mission critical duties.

Executive Office

- *Statewide Multimedia Vendor Services.* $165,000 ($25,000 General Fund, $89,000 Reimbursement, $19,000 Central Service Cost Recovery, and $32,000 Special Fund)

CalHR will establish a contract(s) for marketing and branding support, video production and other digital media services, to be managed through the Office of the Deputy Director of Communications. With this proposal, CalHR will have the ability to produce statewide recruitment materials to generate interest and drive prospective applicants to want to work for the State of California. Failure to establish uniform and consistent marketing materials and branding guidelines will limit the state in its ability to recruit and retain the best employees.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.