

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION****ASSEMBLYMEMBER TOM DALY, CHAIR****TUESDAY, APRIL 8, 2014
1:30 P.M. - STATE CAPITOL ROOM 447**

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VOTE-ONLY CALENDAR

7502 DEPARTMENT OF TECHNOLOGY

VOTE-ONLY ISSUE 1: DEPARTMENT OF TECHNOLOGY BUDGET PROPOSALS, SPRING FISCAL LETTER, AND TRAILER BILL PROVISIONS

The Department of Technology has several budget proposals and two Trailer Bill provisions in the January Budget.

BACKGROUND

The Department of Technology's budget reflects the anticipated increase in information technology purchases and projects being requested by other State departments, as reflected in the Technology Services Revolving Fund. The Department receives reimbursements from these departments through this fund for work it performs on behalf of these other departments. While the overall funds for such projects are increasing by over 11.7 percent, the Department's overall operational staff levels are relatively flat, with only an increase of 7 positions, which is a 0.6 percent increase from the current year.

The budget has four different proposals:

- **IT Security Pilot** The Governor's budget proposes \$684,000 to fund five limited-term positions for a two-year pilot project. The pilot project would audit state departments' compliance with mandated state and federal IT security policies. The audits would assess IT security compliance of eight departments that range in size.
- **Prior Year Adjustments.** The Department has made a routine annual adjustment to prior year budgets to reflect actual project expenditures. This adjustment affects the Departments' projected needs for the current and budget years. In the Governor's budget, lower than projected expenditures in 2012-13 translate into a reduction in project costs of \$25.7 million in 2013-14 and \$26.9 million in 2014-15.
- **Gold Camp Data Center.** The Department includes a proposal for a \$6.7 million capital improvement project to improve the cooling and backup power supplies at the Gold Camp Data Center. The Gold Camp Data Center, located in Rancho Cordova, hosts many of the State's largest computer systems, including the CALHEERS system, which is the enrollment system for the California Health Benefit Exchange. The Administration projects the growth in the systems hosted by the Data Center will outstrip the available power and cooling capacity of the data center.

- **Other IT Infrastructure Budget Proposals.** The Department of Technology has submitted five budget change proposals as part of their budget submission. These proposals reflect the projected utilization of the State IT infrastructure in the budget year and add \$35.8 million of expenditure authority for the Department based upon projected needs for client departments for data storage, mainframe CPU usage, secure file transfer, network capacity, and servers. Most of these funds, \$35.6 million are for equipment, and the remaining \$212,000 is for information technology contracting related to the secure file transfer proposal. This budget request authorizes the Department to seek reimbursement for these services at this level from other state departments.

On April 1, 2014, the Department of Finance submitted the following Spring Fiscal Letter:

1. **CalCloud Funding.** The Department of Technology has requested \$3 million in 2014-15 budget authority for anticipated use of the new cloud based service. The costs are expected to increase to \$7.8 million in subsequent years. The services of CalCloud will be provided through a contract with IBM.

In addition, the Department has two related Trailer Bill provisions:

1. **Eliminating the statutory sunset on the Department of Technology.** Current law would eliminate the statutory authorization for the Department on January 1, 2015.
2. **Technical Change to Payment Language.** The Administration proposes minor language changes to the government code sections that related to the mechanism the Department uses to be reimbursed by client agencies receiving IT services.

STAFF COMMENTS

These budget proposals were heard at the March 20, 2014 Joint Hearing of Subcommittee #4 and the Select Committee on Government Efficiency, Technology and Innovation. Staff has no concerns with these proposals.

Vote-Only Recommendation: Approve as Budgeted, Adopt Spring Fiscal Letter and Adopt Trailer Bill Language.

8880 Fi\$CAL**VOTE-ONLY ISSUE 2: Fi\$CAL SPR 5 CHANGE MANAGEMENT PLAN**

The Fi\$Cal project is proposing a change to the project implementation plan to address potential challenges in change management.

BACKGROUND

The Financial Information System for California (Fi\$Cal) Project is a partnership of four control agencies: the Department of Finance, the State Controller's Office, the State Treasurer's Office, and the Department of General Services. Fi\$Cal will provide the state with a single integrated financial management system that encompasses budgeting, accounting, procurement, cash management, and financial management and reporting. This "Next Generation" project, through the adoption of best business practices, will reengineer business processes; improve efficiency; enhance decision making and resource management; and provide reliable, accessible, and timely statewide financial information allowing the state to be more transparent. After a lengthy multi-stage procurement process, a vendor was selected in 2012 to begin designing and implementing the project.

Fi\$Cal is the State's largest information technology project in terms of budget and scope, and has considerable project risks. In recent history, the Legislature has taken action to mitigate this risk and ensure the best chance for project success by prescribing a multi-stage procurement, requiring additional reporting, stipulating that the State Auditor's Office monitor the procurement process, and by having the active monitoring of project meetings by LAO staff.

The Administration is proposing a shift in implementation plans for the Fi\$Cal project that will lengthen the overall duration of the project, this change has been articulated in the State Project Report #5 (SPR 5) and the department's BCP.

The current Fi\$Cal project plan anticipated that groups of State departments would join the new system over three 12-month waves of implementation between 2014 and 2016. The new project plan has lengthened the waves to 24-month periods and moved most of the departments into the last wave of implementation. This will extend implementation of the project by one year, until 2017. This change will increase total project costs from \$616.8 million to \$672.6 million, a \$55.8 million, or 9 percent, increase in total costs.

The Project comments that this change in approach is the result of feedback from outside experts who had direct experience with the recent implementation of New York State's financial system. Based upon the feedback from the outside experts, this change will improve the implementation of the new system and reduce the amount of overall risk of the project.

In addition, the Project has decided to replace the existing DGS internal procurement system with Fi\$Cal, which will increase the cost of the project in the short run, but will

reduce the need to build interfaces to this existing system, which was near the end of its useful life.

STAFF COMMENTS

This budget proposal was heard at the March 20, 2014 Joint Hearing of Subcommittee #4 and the Select Committee on Government Efficiency, Technology and Innovation.

The proposed Trailer Bill Language was released on March 28, 2014 and includes a section (Article 4) that is intended to safeguard sensitive financial data, which staff believes is overly broad.. Staff recommends that the Trailer Bill be adopted as a placeholder so further work can be done to tighten this provision.

Vote-Only Recommendation: Approve as Budgeted and Adopt Placeholder Trailer Bill Language.

CS 11 CONTROL SECTION 11**VOTE-ONLY ISSUE 3: CONTROL SECTION 11**

Control Section 11 is an important tool to overseeing IT projects, but staff recommends that it should be rewritten to target costs that are associated with a change in project scope.

BACKGROUND

The proposed Budget Bill contains the following control section:

SEC. 11.00.

(a) A state agency to which state funds are appropriated by one or more statutes, including this act, for an information technology project may not enter into, or agree to, any contract or any contract amendment in the 2014-15 fiscal year that results, in the aggregate, in an increase in the budgeted cost of the project exceeding \$500,000, or 10 percent of the budgeted cost of the project, whichever is less, unless the approval of the Director of Finance is first obtained and written notification of that approval is provided by the department to the Chairperson of the Joint Legislative Budget Committee, and the chairpersons of the budget committees of each house of the Legislature, not less than 30 days prior to the effective date of the approval, or not less than whatever shorter period prior to the effective date of the approval the chairperson of the joint committee, or his or her designee, may in each instance determine. Each notification required by this section shall (1) explain the necessity and rationale for the proposed contract or amendment, (2) identify the cost savings, revenue increase, or other fiscal benefit of the proposed contract or amendment, and (3) identify the funding source for the proposed contract or amendment.

(b) Subdivision (a) does not apply to a resulting increase in the budgeted cost of a project that is less than \$100,000, or that is funded by an augmentation authorized pursuant to Section 26.00.

(c) The following definitions apply for the purposes of this section:

(1) "Budgeted cost of a project" means the total cost of the project as identified in the most recent feasibility study report, special project report, or equivalent document submitted to the Legislature in connection with its consideration of a bill that appropriated any state funding for that project.

(2) "State agency" means each agency of the state that is subject to Article 2 (commencing with Section 13320) of Chapter 3 of Part 3 of Division 3 of Title 2 of the Government Code, except that this section shall not apply to the University of California, the California State University, the State Compensation Insurance Fund, the community college districts, agencies provided for by Article VI of the California Constitution, or the Legislature.

This Control Section has existed in the budget, unchanged, since at least 1996.

STAFF COMMENTS

Control Section 11 is designed to provide the Legislature with notice on changes to IT projects that will have future costs and major changes in scope to IT projects. However, the current crafting of this Control Section captures changes in costs that may not be due to either of these factors and does not fully capture the changes in project scope which have typically been at issue with IT projects.

The Department of Finance has spearheaded an effort, in conjunction with legislative staff, to recraft this section to focus the reports generated by the Control Section on changes in scope and future costs.

Vote-Only Recommendation: Direct the Department of Finance to provide the Subcommittee with a revised draft for Control Section 11 at or before the May Revision.

0890 SECRETARY OF STATE**VOTE-ONLY ISSUE 4: SPRING FISCAL LETTER FOR TECHNICAL ADJUSTMENT TO FACILITIES OPERATIONS**

The Department of Finance has issued an April 1 Spring Fiscal letter that makes a technical adjustment to the Governor's Budget proposal regarding facility operations costs.

BACKGROUND

The Department of Finance has issued an April 1 Spring Fiscal letter that makes a technical adjustment to the Governor's Budget proposal regarding facility operations costs. This adjustment reduces costs by \$983,000 (\$575,000 General Fund and \$408,000 Special Fund).

The Governor's Budget proposed \$2.4 million (\$1.9 million ongoing) to adjust for DGS rental costs for the Secretary of State Office space. Last year the remaining bond debt on the Secretary of State building was retired and the facility was transferred to the DGS building portfolio. When the Secretary of State's budget was adjusted for this transition, the new rental amount did not include sufficient funds for the sites deferred maintenance needs. This budget item corrects the rental rate going forward—which has now been adjusted by this technical Spring Fiscal Letter.

STAFF COMMENTS

This Subcommittee adopted the Facilities Operations Funds proposal on March 4, 2014 with a 5-0 Vote.

Vote-Only Recommendation: Adopt Spring Fiscal Letter

1690 SEISMIC SAFETY COMMISSION

VOTE-ONLY ISSUE 5: SEISMIC SAFETY COMMISSION INSURANCE FEE ASSESSMENT TRAILER BILL LANGUAGE

This trailer bill language (TBL) is technical clean-up to AB 98 (Chapter 27, Statutes of 2013) which created the Seismic Safety Account. The TBL clarifies the initial intent to assess both owners and renters of real property.

BACKGROUND

AB 98 created the Seismic Safety Account within the Insurance Fund and required the Department of Insurance to calculate an annual assessment, not to exceed \$0.15 per property exposure, to be charged to each commercial and residential property exposure. Additionally, it required the insurers to collect the assessment and remit it to the Department of Insurance unless the insurer elects to pay the assessment on the insured's behalf.

By assessing "property exposures", the fee is assessed on dwellings or buildings and the contents within them, similar to fire insurance, because the functions of the Commission help to prepare for, and mitigate the effects of earthquakes, which benefit contents as well as property. The fee assessment was not intended to be tied only to real property or land. The trailer bill language clarifies the initial intent to assess both owners and renters of real property.

The Department of Insurance estimates that without the change the annual revenue generated would decrease from \$1.7 million to \$1.4 million.

STAFF COMMENTS

Staff has no concerns.

Staff Recommendation: Adopt Trailer Bill Language

1110/1111 DEPARTMENT OF CONSUMER AFFAIRS**VOTE-ONLY ISSUE 6: DEPARTMENT OF CONSUMER AFFAIRS BCPs**

The 2014-15 Budget includes enforcement data for 2011-12 and 2012-13. The enforcement data provides the public with information on the amount of time it takes for a complaint to be processed, from receipt to resolution

In an effort to increase efficiencies within the Department of Consumer Affairs the Governor's Budget includes proposals requesting increased funding and positions for enforcement and licensing division enhancements to address workload increases and caseload backlogs. There are also other proposals that address the implementation of legislation.

BACKGROUND**The California Board of Accountancy (CBA)**

- **Consumer Protection: Peer Review and Investigation Backlog.** The CBA's Enforcement Program requests \$940,000 (Accountancy Fund) in FY 2014-15, \$876,000 (Accountancy Fund) in FY 2015-16, and \$657,000 (Accountancy Fund) in FY 2016-17 to fund 8.0 investigative staff, including 6.0 permanent investigative CPAs and 2.0 2-year limited-term positions.

This proposal includes budget bill language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

As of FY 2012-13, the CBA's average time to close a complaint through the disciplinary process was approximately 830 days. This number far exceeds the Department of Consumer Affairs (DCA) target of 540 days for all boards and bureaus within the DCA umbrella. The requested positions will support the CBA's efforts to better align themselves with the complaint turnaround-time established by the DCA.

- **Consumer Protection: Mandatory Retroactive Fingerprinting.** CBA requests 9 limited-term positions and \$923,000 in FY 2014-15, \$851,000 in FY 2015-16, and \$595,000 in FY 2016-17 to address increase in workload as a result of new mandatory fingerprinting requirement for licensees.

In 2011, the CBA began the process of requiring licensees to submit fingerprints and complete state and federal level criminal offender record information with the Department of Justice (DOJ). With over 80,000 certified public accounts and 5,000 accountancy firms, the CBA investigators are required to review approximately 7,000 licensees each. The requested positions will reduce the caseload per investigator significantly.

- **Initial Licensure: Strengthening Educational Requirements.** CBA is requesting one additional full-time Office Technician in FY 2014-15 and ongoing to comply with SB 819 (Chapter 308, Statutes of 2009) and SB 773 (Chapter 344, Statutes of 2011), which transformed the requirements for obtaining certified public accountant licensures.

California Acupuncture Board

- **Workload Deficiencies with Enforcement, Licensing, and Education Enforcement Oversight.** This proposal requests position authority for 3.0 permanent full time positions and budget authority of \$280,000 (Special Funds) in FY 2014-15 and \$256,000 (Special Funds) in FY 2015-16 to address the Board's continual increase in workload.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The current average time for disciplinary for enforcement is 2.5 years, which is an unreasonable timeline. The Board's goal is to reduce those timeframes to 12-18 months. In addition to increasing workload demands, a steady increase in the call volume per day has outpaced the staff's ability to handle regular duties while addressing call volume.

Board of Behavioral Sciences

- **Enforcement.** This request includes an augmentation for 4.5 positions and \$430,000 (Special Fund) in FY 2014-15, and 4.5 positions and \$390,000 ongoing, to add 4.5 positions to address significant workload increases.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal

Since 2008-09 workload has drastically increased without the addition of significant resources to address the increased volume. Consumer complaints and subsequent arrest notifications have increased from 19 percent to 81 percent; and the issuances of citation and fines and final disciplinary decisions have increased by 173 percent and 239 percent respectively.

- **Licensing Evaluators.** The Governor is requesting 3.0 positions and \$218,000 in FY 2014-15 and 3.0 positions and \$194,000 in FY 2015-16, and 2.0 permanent positions and \$128,000 ongoing for the Board.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The requested funding and positions will increase the Board's capacity to process licensing applications for Licensed Marriage and Family Therapist applicants, and for Family Therapist Intern evaluators. Since FY 2008-09, there has been a 322 percent increase in processing time for licensure examination applications. This delay has left some qualified candidates from entering the mental health profession in California in a more timely manner.

Contractors' State License Board

- ***Subsequent Arrest and Conviction Records (Redirection).*** The Governor requests 4.0 permanent positions within the Contractors' State License Board (CSLB) to address enforcement workload. The costs associated with the requested positions will be absorbed by the CSLB.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

SB 136 (Chapter 909, Statutes of 2004), required that applicants seeking a CSLB license receive a criminal history record check from the California Department of Justice and the Federal Bureau of Investigation. To comply with the new law, the CSLB sought, and received, 3.0 additional positions during FY 2004-05. However, the positions are dedicated to processing criminal background check for new applicants only. Currently the CSLB only has 1.5 PYs dedicated to processing criminal background checks for new applicants. This request would address the CSLB's enforcement efforts for individuals licensed by the CSLB.

Naturopathic Medicine Committee

- ***Enforcement and Licensing Augmentation.*** The Governor's budget requests a three-year limited-term position and \$109,000 in FY 2014-15, and \$101,000 in FY 2015-16 and FY 2016-17, to address the Naturopathic Medicine Committee's enforcement workload, renewal workload, administer new faculty certificate program, and promulgate mandatory enforcement regulations.

This position would allow the Committee to reduce the backlog of 118 desk investigations and process ongoing enforcement workload from a license population that continues to grow.

Osteopathic Medical Board of California

- ***Licensing/Administrative Staff Augmentation.*** This proposal requests 3.0 positions beginning in FY 2014-15 to address workload associated with significant growth to its licensing population and to reduce the backlog of 252 open complaints. The Board proposes to redirect \$175,000 in FY 2014-15 and ongoing from its existing Operating Expenses and Equipment budget to the Personal Services budget to fund the positions.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

Since 2009, there has been an increasing number of Doctors of Osteopathy (DO) within the state. The Board estimates the number of licensed DO's within the state has increased by 31 percent over the last four years. The Board estimates the positions associated with this request total \$175,000, which the Board will internally redirect to support this request.

. Physical Therapy Board of California

- **Enforcement.** The Governor requests an ongoing increase in expenditure authority of \$189,000 (Special Fund) and 2.0 permanent positions within the Physical Therapy Board (Board) to address ongoing enforcement efforts. The caseload of each analyst within the Board has grown significantly over the last several years; increasing by nearly 50 percent since 2008. Current staffing levels are not sufficient to absorb the overall number of complaints received.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

- **Special Fund Augmentation for Attorney General Fund.** SB 198 (Lieu), Chapter 389, Statutes of 2013, among other things, reorganizes and clarifies provisions within the Physical Therapy Practice Act (Act). In order to address the revisions to the Act, the Board has requested an augmentation of \$91,000 in FY 2014-15 and \$83,000 in FY 2015-16 and 1.0 two-year limited-term position. The Physical Therapy fund, which supports the Board, has adequate funding to support this request.

Board of Psychology

- **Licensing Unit.** The Governor is requesting 3.0 permanent positions within the Board of Psychology (Board) in FY 2014-15 to address increasing workload. Funding to support the requested positions would be redirected internally. The Board estimates that costs associated with the requested positions total \$208,229.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The Board has experienced a 30 percent increase in its licensing population since FY 2008-09. However, the number of staff dedicated to processing applications has remained constant since 2006, when it was provided 2.5 positions to support processing applications. The Board projects that the requested positions will allow the application evaluation process to occur within an eight-week timeframe, as opposed to the current fourteen weeks required to evaluate and notify applicants.

Board of Registered Nursing

- **Attorney General / Office of Administrative Hearing Budget Augmentation.** The Governor's budget requests an increase to its Attorney General expenditure authority by \$2.5 million and its Office of Administrative Hearings (OAH) expenditure authority by \$200,000 for FY 2014-15 and ongoing to support its enforcement workload and maintain the increasing caseload at an acceptable level.

The BRN has sustained an increase in the number of complaints filed and the number of cases that are referred for disciplinary action since FY 2011-12. The BRN has exceeded its AG budget authority in FY 2010-11 and FY 2012-13. The BRN is in a similar situation regarding its budget authority for cases referred to the OAH. According to the BRN the average case processing time requires approximately two years. The requested funding will reduce the case processing time to one year and nine months.

- **Enforcement Division Positions.** This proposal requests 28.0 positions and \$2,522,000 in FY 2014-15; 28 positions and \$2,298,000 in FY 2015-16; 27 positions and \$2,243,000 in FY 2016-17; and 23.0 positions and \$1,816,00 to support the Board's growing enforcement workload. Without the additional resources, the Board will not meet the Department of Consumer Affairs' goal of reducing the discipline process time of 12-18 months.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The BRN has sustained a continued growth in the number of complaints filed, number of citations issued, and the number of cases referred to the Attorney General's office. Of the requested 28.0 positions, 23.0 are permanent positions, 4.0 are three-year limited-term positions, and there is 1.0 two-year limited-term position. The requested positions will support BRN's investigation unit, discipline unit, and the probation unit. All of the requested positions are intended to align the BRN's discipline process time within the DCA stated goal of twelve to eighteen months.

Respiratory Care Board

- **Enforcement Program Workload.** The Governor is requesting 1.0 permanent position and \$104,000 in FY 2014-15 and \$96,000 ongoing to address workload associated with enforcement and meeting the goals of the Consumer Protection Enforcement Initiative.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

Veterinary Medical Board

- **Veterinary Medical Board Enforcement Program.** This proposal requests 2.5 permanent positions and 1.5 two-year limited-term positions, and an increase in expenditure authority for the Veterinary Medical Board (Board) of \$348,000 (Veterinary Medical Board Contingent Fund) in FY 2014-15, \$316,000 in FY 2015-16 (Veterinary Medical Board Contingent Fund), and \$202,000 (Veterinary Medical Board Contingent Fund), and ongoing, to support enforcements efforts within the Board.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

Over the past several years, the Board's workload has increased. This workload increase has led to a significant backlog in the intake cycle time, time required for cases requiring formal discipline, and the average number of days from receipt of a complaint to the closure of an investigation. However, there has only been a minimal increase in staffing at the Board over that same period of time. A lack of additional resources has led to a significant backlog at the Board. The number of licensed veterinarians has increased 12 percent and the number of registered veterinary technicians has increased 25 percent.

- **Hospital Inspections and Veterinary Assistants.** The Governor has requested 2.0 permanent positions and 5.0 two-year limited-term positions, and \$677,000 (Veterinary Medical Board Contingent Fund) in FY 2014-15, \$621,000 (Veterinary Medical Board Contingent Fund) in FY 2015-16, and \$277,000 (Veterinary Medical Board Contingent Fund) in FY 2016-17 to support the Veterinary Medical Board's (Board) effort to implement provisions of SB 304 (Chapter 515, Statutes of 2013).

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

SB 304 requires the Board to make every effort to inspect at least 20 percent of veterinary premises on an annual basis. The Board currently has funding authority to support approximately 220 inspections annually; the requested funding will increase the Board's capacity to perform over 650 inspections annually. In addition to the inspection requirements included in SB 304, another provision of the bill allows for the licensure of veterinary assistants by the Board. The Board estimates that this would increase its licensee population by approximately 13,000 individuals. Currently, the Board licenses approximately 17,000 applicants.

Dental Board of California

- **Mobile or Portable Dental Clinics.** The Governor's budget requests positional authority for 0.5 limited-term position within the Dental Board of California (Board) for three-years to implement provisions of SB 562 (Chapter 624, Statutes of 2013). This request includes \$54,000 in expenditure authority for FY 2014-15 and \$36,000 for FY 2015-16 and FY 2016-17.

SB 562 addressed registration requirements for mobile or portable dental clinics. The bill eliminated the one mobile or dental clinic per dentist limit, and, instead requires that a dental practice that regularly uses portable dental units to register with the Board. There are currently 25 mobile dental unit permit-holders, and the Board anticipates that number to grow due to the elimination of restrictions.

Bureau of General Budget Augmentation

- **Attorney General Budget Augmentation.** The budget requests to augment the Bureau of Security and Investigative Services Attorney General expenditure authority by \$600,000 in FY 2014-15, and ongoing.

The Bureau is responsible for the licensure of repossessioners, guards, alarm agents, locksmiths and private investigators. The Bureau currently has a licensed population totaling 466,369, some of whom are licensed to carry a firearm. The Bureau has experienced a 10 percent growth in its licensing population since FY 2009-10. However, it has not received an increase in its Attorney General expenditure authority during this timeframe. According to the Bureau, it has exceeded its AG expenditure authority budget by 260 percent annually during FY 2011-12 and FY 2012-13.

Consumer and Client Services Division

- **Governor's Reorganization Plan No. 2.** This proposal requests to transfer position authority for 5.0 permanent positions and budget authority for \$418,000 in FY 2014-15, and ongoing, from the Bureau of Real Estate to the Department of Consumer Affairs effective July 1, 2014.

This technical clean-up is consistent with the Governor's Reorganization Plan No. 2 of 2012.

Professional Fiduciaries Bureau

- ***Enforcement Program Augmentation.*** This proposal requests a budget augmentation of \$80,000 and 1.0 position in FY 2014-15, and \$72,000 in FY 2015-16, and ongoing, to support enforcement efforts within the Professional Fiduciaries Bureau (Bureau). Additionally, the Governor requests a two-year limited-term \$50,000 increase in expenditure authority for Attorney General related services for the Bureau.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The Bureau is responsible for the regulation of guardians, conservators, professional fiduciaries, and agents under durable power of attorney as defined by the Professional Fiduciaries Act. SB 1550 (Chapter 491, Statutes of 2006), created the Bureau, and provided it with 4.0 staff but since then the Bureau has been reduced to 1.7 PY's.

Bureau of Electronic & Appliance Repair, Home Furnishings & Thermal Insulation

- ***AB 480 – Service Contracts for Optical Products Augmentation.*** The Governor's budget requests 1.5 positions and \$102,000 for FY 2014-15, and 2.3 positions and \$168,000 for FY 2015-16, and 3.0 positions and \$223,000 in FY 2016-17 and ongoing to address workload related AB 480 (Chapter 421, Statutes of 2013), with the Bureau of Electronic & Appliance Repair, Home Furnishings & Thermal Insulation (Bureau).

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The Bureau is responsible for the regulation of service contracts held by consumers within the state. AB 480 added the regulation of service contracts for optical products to the list of consumer service contracts regulated by the Bureau. The Bureau anticipates an increased workload, and has proposed staggering the hiring process to ensure that Bureau staff will be properly trained.

Court Reports Board

- **Courts Report Board.** The Governor has submitted a Spring Finance Letter requesting that Attorney General expenditure authority for the Court Reporters Board (Board) be increased by \$80,000 on a one-time basis in FY 2014-15 in order to address a backlog of enforcement cases pending Attorney General support.

Historically, the Board has exhausted its funding for AG support prior to the end of the fiscal year. The Board anticipates that will occur again in FY 2013-14, and has had to redirect funds from other areas to support AG-related costs. The Board is no longer able to absorb the costs related to AG enforcement, and has requested one-time augmentation which would allow three pending cases to move forward.

STAFF COMMENTS

Staff has no concerns with the proposals. The budget change proposals appear reasonable for the various boards to address their workloads.

Staff Recommendation: Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES**VOTE-ONLY ISSUE 7: EXCESS PROPERTIES: INTERIM SUPPORT AND CONSULTANT SERVICES**

The Governor requests a one-time augmentation to the Property Acquisition Law Money Account (PAL) totaling \$1.506 million, and a loan from the General Fund totaling \$1.506 million for FY 2014-15 to support the Department of General Services (DGS) property disposition efforts.

BACKGROUND

This request is related to the disposition of three parcels of state-owned property that have been deemed by the Legislature as surplus property: Agnews Development Center, San Francisco Civic Surplus Parcel, and the Estrella Correctional Facility and Preston Youth Correctional Facility.

- **Agnews Developmental Center.** SB 136 (Chapter 166, Statutes of 2009), authorized the DGS to dispose of all, or any portion, of the Agnews Developmental Center located in San Jose. Cisco Systems, who had acquired a separate parcel of the Agnews Developmental Center in 1997, was given the right of first refusal for this portion of the property. Cisco notified the state that they did not intend on purchasing this parcel in late 2012. DGS estimates that costs associated with maintenance total for FY 2014-15 total \$848,000. DGS estimates that sale proceeds for this parcel will total \$60 million.
- **San Francisco Civic Parcel.** AB 2026 (Chapter 761, Statutes of 2008), authorized the disposition of 0.39 acres of land located midblock on the north side of Golden Gate Avenue, between Gough and Franklin Streets within the City of San Francisco. The property originally was acquired through an exchange with the City and County of San Francisco. This property is leased to a private parking operator, and DGS notes that increasing property values warrant consideration of offering this parcel for sale. DGS estimates that costs associated with the disposition of this parcel will total \$108,000 for FY 2014-15.
- **Estrella Correctional Facility and Peston Youth Correctional Facility.** AB 826 (Chapter 505, Statutes of 2013), authorized the DGS to dispose of any, or all, of the 15 acres of the Preston Youth Correctional Facility and 160 acres of the Estrella Correctional Facility. DGS estimates that costs associated with the disposition of these two parcels will total \$550,000 for FY 2014-15.

STAFF COMMENTS

Staff has no concerns with this proposal

Staff Recommendation: Approve as Budgeted.

**VOTE-ONLY ISSUE 8: PILOT PROGRAM EXPANSION – EQUIPMENT MAINTENANCE
MANAGEMENT INSURANCE PROGRAM**

The Governor's budget includes an increase in expenditure authority of \$199,000 for the Service Revolving Fund in 2014-15, \$195,000 in 2015-16, and 2.0 positions on a two-year limited-term basis to expand the Equipment Maintenance Management Insurance Program (EMMP). The costs for the two positions will be recovered through rates set for services provided to client departments.

BACKGROUND

In 2010, DGS, which is responsible for the procurement of insurance for state agencies, piloted an insurance program designed to reduce reliance on more expensive equipment maintenance service contracts. Since the inception of the pilot program, DGS has worked with departments throughout the state to increase interest in participating. As of June 30, 2013, there were 13 departments participating in EMMP with more than 16,000 pieces of equipment covered. DGS estimates that, since 2010, \$3.471 million in savings has been achieved through this program. DGS is currently redirecting staff from other job functions from the Office of Risk and Insurance Management to implement the program. Increased workload within DGS' Office of Risk and Insurance Management will not allow for the continued redirection.

The program produces measureable cost savings and several administrative efficiencies. EMMP guarantees the insurance premium paid by an organization will only be 75 percent of what it previously paid in maintenance service contracts.

The two positions will perform workload associated with EMMP, which includes marketing, contract review, enrolling, policy servicing, and program administration.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 9: CONTRACTING AGENCY ADMINISTRATIVE SERVICES

The Governor's budget proposes an augmentation of \$373,000 expenditure authority (\$174,000 Service Revolving Fund and \$199,000 Reimbursement) and 3.0 positions to provide fiscal and information technology services to the new established Government Operations Agency (GOA) and Business, Consumer Services and Housing Agency (BCSHA).

BACKGROUND

Effective July 1, 2013, the California State and Consumer Services Agency was abolished and its functions were shifted to the newly established BCSHA and GOA. These two new agencies need ongoing budgeting and accounting services, technology services, and human resources and support, beginning 2013-14. DGS plans to request current year support through Budget Act Item 7760-001-0666.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 10: ELIMINATION OF THE VIDEO MULTIMEDIA CENTER

The Governor has requested to eliminate the Office of State Publishing's (OSP) Video Multimedia Center by June 30, 2015, which will result in savings of \$464,000.

BACKGROUND

In an effort to reduce costs, DGS reduced its FY 2012-13 budget by \$33.397 million and 45.5 positions. In FY 2013-14 DGS further reduced its budget by \$5.594 million and 22.5 positions. As a program, the Video Multimedia Center has struggled to recover its program costs, which have negatively impacted OSP's budget. Over the past five fiscal years, the Video Multimedia Center has sustained a shortfall of \$677,309. In order to recover costs, the rates would need to increase by 225 percent for FY 2013-14.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 11: CALIFORNIA BUILDING STANDARDS COMMISSION WORKLOAD AUGMENTATION

This proposal requests \$153,000 (Building Standards Revolving Fund) in FY 2014-15 and \$152,000 (Building Standards Revolving Fund) in FY 2015-16 and one two-year limited-term basis to support workload associated with AB 341 (Chapter 585, Statutes of 2013).

BACKGROUND

AB 341 requires the California Business Standards Commission (CBSC) to update the California Green Building Standards code and make other changes to the California Building Code to develop green building standards.

The Building Standards Administration Special Revolving Fund is relative to the updating of the California Green Building Standards (CALGreen) code, defining and developing necessary verification guidelines training for the local building officials tasked with enforcing CALGreen Standards.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 12: NATURAL GAS SERVICES PROGRAM FUND

The Governor's budget proposes to establish the existing Natural Gas Services Program under the newly created Natural Gas Services Program Fund. This represents a shift of funding source from the Service Revolving Fund to the Natural Gas Services Program Fund in the amount of \$248.979 million for the purchase of natural gas, and \$1.203 million for the support of four existing program positions. This shift is a result of AB 650 (Chapter 615, Statutes of 2013). This has a net zero effect on the budget.

BACKGROUND

AB 650 establishes the Natural Gas Services Program Fund as continuously appropriated for the purpose of purchasing natural gas and collecting and appropriating funds. Additionally, the bill requires all revenue for natural gas and related services be deposited in the fund.

Approval of the request will enable the State to comply with the provisions under the law.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 13: SPRING FINANCE LETTER: CA RECORDS AND INFORMATIONAL MANAGEMENT PROGRAM TRANSFER

The Governor's Spring Finance letter requests a decrease of \$432,000 (\$259,000 General Fund and \$173,000 special funds) and 3.0 positions to reflect the transfer of the California Records Information Management Program to the Secretary of State.

BACKGROUND

The state records program within the Department of General Services (DGS) has two elements: California Information Records Management (CalRIM) and the State Records Center (SRC). CalRIM establishes guidelines for state agencies in records management and retention and provides training and other technical services to help state agencies maintain effective records programs. The SRC stores and retrieves vital records and semi-active and inactive records for state agencies.

CalRIM and the State Archives currently review and approve records retention schedules prepared by state agencies. State Archives staff determines if records identified on each retention schedule have archival value and should be transferred to the archives at the end of the records' lifecycles.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 14: SPRING FINANCE LETTER: GS \$MART

The Governor's Spring Finance Letter requests an increase of expenditure authority of \$232,000 (Special Fund) and 2.0 permanent positions to implement the GS \$Mart program within DGS.

BACKGROUND

SB 71 (Chapter 28, Statutes of 2013), established the GS \$mart program. The GS \$mart program serves as the state's financial marketplace, providing state entities with lease purchasing opportunities. There are high-cost items, such as a \$6 million dollar generator, or a \$5 million airplane that agencies are not capable of purchasing in a single budget year. The program allows an agency to spread the cost of specified goods over several years versus paying for them all in one fiscal year at tax-exempt rates.

STAFF COMMENTS

Staff has no concerns or issues with this proposal.

Staff Recommendation: Approve as budgeted.

8790 CALIFORNIA COMMISSION ON DISABILITY ACCESS

VOTE-ONLY ISSUE 15: ACCESSIBLE CALIFORNIA

The California Commission on Disability Access requests \$95,000 of General Fund and 1.0 position to support the workload associated with new legislative requirements.

BACKGROUND

SB 1186 (Chapter 383, Statutes 2012), was enacted to promote compliance with the state's disability access laws without unwarranted litigation. The Commission is currently fulfilling the requirements of this measure by contracting out for subject matter experts and by utilizing volunteers and student assistants. SB 1186 imposed additional responsibilities on the Commission that cannot be fulfilled with the current staffing and funding levels, or the continued use of volunteers and student assistants. The work of volunteers and students assistants is equivalent to one full time position.

The budget request for an increase of one staffing position will help address the new workload created by the enactment of SB 1186.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

8830 CALIFORNIA LAW REVISION COMMISSION

VOTE-ONLY ISSUE 16: CRITICAL FUNDING SHORTFALL

This proposal requests an increase of \$50,000 in the reimbursement authority for the California Law Revision Commission's budget.

BACKGROUND

The California Law Revision Commission's duty is to analyze problems in California law, as authorized by the Legislature, and then recommend specific statutory reforms to correct defects and modernize the law.

In recent years, the Legislature has sharply increased the Commission's workload without any increase in staffing or funding. In three years, the Legislature added 10 attorney-years of work to the Commission, which already had a significant backlog.

Additionally, unusually high salary costs are consuming funds needed for operating expenses.

The Commission currently is funded through reimbursements from the Office of Legislative Counsel (OLC). If that funding arrangement continues in 2014-15, the increase would directly affect the OLC's budget.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 17: CRITICAL NEED FOR ATTORNEY SUPPORT

This proposal requests an increase in 0.5 positions and an additional \$62,000 in reimbursement authority.

BACKGROUND

Over the past decade, the Commission's legal staff has been reduced from 5 positions to 3.5 positions. The change affects the amount of work the Commission can produce in fulfilling its statutory duties.

Additionally, during recent years, the legislative workload has increased. In the past three years, the Legislature has added additional work from the passage of new legislation. These bills include ACR 98 (Wagner, 2012), which tasked the Commission with analyzing whether mediation confidentiality law should be changed in cases of attorney malpractice and other professional misconduct; and SCR 54 (Padilla, 2013), which tasked the Commission with analyzing California law governing law enforcement agency access to the customer records of electronic communication providers.

Additional staff would help the Commission make progress with completing legislatively mandated work.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

2100 ALCOHOLIC BEVERAGE CONTROL

VOTE-ONLY ISSUE 18: IMPLEMENTATION OF LEGISLATION

There are two budget change proposals related to legislative workloads for the Department of Alcoholic Beverage Control.

BACKGROUND

1. ***Winemaker Instructional Events Autographing.*** The Governor's Budget includes 1.0 position on a two-year limited term basis and \$99,000 (Special Fund) to implement AB 636 (Chapter 329, Statutes of 2013).

AB 636 permits a winegrower, California winegrower's agent, importer, or other specified parties appearing at an instructional event, to provide autographs to consumers or consumer advertising specialties given by the person to a consumer or on any item provided by a consumer. Additionally, it prohibits a requirement of the purchase of any alcoholic beverage in connection with such autographing.

ABC's Trade Enforcement Unit (TEU) would be responsible for enforcing this new law. The TEU currently consists of 4.0 sworn staff and cannot absorb the workload associated with the new law. TEU estimates that the workload would include 25 additional investigations per year, with each investigation taking between 15-25 days, for a total of 375 days.

2. ***Invitation-only parties at licensed retail locations.*** The Governor's Budget includes 1.0 position on a two-year limited-term basis and \$99,000 (Special Fund) in 2014-15, and \$89,000 (Special Fund) in 2015-16 to implement AB 1116 (Chapter 461, Statutes of 2013).

AB 1116 expands an existing provision of law that permits certain alcoholic beverage producers to hold private, free-of-charge, invitation-only promotional events, with entertainment, food and beverages, for a limited number of consumers over 21 years of age and subject to specified conditions. It also allows such events on the premises of a licensed "hotel," as defined and extends the sunset from January 1, 2014, to January 1, 2018.

According to ABC, the invitation-only promotional events have substantially expanded the allowable relationships between a supplier and a consumer. While the intent is to promote a specific alcoholic beverage or brand to consumers, the retail licensee would financially benefit by hosting an event. Such a benefit could create opportunities for collusion and prohibited agreements between suppliers and retailers such as unfair product placement, commercial bribery, and predatory marketing practices.

ABC anticipates a large number of complaints will come from competing manufacturers and anticipates workload to increase because of the nature of the work. The work is tied-house violation investigations are labor intensive because a large number of the authorized licensees are domiciled outside the state and accessing records is burdensome.

TEU estimates the workload would include 20 days per investigation multiplied by 25 investigations per year, for a total of 500 days.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as budgeted.

ITEMS TO BE HEARD

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

ISSUE 1: PAID FAMILY LEAVE OUTREACH

The Subcommittee will consider strategies to increase utilization of the State's Paid Family Leave program.

BACKGROUND

In 2002, legislation was enacted to extend disability compensation to cover individuals who take time off work to care for a seriously ill child, spouse, parent, or registered domestic partner, or to bond with a new child. Senate Bill 1661 established the Paid Family Leave insurance program, also known as Family Temporary Disability Insurance program, to be administered by the State Disability Insurance (SDI) program. An estimated 13.1 million California workers who are covered by the SDI program have also been covered for Paid Family Leave insurance benefits as of July 1, 2004.

For California workers covered by SDI, Paid Family Leave (PFL) insurance provides up to six weeks of benefits for individuals who must take time off to care for a seriously ill child, spouse, parent, or registered domestic partner, or to bond with a new child. The fund is projected to have a \$2.8 billion balance in 2013, which is expected to grow to \$3.1 billion this year.

Benefits of Paid Family Leave

A 2011 study of California's Paid Family Leave program by Eileen Appelbaum and Ruth Milkman found that the increased use of Paid Family leave increased job retention, positively affected respondents' ability to care for a new baby or adopted child and doubled the median duration of breastfeeding for all new mothers who used it.

Awareness

Polling suggests many workers are unaware of the benefits they can receive from Paid Family leave. In September 2011, a California Field Poll surveyed registered voters to assess their awareness of the state's Paid Family Leave (PFL) program. The poll included 1,001 registered voters and was conducted from September 1 to 12, 2011.

Overall, well under half (42.7 percent) of respondents had "seen, read or heard" of the PFL program, which was created by a 2002 law. Awareness also varied geographically, with the highest level in the San Francisco Bay Area and the lowest in Los Angeles County. Awareness among low-income groups, Latinos, and young workers was substantially lower than other average.

STAFF COMMENTS

The Subcommittee indicated at its March 11, 2014 hearing on EDD that it would hear this issue at a later hearing.

Advocates believe that given the observed benefits of Paid Family Leave, the State should take an active role in outreaching to Californians about this important benefit. Such outreach would be funding with State Disability Insurance funds.

Staff Recommendation: Hold Open

7300 AGRICULTURE LABOR RELATIONS BOARD

ISSUE 2: SPRING FISCAL LETTER

The Subcommittee will consider a Spring Fiscal Letter that increases the level of legal staffing at the Agriculture Labor Relations Board.

BACKGROUND

On April 1, 2014, the Department of Finance submitted a Spring Fiscal Letter proposal to add \$2 million and 5 positions (\$1.4 million ongoing) to the Agricultural Labor Relations Board to increase legal caseload responsibilities. \$509,000 of this amount is one-time: (1) for a workload assessment by the Department of Finance*(\$250,000) and (2) funding to augment and replace the Board's vehicles (\$259,000).

According to information provided by the administration, the Council General has restructured the Board's function to improve the speed, effectiveness, and fairness in the enforcement of the Agriculture Labor Relations Act. In addition to this restructuring, the natural workload for the Board has increased dramatically over the last two and a half years.

The chart below illustrates this increase:

Workload Measures	2010-11	2011-12	2012-13	2013 (July to December)
Unfair Labor Practice Charges	86	103	136	85
Administrative Hearings	3	2	5	3
Complaints Issued	5	5	10	13
Charges to Complaint	10	19	26	19

STAFF COMMENTS

The information provided by the Administration suggests that in the current year the workload could be double the amount performed by the Board in 2010-11. The budget committee staff has also received feedback from several groups and members of the public that the Board lacks sufficient staffing to address its current workload..

The Administration's proposal includes a workload study by Finance, which should help insure the Board has sufficient resources going forward.

Staff Recommendation: Adopt Spring Fiscal Letter

0911 CITIZEN'S REDISTRICTING COMMISSION**ISSUE 3: ONGOING COMMISSION OPERATIONAL COSTS**

The Governor's Budget includes ongoing funding for the Citizen's Redistricting Commission.

BACKGROUND

The "Voters First Act" (Proposition 11 of 2008) and the "Voters First Act for Congress" (Proposition 20 of 2010) established an independent 14-member Citizens Redistricting Commission to draw the decennial district boundaries for California's Congressional delegation, state Senate, state Assembly, and Board of Equalization

The Governor's Budget proposes to increase the commission's budget by \$20,000 to pay for (1) DGS accounting, budgeting, and personnel services (\$15,000) and (2) legal services (\$5,000). The budget bill includes the same contingency provisional language authorizing the Department of Finance (DOF) to approve one-time augmentations if necessary for the commission to satisfy its constitutional duties.

Current law requires the Legislature to fund certain activities of the Commission. During the first three years of the redistricting process (2009-2011 for the most recent cycle), the Legislature must make available to the commission the greater of \$3 million or the amount spent in the previous redistricting cycle, adjusted for inflation. In addition, the Legislature "shall provide adequate funding to defend any action regarding a certified map." Outside of these two requirements, the Legislature has authority to establish the funding level necessary for the commission to fulfill its duties.

The Commission's primary duty is to approve new district boundaries. This is accomplished during the first three years of the redistricting process. Thus, after it certifies the maps from the last redistricting process, the commission's duties diminish significantly to (1) defending the maps in legal proceedings, (2) appointing new Commission members to fill any vacancies, (3) responding to any requests for access to public records under the Public Records Act, and (4) approving any amendments to implementing legislation.

In 2013-14, the Commission was budgeted for \$71,000 and was authorized for 0.5 positions at a Staff Services Manager 1. The administration indicates that funding from prior years—not included in the \$71,000—is being used to finance an interagency agreement with the Department of General Services (DGS) to provide the commission with accounting, budgeting, and personnel services. The budget includes provisional language that authorizes the Director of Finance to augment the commission's budget—after a 30-day Joint Legislative Budget Committee review, if the commission meets to fulfill any of the four duties discussed above.

LAO RECOMMENDATION

Reject Proposal. The Commission's 2013-14 budget stems from a decision the Legislature made a year earlier to provide the Commission one half-time position to serve as a point of contact for commission matters and litigation. The commission's workload has not increased since that time. Thus, we see no reason to increase the Commission's budget. In addition, we find DGS's proposal to charge \$15,000 to administer a budget of \$71,000 to be excessive. Accordingly, we recommend the Legislature direct the Department of Finance and the commission to develop a plan to allow the commission to operate within its 2013-14 budgetary appropriation. Such a plan could include (1) negotiating lower cost contracted services with DGS, (2) reducing or eliminating proposed contract legal services, (3) reducing the time base of the commission's authorized position, and/or (4) shifting the commission's position from a manager classification to a less expensive analyst classification.

STAFF COMMENT

The Administration's proposal maintains the Commission at the level envisioned when the ongoing funding for Commission continuity was decided by the Legislature as part of the 2012 budget deliberations.

Staff Recommendation: Approve as Budgeted

8260 CALIFORNIA ARTS COUNCIL**ISSUE 4: BUDGET OVERVIEW**

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

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

Fund Source (thousands)	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change
General Fund	\$1,020	\$1,092	\$1,093	1
Graphic Design License Plate Account	2,782	2,867	2,862	(5)
Federal Trust Fund	1,088	1,099	1,094	(5)
Reimbursements	27	2,197	197	(2,000)
Arts Council Fund	325	-	-	0
Keep Arts in Schools Fund	-	-	250	250
Total Expenditure	\$5,242	\$7,255	\$5,496	\$(1,759)
Positions	15.4	17.5	17.5	0

BACKGROUND

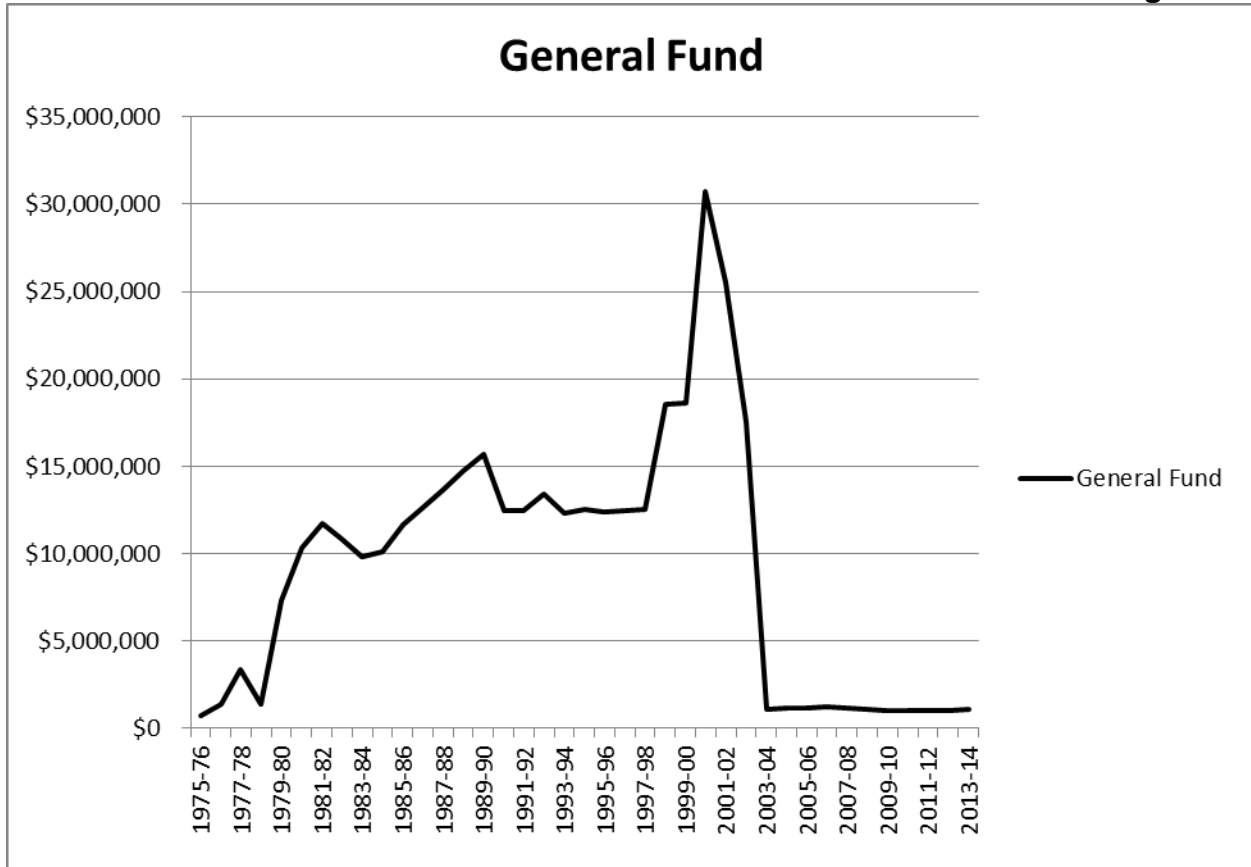
In 1975, the California Arts Council was created and signed into law by Governor Jerry Brown. The largest General Fund allocation included in the California Arts Commission's budget occurred in 2000-01, at a level of \$32 million. During the fiscal crisis of 2003-04, the California Arts Council lost 94 percent of its funding, which resulted in cuts to arts council programs and staff. Over the past decade, the General Fund allocation to the Arts Council has hovered about \$1 million.

In 2003-04 the California Arts Council's core programs were eliminated and limited number of grants were targeted to select organizations serving K-12 school children, seniors, at-risk youth, multicultural communities and local arts agencies. Since then, the California Arts Council has re-established several of its core efforts including support for local art agencies (State-Local Partnership) and Artists in Schools, and has designed other programs to serve rural and inner city communities, and statewide

service networks. These grant-making efforts are supported with revenues from the Sale of the Arts License Plate and Federal funds received from the National Endowment for the Arts.

The following two charts show 1) the General Fund contributions to the California Arts Council since its creation and 2) other fund contributions over the years.

Historic General Fund Contributions to the California Arts Council Budget



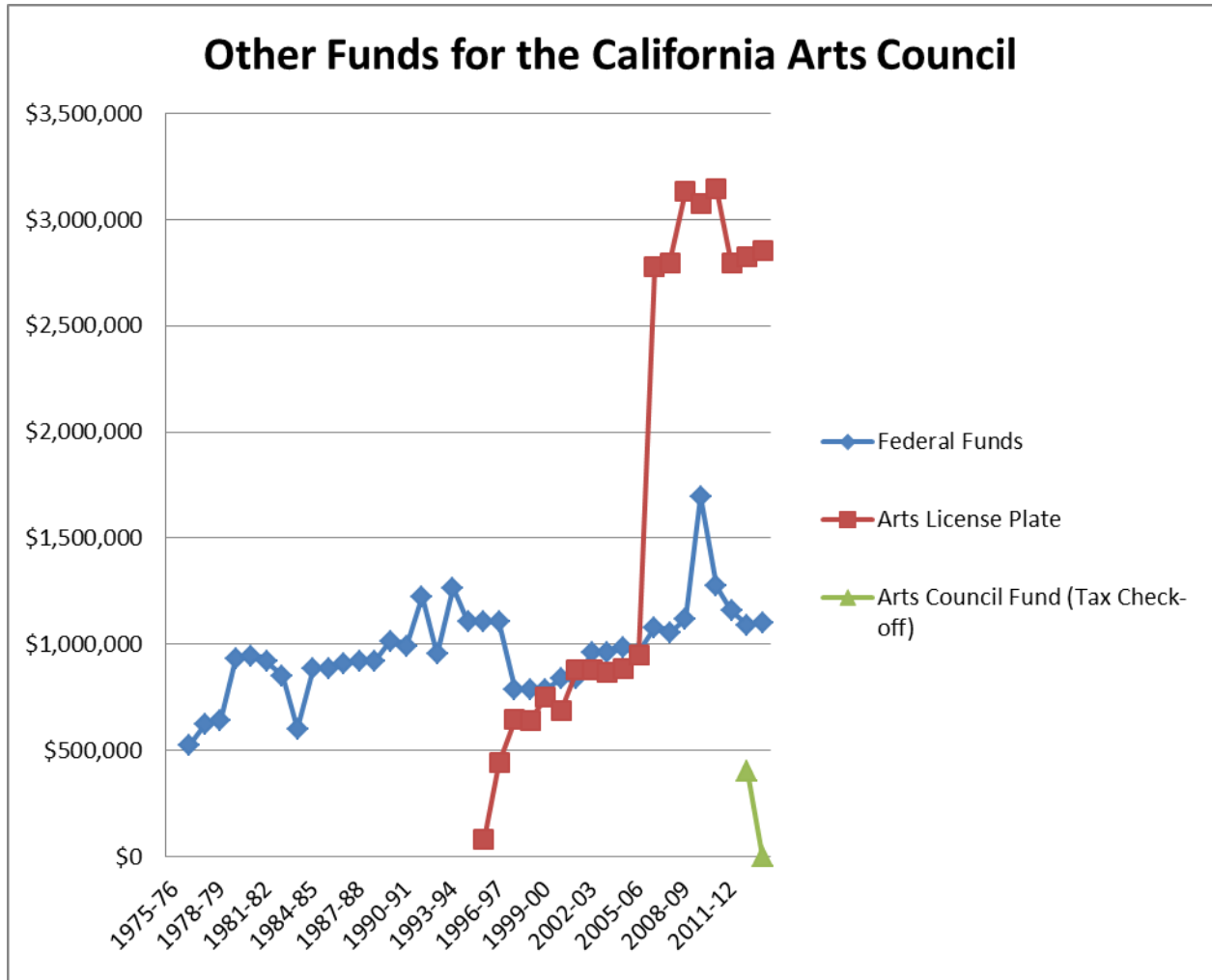
2013-14 Budget Act. Last year the Arts Council received one-time allocation of \$2 million dollars in savings from the 2013 State Assembly operating budget. The funds were used for the following:

- **Creative California Communities:** Transforming Communities through the Arts (\$750,000). This is a pilot competitive grant program designed to bring communities together by harnessing arts and culture as a key economic development strategy for communities large and small.

- **The Arts in Turnaround Schools in California:** Creating Successful Schools through Arts Education (\$300,000). This unique pilot project will provide targeted arts education strategies and programming to significantly improve low-performing K-8 schools, in cooperation with the California Department of Education. This pilot project is a result of CREATE CA coalition recommendations.
- **Creativity at the Core:** Powerful Arts Teaching and Learning in the Common Core (\$300,000). This special arts education initiative is focused on developing and implementing professional development resources to deepen teaching and learning through the arts, aligned with Common Core State Standards. This program was developed in partnership with the California County Superintendents Educational Services Association, and is a result of CREATE CA coalition recommendations.
- **JUMP StARTS:** Juveniles Utilizing Massive Potential Starting with Arts (\$200,000). This is a pilot competitive grant program targeting at-risk youth through arts and arts education programs by supporting further development of model juvenile justice arts programs.
- **Statewide Chinese Cultural Exchange Symposium** (\$15,000 - \$25,000). This is a cultural exchange symposium will be developed in order to build relationships and expose California arts organizations to the benefits of cultural tourism, cultural investment, and cross-cultural understanding with China.

2014-15 Budget Proposal. This year the Governor's proposal funds the California Arts Council at \$5.496 million, which includes \$1.093 of General Fund dollars.

Historic Other Funds Contributions to the California Arts Council Budget



Staff Recommendation: Hold Open

2100 DEPARTMENT OF ALCOHOL BEVERAGES CONTROL

The Department of Alcoholic Beverage Control is vested with the exclusive power to license and regulate persons and businesses engaged in the manufacture, importation, distribution and sale of alcoholic beverages in the State of California. The Department's mission is to administer the provisions of the Alcoholic Beverage Control Act in a manner that fosters and protects the health, safety, welfare, and economic well-being of the people of California.

The Governor's Budget proposes total spending of \$57.9 million (Non General Fund) for the Department of Alcoholic Beverage Control in 2014-15, an increase of 3.3 percent compared with estimated spending for the current year. Proposed staffing totals 429.9 personnel a 0.5 percent increase.

ISSUE 5: ALCOHOLIC BEVERAGE CONTROL FUND RESERVE BALANCE

The Department of Alcoholic Control Fund Reserve Balance was created to provide a dedicated stream of revenue for the Department to process and enforce license applications. In the FY 2014-15 budget, the reserve balance is \$26.2 million.

BACKGROUND

In 1992, legislation was enacted to convert ABC from a General Fund agency to a special fund agency supported solely from license fees charged to holders of alcoholic beverage licenses. This change in law provided ABC with a dedicated and more stable funding source so ABC could continue to process license applications and to enforce point of sale violations.

Despite the creation of the special fund, ABC still faced challenges with funding to provide adequate resources for its programs. The Legislature took various actions to provide one time funding that was not sustainable to provide resources.

In 2001, legislation was enacted to address the funding issue for ABC. AB 1298 (Chapter 92, Statutes of 2001), increased the annual license fees imposed upon manufacturers, distributors and retailers of alcoholic beverages. These fees were intended to help ABC meet its continuing obligations to process and enforce point of sale violations.

FY 2014-15 staffing levels. The FY 2014-15 budget includes 429.9 employees. Of this amount, the Department has 133 positions budgeted for enforcement officers and has 117 of these positions filled. In the past, vacancy rates has been more of a problem with a vacancy rate of about 30 percent. The investigators are sworn in as peace officers and able to make arrests for violations of the state's alcoholic beverage control laws.

STAFF COMMENTS

The changes that occurred over a decade ago were intended to provide the Department with adequate resources to accomplish its mission. However, with the fund reserve so high, it is almost natural to ask what challenges are facing the Department.

The Subcommittee may wish to ask the following of the Department:

- Why does the Department continue to experience difficulty in retaining its enforcement agents, who reportedly continue to transfer to other state agencies and departments?
- In the 1960's the department had over 200 enforcement agents available to police approximately 50,000 licensed establishments. The Department now has only approximately 120 agents to police almost 80,000 licenses. This does not appear to be an acceptable workload for the department's 24 offices located throughout the state and it invites the question what steps the department is prepared to take to address this problem?
- What is the appropriate amount for the funding reserve?

Staff Recommendation: Hold Open.

1110/1111 DEPARTMENT OF CONSUMER AFFAIRS

ISSUE 6: BREEZE SYSTEM

This proposal includes a request for \$11.84 million in additional funding for continued support of the Department of Consumer Affairs' automated licensing and enforcement system, BreEZe.

This proposal includes a current year adjustment to all funds to reflect the change in costs for FY 2013-14 from SPR1 and SPR2. The adjustment is being made using Budget Act control language allowing for the adjustment.

BACKGROUND

BreEZe is an information technology project to support all of DCA's applicant tracking, licensing, renewal, enforcement, monitoring, cashiering, and data management requirements with a single solution. According to DCA, once completed BreEZe will be the largest online enterprise licensing and enforcement solution in the world. The project is planned to be rolled out in three releases, each including a number of boards and bureaus.

In December 2013, the DCA notified the Department of Finance that the BreEZe project would need an additional \$12.6 million for application development, database support, reports development, amended contracts for testing, interfaces, project management support, independent verification and validation services, and additional hardware maintenance costs due as a result of the extended project timeline.

The Governor's Budget includes an adjustment to the existing current year (2013-14) BreEZe project and Credit Card funding to reflect changes found between the first and second Special Project Reports (SPR). SPR2 was approved by the California Technology Agency on October 31, 2013. To continue with the implementation of BreEZe the Governor's Budget includes \$11.85 million (Non General Fund) for FY 2014-15 based on the SPR2. With the current year adjustment, \$9.71 million of this proposal is new monies (No General Fund impact).

STAFF COMMENTS

DCA has transitioned some of its entities from the legacy system to the BreEZe system and have faced some difficulty transitioning to the new software platform. Most notable has been the Board of Registered Nurses (BRN). The BRN licensing system was taken offline for a period of time as the DCA converted the legacy system to the BreEZe system and a backlog of approvals for licensees resulted. The project team has worked to ensure that that the backlog was addressed but the Subcommittee may wish to inquire about how BreEZe plans to handle the next round of nursing registrations given the IT problems it has already experienced. The Subcommittee may also wish to ask

the BreZE project team if they have a schedule for implementation for the next phase of the project.

Staff Recommendation: Approve as Budgeted

ISSUE 7 – BUREAU OF AUTOMOTIVE REPAIR

This proposal includes a request for an augmentation of \$40.372 million (Enhanced Fleet Modernization Subaccount, High Polluter Repair or Removal Account) and 9.0 permanent positions for the Bureau of Automotive Repair's (BAR) administration of the Enhanced Fleet Modernization Program (EFMP), which was authorized by AB 118 (Nunez), Chapter 750, Statutes of 2007.

BACKGROUND

In 2007, the Legislature passed AB 118, which imposed a \$1.00 registration fee on all vehicles in California, generating approximately \$31 million annually. Revenue from this fee is designated for the retirement and replacement of vehicles not subject to or exempt from a biennial Smog Check inspection.

The passage of AB 787 (Chapter 231, Statutes of 2010) made several additional changes to vehicle retirement operations. A major component of AB 787 requires BAR to offer all income-eligible consumers \$1,500 to retire a vehicle, either through CAP or EFMP.

Demand for EFMP retirement has regularly exceeded the amount of funds available. According to the BAR, an additional 34,000 consumers would have participated in the program had resources been available to meet demand. In FY 2013-14 BAR was appropriated \$32.8 million to administer the program; the appropriated funds were exhausted prior to the end of the fiscal year. SB 359 (Corbett), Chapter 415, Statutes of 2013, provided BAR with an \$8 million Legislative appropriation to continue to administer the program.

Of the \$40.372 million requested, BAR proposes to use \$37.0 million for the retirement of 32,600 qualified vehicles. \$2.8 million will be used for the voucher program, which is administered by the California Air Resources Board. This component of the EFMP is available to consumers that live in the South Coast or San Joaquin Air Districts. Eligible customers receive either a \$2,000 or \$2,500 voucher towards the purchase of a new car when they retire their vehicle through the EFMP. The remaining \$572,000 will be utilized by BAR for administrative purposes associated with the EFMP.

This proposal requires repayment of the remaining \$40 million outstanding from the \$60 million General Fund loan taken in FY 2010-11.

STAFF COMMENTS

Staff has no concerns with this program.

Staff Recommendation: Approve as Budgeted

ISSUE 8: STATE ATHLETIC COMMISSION

This State Athletic Commission has three proposal related to the FY 2014-15 budget.

BACKGROUND

- **Boxer's Pension Fund.** The Governor requests 0.5 positions in FY 2014-15 within the State Athletic Commission (Commission). The requested position will be supported by cancelling an external contract that has been administering the Boxer's Pension.

Staff Comment. The Commission has asked to withdraw this proposal. The Committee must take the formal action and reject the BCP.

- **Professional Trainer Licensing Requirements.** The proposal requests a two-year limited-term 0.5 position and \$47,000 in FY 2014-15 and FY 2015-16 within the Commission. The requested position will meet the legislative requirements of SB 309 (Lieu), Chapter 370 Statutes of 2013, which requires a licensed professional trainer to certify participant readiness.

SB 309, among other things, created a new type of license within the Commission, the Professional Trainer License. This new type of license will replace the professional boxers' training license and is intended to enhance the regulatory efforts of the Commission.

- **Program Restructure.** This proposal requests 2.0 positions and \$361,000 in FY 2014-15 and ongoing to support an adequate number of Athletic Inspectors at each Commission sanctioned event, training for all inspectors and to realign various line items that are currently underfunded.

During Fiscal Year 2011-12 the Commission neared insolvency, which was avoided due to severe cuts taken by the Commission to end the year with 0.1 months (\$23,000) in the reserve. During that time, the Commission took the following actions:

- Laying off all temporary staff
- Declaring lay off of two permanent full-time staff
- Reducing staffing levels at regulated events
- Reducing staff and Commission member travel

In FY 2013-14 the Commission developed a short-term solvency plan; the Commission's ongoing budget was reduced by \$814,000. The Commission anticipates a slightly higher level of revenue for FY 2013-14, and ongoing, and currently maintains a fund balance of approximately \$400,000.

STAFF COMMENTS

Staff has no concerns with the proposals. The Subcommittee may wish to have the Commission provide an update on actions taken since last year.

Staff Recommendation: Reject the Boxer's Pension fund and Approve as Budgeted the other two items.

ISSUE 9: MEDICAL BOARD OF CALIFORNIA

There are three proposals that affect the Medical Board of California.

BACKGROUND

- **Enforcement Enhancement.** This proposals requests 1 Associate Government Program Analyst; 2.0 Staff Services Analyst; 1 Investigator; 1 Office Technician; and \$471,000 in FY 2014-15 and \$415,000 in 2015-16 to increase public protection by reducing the time by it takes to complete the investigation of a consumer compliant.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

- **Licensed Midwifery Program.** The Governor requests \$13,000 in expenditure authority, ongoing, for the Licensed Midwifery Program. The expenditure authority will be used to reimburse the Medical Board for services provided.

The Licensed Midwifery Program within the Medical Board (Board) was established in 1994 and has been supported by the Board since its inception. The Board has determined that the Licensed Midwifery Program utilizes Board services that total approximately \$13,000 annually. The Board is seeking reimbursement for the services provided.

- **SB 304 – Redirection of Investigative Staff.** This proposal requests a one-time transfer of 116.0 positions and \$15.5 million to the Division of Investigation – Health Quality Investigation Unit in FY 2014-15 to implement SB 304 (Chapter 515, Statutes of 2013). This proposal includes a request for 1.0 permanent position and \$118,000 in FY 2014-15, and ongoing, to review investigative case dispositions, and perform other duties.

SB 304 transferred inspectors from the MBC to the Division of Investigation (DOI) within the DCA. Additionally, this bill transferred the Health Quality Investigation Unit (Unit) from MBC to DOI within DCA, and states that the primary responsibility of the Unit is to investigate violations of law or regulation by licensees and applicants within the jurisdiction of MBC, the California Board of Podiatric Medicine, the Board of Psychology, or any committee under the jurisdiction of MBC.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as Budgeted

ISSUE 10: BUREAU OF PRIVATE POST-SECONDARY EDUCATION

The Governor's 2014-15 budget includes a request for a 11.0 three-year limited-term positions to address a growing backlog in the number of enforcement cases within the Bureau of Private Postsecondary Education (Bureau). This request includes an increase in expenditure authority for the Bureau of \$1.292 million (Private Postsecondary Education Fund) in FY 2014-15, and \$1.204 million in FY 2015-16 and 2016-17.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

BACKGROUND

The Bureau is responsible for the oversight of California's private postsecondary educational institutions. Currently, there are approximately 1,500 institutions regulated by the Bureau. Many of the institutions governed by the Bureau are vocational institutions offering skills training for entry-level positions in a variety of industries and trades. Upon passage of the AB 48 (Chapter 310, Statutes of 2009), 63 authorized positions were allocated under the assumption that the workload would be similar to the Bureau's predecessor, The Bureau for Private Postsecondary and Vocational Education, which sunset in 2007. Bureau staff estimates that they will receive approximately 725 new complaint cases in FY 2013-14. According to workload estimates, the Bureau has the capacity to resolve 43 complaints each month, creating a backlog. The backlog totals 707 cases.

The Bureau received additional resources in FY 2013-14 to address the increasing licensing workload. At that time, the Bureau noted that additional resources may be necessary to address the growing number of complaints that need to be addressed by the Bureau's Complaint and Investigation Unit.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

ISSUE 11: CALIFORNIA STATE BOARD OF PHARMACY

The Governor's 2014-15 budget includes four requests to support the California State Board of Pharmacy.

BACKGROUND

- **Combatting Prescription Drug Abuse.** The Governor's budget requests 8.0 three-year limited-term positions and \$1.3 million in FY 2014-15, and \$1.261 million in FY 2015-16 and 2016-17 in order to increase monitoring and enforcement efforts within the Board.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

In 2012, the media highlighted instances of failures in the regulatory approach of the Board, and other medical professional entities within the state, that led to the death of individuals due to controlled substances. However, the Board currently lacks the capacity for a thorough review of licensees within the state that are not compliant with Board correspondence regulations. The Board intends on utilizing the requested positions to review data from the state's Controlled Substance Utilization Review and Evaluation System (CURES), which is a required reporting system for those that either prescribe or dispense controlled substances within the state. After reviewing data retrieved from the CURES database the Board will be better equipped to identify errant licensees.

This request is subject to a reporting requirement, per budget bill language, that will determine whether the requested positions have increased the enforcement capacity of the Board.

- **Enforcement Unit.** The Governor requests 2.0 permanent positions and \$185,000 to increase the Board's enforcement efforts.

This request would be subject to proposed Budget Bill Language that would require the program to report to the Legislature and the Department of Finance on the effectiveness of the proposal.

The Board has seen an increased growth in enforcement-related workload; the number of cases pending before the Attorney General since FY 2009-10 has grown 67 percent, and the number of citations issued by the Board has increased by 236 percent. The workload associated with the growth is no longer absorbable by Board staff.

- **Advanced Practice Pharmacist.** The Governor requests 3.0 three-year limited-term positions and \$390,000 for FY 2014-15, and \$338,000 for FY 2015-16 and FY 2016-17 to implement the provisions of SB 493 (Chapter 469, Statutes of 2013).

SB 493 created an “Advanced Practice Pharmacist” designation to be recognized by the Board, which allows a pharmacist to perform certain health care services. The Board estimates that approximately 2,100 pharmacists will apply for the designation.

- **Sterile Compounding.** The Governor requests 7.0 three-year limited-term positions and \$1.264 million in FY 2014-15 and \$1.208 million in FY 2015-16 and 2016-17 to support the provisions set forth in SB 294 (Emmerson), Chapter 565, Statutes of 2013.

SB 294, among other things, expands the types of compounded drugs for which a license is required. Additionally, the bill specifies that both resident and non-resident sterile compounding pharmacies must be licensed with the Board, and all licensed pharmacies are subject to an inspection. The Board anticipates that this will create an additional 700 inspections that will need to be performed annually.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve as budgeted.

1701 BUSINESS OVERSIGHT

ISSUE 12: NATIONAL MORTGAGE SETTLEMENT – FORECLOSURE EDUCATION AND OUTREACH PROGRAM

This proposal includes a one-time expenditure authority augmentation of \$500,000 (State Corporations Fund) in FY 2014-15, and \$500,000 (State Corporations Fund) in FY 2015-16, to assist homeowners who have been impacted by foreclosures.

BACKGROUND

In February 2012, the U.S. Department of Justice, the Department of Housing and Urban Development and 49 state attorneys generals signed the \$25 billion National Mortgage Settlement with five major mortgage services. As a signator of the 2012 National Mortgage Settlement, California received \$1 million in settlement funds to assist homeowners impacted by foreclosures. The Department of Business Oversight will use the funds to enhance consumer education and outreach to areas hardest hit by foreclosure.

The Department will organize events with strategic partners to inform borrowers of resources to avoid or mitigate foreclosure, increase communications about existing resources through the media, and enhance the Department's capacity to process foreclosure-related complaints.

STAFF COMMENTS

The Subcommittee may wish to ask what other states have implemented this program as well as how those programs are similar or different from California's approach?

Staff Recommendation: Approve as budgeted.

ISSUE 13: BROKER-DEALER AND INVESTMENT ADVISOR PROGRAM – EXAMINATION CYCLE

The Governor's budget includes 36.0 program positions and \$7.9 million over two years to enable the Department of Business Oversight, the Broker-Dealer/Investment Advisor (BDIA) program to examine a greater number of licensed broker-dealers and investment advisors. There is no General Fund impact, this will be paid from an annual renewal fee.

BACKGROUND

In July 2010, Congress passed the Financial Regulatory Reform Act, which promoted financial stability in the United States by improving accountability and transparency in the financial system, to protect taxpayers by ending bailouts, and to protect consumers from improper financial services practices. The law added additional licensees, larger licensees, and changed the 28-year exam cycle.

In 2013, SB 538 (Chapter 96, Statutes of 2013), provides authority to annually charge renewal fees for agents and representatives in order to generate revenues needed to improve exam periodicities. The Department plans to phase in the fee. The first year, the fee will be assessed at \$25 but over time, the fee may go up as high as \$35.

The fee will be used to establish examination cycles for investment advisors (4 years), broker-dealers' home offices (5 years), and broker-dealer branches (10 years). The cycles will ensure that all broker-dealers and investment advisors located in California will be examined on a prudent, regular basis.

STAFF COMMENTS

Staff has no concerns with this item.

Staff Recommendation: Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES

ISSUE 14: CAPITAL OUTLAY

This proposal requests \$2.5 million (General Fund) for the development of a long-range planning study for the Sacramento Region to determine and address the infrastructure deficiencies and space needs within the region. The study by the Department of General Services, will be used to develop detailed cost and scope information for future budget proposals.

BACKGROUND

Sacramento Area Inventory. DGS controls over 16 million net square feet (NSF) of state-owned and privately-owned leased general purpose office space in the Sacramento area, including 34 general purpose state-owned office buildings totaling 8 million NSF. Of the 34, 19 are over 25 years old with the majority in need of renovation or replacement due to fire and life safety and other code deficiencies.

DGS Activities. It is DGS practice to compile and maintain some information on the condition of existing state facilities. DGS compiles a five-year special repair plan every year, identifying proposed special repairs at state facilities. The Department also conducts infrastructure and site feasibility studies of individual buildings and sites. These studies provide detailed information on the condition of building systems, analyses and costs estimates for building renovations and replacement.

DGS also conducts various facility planning efforts. In 2008, DGS completed a Sacramento Region State Office Planning Study. The study focused on identifying opportunities for constructing one or more new state office buildings in the region, identified long-term state office space needs, examined opportunities for reuse of state-owned assets, and identified areas that could accommodate the development of state office space.

Governor's Proposal. The Governor is proposing \$2.5 million from the General Fund for a long-range planning study for the Sacramento region. The proposal includes the following:

- **Facility Condition Assessment.** \$1.3 million to fund facility condition assessment of all existing state facilities in the Sacramento region
- **Project Sequencing Plan.** \$700,000 to rank potential office construction and renovation projects and to create a plan for the sequencing of projects
- **Funding Plan.** \$250,000 for an economic analysis and funding plan for the top priority projects identified in the sequencing plan

- **Updated Office Planning Study.** \$50,000 to update the 2008 Sacramento Region State Office Planning Study
- **Administration.** \$200,000 for staff administration

LEGISLATIVE ANALYST'S OFFICE

The LAO recommends the following:

- Only approve \$1.5 million for the office planning study update and facility condition assessments components of the Governor's proposal
- Use the Service Revolving Fund rather than the General Fund
- Reject \$1 million in funding for the sequencing and funding plan components
- Request DGS report at budget subcommittee hearings on its plan for ongoing facility condition assessments

STAFF COMMENTS

Last August, the Subcommittee held a hearing on the Board of Equalization Building, and at that hearing we heard numerous issues with that specific building. How does this request for a downtown capital outlay program address the issues associate with that building? Why is the Administration looking at this project in tandem with the downtown area as opposed to working to address the BOE building specifically?

Staff understands the LAO's concern about funding the Capital Outlay study with funds from the Service Revolving Fund, but also understands that ultimately the funds will come from the General Fund. There are other instances when the Legislature has assigned special projects that may fall under the Service Revolving Fund but have been funded through the General Fund.

Additionally, because the importance of deciding the best course of action for the BOE building, staff disagrees with the LAO approach to fund only \$1.5 million of the project. It is important not to delay a solution for some of the downtown properties any further and phasing the funding could potentially delay the project.

Finally, the Subcommittee may wish to inquire about a timeline for the planning study to get a better understanding of how that timeline will affect any action on the BOE building.

Staff Recommendation: Approve as budgeted.

ISSUE 15: OTHER DGS BUDGET PROPOSALS

The Governor's budget includes five additional budget proposals for the Department of General Services

BACKGROUND

The Governor's Budget includes five additional budget proposals for DGS:

1. Mercury Cleaners

The Governor's budget includes one-time General Fund augmentation of \$1.0 million in FY 2014-15 to fund preliminary work related to site remediation for state-owned property located at 1419 16th Street, Sacramento.

The Governor submitted a Spring Finance Letter that modified the original request to include an additional \$2.7 million in (General Fund) for the parcel. This increases the total General Fund request to \$3.7 million.

The State of California owns the real property site known as Mercury Cleaners located at 1419 16th Street, Sacramento, since 1967. DGS acts as the real estate manager for the site, and the Capital Area Development Authority (CADA), a statutorily created joint powers authority between the State and the City of Sacramento, leases the land from the state at no-cost under a long-term ground lease. The site has been used by a commercial dry-cleaning business since 1947.

An environmental assessment has been conducted at this location, and it was determined that dry cleaning solvents were found in the soil. DGS is currently in voluntary compliance, which includes the development of a remediation plan. Without remediation of the site, there is an ongoing risk of exposure to solvents by residents in the area, as well as an adjacent daycare facility. Should the state not abate the condition of the site, it could be in violation of the Porter-Cologne Water Quality Control Act, and could be cited and fined substantially for non-compliance.

DGS stated that if the State is found in non-compliance with the Porter-Cologne Water Quality Control Act it may be fined up to \$15,000 a day, totaling \$5.5 million a year.

2. Office of Administrative Hearing staffing

The Governor's budget requests an augmentation of \$1.8 million from the Service Revolving Fund and 19.0 positions beginning in FY 2014-15 within the Office of Administrative Hearings (OAH).

The OAH provides administrative law judges (ALJ) to hear disputes for over 1,500 state and local agencies. The OAH conducts adjudicatory hearings, prehearing and settlement conferences, and mediations. Recently, OAH's hearing workload has increased, and the number of permanent positions that support the OAH have

decreased. The increase in workload and decrease in staffing have limited OAH's ability to meet its goal of setting cases for hearings within 120 days.

3. Intellectual Property Enforcement.

The Governor proposal requests a permanent augmentation of \$393,000 (Service Revolving Fund) in 2014-15 and \$319,000 (Service Revolving Fund) in FY 2015-16, and ongoing, and 2.0 permanent positions in order to implement the provisions of AB 744 (Chapter 463, Statutes of 2012).

A report issued by the Bureau of State Audits (BSA) found that a number of state agencies are not sufficiently knowledgeable about the Intellectual Property that they own to act against individuals and entities that use the state's Intellectual Property inappropriately, including profiting from products developed at state expense and claiming rights to state developed inventions. The report also noted that statewide guidance was limited.

AB 744 requires DGS to carryout various powers and duties relating to assisting a state agency in the management and development of intellectual property developed by state employees or with state funding, including, among other duties, developing a database of state-owned intellectual property using specified data starting January 1, 2015. DGS currently does not have a subject matter expert on Intellectual Property, and will be reliant on external consultants to create and maintain the program.

4. Electric Vehicle Charging Stations

This proposal requests reimbursement authority of \$1 million in FY 2014-15 and \$600,000 in FY 2015-16 to install additional electric vehicle supply equipment in DGS' parking facilities statewide that do not currently have the equipment.

According to the Green Building Action Plan, a detailed implementation actions plan that accompanies Executive Order B-18-12, all departments are responsible to pursue opportunities to provide electric charging stations, and DGS is specifically tasked with evaluating existing state-owned parking structures and parking lots, and charged with the installation of plug-in electric vehicle charging infrastructure.

Since 2012-13, DGS has deployed 65 electric vehicle supply equipment (EVSE), and DGS is positioned to effectively install a significant number of additional EVSEs. Most of DGS' parking facilities do not currently have EVSEs in place.

5. Sale-Leaseback of State Property.

AB x4 22 (Chapter 20. Statutes of 2009), provided DGS with \$3.148 million (Property Law Money Account) in order to prepare state-owned properties for sale. The amount was approved for the following properties:

- Long Term Lease \$157,000
- Sale of Orange County Fairgrounds \$313,000

- Sale Leaseback of State-owned buildings \$2,678,000

Ultimately, the Administration chose not to go forward with the sale and leaseback of the state-owned buildings. Shortly thereafter, a lawsuit was filed against the state alleging that the transaction should move forward and that the cancellation of the sale by the state led to damages and lost profits. DGS has sought external legal counsel to represent the state.

The majority of the \$3.148 million that was appropriated as part of AB x4 22 was used for the preparation of the property sale prior to the lawsuit being filed. DGS has redirected some funds to support legal costs, but, as a fee-for-service state entity, they lack the capacity to absorb the requested funds. This request also includes budget bill language that will allow for the reappropriation of any unexpended funds in FY 2013-14 be made available for encumbrance or expenditure until June 30, 2015.

LEGISLATIVE ANALYST'S OFFICE

The LAO has noted that while the proposal regarding the Office of Administrative Hearings will increase of permanent ALJ's, it only represents a modest increase in the overall number of ALJ hours. The LAO has commented that the current magnitude of the current delays at the OAH and the existing caseload growth may limit the ability of this proposal to address the issue of backlogs.

Furthermore, the LAO found that this proposal is not targeted to any one particular office that OAH operates (Sacramento, Oakland, Los Angeles, Van Nuys, and San Diego). The scheduling time frames for each office varies, and this request does not seem to take that into account.

The LAO recommends approving the proposed staffing changes and also recommends the adoption of reporting requirements related to caseload and hearing timeframes. Specifically, the LAO recommends that the reporting requirements be delineated by agency, hearing location, and case type.

STAFF COMMENTS

Staff agrees with the LAO regarding reporting requirements and recommends Supplemental Reporting Language that would provide data on the agency, hearing location, and case type on OAH's annual caseload.

Staff Recommendation: Approve as budgeted for the five proposals, approve Spring Finance Letter (to adjust the Mercury Cleaner request), and Adopt Supplemental Reporting Language for Office of Administrative Hearings caseload.
