

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

THURSDAY, MAY 17, 2018

UPON ADJOURNMENT OF SESSION - STATE CAPITOL, ROOM 447

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ITEMS FOR VOTE-ONLY

0890 SECRETARY OF STATE

VOTE-ONLY ISSUE 1: VOTING SYSTEM REPLACEMENT FOR COUNTIES

The Secretary of State (SOS) requests \$134.3 million General Fund to help fund the replacement of county voting systems. This would provide funding for hardware, software, licenses and peripherals.

BACKGROUND

Counties administer most elections in California and bear the cost of administering state and federal elections. The Secretary of State is the state's chief elections official and oversees the administration of elections across the state, including certifying voting equipment that may be used in California elections.

Voting Equipment Needs to Be Updated. The Legislative Analyst's Office found in March 2017, that antiquated voting equipment and systems are used in most California counties. Not only are there performance concerns, these outdated systems pose a serious security risk, both of which can lead to a catastrophic failure during an election.

State and Federal Funding Provided In the Past. The federal Help America Vote Act of 2002 (HAVA) and Proposition 41 - the Voting Modernization Bond Act of 2002 (VMB) passed by the California voters, provided the SOS and the 58 counties with funding for voting systems. The different funding sources were:

- VMB: Certified Voting Systems - \$200 million state funds provided to counties.
- HAVA Section 102: Replacement of Punch Card or Lever Voting Machines - \$57.3 million Federal funds issued to counties as grants.
- HAVA Section 301: General Election Technology - \$195 million Federal funds issued to counties as reimbursements. Counties have \$32 million remaining for these purposes.

Both HAVA and VMB required a 3:1 match resulting in the counties paying for 25 percent of the cost of all purchases. Most counties used their funding allocations to purchase new voting equipment prior to the 2006 election cycle.

Vote Center Model of Voting. Under SB 450 (Allen, Chapter 832, Statutes of 2016), counties may replace the precinct model with a new "vote center" model. Rather than opening thousands of polling places, implementing counties will be required to open a certain number of vote centers (based on population). Vote centers will be similar to polling places, but will offer more services than polling places and be open for more days. In addition, under the vote center model, *all* registered voters will receive a vote-

by-mail ballot, not just those who have opted to do so. SB 450 allows 14 specific counties to implement the vote center model in 2018. Currently, five counties are on track to implement the new model for the 2018 election. The remaining counties may implement the model for the 2020 election.

Governor's Budget Provides Counties \$134 Million for Voting Equipment. The Administration estimates that providing \$134 million would cover half of the cost to update all counties' voting equipment. This estimate assumes counties with more than 50 precincts implement the vote center model. (The Administration's estimate assumes that 12 northern, rural counties would maintain polling places. The cost of equipment for the vote center model in these counties is roughly equivalent to the cost of equipment for the polling places model.) Counties that recently updated their voting equipment would be eligible for some reimbursement. The Governor's proposal does not require counties to implement the vote center model to receive funding.

STAFF COMMENTS

This item was previously discussed in Subcommittee No. 4 on April 17, 2018.

Staff recommends approving the \$134 million and adopting placeholder trailer bill language to guide the expenditure of these funds.

Staff Recommendation: Approved as Budgeted and Adopt Placeholder Trailer Bill Language.

VOTE ONLY ISSUE 2: CYBER SECURITY PROGRAM ENHANCEMENT

The May Revision proposes an augmentation of \$1.0 million (\$759,000 Business Fees Fund and \$251,000 in General Fund) in 2018-19 of which \$805,000 (\$605,000 Business Fees Fund and \$200,000 General Fund) is ongoing and one permanent position to proactively address information security and cyber security vulnerabilities and threats.

BACKGROUND

To meet the demands of customer needs for online services, the SOS has expanded its reliance on IT and automation. While the use of technology has greatly benefited the business programs areas and Californians who do business at the SOS, the SOS along with many other California departments and agencies, is in need of resources to effectively and proactively mitigate vulnerabilities associated with the significant increase of cyber-security threats. Industry security experts and government agencies caution that this growth will continue as nation-state actors play an increasing presence in this market. The SOS recognizes the need to increase the ability to protect itself from compromise, and respond effectively, timely and proactively in the event of any breach. This proposal includes:

- \$160,000 for 2018-19 and \$155,000 ongoing for one Systems Software Specialist III responsible for administering the SOS cyber security tools;
- \$125,000 ongoing to fund the re-classification and upgrade of existing positions needed to administer and support the SOS complex IT eco-systems;
- \$50,000 ongoing to fund the necessary training needed to administer and support the SOS complex IT eco-systems;
- \$200,000 for 2018-19: a one-time cost for contracted services to implement security/risk solution(s); and
- \$475,000 ongoing for annual security/risk solutions licensing/subscription for vulnerability assessments, continuous network monitoring security tools to provide essential cyber security protection.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Proposed.

VOTE ONLY ISSUE 3: CAL-ACCESS REPLACEMENT PROJECT

The May Revision proposes one-time funding of \$14.8 million General Fund and 7.0 positions and an increase of \$1 million from the Political Disclosure, Accountability, Transparency, and Access Fund to continue the design and development of a Cal-ACCESS replacement system. This request continues funding for the 2.0 positions received in 2017-18, provides 5.0 additional positions, and contracted services.

BACKGROUND

SB 1349 (Hertzberg, Chapter 845, Statutes of 2016) requires the Secretary of State (SOS), in consultation with the Fair Political Practices Commission (FPPC), to develop and certify for public use a new online filing and disclosure system for statements and reports that provides public disclosure of campaign finance and lobbying information in a user-friendly, easily understandable format. SOS anticipates selecting a prime contractor by January 2018. The bill requires the SOS to make the online filing and disclosure system available for use no later than February 1, 2019, but permits the SOS to extend this date to no later than December 31, 2019.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Proposed.

8955 DEPARTMENT OF VETERANS AFFAIRS**VOTE-ONLY ISSUE 4: VETERAN'S HOME OF CALIFORNIA, YOUNTVILLE-SKILLED NURSING FACILITY**

The budget proposes \$15.7 million General Fund for the preliminary plan phase for a new skilled nursing facility (SNF) at the Veterans Home of California, Yountville.

April Finance Letter Update. The Administration replaces the preliminary plan funding request in the Governor's budget with a request for \$7.1 million General Fund for the performance criteria phase of the project which reflects a shift of the delivery method from design-bid-build to design-build. Total project costs are estimated to be \$293.5 million (\$7.1 million performance criteria and \$286.4 million design build).

BACKGROUND

California operates eight veterans homes that provide residential or long-term care services to about 2,500 veterans. The services provided at the homes range from independent living-style domiciliary care to intensive skilled nursing services and memory care for residents with dementia and/or mental impairment. Funding for the veterans homes primarily comes from the General Fund (proposed to be \$352 million in 2018-19), which is partially offset by federal funds and member fees (estimated to be \$120 million total in 2018-19).

CalVet Currently Working on a System-wide Master Plan for the Homes. CalVet is required to develop a system-wide Master Plan for the veterans homes by July 1, 2019. Key components of the master plan include (1) an assessment of current demand for services, (2) projecting future long-term care needs of California's veterans, and (3) determining how to align the veterans homes system to meet current and future demand across all levels of care. CalVet was provided 2.0 temporary positions in 2017-18 to work on the master plan.

Proposal. The new SNF and memory care facility at Yountville would largely replace the existing SNF and memory care unit with approximately the same number of beds. No decision has been made as to the future uses of the current facilities following the completion of the new facility). The Administration's main reasons for replacing Yountville's SNF and memory care facility are:

- **Current Facilities Make It Difficult to Provide High Quality Care.** The current facilities' design makes it difficult to administer high quality care to residents. Additionally, the current SNF is an institutional setting with very limited gathering spaces that can be used for dining or social activities—making it difficult to provide residents with the more home-like setting that is common in the newer veterans homes and preferred for long-term care services today.

- ***Current SNF Building Is Costly to Maintain and Operate.*** The current SNF requires frequent and costly maintenance due to its age (constructed in 1932).
- ***A 2013 Plan for Yountville Veterans Home Included SNF Replacement.*** In 2013, CalVet released a multiyear facilities plan specific to the Yountville veterans home. This plan included (1) constructing a new SNF and memory care facility, (2) converting existing buildings to Residential Care Facilities for the Elderly (RCFE), and (3) constructing additional RCFEs.

STAFF COMMENTS

This item was previously discussed in Subcommittee No. 4 on April 17, 2018.

Staff Recommendation: Approve the April Finance Letter.

**1111 DEPARTMENT OF CONSUMER AFFAIRS
2320 DEPARTMENT OF REAL ESTATE****VOTE-ONLY ISSUE 5: SB 173 RELATED PROPOSALS (JAN BUDGET AND APRIL FINANCE LETTER)**

The Governor's budget includes two proposals related at the Department of Consumer Affairs (DCA) and the Department of Real Estate's implementation of SB 173 (Dodd, Chapter 828, Statutes of 2017) and its assessments for services it provides, also known as "pro rata".

- **Bureau of Real Estate (SB 173) (Governor's January Budget).** The budget request includes:
 - A reduction of 11.0 positions and \$1.25 million Real Estate Fund to implement SB 173.
 - For the new Department of Real Estate (DRE) position authority for 18.0 positions and \$1.8 million Real Estate Fund in 2018-19 and ongoing for Human Resources, Fiscal/Budget, and Legislative/Publications functions.
 - \$1 million in Real Estate Fund authority to fund administrative services DCA provides as DRE transitions in 2018-19.
 - An appropriation of \$240,000 from the Real Estate Fund for the Business, Consumer Services and Housing Agency (Agency) costs, which were previously provided through an interagency agreement with DCA.
- **SB 173 Technical Reduction (April Finance Letter).** Reduces the cost of DCA's centralized services by \$776,000 and 5.0 positions to adjust for decreased workload from SB 173. This proposal will result in a total reduction of 15.0 positions and \$2.3 million that will be phased in over three years.

BACKGROUND

The California Bureau of Real Estate (CalBRE) licenses over 400,000 persons in California. A 2016 sunset review hearing discussed various issues with the CalBRE and highlighted that since the reorganization in 2013 that eliminated CalBRE as a stand alone department and moved it under DCA, CalBRE appears to be lacking in the receipt of some key services like human resources support and management direction. In addition, CalBRE noted that purchase orders, IT orders, contract payments, employee reimbursement, and miscellaneous human resources requests have been skipped or have not been processed since the DRE became the CalBRE. Moreover, information shared by DCA, in connection with the sunset review hearing, shows that the cost to operate the CalBRE increased by about \$3.6 million annually, from about \$6.7 million in 2011-12 to \$10.3 million in 2016-17.

The sunset review hearing also found that since 2013-14 the cost of services provided by DCA, known as pro rata, to CalBRE had more than doubled, even though the CalBRE functions primarily as an independent entity. In 2013-14 the pro-rata charges that the CalBRE paid to DCA was approximately \$1.83 million. In 2016-17 it was estimated that CalBRE would pay roughly \$5.20 million to DCA.

SB 173, as of July 1, 2018, removes CalBRE from DCA and instead makes it the Department of Real Estate within the Business, Consumer Services, and Housing Agency. A main rationale for SB 173 was a concern about the high and quickly growing charges that CalBRE was being assessed by DCA.

Concerns About DCA's Pro Rata Have Been Longstanding. DCA reports that it allocates the costs of many of its services—such as training, legal, fiscal, human resources, and publications—proportionally among its boards and bureaus based on the number of authorized positions at each entity. However, for other DCA services—such as the use of some investigative services, correspondence, and professional examination development services—DCA allocates costs based on measures of usage by the boards and bureaus.

In the past, concerns have been raised that DCA's methods of allocating pro rata might not result in a fair allocation of costs among the boards and bureaus, including that some entities might be paying for services they are not receiving. In response to these concerns, the Legislature passed SB 1243 (Lieu, Chapter 395, Statutes of 2014), which required DCA to report annually by July 1 on the pro rata calculation of administrative expenses. SB 1243 also required DCA to conduct a study of its current system for prorating administrative expenses. The 2015 report recommended that DCA explore several alternative approaches to calculating pro rata, including activity-based costing, which more directly ties charges to the use of services such as by charging hourly rates. However, the report also noted that moving to a system such as activity-based costing is hampered due to DCA's lack of past client usage and workload data and systems to capture such data. To date, DCA does not appear to have made significant modifications to its process for distributing its administrative costs.

STAFF COMMENTS

This item was previously discussed in Subcommittee No. 4 on April 17, 2018.

To increase transparency and accountability about how much boards and bureaus are charged for the centralized services they receive, staff recommends that DCA's Centralized Services go through an Organizational Change Management (OCM) assessment similar to that which DCA is requiring many of its boards and bureaus to go through. DCA's Administrative and Information Services Division consists of the Executive Office, Equal Employment Opportunity Office, Internal Audits, Legal Affairs, Legislative & Regulatory Review, SOLID Training & Planning Solutions, Information Security, and the Office of Administrative Services, which consists of Fiscal Operation-Budgets, Accounting, Cashiering, Business Services Office, and Office of Human Resources. According to the Department of Finance, each of these are unique business processes that would need to be reviewed and the process would take a number of years to complete and would require two additional staff positions at a cost of about

\$242,000. Both Assembly and Senate budget staff would work with DCA and DOF to prioritize which functions would undergo an OCM review first.

In addition, staff recommends that the policy committee be directed to adopt into the DCA Omnibus language that adds as part of DCA's annual sunset review process that DCA be required to report on the efficiencies/cost savings it has achieved and the actions it plans to take in the future to ensure costs for centralized services are reasonable, equitable, and meet the needs of DCA's boards and bureaus.

Finally, staff recommends the Subcommittee approve the Bureau of Real Estate budget request and the April Finance Letter SB 173 Technical Reduction.

Staff Recommendation:

- 1) Adopt provisional language requiring DCA to conduct Organizational Change Management reviews of its Centralized Services and provide funding (\$242,000 special funds) for two years for two positions to perform this work. The Assembly and Senate will work with the department and the Administration to prioritize which services to review first,**
 - 2) Direct the policy committees to require annual reporting on efficiencies achieved as part of DCA's sunset review process; and**
 - 3) Approve the Bureau of Real Estate budget proposal and the April Finance Letter SB 173 Technical reduction.**
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8620 FAIR POLITICAL PRACTICES COMMISSION**VOTE-ONLY ISSUE 6: ADVERTISEMENT DISCLOSURE AND EARMARKING OF FUNDS (AB 249)**

The Subcommittee No. 4 approved this request on April 17, 2018. The proposed action would direct the FPPC to report to the Legislature on workload metrics.

BACKGROUND

On April 5, 2018, hearing the Senate Subcommittee No. 4 directed the LAO to review the FPPC's budget and workload to determine if the commission receives sufficient resources. The LAO published an online analysis of the FPPC on May 7, 2018. The LAO determined that the annual reports published by the commission do not provide sufficient information for oversight. There are no data presented in the report that indicate that FPPC accomplishes its work in a timely manner or that it meets public demand for advice and information. With the current information available, the LAO found it difficult to determine whether FPPC's current staffing and appropriation levels are sufficient. The LAO recommends the Legislature adopt the following language be added to Item 8260-001-0001 of the budget act.

Provisions:

1. Not later than January 10 of each year, the Fair Political Practices Commission shall report workload metrics to the fiscal committees of the Legislature, the Legislative Analyst's Office, and the Department of Finance. When possible, the report shall provide data for the past five fiscal years and distinguish workload by division. The report shall include, but not be limited to, the following:

(a) Data collected regarding enforcement of the Political Reform Act of 1974. These data shall include, but not be limited to, the number of complaints received, the number of referrals received, the number of cases opened, the number of cases with resolutions approved by the Commission (distinguished by streamline, mainline, and default cases approved by the Commission), total fines imposed by the commission, the number of warning letters issued, the number of administrative terminations, the number of cases closed with violations found, the number of advisory letters issued, the number of no action closure letters issued, and the average case pendency by category of violations under the act.

(b) Data collected from the advice phone system. These data shall include, but not be limited to, the average amount of time people wait on the phone before their call is answered and the average length of accepted calls.

(c) Data regarding informal advice issued by email. These data shall include, but not be limited to, the number of emails received, the number of advice emails responded to within 24 hours from receipt, and the number of advice emails responded to after more than 24 hours from receipt.

(d) Data regarding responsiveness to public demand for information. These data shall include, but not be limited to, the number of workshops or presentations requested by the public or a public agency and the number of workshops or presentations performed.

(e) Data regarding advice letters issued pursuant to Section 83114 of the Government Code. These data shall include, but not be limited to, the number of advice letters issued and the number of instances where it took the Commission longer than 21 days to issue an advice letter.

(f) Data regarding advice letters issued pursuant to Section 1090 of the Government Code. These data shall include, but not be limited to, the number of advice letters issued, the number of instances where it took the Commission longer than 30 days to issue an advice letter, and the number of instances where it took the Commission longer than 90 days to issue an advice letter.

STAFF COMMENTS

Staff recommends to Committee adopt the proposed provisional language to help the Legislature assess if the FPPC accomplishes its work in a timely manner or if it meets public demand for advice and information.

Staff Recommendation: Adopt the Proposed Provisional Language.

0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY**VOTE-ONLY ISSUE 7: CAEATFA ADMINISTRATION OF THE CA HUB FOR ENERGY EFFICIENCY FINANCING (CHEEF) PILOT PROGRAM**

CAEATFA requests reimbursement and expenditure authority in the amount of \$8.2 million for 2018-19, and available through 2020-21, to carry out its function as the administrator of the California Hub for Energy Efficiency Financing (CHEEF) on behalf of the PUC. This program is funded with ratepayer funds that have been approved and authorized by the PUC in a total amount of \$15.36 million.

BACKGROUND

This item was heard at the March 6, 2018, hearing.

In 2013, CPUC authorized the investor-owned utilities (IOUs) to collect ratepayer funds that would be used to support new energy efficiency financing pilots. CPUC also selected CAEATFA as the administrator of the program. The pilots are intended to implement and evaluate strategies to encourage individuals and businesses to install energy efficiency technologies by reducing the risk to private lenders and reducing the upfront costs of energy efficiency retrofit projects. The pilots involve some combination of (1) credit enhancements to lenders—such as loan loss reserves that cover some losses if borrowers do not fully repay loans—and/or (2) the option for customers to repay their loans on their monthly utility bill (known as on-bill repayment, or OBR).

STAFF COMMENTS

This item was heard on March 6, 2016, agenda.

Staff recommendation is to modify the proposal to grant CAEATFA special reimbursement authority over a three-year period as follows: \$3.6 million in 2018-19; \$3 million in 2019-20; and \$1.6 million in 2020-21. Adopt BBL that gives DOF the ability to increase annual CAEATFA spending authority (but not to exceed the full budget authority requested over the three years), with a 30-day notification to the JLBC, if a change in the expected pilot timelines results in annual costs that exceed CAEATFA's annual budget authority.

This action is identical to the Senate action.

Staff Recommendation: Adopt Staff Recommendation..

0950 STATE TREASURER'S OFFICE**VOTE-ONLY ISSUE 8: INFRASTRUCTURE SUPPORT AND SUSTAINABILITY**

The budget proposes a General Fund appropriation of \$450,000 in 2018-19, and \$400,000 ongoing, to align the Department's information technology infrastructure budget with its recent growth in resources. These costs include ongoing costs associated with additional training and travel for STO's IT staff, software licenses to support core IT operations, and STO's data transparency efforts.

BACKGROUND

This item was heard at the March 6, 2018, hearing.

STO distributes the costs of IT services, including infrastructure licensing and technical training to all of STO's primary business divisions and the Boards, Commissions, and Authorities (BCAs). In a 2015-16 Spring Finance Letter (SFL), STO requested expenditure authority from the BCAs to fund (note; special funds only, no GF) eleven new positions in the ITD to meet the workload growth in demand for personnel supporting enterprise computing services and advanced application delivery. As noted in the SFL, a technology-personnel true-up had not been undertaken since 2007, while computing service delivery requirements grew exponentially.

LAO COMMENTS

LAO recommends that the Legislature modify the proposal to fund the augmentation through the various funds associated with the BCAs and STO rather than exclusively from the General Fund.

LAO does not have any concerns with the resources or amount included in the request.

STAFF COMMENTS

Staff recommends adopting the General Fund appropriation of \$450,000 in 2018-19 and rejecting the ongoing funding. DOF plans to do an assessment of the IT services for STO. Staff believes that under this evaluation, DOF should determine what is a fair distribution of costs between General Fund and what the boards and commissions should pay moving forward.

Staff Recommendation: Adopt Staff Recommendation

0840 STATE CONTROLLER'S OFFICE**VOTE-ONLY ISSUE 9: CA IDMS LICENSING**

The SCO requests the following funding to support the increased costs associated with maintaining the Computer Associates (CA) Integrated Database Management System (IDMS) and to support positions to develop a migration pilot to remove five core systems off of the CA-IDMS.

- 2018-19: \$5,686,000 (\$2,387,000 GF; \$2,189,000 SF; \$1,110,000 Reimbursement) and 4.0 permanent positions and 1.0 LT positions
- 2019-20: \$5,649,000 (\$2,370,000 GF; \$2,170,000 SF; \$1,109,000 Reimbursement) and 4.0 permanent positions and 1.0 LT positions
- 2020-21 through 2022-23: \$5,522,000 (\$2,298,000 GF; \$2,115,000 SF; \$1,109,000 Reimbursement) and 4.0 permanent positions
- 2023-24 and ongoing: \$522,000 (\$232,000 GF; \$276,000 SF; \$14,000 Reimbursement) and 4.0 perm positions

BACKGROUND

This item was heard on March 6, 2018. Staff was waiting to see if the contract with CDT would be complete before approving the budget bill language. Since the contract isn't complete, staff recommends to adopt the proposal as budgeted.

PROPOSED BUDGET BILL LANGUAGE

"The Department of Finance may adjust the amounts authorized under this item, as well as items 0840- 001-0970 and 0840-001-9740, upon execution of new contract terms for the Computer Associates (CA) - integrated Database Management System (IDMS), to reflect final IDMS contract costs if the costs are higher or lower than the amount budgeted. No adjustment shall be made pursuant to this provision prior to a 30-day notification in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations."

STAFF COMMENTS

The resources will allow the SCO maintain their database and allow SCO to start planning for the future through a pilot program. Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

VOTE-ONLY ISSUE 10: HOUSING FOR HEALTHY CALIFORNIA (AB 74) AND TRAILER BILL LANGUAGE

HCD requests \$450,000 in 2018-19, \$927,000 in 2019-20, \$477,000 in 2020-21, and \$343,000 ongoing from the Federal Trust Fund to implement AB 74 (Chapter 777, Statutes of 2017). The request includes authority for two positions, an interagency agreement with the Department of Health Care Services (DHCS), and a contract with an independent evaluator in 2019-20.

BACKGROUND

AB 74 requires HCD to re-design the NHTF Program and re-establish it as the Housing for Healthy California Program on or before January 1, 2019. The purpose is shifting from assisting new construction of permanent housing for extremely low-income households, to providing supportive housing opportunities for persons experiencing homelessness. AB 74 requires the distribution of NHTF funds for permanent supportive housing as either competitive grants to counties for capital and operating assistance or as direct awards to developers for operating reserve grants and capital loans, or both. Legislation also requires HCD to coordinate with DHCS to collect data, report outcomes, and prepare evaluations/annual adjustments for three years to the federal allocation plan starting in August 2018 to meet program goals.

TRAILER BILL LANGUAGE

This proposal includes trailer bill language to authorize its federal program to charge monitoring fees, and deposit the fees into the Housing Rehabilitation Loan Fund (Fund 0929)

STAFF COMMENTS

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

Staff Recommendation: Approve as budgeted and placeholder trailer bill language.

VOTE-ONLY ISSUE 11: VETERANS HOUSING AND HOMELESS PREVENTION PROGRAM

HCD requests \$370,000 in 2018-19 and \$350,000 ongoing from the Housing for Veterans Fund for two positions to execute loan closings and mitigate litigation costs related to the Veterans Housing and Homelessness Prevention Program (VHHP).

BACKGROUND

In 2008, California voters approved the Veteran's Bond Act of 2008 (Proposition 12), a \$900 million general obligation bond intended to help veterans purchase single family homes, farms, and mobile homes through the CalVet Home Loan Program. AB 639 (Chapter 727, Statutes of 2013), restructured the Veteran's Bond Act of 2008, authorizing \$600 million in existing bond authority to fund multifamily housing for veterans, with 50 percent serving extremely low-income veterans.

California authorized \$600 million in bond authority to be repurposed to fund multifamily housing for veterans through Proposition 41, the Veterans Housing and Homelessness Prevention Bond Act of 2014. Approved by California voters on June 3, 2014, Proposition 41 authorized \$600 million in state general obligation bonds to fund affordable multifamily rental, supportive and transitional housing for veterans through VHHP. After setting aside funds for bond issuance costs, default reserves, and program administration, approximately \$540 million is available for development assistance and operating subsidies for veterans' rental housing. Since VHHP's implementation in 2014, HCD has issued three rounds of Notice of Funding Available (NOFAs) and awarded \$241.7 million in local assistance for the development, assistance, and operating subsidies for veterans' rental housing. This has funded 2,019 units to support over 3,052 homeless veterans with permanent housing and supportive services.

STAFF COMMENTS

This item was heard on April 3, 2018. The resources included in this request will ensure that HCD has the appropriate staff to execute loan closing costs. The Subcommittee may wish to ask HCD to explain why in 2017-18, the VHHP schedule has a 14 month NOFA schedule.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 12: ROBERTI AFFORDABLE SALES PROGRAM

The budget requests a baseline increase in reimbursement authority of \$370,000 in 2018-19, and \$350,000 ongoing, for staffing expenses to ensure the sale of Department of Transportation (Caltrans) surplus property is maintained as affordable housing. This proposal supports Caltrans administration of the "Roberti Act" Affordable Sales Program on the State Route 710 corridor.

STAFF COMMENTS

This item was heard at the April 3, 2018, hearing. There were no concerns.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 13: TRANSACTION UNIT FUND SHIFT

The budget requests a net-zero technical shift of \$1,894,000 in expenditure authority among funds to continue workload in the Transactions Unit to restructure and extend previous loans. This request is a net-zero change that moves funds from the Roberti Affordable Housing Fund, the California Earthquake Safety and Housing Rehabilitation Bond Account, and an account within the Housing Rehabilitation Loan Fund to the general Housing Rehabilitation Loan Fund.

STAFF COMMENTS

This item was heard at the April 3, 2018, hearing. There were no concerns.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 14: MOBILEHOME PURCHASE PROGRAM TECHNICAL ASSISTANCE (SB 136)

The budget requests \$161,000 in 2018-19, and \$151,000 ongoing from the Mobilehome Park Rehabilitation and Purchase Fund for one position to oversee technical assistance grants with potential applicants of the Mobilehome Park Rehabilitation and Resident Ownership Program (MPRROP), pursuant to SB 136 (Leyva), Chapter 766, Statutes of 2017.

STAFF COMMENTS

This item was heard at the April 3, 2018, hearing. There were no concerns.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 15: MOBILEHOME RELEASE OF LIABILITY (SB 542)

The budget requests \$289,000 in 2018-19, and \$259,000 ongoing, from the Mobilehome and Manufactured Home Revolving Fund for three positions to implement the notice of transfer and release of liability provisions of SB 542 (Leyva), Chapter 832, Statutes of 2017.

STAFF COMMENTS

This item was heard at the April 3, 2018, hearing. There were no concerns.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 16: TRAILER BILL LANGUAGE: LONG-TERM MONITORING AND DEFAULT RESERVES

The budget requests \$322,000 from the Housing Rehabilitation Loan Fund (0929), 2.0 positions to award funds previously held as default reserves, and 2.0 positions for long-term monitoring for the Veterans Housing and Homelessness Prevention Program (VHHP) and Affordable Housing and Sustainable Communities (AHSC) portfolio. This request includes trailer bill language intended to streamline the administration of long-term monitoring, provide consistency across all rental programs, and decrease the risk of default of affordable housing projects.

BACKGROUND

SB 1121 (Chapter 67, Statutes of 1999), authorized the Multifamily Housing Program (MHP) financing model, in which HCD provides permanent financing for rental housing projects with an affordability requirement of 55-years. The MHP model includes a required annual 0.42 percent interest payment on the loan principal to fund HCD's long-term monitoring efforts. Since 1999, all of HCD's new rental housing construction programs operate under this MHP financing model.

TRAILER BILL LANGUAGE

HCD proposes trailer bill language to streamline the administration of long-term monitoring, provide consistency across all rental programs, and decrease the risk of default of affordable housing projects. Specifically, the trailer bill language will do the following:

- Memorialize authority to collect 0.42 percent monitoring fee for 55-year monitoring activity and establish default reserve accounts for three additional programs.
- Authorize deposits of the 0.42 percent interest monitoring fee, interest, and loan repayments into the Housing Rehabilitation Loan Fund (Fund 0929).

- Allow default reserve funds to be used without program designation restrictions and reduce the risk level of the entire portfolio.

STAFF COMMENTS

This item was heard at the April 3, 2018, hearing. There were no concerns.

Staff Recommendation: Adopt Trailer Bill language

VOTE-ONLY ISSUE 17: AFFORDABLE HOUSING AND SUSTAINABLE COMMUNITIES PROGRAM

The budget requests \$2,782,000 in 2018-19 and \$2,622,000 ongoing from the Greenhouse Gas Reduction Fund (GGRF) for 16.0 positions to implement the later phases of the Affordable Housing and Sustainable Communities (AHSC) program.

BACKGROUND

The AHSC program was established by SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, which sought to further the purposes of AB 32 (Nunez), Chapter 488, Statutes of 2006, the Global Warming Solutions Act of 2006, and SB 375 (Steinberg), Chapter 728, Statutes of 2008, the Sustainable Communities and Climate Protection Act of 2008. The program provides funding for housing and transportation projects that support in fill and compact development. These projects reduce greenhouse gas (GHG) emissions through the reduction of the number of miles individuals drive each day, or vehicle miles traveled (VMT). HCD implements the program under the guidance of the Strategic Growth Council (SGC) and the Air Resources Board (ARB).

The program is funded through the GGRF. Funding for the AHSC program is provided through a continuous appropriation to the SGC, based on 20 percent of annual proceeds. Roughly \$886 million has been made available to the program since 2014-15. The program has awarded roughly \$695 million to date.

HCD currently has 22 positions to administer the AHSC program. HCD's role in the program includes assisting SGC in developing guidelines, reviewing applications, recommending awards; performing construction loan closing, contract management, and permanent loan closing activities; performing asset monitoring, compliance, and reporting activities; and providing overall administrative support to the program.

STAFF COMMENTS

Staff has no concerns with this issue.

Staff Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

8885 COMMISSION ON STATE MANDATES

ISSUE 1: LOCAL ASSISTANCE

The May Revision includes an increase of \$312.2 million to pay down a long-standing state liability associated with 14 expired or repealed state mandates, including the interest owed on those claims.

BACKGROUND

Here is the cost for the 14 mandates proposed under this item:

<u>Expired/Repealed</u>	Principal Owed
Binding Arbitration	\$206,003
California Fire Incident Reporting System (CFIRS)	\$216,176
Crime Victims' Rights	\$709,974
Fire Safety Inspections of Care Facilities	\$764,793
Firefighters' Cancer Presumption	\$5,829,804
Handicapped and Disabled Students	\$3,543,675
Handicapped and Disabled Students II	\$7,780,152
Handicapped and Disabled Students II, and Seriously Emotionally Disturbed (SED) Pupils: Out of State Mental Health Services	\$242,619,980
Local Agency Formation Commissions (LAFCO)	\$13,924
Local Elections: Consolidation	\$5,390
Local Recreational Areas: Background Screenings	\$4,439,053
Peace Officers Cancer Presumption	\$4,908,789
Permanent Absent Voters	\$1,310,491
Racial Profiling: Law Enforcement Training	\$9,859,839
Principal Total	\$282,208,043
Estimated Interest	\$30,000,000

Provisional language. This proposal includes provisional language to authorize the Department of Finance, after providing 30 days' notice to the Joint Legislative Budget Committee, to order the State Controller to augment the amount appropriated in this item if the initial appropriation is insufficient to pay the principal and interest on the identified mandate claims.

STAFF COMMENTS

Staff has no concerns with this item.

Staff Recommendation: Adopt May Revision proposal.

8260 CALIFORNIA ARTS COUNCIL**ISSUE 2: ARTS COUNCIL LOCAL PLANNING AUGMENTATION**

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

BACKGROUND

The proposed augmentation would allow the CAC to respond to the projected 40 percent increase in demand across all program areas in 18-19 and ensure that a much larger portion of high-quality projects in communities large and small across all counties will receive CAC support.

With this augmentation, the CAC grant categories may look similar to those in the 17-18 budget. The augmentation will allow for increased award amounts for vital project grants in key programs, including the legislatively mandated programs - JUMP and Reentry, where large-scale, long-term outcomes are realized.

Further, the proposed augmentation would provide resources to assess the effectiveness of CAC's grant making structure, outreach strategies and conduct a gap analysis that will inform to effectively respond to the need and reach deeper into counties where art and culture resources are scarce across the state.

Below is a funding chart from the past three years of Arts Council Funding.

Arts Council	2016-17	2017-18	2018-19
General Fund	13,610,000	15,997,000	21,000,000
Graphic Design License Plate Account	1,816,000	2,243,000	2,245,000
Federal Trust Fund	1,057,000	1,135,000	1,185,000
Reimbursements	6,000,000	8,197,000	8,197,000
Keep Arts in Schools Fund	237,000	250,000	250,000
Grand Total	22,720,000	27,822,000	32,877,000

LAO COMMENTS

LAO notes that that there is very limited evidence on the effectiveness of CAC's programs. Also, the LAO has found in the past that the research that does exist on at least one program—Arts-in-Corrections—is flawed. Accordingly, it seems reasonable to provide some funding to assess the effectiveness of CAC's programs. However, the LAO would want to ensure that any evaluations or other research that is funded is high-quality. Accordingly, the LAO suggests that the Legislature ask CAC to provide additional information on what portion of funding they anticipate using for evaluation, and how they anticipate conducting any evaluation activities to ensure that the results are credible and independent.

STAFF COMMENTS

The Subcommittee may wish to ask the Council how they currently evaluate the effectiveness of their programs?

Additionally, staff notes that Assemblymember Chu has placed a request to increase the Arts Council funding by \$10 million ongoing.

Staff Recommendation: Hold Open

7501 DEPARTMENT OF HUMAN RESOURCES**ISSUE 3: PREVENTING SEXUAL HARASSMENT AND DISCRIMINATION IN THE WORKPLACE**

The Department of Human Resources (CalHR) is requesting 3 permanent positions and \$1,445,000 (\$720,000 General Fund, \$132,000 Reimbursement, \$47,000 Special Funds, and \$546,000 Central Service Cost Recovery Fund) in 2018-19 and ongoing to establish a centralized unit, within the Office of Civil Rights, specifically responsible for the statewide oversight of monitoring and addressing discrimination and harassment complaints received by state entities. The unit will be responsible for analyzing complaint data, assisting state entities with problems, and addressing negative trends. The unit will also provide detailed reporting on all activities, allowing CalHR to be proactive in identifying compliance issues within departments.

The request includes funding for a centralized solution that allows data collection and statewide reporting. The centralized system will allow CalHR to monitor and track discrimination and harassment complaints, case outcomes, and monetary costs related to judgements and settlements. It will also allow CalHR to review and analyze department discrimination and harassment complaint data, correct problems, and identify negative trends.

BACKGROUND

Generally, state agencies and departments have the authority to investigate and resolve discrimination and sexual harassment claims internally and are not required to report such claims to CalHR.

Government Code section 19702.5, subsection (c) required the State Personnel Board (SPB) to report annually to the Legislature on the number and types of formal discrimination complaints against each appointing authority in state civil service. Reporting included the length of time required for resolution and the complaint outcome. There was no collection of data related to settlement costs, oversight to correct identified issues of harassment or discrimination within departments, or enforcement methods for compliance with existing laws.

The Governor's Reorganization Plan No. 1 of 2011 eliminated certain functions of SPB related to tracking complaints of discrimination in the civil service and was never reestablished under CalHR.

On April 3, 2018, as part of a comprehensive plan to address discrimination and harassment in state government, the Governor's Office issued a policy letter directing state agencies to take specific administrative actions. One of those actions is to establish a tracking system that will enable the collection of discrimination and harassment complaints so that patterns of misconduct can be better identified and remedied.

STAFF COMMENTS

This proposal will allow CalHR to track complaints and analyze data. Staff has no concerns.

Staff Recommendation: Adopt May Revision proposal.

ISSUE 4: STATEWIDE TRAINING CENTER TRAILER BILL LANGUAGE

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

BACKGROUND

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

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

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

STAFF COMMENTS

The Subcommittee may wish to ask CalHR why they need statutory authority to make these changes? Also why this issue has not been discussed previously during the discussion on the statewide training BCPs.

Staff Recommendation: Hold Open.

0515 CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE (ABLE) ACT BOARD**ISSUE 5: CONTINUED IMPLEMENTATION OF THE CA ABLE PROGRAM AND CONTRACT FUNDING FOR THE CA ABLE PROGRAM**

There are two requests for CA ABLE. A January request for a General Fund Loan of \$900,000 for 2018-19 and a May Revision proposal to increase the appropriation authority in the amount of \$1,100,000 for external contract expenditures.

BACKGROUND

January proposal. The California Achieving a Better Life Experience Act Board requests a General Fund Loan of \$900,000 for Fiscal Year 2018-19 to provide the following resources; (1) \$650,000 to continue to support administrative costs and implementation of the California Achievement a Better Life Experience (CalABLE) Program, including funding for staff, funding for external consultants and funding necessary for operating and overhead costs; and (2) funding in the amount of \$250,000 to support the marketing and outreach activities of the Program postlaunch, increasing awareness and participation in the Program.

May Revision. The CA ABLE program requests an increase in appropriation authority in the amount of \$1,100,000 for external contract expenditures, specifically to cover the costs associated with engaging a program manager to provide a broad range of administrative responsibilities that include financial recordkeeping, investment management and marketing services.

On December 19, 2014, President Obama signed the Stephen Beck Jr., Achieving a Better Life Experience Act of 2014 (ABLE Act), which allows individuals who become blind or disabled before reaching age 26 to create tax-deferred savings accounts. Chapter 796, Statutes of 2015 (SB 324, Pavley), established the Achieving a Better Life Experience Act Board and the California ABLE Program Trust for the purpose of creating a statewide program known as the Qualified ABLE Program. Under the Qualified ABLE Program, a person may make contributions for a taxable year, for the benefit of an individual who is an eligible individual for that taxable year, to an ABLE account that is established for the purpose of meeting the qualified disability expenses of the designated beneficiary of the account.

LAO COMMENTS

The LAO notes that this May Revision proposal makes it even less likely that CalABLE will be able to achieve self-sufficiency. CalABLE now indicates that it expects to report to the Legislature on the program's projected self-sufficiency with the 2019-20 budget, which is a positive step. However, the LAO notes that the program is anticipated to have launched before the release of the 2019-20 budget, potentially making the implementation of some types of options for achieving self-sufficiently less feasible. Given the increased risks that this program will not ultimately be self-sufficient, the LAO

recommends that the Legislature also ask CalABLE to report at May Revision budget hearings on its expectations for future ongoing costs for a vendor contract to manage the program and the likelihood for achieving self-sufficiency in the future. Additionally, the Legislature should also consider whether it wants to potentially fund this program from the General Fund on an ongoing basis prior to approving this augmentation, since that possibility appears more likely.

STAFF COMMENTS

Staff recommends additional oversight of this program as it moves forward. The Board is going to have report back to the Legislature next year if they request additional resources.

Staff Recommendation: Adopt May Revision proposal.

9210 LOCAL GOVERNMENT FINANCING

ISSUE 6: LOCAL ASSISTANCE

The May Revision includes an increase of \$9.245 million for additional reimbursement for counties, cities, and special districts for property tax losses resulting from the 2017 wildfires and mudslides.

BACKGROUND

The Governor's Budget included \$23,736,000 for only the Northern California fire-related property tax losses, because the Southern California property tax losses were unknown at that time. The increase accounts for these Southern California losses.

This request includes provisional language to authorize additional payment of property tax losses resulting from the 2017 wildfires and mudslides, if the amount appropriated in this item is insufficient to backfill the actual losses.

Provisional Language. *If the amount appropriated in this item is insufficient to backfill actual property tax revenue losses, the county auditor-controller may submit to the Department of Finance a claim detailing the insufficiency no later than December 1, 2019. The Department of Finance may review the insufficiency claim and include the approved claim amounts in a subsequent Governor's Budget. By December 1, 2019, county auditor-controllers shall also determine if a local agency that received reimbursement was reimbursed in an amount that exceeded its actual property tax revenue loss. If the auditor-controller makes such a determination, he or she shall notify the Department of Finance and remit the excess portion to the State Controller.*

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.
