AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 STATE ADMINISTRATION

ASSEMBLYMEMBER JIM COOPER, CHAIR

TUESDAY, MAY 23, 2017

1:30 P.M. - STATE CAPITOL ROOM 447

ITEMS FOR VOTE-ONLY

ITEMS TO BE HEARD

ITEM	DESCRIPTION	
1111 **0860** **8570** **1045** **3600** **3940** **4265** **3930**	**DEPARTMENT OF CONSUMER AFFAIRS** **STATE BOARD OF EQUALIZATION** **DEPARTMENT OF FOOD AND AGRICULTURE** **CANNABIS CONTROL APPEALS PANEL** **DEPARTMENT OF FISH AND WILDLIFE** **STATE WATER RESOURCES** **PUBLIC HEALTH** **DEPARTMENT OF PESTICIDE REGULATIONS**	**42**
ISSUE 1	VARIOUS CANNABIS RELATED BUDGET CHANGE PROPOSALS	42
ISSUE 2	TRAILER BILL LANGUAGE	45
2240	**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**	**46**
ISSUE 3	COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM WORKLOAD ADJUSTMENT AND TBL	46
7760	**DEPARTMENT OF GENERAL SERVICES**	**47**
ISSUE 4	SACRAMENTO REGION: R STREET PARKING GARAGE STRUCTURE – ACQUISITION AND TRAILER BILL LANGUAGE	47
7730	**FRANCHISE TAX BOARD**	**49**
ISSUE 5	EARNED INCOME TAX CREDIT EXPANSION AND OUTREACH FUNDING	49
0511	**GOVERNMENT OPERATIONS AGENCY**	**50**
ISSUE 6	TRAILER BILL LANGUAGE: STATE CONFORMITY TO IRS PUBLICATION 1075	50

ITEMS FOR VOTE-ONLY

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

VOTE-ONLY ISSUE 1: CALIFORNIA COMPETES TAX CREDIT

The California Competes Tax Credit (CCTC) unit of the Governor's Office of Business and Economic Development (GO-Biz) is requesting $1.2 million General Fund for three years to make permanent 10 existing limited-term positions. The positions were first established in 2014-15 on a limited-term basis to implement the CCTC program within AB 93 (Chapter 69, Statutes of 2013) and SB 90 (Chapter 70, Statutes of 2013). The positions expire June 30, 2017.

BACKGROUND

GO-Biz was created to serve as California's single point of contact for economic development and job creating efforts. AB 93 and SB 90 established the Governor's Economic Development Initiative. AB 93 and SB 90 phased out the Enterprise Zone Program and replaced it with three new tax incentives.

- Sales and use tax exemption applicable to equipment procured by businesses engaged in manufacturing or biotechnology research and development, administered by the BOE.
- Hiring tax credit administered by the Franchise Tax Board (FTB)
- The CCTC, which is administered by GO-Biz to attract, expand, and retain businesses in California

Under current law, credits are available to allocate under the CCTC program through fiscal year 2017-18, which was the original reason for classifying the positions in this unit as limited term. The CCTC program is now in its third full fiscal year of operation. Go-Biz argues that under the current limited-term nature of the program, the work will not end in fiscal year 2017-18. The credits span a five-year term and credit milestones must be maintained for three years after the end of the contract, which means that work on the program will continue indefinitely. Go-Biz states that it is appropriate that the staff positions become permanent and funding be provided for three years, allowing for a future review of this program and any extensions that may have occurred.

STAFF COMMENTS

This item was heard at the March 14, 2017, hearing. Given that the bulk of the program's workload will end next year under current law, staff recommends the approval of resources for one year.

Staff Recommendation: Approve one-time funding for existing unfunded positions for 2017-18.

VOTE-ONLY ISSUE 2: UNCLAIMED PROPERTY

The SCO requests 23.1 permanent (continuing) positions and $2,955,000 in 2017-18, and $2,910,000 in 2018-19, and ongoing from the Unclaimed Property Fund to manage and maintain the security portfolio, pay security claims, and sell securities within the timeframe mandated by under the Unclaimed Property Law.

BACKGROUND

In 2014-15, the SCO received 23.1 positions on a three-year limited-term basis to manage and maintain the security portfolio and sell securities within the timeframe mandated by law. Of these proposed positions, 15.1 would continue to conduct activities related to the securities backlog—including posting corporate actions, reconciling issues, and verifying portfolio data—and keeping corporate actions current for recently escheated securities. The remaining positions would provide managerial oversight to address more complex security reconciliations and provide administrative oversight.

The Unclaimed Property Division's (UPD) Accounting Bureau is responsible for properly maintaining and managing accountability of the securities portfolio in the SCO's care and possession. Securities management includes accurately recording these securities in the UPD's database system when received from holders, and posting all corporate actions and increments of income that occur on these securities. The duties for the securities portfolio are broken down into four primary and inter-related functions:

- **Securities Remit Report Processing** - Includes receiving escheated shares and reconciling the shares against the detailed reports submitted by holders, contacting holders when shares are not transferred to the SCO's contracted broker or shares are submitted without a detail report, and ensuring all shares and certificates are posted in UPS2000 so the property is available for its rightful owner to claim.

- **Security Claims** - Includes posting corporate actions, reconciling backlog security issues to make it current, analyzing the dividends earned were received and posted in UPS2000, and accurately transferring the shares and dividends to the claimant.

- **Sale of Securities** - Includes posting corporate actions, reconciling security issues to current for sale, processing the security sales, and post-sale database management so cash proceeds from sales are available for future processing as a cash claim instead of a security claim.

- **Securities Portfolio Management** - Includes ensuring all security issues are reconciled in UPS2000 against the statements and kept current, certificates escheated without the owner's name are researched with the holders so the property can be posted on the SCO's website for owners to claim, non-transferable shares are held or written off in accordance with Securities and Exchange Commission (SEC) regulations, and all system conversion and ongoing database maintenance issues are addressed.

STAFF COMMENTS

This item was heard at the March 14, 2017, hearing. There were concerns about providing ongoing resources without additional reporting on the unclaimed property securities. To address these concerns, staff recommends adopting supplemental reporting language to do the following:

Unclaimed Property Securities Accounting Workload *- The State Controller shall report to the Legislature by December 31, 2018, and on the same date thereafter through 2023, unless completed earlier, on the progress of completion of the pending historical securities posting, recording, reconciliation, and updating of accounting records for unclaimed property securities accounts related to the 23.1 positions authorized to manage and maintain the securities property portfolio of unclaimed properties. The report to the Legislature shall include: (1) a projection of the anticipated date at which the State Controller will request from the Legislature more resources for the unclaimed property securities workload, (2) a description of planned efficiencies to be implemented and notation of their anticipated date of completion or final action, (3) a description of the plan of action to resolve the identified historical workload to be completed, and (4) the progress, from the prior fiscal year, on the completion of the historical workload in the following categories: (a) Security Issue Analysis and Reconciliation, (b) Research and Record Properties in the Name of State of California and Maintain the Certificate Inventory, (c) Additional Funds Earned on Paid Claims, (d) Research and Remove Property Alerts, and (e) Research and Reconcile Non-Contracted Broker Receipts.*

Staff Recommendation: Approve as budgeted and adopt placeholder supplemental reporting language.

VOTE-ONLY ISSUE 3: MAY REVISE: ACCOUNTING ADMINISTRATOR RECLASSIFICATION

The State Controller's Office (SCO) requests $600,000 ($342,000 General Fund [GF], $258,000 Central Service Cost Recovery Fund [CSCRF]) in 2017-18 and 2018-19 to fund the reclassification of 38 Accounting Administrator positions to the Financial Accountant (FA) series.

BACKGROUND

The State Controller's Office (SCO), Division of Accounting and Reporting (DAR) has encountered significant challenges in recruiting and retaining skilled accounting professionals. For many years, the SCO has been disadvantaged by inconsistencies in salaries across state departments for similar positions. Specifically, there are salary inequities between the state-wide accounting series used by SCO as compared with those classifications used, California State Auditor's Office (CSA) - Auditor Evaluator series. Principal Auditor series and Auditor Specialist series, California Public Employee's Retirement System (CalPERS) - Financial Accountant (FA) series and the California State Teacher's Retirement System (CalSTRS) - FA series.

Early requests to reclassify these positions were denied. However, in 2015, CalHR established the FA series for use by CalPERS and CalSTRS. SCO petitioned CalHR for use of the FA series and, in September 2016, CalHR determined that the complexity and sensitivity of the work being performed in DAR, - State Operations Section (now the State Accounting and Reporting Division (SARD)) aligns with the FA series duties.

CalHR also identified the following duties that SARD performs which are not present in the FA series:

- Assessing, recording and analyzing complex bond accounting transactions; and
- Compiling, recording and analyzing financial information provided by state agencies.

As a result of CalHR's approval to use the FA series, the SCO is requesting funding for the reclassification of certain Accounting Administrator positions for 2017-18 and 2018-19. Based on the duties and complexity of tasks the SCO is requesting $600,000 to fund the reclassification of certain Accounting Administrator positions to the FA series for 2017-18 and 2018-19.

STAFF COMMENTS

This item was heard at the May 16, 2017, hearing. Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.

VOTE-ONLY ISSUE 4: CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT AND TRAILER BILL LANGUAGE

This proposal was discussed during the March 14, 2017, hearing. This proposal includes one position and clean up legislation relating to the California Uniform Public Construction Cost Accounting Act (CUPCCAA). The position and trailer bill language would ensure that the Commission's operating statutes provide the greatest amount of functionality and efficiency.

BACKGROUND

The proposed language would clarify that the State Controller's Office would hold meetings and respond to inquiries as outlined below:

Amend Public Contract Code Section 22015 (a)

(a) The Controller shall make available for the conduct of the commission's business, such staff and other support ~~as does not conflict with the accomplishment of the other business of the office of the Controller.~~

STAFF COMMENTS

The costs associated with adding one Accounting Administrator would be approximately $132,000 (Special Fund). This position would perform the function required of the language above.

Staff Recommendation: Adopt funding for one position and placeholder trailer bill language.

0984 CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS

VOTE-ONLY ISSUE 5: CALIFORNIA SECURE CHOICE RETIREMENT SAVINGS

The California Secure Choice Retirement Savings Investment Board requests a General Fund loan of $170 million over four years to provide resources for the board and the California Secure Choice Retire Savings Investment Program (CSCRSP). The proposal includes budget bill language (BBL) that would allow for the transfer of $15 million of the loan to the board in the budget year, with additional loan augmentations not to exceed $35 million upon approval by Department of Finance. In addition, trailer bill language is proposed clarifying the implementation of the program with respect to federal requirements.

BACKGROUND

The California Secure Choice Retirement Savings Investment Board and the CSCRSP were established pursuant to SB 1234 (de León), Chapter 734, Statutes of 2012, for the purpose of creating a statewide savings plan for private-sector workers who lack access to an employer-sponsored retirement savings plan. Program costs and revenue will be determined by the number of employers and employees participating in the program, contributions made by participant, and the investment return on those contributions. The General Fund loan will allow the board to administer the CSCRSP under conservative baseline assumptions relating to participation and contributions during the initial years. The proposed budget bill language states:

The Department of Finance may transfer up to $15,000,000 as a loan from the General Fund to support the start-up and administrative costs of the Secure Choice Retirement Savings Program. This loan shall be repaid by June 30, 2023, with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer. Notwithstanding any other provision of law, the Department of Finance may augment the loan, for a total loan amount of ~~$50,000,000,~~ $35,000,000 if it is determined that additional funds are necessary for the start-up and administrative costs of the Secure Choice Retirement Savings Program. The loan shall be repaid by June 30, 2023, with interest calculated at the rate earned by the Pooled Money Investment Account at the time of the transfer.

STAFF COMMENTS

Given the uncertain of the federal action, it seems premature to adopt the funding.

Staff Recommendation: Reject proposal.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
0950 STATE TREASURER'S OFFICE
0977 CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

VOTE-ONLY ISSUE 6: NO PLACE LIKE HOME

The Department of Housing and Community Development (HCD) requests a General Fund loan of $1,576,000 to fund administrative costs for the No place Like Home Program. The loan will address an administrative funding shortfall during completion of the required bond validation process. The General Fund loan will be repaid from bond proceeds upon issuance of bonds.

BACKGROUND

As discussed at the May 16, 2017, hearing, the Administration is working to validate bonds secured by Mental Health Services Act revenue for these purposes. In order to begin program development activities before bonds are issued, the enacting legislation authorized a General Fund loan of up to $2 million to develop the program and issue the bonds. An additional General Fund loan is necessary to continue program implementation in 2017-18 until bonds are issued.

To mitigate risks in court validation, the Administration has worked to develop the program before beginning the validation process. HCD has developed a program framework, gathered feedback in stakeholder workshops, drafted program guidelines, and established the NPLH Advisory Committee. Additionally, the State Treasurer's office and the Attorney General's office have entered into contracts with outside bond counsel and drafted a services contract for implementing agencies. The requested loan will provide funding for HCD program development activities, as well as the Administration's contracts with financial advisors, bond counsel, and senior underwriters.

HCD expects to complete program design in August 2017, at which time the validation action will commence. A decision from the court is anticipated no later than the spring of 2018, and a Notice of Funding Availability is expected to be released in the summer of 2018 following successful court validation.

The Administration requests a loan of $850,000 for HCD to build program infrastructure in anticipation of its future NOFA and $726,000 for administering agency costs associated with bond issuance and validation. Administering agencies include the Department of Justice, the State Treasurer's office, and the California Health Facilities Financing Authority.

STAFF COMMENTS

The subcommittee may wish to continue to monitor the validation process at HCD. The resources are necessary to implement the program and staff has no concerns.

Staff Recommendation: Adopt May Revision proposal.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

VOTE-ONLY ISSUE 7: STRATEGIC ENFORCEMENT OF LABOR STANDARDS AND TRAILER BILL LANGUAGE

The Department of Industrial Relations (DIR) requests 31.0 positions and $4.6 million in 2017-18, and an additional 51.5 positions phased in over the next two years for a total of 82.5 positions, and $11.4 million ongoing, from the Labor Enforcement and

Compliance Fund (LECF). These resources will enable the Division of Labor Standards Enforcement (DLSE) to implement and expand a strategic enforcement approach to labor law enforcement and provide a more effective means of combatting wage theft and labor law violations.

BACKGROUND

BCP Request. The BCP includes a significant increase to BOFE staff phased in over three years. Additionally, the BCP includes funding and positions to allow DLSE to increase the number of investigations conducted under the strategic enforcement approach. This approach focuses on wage and hour violations, which are relatively complex and time-consuming to investigate over violations of more easily verified violations, like not carrying workers' compensation coverage. The Administration's strategic enforcement approach also involves collaboration with worker and industry organizations (such as community-based groups, unions, and employer or industry associations) to identify targets for investigation and otherwise facilitate the investigation process.

Finally, the proposal identifies several industries as priorities for additional investigations. The priority industries include janitorial services, garment manufacturing, construction, residential care homes for the elderly and the disabled, car washes, agriculture, food processing, and restaurants. These industries overlap with industries previously identified by the Legislature as warranting an elevated level of oversight.

Trailer Bill Language. The May Revision proposes the following changes summarized below:

1) License Revocation: The proposed amendments also clarify that the Labor Commission may refer a final unpaid wage judgment that have been unpaid for at least 30 days to the licensing agency to initiative disciplinary action to suspend or revoke current license or to deny renewal of a license. A valid wage claim does not turn into a judgment until all appeals have been exhausted, all judgments are considered final. a. Added provision that the Labor Commissioner will not refer an employer to the respective licensing board if the licensee has a notarized and approved installment payment plan. If the licensee misses an installment the licensee is no longer excused from a referral under this section. b. Upon full payment of a final judgment, at the licensee's request, the Labor Commissioner shall promptly notify the licensing agency that a wage judgment has been satisfied.

2) Tolling Statute of Limitations: The proposed amendments limits tolling period to 12 months. Specifically, upon issuing a notice to an employer about an opening an investigation the wages owed and related penalties and reimbursements as enumerated will toll for 12 months.

3) Evidentiary Sanctions. The proposed amendments provides that generally an employer will have no less than 15 days to respond to a Labor Commissioner's request for records. The Labor Commissioner may extend the time to produce records under at her discretion, under a variety of scenarios, including if the

employer made good faith efforts to comply, and if a timely good faith response to the Labor Commissioner that additional time is needed.

STAFF COMMENTS

Staff notes the Department has addressed a variety of stakeholder concerns, however there are still issues with the temporary restraining order. Staff recommends the Subcommittee adopt placeholder trailer bill language that does not include the **temporary restraining order** in order to place this item in conference. This action will ensure additional time is provided to address all concerns.

Staff Recommendation: Approve as Budgeted and adopt placeholder trailer bill language consistent with staff recommendation.

VOTE-ONLY ISSUE 8: PROCESS SAFETY MANAGEMENT UNIT – INCREASED NON-REFINERY INSPECTIONS

This proposal requests 13.0 positions, 10.0 of which will be safety engineers, and an augmentation of $2.5 million in 2017-18 and $2.4 million ongoing, to the Occupational Safety and Health Fund for the Division of Occupational Safety and Health (DOSH) to expand the existing Process Safety Management (PSM) non-refinery inspection program from 45 annual Program Quality Verification inspections to a total of 113 inspections annually.

BACKGROUND

The 2014-15 budget increased the PSM function by 15.0 positions (11.0 new positions and 4.0 redirected from within DOSH) and $2.4 million. This augmentation increased the overall number of inspectors from 8.0 to 20.0, and added management and support personnel. This initial PSM expansion focused exclusively on the refinery inspection needs for the 15 refineries located in the state, as a matter of priority, but also to allow DOSH to acquire the necessary data, and develop the requisite methodology for evaluating and categorizing risk in the various non-refinery facilities.

California is home to approximately 1,940 non-refinery industrial facilities that handle or process anywhere from 50 to 120 million pounds of hazardous chemicals. These facilities include, but are not limited to, ammonia refrigeration, water treatment and waste water treatment, chemical plants, and explosives manufacturers. All of these facilities fall under the jurisdiction of the PSM Unit.

In response to legislative inquiries and Supplemental Report Language regarding the number of staff and inspections required to provide adequate oversight of non-refinery facilities, the Department submitted a status report to the Legislature during 2016-17 budget hearings. The status report outlined the amount of resources needed to achieve various inspections levels, but did not make any specific recommendations regarding enforcement levels requested by DOSH at that time. This proposal identifies the augmentation needed to increase the capacity to inspect non-refinery facilities.

The PSM non-refinery program currently has six Safety Engineers (SE's) that are trained to conduct program quality verification (PQV) inspections. Three are located in the Santa Ana District Office and three are located in the Concord District Office. A PQV is a planned, proactive inspection and is a thorough assessment of a facility's safety preparations and emergency response procedures. A PQV inspection is more expansive than complaint and/or accident inspections, which are reactive in nature and generally focused on the specifics, which gave rise to the accident or complaint. The other inspections may include, but are not limited to: referrals from other government agencies, and records and permit inspections.

Each inspector is able to conduct about 7.5 inspections per year, at a rate of 200 to 300 hours per inspection, for an annual total of 45 PQV inspections statewide, exceeding the goal of 40 inspections which had been established for 2014-15.

STAFF COMMENTS

This item was heard at the March 21, 2017, hearing. The resources provided in the proposal were in response to reporting requested through the budget process with regard to the non-refinery side of inspections.

Staff recommends supplemental reporting language the challenges of workload, sizing, recruitment, retention and training for the inspector positions.

Staff Recommendation: Approve as budgeted and adopt placeholder supplemental reporting language.

VOTE-ONLY ISSUE 9: PUBLIC WORKS EDUCATION AND ENFORCEMENT AND TRAILER BILL LANGUAGE

This proposal requests an augmentation of six positions and $805,000 in 2017-18 and $759,000 in 2018-19 (Labor and Workforce Development Fund) to educate awarding bodies of their requirements under public works law to maximize compliance with registration requirements and increase revenue into the State Public Works Enforcement Fund (SPWEF). This includes proposed Trailer Bill Language (TBL) to enhance the overall effectiveness of public works labor law enforcement and compliance with registration requirements. Additionally, this proposal includes one attorney position and $212,000 in 2017-18 and $204,000 ongoing, from SPWEF to adequately address debarment workload.

BACKGROUND

The Administration notes that the annual revenues from the recently created contractor registration fee are less than estimated when the fee was established and do not cover current spending levels for public works enforcement. Specifically, the administration estimates that expenditures from the State Public Works Enforcement Fund (SPWEF) in 2016-17 will be $13 million, while revenues coming into the SPWEF from the contractor registration fee will be only $10 million. If fee revenues continue at this level and no adjustments are made to spending levels, SPWEF's reserves would be virtually exhausted in 2017-18.

The Administration states that one reason that revenues have not met expectations is that some contractors may not be complying with the registration requirement. During 2015-16, less than 30,000 contractors registered and paid the fee, compared to an initial rough estimate of 40,000 or more registrations. Through its enforcement efforts, DLSE found about 600 instances where contractors were working on a public works project during 2015-16 without registration. Contractors that are found to be bidding or working on a public works contract without registration are subject to a penalty of up to $2,000 and may face temporary disqualification from bidding or working on public works projects for repeat violations.

The Governor proposes a few actions to address the funding shortfall in the SPWEF in 2017-18 and later years. First, the Governor proposes to provide funding to DLSE on a two-year limited term basis for six positions to conduct outreach with awarding bodies to improve their awareness of their responsibility to ensure that contractors have complied with this requirement, with the intent of increasing compliance and fee revenue over time. As part of this outreach, DLSE would encourage awarding bodies to require contractors to "prequalify," or demonstrate compliance with various labor law requirements, including the contractor registration requirement, before bidding on public works contracts. Under current law, awarding bodies are authorized, but most are not mandated, to require contractors to prequalify.

The Governor's proposal would reduce expenditures from the SPWEF by moving the support of the prevailing wage determination function from the SPWEF to the LECF beginning in 2017-18 and beyond. This action would free up $2.2 million in the SPWEF on an ongoing basis and would largely address the funding imbalance going forward, even if contractor registration fee revenues remain flat in future years.

For 2017-18 only, the Governor proposes to shift the portion of statewide administrative costs allocated to the SPWEF (such as the fund's portion of reimbursements to the state Department of Finance and Department of Human Resources) to other special funds administered by DIR. This one-time action frees up an additional $1.1 million in the SPWEF in 2017-18.

Current law gives DLSE the authority to "debar," or prohibit a contractor from bidding or working on public works contracts, for up to three years if the contractor violates public works requirements under certain conditions. The Governor's proposal would provide

$212,000 from the SPWEF for one additional Attorney III position to allow DLSE to conduct additional debarment proceedings.

In addition to the budget change proposal, the Administration is proposed trailer bill language. Below is a summary of some of the key provisions included in the TBL:

- Small Projects Exemption. Provides administrative relief for contractors and awarding agencies on small projects. Among the provisions, the TBL creates a new minimum threshold triggering registration requirement for projects over $25,000 for new construction; over $15,000 for maintenance.

- Unregistered Contractor Sanctions. Among its provisions, the TBL requires all contractors and subcontractors engaged in the performance of a public work must be registered. If the Labor Commissioner determines that a contractor or subcontractor has violated the registration requirement, unregistered contractors shall forfeit as a civil penalty to the state $100 per day up to $8,000. A registered public works contractor or subcontractor who enters into a contract with an unregistered lower-tier subcontract to perform any public work shall be subject to one or both of loss of registration from the current year, and a civil penalty of $100 per day, up to $10,000.

- Awarding Agency Sanctions. Specifies that an Awarding Agency (AA) authority that fails to provide the notice to DIR, or enters into contract with or permits unregistered contractor or subcontractor to engage in work, is subject to fine of $100 per day up to $10,000. Additionally, if Labor Commissioner determines that AA willfully violated requirements of this section or chapter on 2 more projects within a 12 month period, the AA shall be ineligible to receive state funding or financial assistance for any construction project undertaken by the AA for one year. Penalties received shall be deposited into the State Public Works Enforcement Fund.

The May Revision proposed amendments to the trailer bill. Specifically, the new trailer bill language removed the provision regarding debarment, or loss of registration and disqualification of registration for the following year, as well as allowing registrants to register for multiple years at a time, and raising the registration fee from $300 to $400.

STAFF COMMENTS

Adopt proposed trailer bill language, and modify the budget change proposal to move the support of the prevailing wage determination function from the SPWEF to the LECF beginning in 2017-18 for two years.

Additionally, adopt supplemental reporting language for the DLSE to report by March 2019 on (1) changes in the amount of contractor registration fees collected; (2) the estimated effect of any efforts to increase compliance with the contractor registration fee, including outreach to awarding bodies and other steps to increase awarding body accountability for ensuring contractor registration; (3) what adjustments are necessary to the level of the contractor registration fee in order to support ongoing public works enforcement costs and repay the SPWEF's outstanding loans to other funds; and (4) the feasibility of shifting support for the prevailing wage determination function back to the SPWEF

Staff Recommendation: Adopt placeholder TBL and SRL consistent with staff comments.

VOTE-ONLY ISSUE 10: OCCUPATIONAL SAFETY AND HEALTH PENALTY COMPLIANCE TRAILER BILL LANGUAGE

The Governor's budget proposes trailer bill language to address occupational and health penalty compliance conformity.

BACKGROUND

The proposed trailer bill language would increase the civil penalties from $7,000 to up to $12,471 for each violation that is not of a serious nature and each violation of the posting, recordkeeping, or notice requirements, and from $70,000 to up to $124,709, but not less than $8,908, for each willful or repeated violation of any of these occupational safety or health standards or orders.

Additionally, the trailer bill proposes to permit the maximum penalty amounts to be increased on January 1, 2018, and each January thereafter based on the Consumer Price Index (CPI).

The trailer bill would exempt any regulation issued increasing those penalty amounts from the Administrative Procedure Act, but would require the filing of the regulations with the Office of Administrative Law.

Finally, this trailer bill would delete the civil penalties for violation of the asbestos safety provisions.

STAFF COMMENTS

This item was heard at the March 21, 2017, hearing. Staff has no concerns with this proposal.

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

7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES

VOTE-ONLY ISSUE 11: RE-VERIFICATION PROCESS

The Governor's budget includes one position and $175,000 in reimbursement authority for 2017-18, $118,000 and in 2018-19, and ongoing, to perform the new workload to develop, implement and administer the dependent re-verification process.

BACKGROUND

In January 2011, CalPERS Board of Administration endorsed the Health Benefits Purchasing Review (HBPR) project to develop strategies and initiatives to ensure the continuation and sustainability of the CalPERS Health Benefits Program. The HBPR resulted in the development of 21 initiatives, including dependent eligibility verification designed to influence health care delivery, improve health outcomes, and delivery sustainable programs. The 2013-15 CalPERS Dependent Eligibility Verification project disenrolled 8,379 ineligible state employee dependents from the CalPERS health plans for a savings of over $60 million.

SB 98 (Chapter 28, Statutes of 2015) designates CalHR to establish standards for the employing office of the state employee to conduct health dependent eligibility at least once every three years for spouses, domestic partners, children, stepchildren, and domestic partner children; and at least once annually for other children enrolled as dependents under parent-child relationship. Eligibility is the same for dental benefits as it is for health benefits.

STAFF COMMENTS

This item was heard at the March 7, 2017, hearing. There was concern expressed at the March hearing that benchmarks needed to be added as reporting language. Staff will work with the LAO to capture these concerns.

Staff Recommendation: Approve as budgeted and adopt placeholder supplemental reporting language to address those concerns.

7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES
7503 STATE PERSONNEL BOARD

VOTE-ONLY ISSUE 12: CIVIL SERVICE IMPROVEMENT TRAILER BILL LANGUAGE

This item was heard at the March 7, 2017 and May 17, 2017, hearings. At the time of the May 17, 2017, hearing the Civil Service Trailer Bill language had not been revised.

BACKGROUND

Staff was provided an amended version of the TBL on Saturday, May 20, 2017 for review. Staff is currently checking with stakeholders to see whether the amended language address their concerns.

STAFF COMMENTS

In order to see whether compromise can be reached on parts of the civil service improvements TBL, staff recommends adopting placeholder TBL to place this item in conference. Staff notes that during the May 16, 2017 hearing, there were significant concerns. As this item moves forward to conference, staff will monitor very closely to ensure that those concerns are addressed.

Staff Recommendation: Adopt placeholder trailer bill language.

7760 DEPARTMENT OF GENERAL SERVICES

VOTE-ONLY ISSUE 13: ELECTRIC VEHICLE SERVICE EQUIPMENT AND PROVISIONAL LANGUAGE

The Office of Sustainability, within DGS, requests an augmentation of $6.7 million ($3.3 million General Fund and remaining from the Service Revolving Fund) and three permanent positions to begin the installation of Electric Vehicle Service Equipment (EVSE) in state facilities.

The Governor's budget also proposes budget bill language that requires DGS to certify that it has maximized non-state sources of funding prior to expending state funds. The language also allows the Department of Finance to augment non-General Fund appropriations in other departments' budgets by an amount sufficient to reimburse DGS for Zero Emission Vehicles (ZEV) activities.

BACKGROUND

This item was heard at the April 18, 2017, hearing. The Governor's 2016 Zero Emission Vehicle Action Plan (Action Plan) establishes the goal that 50 percent of the state's annual light-duty fleet purchases be ZEVs by 2025. It also establishes a goal of creating charging availability in at least 5 percent of workplace parking spaces by that date. Currently, DGS is in the process of surveying departments to gather information on their current state fleet, parking facilities, and charging stations. The survey also requests information from departments on their plans to purchase additional ZEVs and meet state targets. DGS expects to receive survey responses from departments in early 2017. After providing DGS with survey responses, departments are responsible for coordinating with DGS to perform facility assessments that will examine electrical infrastructure and other site conditions and identify appropriate locations for charging stations.

The objective of this proposal is to provide funding for EVSE assessment, design, installation, and program oversight to support ZEV purchases in the state fleet, with a secondary goal of installing EVSE at workplace parking spaces in cases where it is especially cost effective to do so. When state agencies need to add or replace vehicles within its fleet, each agency is required to submit a fleet acquisition plan to DGS' Office of Fleet and Asset Management. State agencies must be able to demonstrate sufficient ZEV infrastructure to support an agency's existing and projected ZEV purchases in order to receive acquisition approval. Beginning in 2017-18, state agencies will be subject to a "ZEV/hybrid first" policy requiring state agencies to procure battery electric, hydrogen fuel cell, plug-in hybrid, and/or hybrid vehicles, in lieu of fossil fuel consuming, internal combustion vehicles and other specified vehicles when available in a comparable vehicle class on state contract.

This plan addresses the projected EVSE need in future years and has two phases. Phase one requires state agencies to conduct a five-year ZEV infrastructure readiness survey that evaluates and identifies current state fleet, parking facilities, and charging stations. Concurrently, DGS will assist departments in determining total need for EV infrastructure and in prioritizing sites needing assessment. Surveys were due to be submitted to DGS by February 15, 2017. As of March 17, 2017, DGS has received more than 50 percent of expected responses, and was in the process of contacting departments to gather the outstanding data. Additionally, agencies with 25 or more facilities were given the option to submit their survey results in two parts if they need additional time. Agencies choosing this option would still be required to submit all fleet data by February 15th, but would have until June 1, 2017, to submit non-fleet data.

In Phase two of the five-year ZEV infrastructure plan, DGS will evaluate each agency's survey to ensure that both fleet and ZEV infrastructure planning is adequately addressed and prioritized. DGS will also work with agencies to identify multi-departmental and regional opportunities that make use of economies of scale for related ZEV infrastructure contracts and grants. At the conclusion of DGS' review, each agency shall begin conducting phase two site assessments; these assessments are detailed analyses of a facility's ability to support EVSE units and identify limitations.

Budget Bill Language

Add the following provisions to Item 7760-005-0666

1. The amount appropriated in this item shall be used for engineering assessments and electric vehicle charging infrastructure at state facilities. Prior to the expenditure of state funds, the Department of General Services shall certify that it has maximized available funding from non-state resources for this purpose.

2. Upon presentation of project cost information by the Department of General Services, the Director of Finance may augment any non-General Fund item of

appropriation by an amount sufficient to reimburse the Department for the activities specified in Provision 1.

STAFF COMMENTS

At the time of the April hearing, there was a debate about ongoing or limited term funding. A cautious approach to this project would be to limit the funding to one year, which would allow the assessments to be done and have DGS come back for additional resources next year. This approach would provide the Legislature with more information and additional oversight as well.

Staff Recommendation: Approve budget bill language and funding for 2017-18.

VOTE-ONLY ISSUE 14: MODEL WATER-EFFICIENT LANDSCAPING ORDINANCE (AB 2515)

The California Building Standards Commission (CBSC) requests a permanent augmentation in expenditure authority of $208,000 from the Building Standards Administration Special Revolving Fund and one permanent position in fiscal year 2017-18 to meet the ongoing workload associated with AB 2515 (Chapter 576, Statutes of 2016). AB 2515 requires CBSC staff to continuously monitor activities associated with the Model Water-Efficient Landscaping Ordinance (MWELO) and assist the Department of Water Resources in coordinating and synchronizing a standardized MWELO revision process with the triennial code adoption cycle.

BACKGROUND

AB 1420 (Laird, Chapter 628, Statutes of 2007), directed the Department of Water Resources (DWR) to form an independent technical panel (ITP) for providing information and recommendations to the DWR and the Legislature on new demand management measures, technologies, and approaches to water use efficiency. The DWR has solicited comments from CBSC and other appropriate state agencies with subject matter expertise on the Model Water Efficient Landscaping Ordinance (MWELO) portion of the draft report to assist in its review and determination prior to submitting a finalized report to the Legislature.

AB 2515 requires DWR on or before January 1, 2020, and every three years thereafter, to either update the MWELO or make a finding that an update is not useful or necessary. The bill also requires DWR to submit updates, if any, to the CBSC during the Title 24 triennial update process. The requested permanent position will be used to meet the new requirements enacted by AB 2515 as well as the foreseeable ongoing workload. According to DGS, AB 2515 requires the CBSC to do the following:

- Study and become well-versed in existing MWELO regulations and the regular rulemaking processes for adopting such regulations into Title 23 of the California Code or Regulations.

- Continuously monitor current MWELO regulations and associated rulemakings.

- Provide ongoing coordination and assistance to DWR in synchronizing a standardized MWELO revision process with the triennial code adoption cycle.

- When MWELO updates are submitted by DWR, CBSC shall carry out the required administrative duties associated with publicly vetting and further developing and proposing for adoption MWELO updates into the CBSC, subject to the triennial code adoption cycle schedule.

- Routinely review and maintain any MWELO updates adopted into the California Green Building Standards Code Indirectly obliges CBSC's regular participation in providing technical comments concerning MWELO to DWR on all future ITP reports.

STAFF COMMENTS

This item was heard at the March 18, 2017 hearing. The resources in this proposal are premature. Staff recommends the rejection at this time and believes that DGS should bring this proposal back if DWR makes an update that would require CBSC to conduct monitoring activities.

Staff Recommendation: Reject this proposal.

VOTE-ONLY ISSUE 15: STATE PROJECT INFRASTRUCTURE FUND TRAILER BILL LANGUAGE

The Governor’s budget proposes to eliminate the $300 million transfer from the General Fund to State Project Infrastructure Fund (SPIF) that was planned for 2017-18. The funding was expected to fund some portion of the three initial projects authorized in the 2016 Budget Act.

BACKGROUND

The 2016 Budget Act established SPIF and provided $1.3 billion from the General Fund to SPIF over two years - $1 billion that was appropriated in 2016-17 and an additional $300 million in 2017-18. The fund is continuously appropriated for the renovation and construction of state buildings. The statutory language governing the fund allows the administration to establish and move forward with projects funded by the SPIF without having to receive legislative approval through the state budget process, as is typically required for capital outlay projects. Instead, the language requires the Administration to provide certain notifications and quarterly reports to the Legislature related to SPIF-funded projects.

The $1.3 billion included in the 2016-17 budget package was intended to be used for three initial building projects in the Sacramento area: a new building at the current Food and Agriculture Annex site on O Street (O Street Building), a new Resources Building at a different site, and either replacement or renovation of the State Capitol Annex. Since the passage of the 2016 Budget Act, the Administration has been moving forward with the O Street Building and the new Natural Resources Building, including providing a notification of its intent to spend a total of $4.9 million from the fund on the development of the cost, scope, and delivery method for the new O Street and Natural Resources Buildings.

The TBL eliminates the transfer of $300 million to the SPIF in 2017-18.

STAFF COMMENTS

Staff notes that the Capital annex remains a priority for the Legislature. The Assembly version of the budget includes a proposal to use internal borrowing to fund State Office Infrastructure that will be considered as part of the overall budget structure in the full committee hearing on Thursday, May 25, 2017.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 16: CAPITAL OUTLAY: STATE PRINTING PLANT DEMOLITION

DGS requests $909,000 (General Fund) to fund the preliminary plans phase of the State Printing Plant Demolition project. The project will begin the process to demolish and clear the 17-acre property of any hazardous materials to prepare it for new office space development in a future year.

BACKGROUND

The existing State Printing Plant located at 344 North Seventh Street in Sacramento was built in 1954 and has well-documented health and safety, infrastructure and programmatic deficiencies. The Office of State Publishing (OSP) is in the process of programming replacement space with the intention of using leased facilities for the new Printing Plant. Leased space for this specialized use is more appropriate for several reasons including:

- The changing nature of the printing industry and uncertainty about how much space will be required to deliver state printing services in the future.
- Increased flexibility in leased facilities for potential reduced future space needs.
- Risk related to the high cost of building new specialized space that may quickly become obsolete.

OSP and the Real Estate Services Division (RESD) are working on a final program plan and cost estimate package, which should be finalized and ready for advertising by late 2016 to early 2017. OSP should be able to move into leased space by summer 2018 or earlier.

The existing Printing Plant facility has significant structural deficiencies, in addition to health safety concerns related to the deteriorating facility, including asbestos-containing insulation, paint, caulking, and tile. Heavy metal contaminants exist in many areas of the Printing Plant, most likely originating from pigments present in all inks of the past.
The proposed project would do the following:

- Support RESD's strategic mission to provide the highest level of customer service in fulfilling sate agencies' facility and real property needs by providing new office space development to replace existing deficient office space.
- Align with the results of the 2015 Sacramento Region Office Planning Study, which identifies the OSP site as a prime site for state-owned office space development.

STAFF COMMENTS

Staff has no concerns with this project.

Staff Recommendation: Approve as budgeted.

VOTE-ONLY ISSUE 17: TRAILER BILL LANGUAGE: DIVISION OF STATE ARCHITECT

The budget proposes trailer bill language to allow DGS to adjust filing fees established for the Division of the State Architect (State Architect), that accompany applications to construct or alter any school building (when costs exceed $100,000) in order to maintain a reasonable balance in the associated fund (Public School Planning, Design, and Construction Review Revolving Fund). The TBL includes grants the State Architect the authority to establish a subsequent fee schedule through the regulatory process and requires a reduction of fees if the fund balance ever exceeds six months expenditures

BACKGROUND

According to DGS, the State Architect will be insolvent this fiscal year. Current projections indicate that the State Architect will require a loan from DGS for $5 million for fiscal year 2016-17, and $10 million for fiscal year 2017-18 to cover operations. The maximum allowable fee has not changed since its establishment in 1981, despite an increase in responsibilities for the State Architect since that time.

According to DGS, a statutory change to allow the State Architect to modify its primary fee structure is necessary in order to maintain the State Architect's solvency and ensure the safety and timeliness of school construction projects. Administrative options have been and will continue to be insufficient to remedy the deficit, requiring the State Architect to borrow from DGS.

The filing fees are used to pay the salaries of architects and engineers that review the plans submitted by school districts and community colleges. In recent years there have been several salary increases that have led to a request to increase fees. Increased sophistication of buildings leading to longer review times, and new building requirements has also necessitated this fee increase. Fees are generally collected at the time of plan submission and are then adjusted at the end of construction, if needed, due to any cost adjustments that were not predicted at the beginning of the project. The fee rate has not been adjusted since the 1990s.

STAFF COMMENTS

On April 18, 2017, the subcommittee adopted placeholder trailer bill language. However, since the adoption of the TBL, additional letters of concerns have been received by the committee questioning whether the loan is needed. In order to have additional time to review, staff recommends the Subcommittee rescind its original motion and reject the proposal. This will allow the TBL to go to conference for additional review.

Staff Recommendation: Rescind prior action to adopt placeholder trailer bill language and reject the TBL.

3100 CALIFORNIA SCIENCE CENTER

VOTE-ONLY ISSUE 18: CALIFORNIA SCIENCE CENTER PHASE 1 – ELEVATOR ADDITION

The May Revise requests $1,961,000 General Fund for the preliminary plans, working drawings, and construction phases of the California Science Center Phase 1 ADA Elevator Addition project.

BACKGROUND

The project is necessary for the Science Center to be in compliance with ADA requirements. Attendance at the Science Center has increased from approximately 1.3 million in 2006-07 to 2.3 million visitors in 2014-15. The increase was due to the opening of Phase 2 and the acquisition of Space Shuttle Endeavor. There is only one public elevator with a capacity of 25 and is not sufficient to meet the needs of the increased attendance at the museum.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision proposal.

8260 CALIFORNIA ARTS COUNCIL

VOTE-ONLY ISSUE 19: TRAILER BILL LANGUAGE TO APPOINT ARTS COUNCIL DIRECTOR

The May Revise includes trailer bill language to change the authority to appoint the Director from the Council to the Governor.

BACKGROUND

According to DOF, the intent of the trailer bill language is to preserve the Council's limited resources to support its core mission of advancing CA through the Arts. DOF recognizes the Council's distinct roles as advisors for the state's artistic investments and this removes administrative burdens that fall outside the scope of the expertise for which council members are selected. In addition the Governor's Office is better positioned to assist with the selection and hiring of this Executive position, who will be responsible for agency administration; implementing the mission and the strategic vision of the Arts Council; oversight of all agency policy and programs; local, state and federal level inter-agency activities; state and national legislative relationships; public information; Council support and representation; leadership of civil service staff.

The administrative function of the Governor's Office is consistent with other state entities: Lottery, the Exposition & State Fair, the CA Costal Commission and the Military Council.

Below is a link to the list of Governor appointments:

https://www.gov.ca.gov/docs/Statutory-Index-2017.pdf

STAFF COMMENTS

From a policy point of view, appointing the Director of the Arts Council is consistent with other administrative functions by the Governor. Since this proposal has been released at May Revise, additional time should be given to vet the proposal. For these reasons, staff recommends adopting placeholder TBL in order to hear this item in conference committee.

Staff Recommendation: Adopt Placeholder trailer bill language.

7100 EMPLOYMENT DEVELOPMENT DEPARTMENT

VOTE-ONLY ISSUE 20: WORKFORCE INNOVATION AND OPPORTUNITY ACT DISCRETIONARY FUNDING

The Governor's May Revision proposes $59 million in state-level discretionary WIOA funding in 2017-18, a $6.8 million decrease relative to 2016-17. This decrease reflects a reduction in available federal funding.

BACKGROUND

The May Revision proposal discontinues funding in 2017-18 for several items that are receiving funding in 2016-17, totaling $10 million. The largest of these include:

- Regional staff capacity for state plan implementation ($1.2 million in 2016-17).
- WIOA program evaluation ($1.4 million in 2016-17).
- Technical assistance and staff training for state agencies, local areas, and One-Stop partners ($4.5 million in 2016-17).
- Incentive funds for high performance local workforce boards pursuant to Chapter 497 of 2011 (SB 698, Lieu) ($1.7 million in 2016-17).

The May Revision also decreases funding for some previously funded items while making offsetting increases in other previously funded items. The May Revision makes the following adjustments to existing items:

- Funding for Regional Workforce Accelerator Program Reduced by $8.3 Million. The May Revision provides $2 million in discretionary funding for the Regional Workforce Accelerator Program, an $8.3 million reduction relative to 2016-17 funding. The Regional Workforce Accelerator Program awards funds to local programs to test strategies for serving populations with barriers to employment. Recently, the Regional Workforce Accelerator program emphasized strategies to improve employment outcomes for formerly incarcerated and immigrant populations.

- Funding for Slingshot Increased by $5.6 Million. The May Revision provides $10.5 million for "Slingshot 2.0," an increase of $5.6 million relative to 2016-17 funding. The Slingshot programs have been used to provide assistance to local workforce development areas in carrying out regional planning and service delivery efforts. Funding in the May Revision for Slingshot 2.0 appears to be intended to continue support for regional planning, as well as building on projects initiated through the Regional Workforce Accelerator Program.

- Funding for Model Multiple-Employer Industry Sector Programs Increased by $1 Million. The May Revision provides $3 million for the Model Multiple-Employer Industry Sector Programs item, a $1 million increase over 2016-17 funding. This item awards funding to local workforce regions to implement or build on sector partnership strategies.

The May Revision appears to propose just one completely new item - $600,000 for services for in-school at risk youth. According to the Administration, the funding is intended to expand youth services offered by state staff at local job centers, establish partnerships with other local agencies and community-based organizations, and educational institutions that work with youth.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt May Revision.

VOTE-ONLY ISSUE 21: UNEMPLOYMENT INSURANCE LOAN INTEREST RATE REDUCTION

The May Revise proposes a technical adjustment brings EDD's General Fund state operations appropriation up by $1.8 million to reflect a slightly higher interest payment on UI loans than previously estimated.

BACKGROUND

This is a technical adjustment.

STAFF COMMENTS

Staff has no concerns.

Staff Recommendation: Adopt May Revision Proposal.

9210 LOCAL GOVERNMENT FINANCING

VOTE-ONLY ISSUE 22: TRAILER BILL LANGUAGE: COMMUNITY BASED TRANSITIONAL HOUSING PROGRAM

The May Revise proposes trailer bill language to Community Based Transitional Housing Program.

BACKGROUND

The Program was created as part of the 2016 Budget Act, is funded at $25 million and administered by the Department of Finance. The Program allows cities and counties to apply for grants of up to $2 million so they may partner with a facility operator to provide transitional housing and educational, behavioral, and rehabilitative services to persons released from incarceration, or to any other persons who may benefit. The city or county must provide a conditional use permit or equivalent entitlement that allows the facility to operate for at least 10 years.

The city or county receives 60 percent of the grant funds and the facility operator receives 40 percent. The TBL provides cities and counties with increased flexibility in the use of their funds. Current law states they may use Program funds for the following purposes:

- Discretionary law enforcement services, including efforts to enhance public safety in the vicinity of the facility for which program funding is provided.

- Community outreach efforts that seek to address the concerns of residents and property owners within the one-quarter mile radius of the facility for which program funding is provided.

- Any other community-based activities that the board of supervisors or city council, as applicable, believes will contribute to improved community relations regarding the facility for which program funding is provided.

The TBL states cities and counties may also use Program funds to support the provision of services to facility residents, or for any other purposes that the governing board determines will enhance outcomes for facility residents or public safety in and around the facility, provided those purposes are stated in their application.

STAFF COMMENTS

According to the DOF, the amendments are necessary because many potential applicants have stated they believe current law does not provide sufficient flexibility in the use of Program funds. Thus far, three applications for $2 million each have been received. The applications are still under review. Applications may be submitted until October 1, 2018 or until all Program funds are awarded.

Staff Recommendation: Adopt placeholder Trailer bill language.

VOTE-ONLY ISSUE 23: TRAILER BILL LANGUAGE RELATED THE CALIFORNIA PUBLIC RECORDS ACT AND EMAIL ADDRESSES

This proposal would clarify that employees personal email addresses are not subject to public records act disclosure.

BACKGROUND

The proposed language would amend the following sections:

§6253.2. (b) Copies of names, addresses, home telephone numbers, ~~and~~ personal cellular telephone numbers, and personal email addresses of persons described in subdivision (a) shall be made available, upon request, to an exclusive bargaining agent and to any labor organization seeking representation rights pursuant to subdivision (c) of Section 12301.6 or Section 12302.25 of the Welfare and Institutions Code or Chapter 10 (commencing with Section 3500) of Division 4 of Title 1. This information shall not be used by the receiving entity for any purpose other than the employee organizing, representation, and assistance activities of the labor organization.

§6254.3. (a) The home addresses, home telephone numbers, personal cellular telephone numbers, and birth dates of all employees of a public agency shall not be deemed to be public records and shall not be open to public inspection, except that disclosure of that information may be made as follows:

(1) To an agent, or a family member of the individual to whom the information pertains.

(2) To an officer or employee of another public agency when necessary for the performance of its official duties.

(3) To an employee organization pursuant to regulations and decisions of the Public Employment Relations Board, except that the home addresses and any phone numbers on file with the employer of employees performing law enforcement-related functions, and the birth date of any employee, shall not be disclosed.

(4) To an agent or employee of a health benefit plan providing health services or administering claims for health services to public agencies and their enrolled dependents, for the purpose of providing the health services or administering claims for employees and their enrolled dependents.

(b) Unless used by the employee to conduct public business, the personal email addresses of all employees of a public agency shall not be deemed to be public records and shall not be open to public inspection, except that disclosure of that information may be made as specified in subdivisions (a)(1) to (4).

(~~b~~c) Upon written request of any employee, a public agency shall not disclose the employee's home address, home telephone number, personal cellular telephone number, personal email address, or birth date pursuant to paragraph (3) of subdivision (a) and an agency shall remove the employee's home address, home telephone number, and personal cellular telephone number from any mailing list maintained by the agency, except if the list is used exclusively by the agency to contact the employee.

STAFF COMMENTS

This proposal would be limited to the disclosure of the email address only.

Staff Recommendation: Adopt placeholder Trailer bill language.

9892 SUPPLEMENTAL PENSION PAYMENTS

VOTE-ONLY ISSUE 24: SUPPLEMENTAL PENSION PAYMENTS AND TRAILER BILL LANGUAGE

The May Revision proposes a $6 billion supplemental payment to CalPERS with a loan from the Surplus Money Investment Fund that will reduce unfunded liabilities, stabilize state contribution rates, and save $11 billion over the next two decades. The General Fund share of the repayment will come from Proposition 2's revenues dedicated to reducing debts and long-term liabilities.

BACKGROUND

The May Revision includes a one-time $6 billion supplemental payment to the California Public Employees Retirement System (CalPERS) in 2017-18. This action doubles the state's annual payment and will mitigate the impact of increasing pension contributions due to the state's large unfunded liabilities and the CalPERS Board's recent action to lower its assumed investment rate of return from 7.5 percent to 7 percent.

As of June 30, 2016, CalPERS reported that the state plans' unfunded liability totals $59.5 billion and is 65 percent funded, meaning that CalPERS only has 65 percent of the funding required to make pension payments to state retirees. Without this supplemental pension payment, the state's contributions to CalPERS are on track to nearly double by fiscal year 2023-24. Barring any changes to CalPERS' actuarial assumptions, this one-time payment will reduce the unfunded liability, and help lower and stabilize the state's annual contributions through 2037-38.

The additional $6 billion pension payment will be funded through a loan from the Surplus Money Investment Fund. Although the loan will incur interest costs (approximately $1 billion over the life of the loan), actuarial calculations indicate that the additional pension payment will yield net savings of $11 billion over the next 20 years.

As the loan will repay state pension plans' unfunded liabilities in excess of the base amounts scheduled, repayment of the loan is eligible for debt payments under Proposition 2. As such, repayment of the loan will be made under Proposition 2 for the General Fund's share and other funds will repay the remainder.

For 2017-18, the state's contribution to CalPERS is estimated at $5.8 billion ($3.4 billion General Fund). These amounts are slightly lower than estimated at Governor's Budget due to various factors. Without the supplemental payment, by 2023-24, the state's contribution is estimated to reach $9.2 billion ($5.3 billion General Fund), due to anticipated payroll growth and the lower assumed investment rate of return. With the supplemental payment, the state's 2023-24 pension costs are estimated to be $8.6 billion ($4.9 General Fund).

STAFF COMMENTS

This proposal has merit and staff recommends adopting placeholder TBL. The proposal would provide General Fund saving over the next couple decades by prepaying pension obligations.

Staff Recommendation: Adopt May Revision and placeholder TBL.

CONTROL SECTION 3.60

VOTE-ONLY ISSUE 25: STATE RETIREMENT CONTRIBUTION RATES

The May Revise proposes to amend C.S. 3.60 to capture changes in state retirement contribution rates adopted by the California Employees' Retirement System (CalPERS) Board on April 18, 2017. Additionally, C.S. 3.60 is being amended to allow the Department of Finance to make supplemental payments to CalPERS for the state's retirement contributions using Proposition 2 funding.

BACKGROUND

The reduction in employer contribution rates is a result of new hires entering the system under lower benefit formulas pursuant to the Public Employees' Pension Reform Act of 2013, greater than expected contributions to the system and lower costs of living increases than estimated.

The newly adopted state employer contribution rates is a result new hires entering the system under lower benefit formulas pursuant to the Public Employee’s Pension Reform Act of 2013, greater than expected contributions to the system, and lower cost of living increases than estimated. The newly adopted state employer contribution rates result in total state costs of $473,850,000, a decrease of $100,563,000 ($67,231,000 General Fund) from the $574,413,000 included in the Governor's budget.

Additionally, this item would reduce CalPERS' fourth quarter deferral by $14,125,000 General Fund from the Governor's Budget to reflect the changes in retirement rates. The net effect of these changes on the General Fund is a decrease of $53,106,000 in 2017-18 compared to the Governor’s budget.

The following language is proposed to amend C.S. 3.60 in relation to supplemental payments to CalPERS:

(f)(1) In addition to the employers' retirement contributions listed in subdivisions (a) and (d), the Department of Finance may direct the Controller to transfer up to $427,000,000 General Fund to supplement the state's retirement contributions in fiscal year 2017-18.

(2) The Department of Finance shall direct the Controller to transfer the amount in paragraph (1) to either of the following:

(A) The Public Employees' Retirement Fund, or
(B) The Surplus Money Investment Fund, for repayment of principal and interest of a cash loan that was made to supplement the state's retirement contributions.

(3) The supplemental payment described herein is for unfunded liabilities for state-level pension plans in excess of current base amounts for fiscal year 2017-18. Therefore, any amounts transferred to funds identified in paragraph (2) constitutes an obligation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution.

(4) The Department of Finance shall provide the Controller a schedule of the timing and amounts to be used for purposes of this section."

STAFF COMMENTS

The changes in the employer contribution rates are technical adjustments. The adoption of the amendment to Control Section 3.60 is consistent with the adoption of placeholder trailer bill language discussed in Issue 5.

Staff Recommendation: Adopt May Revision Proposal.

7760 FRANCHISE TAX BOARD

VOTE-ONLY ISSUE 26: TRAILER BILL LANGUAGE: PARTNERSHIP RETURN EXTENDED FILING DATE

This proposal includes clean up language to AB 1775 (Obernolte, Chapter 348, Statutes of 2016) to authorize FTB to set an extended due date for partnership tax returns.

BACKGROUND

The proposed language is outlined below:

SECTION 1.

The Legislature finds and declares that Chapter 348 of the Statutes of 2016, beginning with returns for the 2016 taxable year, accelerated by one month the original filing due date for returns required to be filed by partnerships under Section 18633 of the Revenue and Taxation Code and by limited liability companies classified as *partnerships under Section 18633.5 of the Revenue and Taxation Code. Due to the challenges of complying with the accelerated filing due date, coupled with the inherent complexities of preparing partnership returns, it is the intent of the Legislature that for the 2016 taxable year only, the Franchise Tax Board shall presume reasonable cause and not willful neglect in the case of any partnership that meets both of the following:*

(a) The partnership return for taxable year 2016 is filed by the extended due date under former law, which is October 15, 2017, for a calendar year partnership, or by the 15th day of the 10th month following the close of the taxable year of the partnership in the case of fiscal year filers.

(b) The partnership requests relief, in the form and manner specified by the Franchise Tax Board, from the imposition of either or both the delinquent filing penalty under Section 19131 of the Revenue and Taxation Code, or the failure of a partnership to comply with filing requirements penalty under Section 19172 of the Revenue and Taxation Code. The Legislature intends that this relief be implemented in a streamlined manner.

~~SECTION 1.~~*SEC. 2.*

Section 18567 of the Revenue and Taxation Code is amended to read:

18567.

(a) *(1)* The Franchise Tax Board may grant a reasonable extension of time for filing any return, declaration, ~~statement~~ *statement,* or other document required by Part 10 (commencing with Section 17001) or this part in the manner and form as the Franchise Tax Board may determine. Except ~~for a taxpayer residing or traveling abroad,~~ *as provided in paragraph (2),* no extension shall be for more than ~~seven~~ *six* months. ~~In~~

(2) (A) In the case of a taxpayer residing or traveling abroad, returns shall be filed no later than the 15th day of the sixth month following the close of the taxable year, unless the requirements for extension have been fulfilled on or before that date.

(B) In the case of a partnership required to file a return under Section 18633 or 18633.5, the extension shall be for no more than seven months.

(b) An extension of time granted pursuant to this section is not an extension of time for payment of tax required to be paid on or before the due date of the return without regard to extension. Underpayment of tax penalties shall be imposed as provided by law without regard to any extension granted under this section.

(c) A reasonable extension for payment of tax required by this part may be granted by the Franchise Tax Board whenever in its judgment good cause exists.

(d) The amendments made to this section by the act adding this subdivision shall apply to returns required to be filed for taxable years beginning on or after January 1, 2017.

~~SEC. 2.~~*SEC. 3.*

This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order for ~~this extension~~ *these provisions* to be in effect *as soon as possible and* for persons filing tax returns under the Personal Income Tax Law for the 2016 taxable year, it is necessary that this act take effect immediately.

STAFF COMMENTS

FTB and CalTax worked on the proposed language to ensure that it worked for FTB.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 27: TRAILER BILL LANGUAGE: VOLUNTARY PERSONAL INCOME TAX CHECK-OFFS

This proposal would reduce to zero for the 2016 taxable year, the minimum contribution requirement for voluntary contribution to funds that appear on the personal income tax return. The minimum contribution requirement is the amount that must be contributed to the fund in order for it to remain on the tax return in the subsequent year.

BACKGROUND

Tax check-offs are listed on the personal income tax return, and provide an opportunity for tax filers to contribute to various organization when filing their taxes. Some voluntary contribution funds are required to meet a minimum contribution test. If a voluntary contribution fund does not receive the required dollar amount of contributions the fund is repealed and removed from the tax returns the following year. For example, if a fund did not meet the minimum contribution threshold in 2016, the fund would be removed from the 2016 tax return, which is filed in 2017. For the current filing season, FTB has seen a sharp decline in the amounts contributed to the Voluntary Contribution Funds included on this year’s income tax return. For the period of January through March 2017, it received a total of $1 million compared to $2.3 million last year, and has determined that the decline is due to a change in the tax preparation experience in Intuit’s TurboTax product. FTB has contacted Intuit and they are responsive to making changes to their software for the 2016 return and reevaluate the product for the 2017 return. This issue causes two concerns: 1) the majority of funds will not meet their minimum contributions to remain on the tax return for the 2017 tax year, and 2) Some funds may experience ongoing concerns due to lack of tax return contributions.

TBL. Section 18874.1 is added to the Revenue and Taxation Code, to read:
18874.1.

(a) Notwithstanding any other law, for any voluntary tax contribution fund authorized under this chapter and appearing on the return for the 2016 taxable year that has a minimum contribution amount requirement for the 2017 calendar year, in order to continue to appear on the return for the 2017 taxable year, the following shall apply:

(1) The minimum contribution amount requirement for the 2017 calendar year is equal to zero dollars ($0).

(2) The minimum contribution amount to be received during the 2018 calendar year for a fund to appear on the tax return for the 2018 taxable year shall be the amount previously determined by September 1, 2016, for the 2017 calendar year.

(b) This section shall not apply to a voluntary contribution that is otherwise subject to repeal without regard to satisfying a minimum contribution amount requirement.

STAFF COMMENTS

Staff has no concerns with the proposed language.

Staff Recommendation: Adopt placeholder trailer bill language.

0860 STATE BOARD OF EQUALIZATION

VOTE-ONLY ISSUE 28: TRAILER BILL LANGUAGE: COUNTY OF LOS ANGELES MEASURE H - HOMELESSNESS

According to the proponents, the proposed language would clarify that a local sales tax measure adopted by the County of Los Angeles can be collected in jurisdictions that have reached their two percent cap on local sales taxes. The county-wide measure (Measure H) was drafted to comply with the two percent statutory limit on local sales taxes, by taking into account the seven cities within the County which have reached the two percent cap. Under Measure H, transactions in those cities which have reached the two percent sales tax cap are not subject to the ¼ percent additional sales tax. The BOE has requested that the County obtain statutory clarification to implement Measure H.

BACKGROUND

The County of Los Angeles, in 2015, developed strategies to reduce homelessness. In February 2016, the Board of Supervisors approved a set of strategies that were designed to: prevent homelessness, subsidize housing, increase income, provide case management and services, create a coordinated system, and increase affordable/homeless housing. The board allocated $100 million in one-time funding to support the initial implementation of the approved strategies, while expressing its intent to pursue an ongoing revenue source to sustain and expand the strategies. In December 2016, the board placed Measure H, a 10-year special ¼ percent sales tax to prevent and combat homelessness, on the March 7, 2017 countywide ballot, which was approved by approximately 70 percent of the voters.

Measure H is estimated to generate $355 million annually and enable 45,000 homeless families and individuals to move from homelessness into permanent housing in the next five years, while enabling an additional 30,000 families and individuals to avoid becoming homeless. Measure H will primarily fund outreach, interim housing, rental subsidies, and supportive services, and will leverage efforts to increase the supply of permanent supportive housing, including the State of California's No Place Like Home initiative and other local measures.

STAFF COMMENTS

Staff has no concerns with adopting the placeholder TBL specific to LA County.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 29: MANUFACTURING TAX CREDIT EXTENSION AND TRAILER BILL LANGUAGE

This proposal modifies the manufacturer's partial sales tax exemption (Exemption) by expanding eligibility to certain agricultural businesses as well as to those engaged in electric power generation or distribution. The bill also modifies the definition of "useful life" for the purposes of determining eligible property purchases subject to the Exemption, and extends the sunset of the Exemption from July 1, 2022 to July 1, 2027.

BACKGROUND

AB 93 (Committee on Budget, Chapter 69, Statutes of 2014), among other things created the Exemption. The Exemption applies to the General Fund portion of the SUT (3.9375%) on purchases of tangible personal property, such as machinery and equipment, used for research and development in manufacturing activities. One restriction of the Exemption is that any property treated as having a "useful life" of less than one year is not eligible.

The proposed language is consistent with AB 600 (Cooper).

STAFF COMMENTS

This proposal would extend the manufacturing tax credit out until 2027.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 30: TRAILER BILL LANGUAGE: CA ORGANIZED INVESTMENT NETWORK

This proposal reestablishes and extends the California Organized Investment Network (COIN) tax credit program, and sunsets the tax credit effective January 1, 2022.

BACKGROUND

COIN was a collaborative effort between the department, the insurance industry, community affordable housing and economic development organizations, and community advocates. COIN was established in 1996 at the request of the insurance industry as an alternative to state legislation that would have required insurance companies to invest in underserved communities, similar to the federal Community Reinvestment Act that applies to the banking industry. This voluntary program facilitated insurance industry investments in state-certified community development financial institutions, which are financial intermediaries that provide credit to small businesses and non-profits that serve economically disadvantaged communities. The credit was capped at 20 percent of a maximum of $50 million in qualified investments, the same level established by this bill. It sunset on January 1, 2017.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 31: TRAILER BILL LANGUAGE: PAWNBROKERS

This proposal provides that the terms "sale" and "purchase" do not include the transfer of "vested property", as defined, by a "pawnbroker" to a person who pledged the property to the pawnbroker as security for a loan if specified requirements are met, thus excluding such transfers from taxation under the Sales and Use Tax (SUT) Law.

BACKGROUND

When procuring a loan from a pawnbroker, the borrow enters into a contract that allows the pawnbroker to hold an agreed upon item of the borrower's personal property. By operation of law the pawnbroker takes ownership of the property if the borrower defaults on the loan by not returning to pay interest and fees due or to enter into a new loan. The personal property that is offered is considered collateral and is meant to compensate the pawnbroker as an alternate to the loan payment.

Current law requires every California retail establishment to collect a sales tax for sales of tangible personal property. In the case of a pawnbroker, this also applies to sales of property that the pawn shop has acquired as a result of a default. However, this policy is problematic when the title of the collateral has passed to the pawnbroker and the original pledger is interested in reacquiring it. By assessing a tax on the property, it effectively works as a double taxation and is unfair for the pledger who has already paid the sales tax when first purchasing the item.

STAFF COMMENTS

The BOE estimates annual state and local revenue losses of $16,625 if these changes are implemented. Staff has no concerns with this proposal. The proposed language can be found in AB 327 Gipson.

Staff Recommendation: Adopt placeholder trailer bill language.

VARIOUS DEPARTMENTS

VOTE-ONLY ISSUE 32: LEGISLATIVE PRIORITIES

This proposal includes $107.85 million General Fund for legislative priorities.

BACKGROUND

Legislative Funding Priorities
(Dollars in Millions)

#	Org Code	Department	Proposal	Cost ($million)
1.	0509	Governor's Office of Economic Development	The May Revision provided one-time funding for SBDC. This proposal would provide an additional $2.8 million (General Fund) to support the SBDC program over the 2017-18 fiscal year. The funding would be allocated as follows, an additional $2 million to draw down federal funds consistent with the May Revise proposal. The $800,000 would be directed to support two pilot projects.	$2.8
2.	2240	Department of Housing and	Allocates the $400 million set aside for housing that was adopted on February 28, 2017, including the following:	

		Community Development	$200 Million: Multi-Family Housing Program (MHP) (both MHP and MHP-Supportive Housing) $45 Million: Down Payment Assistance Program $40 Million: Joe Serna Program $90 Million: Housing for Healthy CA Program $25 Million: Teacher Workforce Housing	
3.	2240	Department of Housing and Community Development	Addressing other homelessness programs. The proposal would add $40 million for navigation centers, $7.5 million for Sam and Bonnie Pannell Community Center, Youth and Wind Services, and Emergency Youth Shelter; $250,000 for the Napa County migrant worker housing program; and $20 million for the Emergency Solutions Grant Program.	$67.75
4.	2720	California Highway Patrol	Drugged Driving Protocols Program: Proposes to advance $3 million earmarked for CHP to create drugged driving protocols and best practices for 2017-18.	$3
5.	2720	California Highway Patrol	Drugged Driving Task Force: Proposes to appoint a drugged driving task force, to develop recommendations for best practices, protocols, proposed legislation, and other policies to address the issue of driving under the influence of drugs, including prescription drugs.	Minor absorba ble costs to CHP
6.	7100	Employment Development Department	Firefighter Apprenticeship programs: Proposes $600,000 one-time General Fund to the Division of Apprenticeship standards to collaborate with the Ca Firefighters Joint Apprenticeship Council in the development of a new firefighter pre-apprenticeship pilot program.	$0.6
7.	7100	Employment Development Department	Provide $1 million at the Employment Training Panel for Workforce Training for the Film Industry: California's film industry is one of the State's most visible and well-known sectors of the State's economy. Recent enhancements to the Film Tax Credit have translated into increased activity in this industry, creating a need for further workforce development. California's Employment Training Panel has a well-established track record of funding job training and retraining efforts targeted at creating and retaining jobs in California.	$1
8.	0650	Office of Planning and Research	Special Olympics Funding ; Provide $1.6 million General Fund to support Northern and Southern California Special Olympics.	$1.6
9.	0509	Governor's Office of Economic	Pacoima Financial Credit Union Financial Literacy: Appropriate $100,000 from GO-Biz to provide financial	0.1

		Development	literacy training to community members in Pacoima, California, in partnership with the Pacoima Federal Credit Union. Of the 1,000 members of the credit union, 700 do not have checking accounts. This training will help these individuals learn the basics of managing a checking account, saving, and building credit.	
10.	8955	Department of Veteran's Affairs	Orange County Veterans' Cemetery: Proposes $30 million General Fund to develop a veterans cemetery in Irvine. These funds would be combined with local and federal dollars to complete this important project.	$30.0
11.	8955	Department of Veterans Affairs	Legal Services Funding for Deported Veterans: Proposes $1 million General Fund for legal services for deported veterans that have been honorably discharged and have ties to California. This proposal will help to ensure that deported veterans are given a second chance to return to the United State by establishing a state funded program as a way to connect them with valuable legal services.	$1.0
Total				**$107.85**

STAFF COMMENTS

Funding priorities focus on homelessness, workforce apprenticeships, small business development centers, and veterans, which are key issues in Subcommittee 4 on State Administration.

Staff Recommendation: Adopt legislative funding priorities.

9100 LOCAL ASSISTANCE

VOTE-ONLY ISSUE 33: CENSUS OUTREACH

The Governor's budget included $7 million for local address matching incentive funds associated with preparing the state for the 2020 Census. However, the proposal did not include funding for outreach activities. Typically the state provides funding for these activities, so every Californian is counted.

STAFF COMMENTS

An investment of $3 million in 2017-18 would provide a meaningful start for the California's census outreach efforts.

The State began outreach about the same time prior to the 2000 and 2010 census at roughly the same level, so this additional investment should help insure California is prepared for 2020. Given that the federal government may reduce funding to insure a complete count during the Census, the State may need to play a great role than in the past.

Staff Recommendation: Adopt $3 million General Fund, one-time for Census outreach.

8955 DEPARTMENT OF VETERANS AFFAIRS

VOTE-ONLY ISSUE 34: SKILLED NURSING FACILITY ACTIVATION

The May Revision proposes an augmentation of 12.1 positions in 2017-18, and 20.5 positions and $868,000 General Fund annually thereafter, for the Veterans Home of California - Greater Los Angeles and Ventura County (VHC-GLAVC) to convert 84 transitional housing program (THP) beds back to the skilled nursing facility (SNF) level of care. This proposal also includes the redirection of 46.5 existing positions and $4.7 General Fund in the CalVet budget for the Adult Day Health Care (ADHC) programs in Lancaster and Ventura. These staffing and funding shifts are shown in the figure below.

Proposed Staffing Shifts

Request	Positions	Ongoing Funding
VHC-WLA SNF Conversion	84.0	$6,840,000
VHC-WLA THP Reduction	-17.0	-$1,285,000
VHC-Lancaster and Ventura ADHC Reduction	-46.5	-$4,687,000
Total	20.5	$868,000

BACKGROUND

The VHC-WLA Transitional Housing Program. The Veterans Home of California - West Los Angeles (VHC-WLA) was originally designed and constructed to provide 396 beds consisting of 84 Residential Care Facility for the Elderly (RCFE) beds and 312 SNF beds. Of the 312 SNF beds, 60 were designated for specialized memory care services. The distribution of beds between the levels of care was carefully determined after a review of anticipated needs in the surrounding region.

However, VHC, WLA was unable to operate at maximum capacity due to the lack of a kitchen, so CalVet explored other programmatic opportunities for vacant units. In May 2013, the CalVet submitted a May Revision proposal for fiscal year 2013-14 to convert the SNF to the domiciliary level of care with a savings of $5.1 million and 67 positions ongoing as the domiciliary required significantly fewer staff. As a result of the approval of this proposal, the CalVet and the VA agreed to convert 84 SNF beds and create a transitional housing program (THP) for formerly homeless veterans. Under this agreement, the VA has provided wraparound psychiatric and social services and prepared meals in their facilities, while CalVet offers living accommodations and reimburses the VA for food costs.

The need for a THP program has decreased significantly. In December 2016, the federal VA notified CalVet that it would no longer refer veterans to the VHC-WLA THP and that the last residents in the program will be transitioned out to the community by June 30, 2017. As of the first week of May 2017, the VHC-WLA THP had 59 vacancies with no waiting list and has not been at full capacity since May 2015. The last time there were fewer than 15 vacancies was in August 2016.

CalVet will continue to work with the VA to find appropriate placement for all remaining veterans in the program. Many veterans will obtain permanent housing and employment prior to the THP's closure. For those unable to find permanent housing, the VHC-WLA and the VA will pursue multiple options to assist the veterans on a case-by-case basis.

Adult Day Health Care Programs. The VHC-Lancaster and VHC-Ventura were originally designed and constructed with space for an ADHC program. The ADHC is a federal day program of health services, therapeutic activities, and social services for frail elders or adults with chronic, disabling medical, cognitive or mental health conditions who are at risk for institutional placement. In California, ADHC programs have changed over time and been replace by Community-Based Adult Services (CBAS).

CalVet is proposing to offset the cost of the transition from THP to SNF in the VHC-WLA with a redirection of the resources originally intended for ADHC in VHC-Lancaster and VHC-Ventura. This would include a reduction of 46.5 positions and $4.7 million General Fund for the unopened ADHC programs. While the surrounding communities had an apparent need for additional ADHC (now CBAS) services in 2007, it has become clear that this need no longer exists. Local organizations in both regions provide more than adequate CBAS services for the veteran population; many already contract with the VA and have vacancies in their programs. In addition, the federal VA is no longer requiring CalVet to provide CBSA services.

STAFF COMMENTS

This proposal results in the elimination of two programs that have been beneficial to veterans. However, according to CalVet the need for CalVet to provide these programs has diminished. The federal VA has also given CalVet permission to no longer provide CBAS services and has notified CalVet that the THP program must end. The proposed shifts brings back the original purpose and intended use of the VHC-GLAVC facility.

Staff Recommendation: Approve as proposed

ITEMS TO BE HEARD

1111 DEPARTMENT OF CONSUMER AFFAIRS
0860 STATE BOARD OF EQUALIZATION
8570 DEPARTMENT OF FOOD AND AGRICULTURE
1045 CANNABIS CONTROL APPEALS PANEL
3600 DEPARTMENT OF FISH AND WILDLIFE
3940 STATE WATER RESOURCES
4265 PUBLIC HEALTH
3930 DEPARTMENT OF PESTICIDES REGULATIONS

ISSUE 1: VARIOUS CANNABIS RELATED BUDGET CHANGE PROPOSALS

The Governor's January budget proposes a total of $51.4 million from Marijuana Control Fund (MCF) in 2017‑18 across four departments: Department of Consumer Affairs (DCA), Department of Public Health (DPH), California Department of Food and Agriculture (CDFA), and State Board of Equalization (BOE). The budget also requests about 190 positions in 2017‑18 across these departments.

The May Revise proposes a total of $43.2 million in 2017‑18 across seven departments: Fish and Wildlife, State Water Resources Control Board, Public Health, Food and Agriculture, Pesticide Regulation, Cannabis Control Appeals Panel, and Consumer Affairs. The table below shows both the January and May budget requests for 2017-18 through 2020-21 and ongoing.

Governor's 2017-18 January and May Revision Budget Proposals for Cannabis

(In Millions)

Department	2017-18	2018-19	2019-20	2020-21 and ongoing
January Budget				
Consumer Affairs	$22.5	$30.9	$30.4	$30.2
Food and Agriculture	22.4	16.1	16.1	0.0
Board of Equalization	5.4	2.7	2.1	2.0
Public Health	1.0	0.1	-0.2	-0.2
May Revision Proposals				

Fish and Wildlife	$17.2	$13.3	$13.3	$10.3
State Water Resources Control Board	9.8	13.5	13.5	12.8
Public Health	9.3	8.3	8.7	8.0
Food and Agriculture	3.9	1.3	1.3	0.0
Pesticide Regulation	1.3	2.3	2.3	0.0
Cannabis Control Appeals Panel	1.0	1.1	1.1	1.1
Consumer Affairs	0.7	0.7	0.7	0.0
Totals	**$94.5**	**$90.3**	**$89.3**	**$64.2**

BACKGROUND

The Subcommittee heard these proposals on April 25, 2017, and May 17, 2017. A summary of all the BCPs can be found in those agendas.

STAFF COMMENTS

Similar to the January proposals, staff recognizes the need to provide resources for the implementation of the cannabis regulatory for all departments who have jurisdiction over the programs. Staff supports limiting these proposals to three-year limited term funding. This approach will provide the Legislature the opportunity to have more review of the programs as time passes and implementation commences.

Staff recognizes that the likelihood that requests for resources will come on an annual basis due to the fluid nature of creating a new program. Staff wants to maintain the balance of providing enough resources to ensure the program's success while continuing to have legislative oversight.

Staff will note that the provisional language included for DPH to have flexibility to increase resources related to licensure is important. In addition, staff believes this provisional language should be extended to the Bureau with respect to lab testing to provide flexibility to hire additional staff to handle lab testing. With that said, staff will also note that the hiring process for all these agencies will be a huge undertaking and challenge.

Staff Recommendation:

1. Reject Governor's January proposal for the Board of Equalization and approve the revised request and funding based for BOE on a three-year limited-term basis.

2. Approve all other Governor's budget and May Revision cannabis proposals on a three-year limited term basis.

3.Similar to what is provided for the Department of Public Health, adopt budget bill language for the Bureau of Cannabis Control to allow them to augment their resources by up to 10 positions for lab testing upon notification of the Joint Legislative Budget Committee.

4. Adopt budget bill language to require the departments implementing new cannabis-related IT projects - DCA, CDFA, and DPH - to provide legislative staff with quarterly briefings on the status of these projects.

ISSUE 2: CANNABIS TRAILER BILL LANGUAGE

In April 2017, the Administration released a draft of the Cannabis Regulation Trailer Bill Language. The TBL proposes a regulatory system for the regulation of both medicinal and adult use of cannabis activities.

BACKGROUND

Creating one regulatory structure to implement both medical and recreational cannabis by January 1, 2018, remains the goal of the administration.

Both houses have been working with the administration and stakeholders to find ways to find common ground to move the trailer bill forward. As of the writing of this agenda, a revised RN has not been released by the administration.

The following elements remain as the Assembly's priorities for adopting placeholder trailer bill language for cannabis implementation:

- Creates a single system for implementation of medical and recreational cannabis licensing to begin in January 2018;
- Provide a role for local public safety in inspection and quality assurance;
- Add language and funding to address law enforcement training to address driving under the influence of cannabis;
- Maintain environmental protections provided in current law;
- Address stakeholder concerns about distribution;
- Maintain provisions of existing law that are outside of the scope of implementing Proposition 64 that were delete in the Administration's proposal;
- Maintain existing medical ID Card system for medical marijuana;
- Prioritize issues related to conformity necessary for January and identify a process to address less urgent issues to a more holistic process after the budget;
- Ensure small growers can comply and compete in the regulated market; and
- Expand outreach and membership of the Appeals Board to ensure diverse communities are adequately represented.

STAFF COMMENTS

The Subcommittee may wish to ask DOF to present an update on the trailer bill and ask when they anticipate a revised RN to be released.

Staff Recommendation: Adopt Placeholder trailer bill language.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

ISSUE 3: COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM WORKLOAD ADJUSTMENT AND TRAILER BILL LANGUAGE

This budget request proposes one position and $157,000 (General Fund) ongoing, to meet the federal match requirement for California's Community Development Block Grant (CDBG) program and streamline the CDBG program in response to reduced federal funding levels. This proposal includes trailer bill language.

BACKGROUND

This budget proposal was heard on February 28, 2017. However, at that time the trailer bill language was still in draft format. HCD will discuss the trailer bill language. The TBL was discussed during the May 2, 2017, hearing, where many concerns were voiced.

Proposed TBL. CDBG has proposed trailer bill language to streamline the program to address some of these issues. Specifically, HCD proposes to provide more flexibility to allow for the efficient redesign and streamlining of the program, given new lower funding levels. This includes reducing the set-aside for economic development projects (which are often undersubscribed), speeding the redistribution of unused funds, and clarifying the uses of program income (income generated and returned to local governments after initial project award), as well as reducing the number of activities eligible for funding.

STAFF COMMENTS

Staff recommends approving the one position on a limited term funding for one year in order to provide resources for the program to continue. HCD will argue that the resources will not be enough without the streamlining proposed in the TBL.

However, staff has asked the stakeholders to provide language to address the problems with the program and the trailer bill. Staff will work with HCD and stakeholders to try to move language that works for all parties. However, if no agreement can be reached, staff recommends that the program continues as is, and that a policy bill is moved forward next year during the legislative process to address the issue.

Staff Recommendation: Adopt funding for one position for one year and adopt placeholder trailer bill language.

7760 DEPARTMENT OF GENERAL SERVICES

ISSUE 4: SACRAMENTO REGION: R STREET PARKING GARAGE STRUCTURE – ACQUISITION AND TRAILER BILL LANGUAGE

The May Revise requests $1,660,000 (Service Revolving Fund) to allow the Department of General Services, in partnership with the Capitol Area Development Authority (CADA), to acquire two parcels of land located between Q, R, 8th and 9th Streets, to accommodate the R Street Parking Structure project. This item also contains trailer bill language.

BACKGROUND

Current DGS managed state garages in Sacramento have a waiting list of approximately 2,500 state employees. According to DGS, this project will help alleviate this problem, and will provide additional parking to support the planned construction of two new state office buildings (the Natural Resources Headquarters Building and O Street Office Building). The structure will provide 800 parking stalls, electric vehicle charging stations, retail shops on the ground floor, and after-hours parking to support the retail establishments along the R Street Warehouse, which was constructed in 1952 and purchased by the state in 1999 as a site for a future parking structure.

Trailer Bill Language. The TBL would do the following:

1) Authorize DGS to enter into an agreement with CADA to construct the parking garage at a cost not to exceed $30 million
2) Authorize DGS to enter into lease agreements necessary for the financing of the facility
3) Authorize the use of the California Infrastructure and Economic Development Bank (IBank) Infrastructure program to allow CADA to secure project financing
4) Allow demolition of the R Street Warehouse

STAFF COMMENTS

This item was heard at the May 17, 2017, hearing, where both concerns and support for the project were heard. In a follow-up letter from DGS to a Sacramento City Council member, DGS followed up on four key items:

- *Future Proof Design Concepts*: DGS is committed to work with City staff to learn more about the planning and design principles that are being considered in the upcoming Central City Specific Plan. DGS is committed to collaborating with the city to incorporate best practices that will enable us to meet our functional needs within our resource constraints.

- *Grid 3.0:* DGS appreciates that the city has undertaken a bold transportation modernization plan for downtown with the Grid 3.0 plan. DGS understands the city may need to reprioritize some of its planned improvements projects to better coordinate with the timing of the garage.

- *State Garage Management*: DGS is excited about the opportunity to work more closely with the city to ensure the needs of residents and visitors are met when it comes to utilization of state parking garages during night and weekend hours. DGS looks forward to continuing the conversation with city staff on how to best accomplish mutual goals.

- *Parking into Housing:* The state has worked in partnership with the city and CADA for decades on developing underutilized parcels for housing in the central city. DGS is committed to continuing this good work and would be happy to help the city connect with other state departments to ensure state properties are being used to their highest and best use.

DGS and the City of Sacramento continue to work to resolve concerns related to garage design, vehicle miles travelled, management and housing. The City of Sacramento is supportive in concept, but requests that DGS continues to work in partnership with the City on trailer bill language.

Staff Recommendation: Adopt May Revision and adopt Placeholder trailer bill language.

7730 FRANCHISE TAX BOARD

ISSUE 5: EARNED INCOME TAX CREDIT EXPANSION AND OUTREACH FUNDING

This item proposes to increase the EITC to cover the self-employed and incomes up to about $22,000. Additionally, this proposal would provide $2 million to continue outreach activities.

BACKGROUND

This item was originally heard in Subcommittee on March 12, 2017. The California EITC is a personal income tax (PIT) credit that is intended to reduce poverty among California's poorest working families by increasing their after-tax income. For those tax filers who qualify, the credit reduces income tax liability. In the common case where the amount of the credit exceeds the filer's liability, the difference is paid to the filer as a tax refund.

The 2015‑16 budget estimated that two million individuals (825,000 tax returns) and was estimated to reduce PIT revenues available to the General Fund in 2015‑16 by $380 million dollars. The 2017-18 budget estimates to reduce PIT revenues by $264 million.

The California EITC is structured to match 85 percent of the federal EITC for earnings in the lower half of the federal EITC's phase-in range. For higher levels of earnings up to the end of the federal EITC's phase-in range, the California EITC phases out, such that the households that qualify for the maximum federal EITC no longer qualify for the California EITC. This structure focuses the benefits of the California EITC on working families with very low earnings—specifically, less than $13,870 per year.

Self-Employment Income. The federal EITC has historically had a high level of improper payments to individuals who claimed a larger credit than they are eligible to receive. One common source of improper payments in the federal EITC is the misreporting of self-employment income. In order to limit improper payments resulting from misreported self-employment income, the California EITC defines earnings more narrowly than the federal EITC to only include wages subject to withholding— effectively excluding self-employment income.

Outreach. The 2016-17 budget provided $2 million to the Franchise Tax Board (FTB) to support education and outreach activities to build awareness of the California Earned Income Tax Credit. The 2017-18 budget does not include additional funding for outreach activities.

STAFF COMMENTS

Staff notes there is lots of support for the expansion of EITC, including several member bills on the issue.

Staff Recommendation: Adopt proposal to cover the self-employed, incomes up to about $22,000, and provide $2 million for outreach activities.

0511 GOVERNMENT OPERATIONS AGENCY

ISSUE 6: TRAILER BILL LANGUAGE: STATE CONFORMITY TO IRS PUBLICATION 1075

The May Revise includes placeholder trailer bill language to provide statutory authority for California state entities that receive Federal Tax Information (FTI) from the Internal Revenue Service (IRS) to require criminal background checks of its prospective and existing employees and contractors in order to comply with the new IRS safeguarding rules in Publication 1075.

BACKGROUND

According to the Government Operations Agency, after assessing its disclosure practices and the safeguards used to protect confidential taxpayer information, the IRS updated its own practices and is now requiring all state and local entities that receive FTI to more closely align their safeguarding practices with those of the IRS. New IRS guidelines released in September 2016 (Pub. 1075) sets forth the minimum level of background investigation that must be conducted before a person is allowed to access FTI The Internal Revenue Code defines FTI as any return or return information received directly from the IRS or authorized secondary source, such as the Social Security Administration, Federal Office of Child Support Enforcement and Centers for Medicare and Medicaid Services, or through an IRS-approved exchange agreement, and that is subject to the safeguarding requirements in Pub. 1075.

In accordance with IRS Publication 1075, California state entities that receive FTI will now be required to conduct a criminal background check of and obtain criminal history information from the DOJ and Federal Bureau of Investigation (FBI) on existing employees, new hires, contractors and their subs. State entities must also ensure that third party contractors who work with FTI on their behalf are subject to the same requirements as state employees. Favorable results must be obtained prior to anyone being able to access FTI.

Some of the affected entities include: Franchise Tax Board, Employment Development Department, Board of Equalization, California Department of Technology, State Controller's Office, Dept. of Child Support Services, Dept. of Social Services, and Covered CA.

The new IRS rules are now in effect, and statutory authority must be provided to ensure state entities can achieve compliance according to the federal timeline. In March 2017, the IRS conducted its safeguard security review audits for compliance with Pub. 1075. Responses from the state departments on their efforts and plans to come into compliance are due in August (2017), and total compliance is expected by October (2017). If California's entities are not in compliance, the IRS can suspend or terminate access to FTI, which would have significant impact on the state budget.

The proposed TBL would do the following:

Add Section 1044 to the Government Code to provide clear authority for state entities to require criminal background checks, and amend Section 11105 of the Penal Code to add (b)(26) to provide clear authority to the DOJ to release criminal history information to the impacted state entities

STAFF COMMENTS

The background for this item came to the Subcommittee after the May 17, 2017, hearing, so staff did not have the opportunity to agendize it.

But the issue does have merit and staff encourages the subcommittee to adopt placeholder trailer bill language to move this item along in the process.

There are still some concerns that stakeholders have with the language, but Government Operations is working to address those concerns. The Subcommittee may wish to ask Government Operations to explain the concerns and how they plan to address them moving forward.

Staff Recommendation: Adopt placeholder trailer bill language.