

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION

Assemblymember Juan Arambula, Chair

TUESDAY, APRIL 1, 2008, 1:30 PM
STATE CAPITOL, ROOM 447

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CONSENT ITEMS

ITEM 1110 DEPARTMENT OF CONSUMER AFFAIRS REGULATORY BOARDS

Issue 1: Committee on Dental Auxiliaries. Request for position authority only for 1.0 Office Technician to address an increase in licensure workload.

Issue 2: Physician Assistance committee. Request for a two-year limited-term augmentation of \$35,000 from special funds to address new licensing requirements.

Issue 3: Board of Behavioral Sciences – Licensing Positions. Request for \$60,000 in special funds to restore 1.5 positions to address increasing workload in the Licensing Program.

Issue 4: State Board of Optometry – Staff Augmentation. Request for \$85,000 (Special Fund) to address increased workload related to Exam Development, Outreach, Probation Monitoring, and other tasks.

Issue 5: State Board of Optometry – Occupational Analysis. Request for \$157,000 (Special Fund) to conduct a one-time occupational analysis, examination validation, and an audit of the national examination.

Issue 6: Osteopathic Medical Board. Request for \$91,000 (Special Fund) augmentation and 2.5 positions to handle increased workload related to consumer complaints, enforcement discipline, and licensing needs.

Issue 7: Board for Professional Engineers and Land Surveyors. Request to redirect \$24,000 (Special Fund) to establish a Senior Engineer Registrar in-house instead of contracting services out.

Issue 8: Court Reporters Board – Occupational Analysis study. Request for \$55,000 (Special Fund) to fund three examination validation studies on the Board's English, Professional Practice, and Machine Skills licensing exams over a 2-year period.

Issue 9: Court Reporters Board – Retirement Payout. Request for one-time augmentation of \$45,000 (Special Fund) to cover the required buyout of the retiring Executive Officer's unused leave time.

Issue 10: Structural Pest Control Board. Request for 1.0 Chief Enforcement position to address the coordination of the Board's statewide regulatory enforcement program activities. The cost for the position would be absorbed within the Board's existing resources.

**ITEM 1111 DEPARTMENT OF CONSUMER AFFAIRS BUREAUS, PROGRAMS,
DIVISIONS**

Issue 1: Bureau of Automotive Repair. Request for an augmentation of \$399,000 and 4.5 positions to integrate lightweight diesel-powered vehicles in to the Smog Check Program beginning January 1, 2010, as required by AB 1488 (Chapter 739 of 2007).

Issue 2: Office of Information Services – iLicensing. Request for augmentation of \$1.16 million (Special Fund) and 5.0 positions to continue the implementation of the iLicensing project.

Issue 3: Central Cashiering Unit. Request for augmentation of \$309,000 (Special Fund and Distributed Administration) and 7.0 positions to address the increased workload, which has led to current delays in application processing and renewals for DCA regulated licensees.

Issue 4: Bureau of Home Furnishings and Thermal Insulation. Request for \$120,000 (Special Fund) to cover relocation costs and an ongoing increase in facility lease costs.

Issue 5: Office of Information Services – Internet/web-based services. Request for \$224,000 (Distributed Administration) to address increased workload in regards to updates and modifications to web services.

Issue 6: Bureau of Automotive Repair. Request for a \$600,000 (Special Fund) augmentation to cover increased lease costs due to the consolidation and relocation of the Bureau's Sacramento headquarters.

Issue 7: Consumer and Community Relation Division. Request to redirect 2.0 positions from the Consumer and Community Relation Division to the Office of Information Services to provide stable and more cost efficient information technology support.

Issue 8: Bureau of Security and Investigative Services. Request for a reduction of \$791,000 (Special Fund) and 15.0 positions due to a low influx of Proprietary Security Officer Registrants brought forth by recent legislation. This will result in program savings and decreased revenue.

ITEM 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Issue 1: Budget Balancing Reduction – Employee Housing. The Governor's budget proposes a reduction of \$85,000, which will be achieved through the elimination of approximately 2/3 of a position responsible for inspection of employee housing facilities.

Issue 2: Budget Balancing Reduction – Community Development Block Grant. The Governor's Budget proposes a reduction of \$52,000 (General Fund) and a corresponding loss of \$52,000 in federal matching funds. This cut will only affect the administration of the Grant program and will not affect the delivery of loans.

These grants go to counties with fewer than 200,000 residents in unincorporated areas and cities with fewer than 50,000 residents that are not participants in the US Department of Housing and Urban Development CDBG entitlement program.

Issue 3: Budget Balancing Reduction – Enterprise Zone. Proposed reduction of \$59,000 from the Enterprise Zone program, which offers benefits to employers to locate or expand within economic development areas, most significantly a tax credit to hire hard-to-hire employees. It is staff's understanding that this cut will primarily be achieved through reduced outreach/advertising efforts.

Issue 4: Budget Balancing Reduction – Administrative Support. Proposed reduction of \$85,000 spread across various administrative functions. HCD staff indicated this was the "fair share" of the cut for administrative support.

Issue 5: Improving the HOME program. Request for augmentation of \$448,000 (Federal Funds) and 4.0 positions to monitor low and very-low income facilities in the HOME program. This will enable to Department to comply with all federal requirements and continue to receive the federal funding.

Issue 6: Occupational Licensing Services. The Governor's budget proposes position authority only (no funding) for the conversion of a temporary help position to a permanent position in the Field Investigation Unit. This unit investigates consumer complaints alleging unlicensed sales, fraud, or illegal sales practices and currently has a backlog including cases as old as three years.

Issue 7: Building Equity and Growth in Neighborhoods (Prop. 46). The Governor's Budget proposes to extend the term of contract liquidation for prior awards of the Proposition 46 BEGIN program. Current budget language only permits two years for liquidation, and HCD has found that many programs require approximately four years. This is consistent with actions taken last year in regards to Local Assistance items.

Issue 8: Multifamily Housing Program – Senior Set aside. The Governor's Budget proposes \$111,000 (Proposition 1C funds) and one two-year limited term position to implement a new senior-restricted housing component of the Multifamily Housing Program (MHP) as authorized through AB 927 (Chapter 618, Statutes of 2007). The bill required that the percentage of MHP funding that goes to senior citizens must be equal to the senior citizen population in the target income group for the MHP program (as specified by HUD data).

VOTE ONLY ITEMS

ITEM 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

ISSUE 1: PRESERVATION OF HCD'S OLDER AFFORDABLE HOUSING

The Governor's Budget proposes authorization of \$351,000 (Special Fund) and 3 two-year limited term positions for workload associated with the extension of loan terms for specified older affordable housing loans.

Recent legislation authorized HCD to extend and modernize loans through conversion to the MHP structure. The Board intends to use this authorization and existing authorization to extend loans to the extent they are able to staff such processes.

The process would be voluntary to project owners, so it is difficult to determine the exact workload for these projects. For that reason, HCD has requested less positions than may ultimately be necessary, and for a limited term in order to re-evaluate the status of such conversions/extensions at that time.

Programs in the Department's oldest portfolios will be reaching the end of their terms. If these projects are not extended or converted prior to that time, they will no longer be affordable housing units reducing the state's affordable housing by more than 4,000 units.

COMMENTS

Extending existing affordable housing is generally less costly and more efficient than having to construct new affordable housing units. The policy decision has already been made to allow HCD to utilize these tools to extend the affordability of existing housing when possible. These positions will provide the means necessary to implement that policy.

ITEMS TO BE HEARD

ITEM 0890 SECRETARY OF STATE

The Secretary of State, a constitutionally established office, is the chief election officer of the state and is responsible for the administration and enforcement of election laws. The Office is also responsible for the administration and enforcement of laws pertaining to filing documents associated with corporations, limited partnerships, and perfecting security agreements. In addition, the Office is responsible for the appointment of notaries public, enforcement of notary laws, and preservation of documents and records having historical significance. All documents filed are a matter of public record and of historical importance. They are available through prescribed procedures for public review and to certify authenticity.

ISSUE 1: BUDGET BALANCING REDUCTION – 10 PERCENT CUT

The Governor proposed a 10 percent cut for the Secretary of State's office, but did not allocate how those cuts should be made. A 10 percent cut is equivalent to \$3.505 million.

The Secretary of State's office has proposed a reduction plan that will reduce costs associated with the printing and mailing of the Voter Information Guide (VIG). Specific proposed changes include:

- Eliminating perforation and special gluing for the pullout guide;
- Eliminating the use of color ink;
- Using lighter weight newsprint;
- Reducing the overall dimensions of the guide;
- And eliminating duplicate mailings to households (requiring a statutory change)

COMMENTS

While some of these changes seem appropriate, others raise concerns. The proposal to eliminate duplicate mailings to households makes sense on the surface, but current statute requires that every voter receive a VIG, not every household, for a reason. There are many circumstances where multiple guides may be necessary in one household. This recommendation raises concerns over the state's duty to provide information to all voters.

Currently, the SOS mails one VIG to households with a single surname, and the residents can request additional copies if desired. The elections division also has an 800 number anyone may call to request a VIG. The entire VIG is also available via the internet. This is a policy decision for the committee regarding whether to error on the side of mailing less VIG's and possibly disenfranchising some voters, vs. sending extra VIG's and potentially wasting General Funds.

ISSUE 2: HELP AMERICA VOTE ACT (HAVA) REVISED SPENDING PLAN

The state has received approximately \$387 million in federal funds for the implementation of the Help America Vote Act (HAVA). HAVA requires the state to undertake a number of election related projects including a statewide voter database (see Issue 3 below), voter education, and voting equipment reviews/certification.

A spending plan was required by the Legislature in 2004, and approved on April 14th, 2005. The SOS revises that spending plan periodically to accurately reflect actual spending, and propose changes for future spending based on new funding and changes in expenditures.

This year's revisions include \$1.1 million in new funding for Elections Assistance for Individuals with Disabilities. It also includes \$384,000 in increased expenditures for Voter Education Development and Dissemination. HAVA has required changes in voter requirements (such as requiring ID if they haven't provided their drivers license # on their registration yet), and changes to voting systems, which require a great deal of voter education to avoid confusion. Constantly changing voting equipment continues to necessitate new information to be provided to voters. These efforts are ongoing, and these costs are reflected in the revised spending plan.

The revision also includes an increase of \$200,000 for Voting System Testing and Certification. California has been a leader in voting system testing, but these efforts and constantly expanding HAVA mandates have greatly increased staffing needs. This increase will enable the Office of Voting System Technology Assessment to continue to meet the needs of the state.

COMMENTS

The revised spending plan increases expenditure authority from \$38.4 million to \$42.4 million, but includes increased federal funds of \$1.1 million. The remainder of the increase is primarily for the VoteCal statewide voter registration database (see Issue 3).

ISSUE 3: VOTECAL

HAVA requires every state to have a uniform, centralized, interactive, computerized voter registration database at the state level. This system must coordinate electronically with systems similar to the one used by the Department of Motor Vehicles, Department of Health Services, and the Department of Corrections and Rehabilitation for identification and list maintenance purposes. The system must also provide a functional interface for counties.

California has currently reached an interim solution to satisfy the requirements of HAVA, but must achieve a long-term solution per an agreement with the US Department of Justice. VoteCal is that solution.

An RFP for VoteCal was sent out on December 13, 2007 and the Secretary's office is now in the process of awarding the contract.

COMMENTS

The process is approximately a year behind schedule, partly due to the change in administration at the Secretary of State's office. The project end date still remains the same however. This delay has resulted in a change in expenditures on the project, decreasing previous year expenditures, but leading to the requested increase in Budget Year (BY) expenditures by nearly \$3 million. The overall projected project cost has decreased, however, by \$3.6 million.

The committee may wish to ask for clarification on how the Secretary's office plans to complete this project on-time and under budget after a one-year delay. The current spending plan allocates all federal HAVA dollars, so any cost overruns will likely require General Fund expenditures.

ISSUE 4: ARCHIVAL PLANNING AND RECORD MANAGEMENT

This request is for \$92,000 (General Fund) for one position to acquire, manage, and preserve California Supreme and Appellate Court records.

Records of California Court proceedings are critical to our State's legal system and valuable research tools for interpreting State law. Case files for the California Supreme Court must be retained permanently. Historically, the courts have retained their case files for extended periods of times, often decades. Recently, however, the Archives have been receiving unprecedented volumes of records. In order to continue to meet demand, the Secretary of State's office is requesting this augmentation.

COMMENTS

The Archives division for the entire state currently has only 28 positions. This requested position would work as a liaison to the courts and help them better determine which records should in fact be archived. Further, they will develop a standard system for transferring documents, greatly reducing the workload once the transfer occurs. This position will enable current archives staff being diverted from their primary tasks, to return to those duties.

ISSUE 5: STUDENT VOTER REGISTRATION

SB 854 (Chapter 481 of 2007) requires that every California Community College (CCC) and California State University (CSU) provide enrolling students the option of registering to vote during class registration. The Secretary of State's office is requesting \$167,000 (General Fund) to implement this legislation.

COMMENTS

This program takes the existing online registration process available to the public, another step and makes it even easier for CCC and CSU students to register to vote. While the state should do all it can to encourage everyone to vote, in these difficult budget times it may suffice to offer these students the same services offered to the general public.

The Secretary of State should be commended for their existing partnership with the Community Colleges and are encouraged to continue that partnership and, to the extent possible within existing resources, expand that effort to the California State University system as best as they can.

ISSUE 6: PARALLEL MONITORING

Parallel Monitoring is the "testing of a randomly selected sampling of voting equipment on Election Day designed to simulate actual election conditions to confirm that the system is registering votes accurately. "

This Governor requests \$101,000 in General Funds to conduct parallel monitoring in accordance with the requirements of AB 917 (Chapter 501 of 2007), which requires parallel monitoring of each direct recording electronic (DRE) voting system in precincts with more than one such system. This currently applies only to Orange and San Mateo Counties.

Parallel monitoring was conducted in both the 2004 and 2006 elections with the use of HAVA funding. Systems in ten and 8 counties were monitored, respectively, at a cost of approximately \$300,000.

COMMENTS

Changes in the number of voting systems certified by the SOS following the 2007 "Top-to-Bottom Review" has significantly reduced the need for parallel monitoring. Only counties using the "Hart DRE system" can use more than one machine per polling place. As such, only two counties require monitoring.

**ITEM 1110 DEPARTMENT OF CONSUMER AFFAIRS REGULATORY BOARDS
AND ITEM 1111 DEPARTMENT OF CONSUMER AFFAIRS BUREAUS,
PROGRAMS, DIVISIONS**

The Department of Consumer Affairs (DCA) Boards and Bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns.

The Boards are budgeted under organizational code 1110, and the total proposed budget is \$251 million (no General Fund) and 1,362 positions – an increase of \$6 million and 12 positions. The Bureaus are budgeted under organizational code 1111, and the total proposed budget is \$221 million (no General Fund) and 1,417 positions – an increase of \$23 million and 67 positions.

ISSUE 1: BOARD OF BEHAVIORAL SCIENCES – INVESTIGATIVE ANALYST

The Board is requesting authorization of \$208,000 (Special Fund) to establish 2 positions to serve in the Enforcement Unit as non-sworn in-house Investigative Analysts. These positions would largely replace the investigative work that is currently being done by the DCA, Division of Investigation.

Current investigative backlogs are enough to require an additional full-time person on their own. Responding to complaints in a timely matter is a matter of public safety from the Board's perspective.

COMMENTS

Costs, caseload, and time to complete a case have all fluctuated a great deal over the past 6-7 years making it difficult to determine what the true staffing need will be year to year.

ISSUE 2: BOARD OF BEHAVIORAL SCIENCES – MENTAL HEALTH SERVICE ACT

The Board is requesting an augmentation of \$200,000 (Special Fund) and 2 positions. These positions would be used to hire consultants with expertise in the field of licensing examinations and public mental health.

The voters passed Proposition 63 in Nov. 2004, the Mental Health Services Act (MHSA). This Act has created additional demands on the Board by creating an increased demand for licensing, examinations, education, and supervised training. The Board is responsible for licensing many different types of psychotherapists.

The MHSA requires a program be established to remedy the shortage of qualified individuals who would be able to provide services to address severe mental illness. These requested positions, funded through Special Funds, will help achieve that goal.

COMMENTS

These positions are part of the Board's five-year plan to:

- 1) Develop sufficient qualified individuals for the public mental health workforce;
- 2) Increase the quality and success of educating and training the public mental health workforce;
- 3) Increase the partnership and collaboration of all entities involved in public mental health workforce education and training.

These positions will provide the necessary expertise to work on examination development and assist the Board in policy making decisions.

ISSUE 3: BOARD OF BARBERING AND COSMETOLOGY

The Board requests an augmentation of \$662,000 and 9 positions to conduct statutorily mandated inspections of their licensee population. The Board currently licenses 43,000 establishments, 460,000 individuals, and 269 schools. There are currently 16 inspectors to serve this population. The law requires inspection of establishments within 90 days of licensure. In 2006-07, only 70 percent of the required 6,179 inspections were completed. In 2006-07, there were 43,000 existing establishments with only 3.7 percent random inspections and 4.3 percent targeted inspections performed.

COMMENTS

Unless legislation is enacted to extend the Board's sunset date, it will become a bureau directly under the Department of Consumer Affairs, effective July 1, 2008.

ISSUE 4: CONTRACTORS STATE LICENSE BOARD – EEEEC

The Board has 11 two-year limited-term positions set to expire on June 30th, 2008. They are requesting that those positions be extended by an additional two years to continue their efforts as part of the Governor's Economic and Employment Enforcement Coalition (EEEC). This requires an augmentation of \$919,000 (Special Fund).

The EEEEC was created to "Make a concerted, consistent, and vigorous effort to combat illegal and unscrupulous operators." The primary goal of the coalition is to level the playing field and restore competitive advantage to legitimate contractors and their employees. The EEEEC is primarily made up of the Contractors State License Board, Department of Industrial Relations, Secretary for Labor and Workforce Development, Division of Labor Standards Enforcement, Division of Occupational Safety and Health, and the Employment Development Department.

These positions will primarily work on construction jobsite inspections, investigating complaints, and follow-up on leads from partnering state agencies. Collectively, the entire EEEEC has, since inception in 2005, inspected 852 sites and assessed more than \$4 million in penalties. The Board individually issued 241 citations for a total of \$179,250.

Due to the short time frame, the Board states that data is not yet available as to the success of the EEEEC in reducing the under ground economy, thus increasing tax revenue. The Board also commits to look at recidivism by revisiting offenders to determine if they are now operating legitimately.

COMMENTS

There are over \$7 million in requests for EEEEC from various entities in the Governor's proposed budget. It might be desirable to look at all these issues together when taking action.

ISSUE 5: CONTRACTORS STATE LICENSE BOARD – CENTRAL VALLEY REGION SWIFT

The Governor's budget proposes expenditure authority of \$758,000 (Special Fund) and 7 positions to enable the Board to establish and staff a Central Valley Region Statewide Investigative Fraud Team (SWIFT).

There are currently SWIFT teams in Sacramento and Norwalk. The SWIFT teams were created to conduct special investigations and proactive non-licensee enforcement activities. In 2006, SWIFT teams conducted 43 undercover sting operations resulting in catching 311 unlicensed operators, 120 citations issued, and 81 individuals arrested for outstanding warrants.

COMMENTS

Estimates put the Central Valley Region at approximately 16 percent of the states total population, and it is growing faster than the rest of the state. Complaints received about unlicensed contractors have increased 14 percent since 2003 in Central Valley Counties while the rest of the state has seen a decrease in complaints. While 8-9 percent of the state's population is in Central Valley counties (as specified), only 4 percent of SWIFT complaint investigations take place in those counties.

There is potential overlap with the Board's EEEEC request; the committee may want to inquire as to the total need for increased staffing.

ISSUE 6: CONSUMER & COMMUNITY RELATIONS DIVISION/CONTRACTORS STATE LICENSE BOARD – UNLICENSED ACTIVITY

The Contractors State License Board licenses contractors and enforces licensing laws; provides resolution to disputes that arise from construction activities; and educates consumers so that they make informed choices.

The Governor's Budget proposes an augmentation of \$1.3 million for three years to establish a three-year pilot program targeted at educating the public on the risks of conducting business with unlicensed practitioners and educating unlicensed practitioners on the requirements and benefits of licensure. This amount includes \$670,000 for public awareness and education campaigns in the SF Bay Area and Los Angeles media markets. Funding for the media campaign would be provided by the Board, but the remaining \$560,000 would be shared by other boards and bureaus.

COMMENTS

These efforts may be duplicative of efforts undertaken under the EEEEC and Central Valley Region SWIFT office requested in the previous requests. The legislature is still waiting for evaluation and evidence to show whether those efforts have been successful. It may be pre-mature to expand such efforts prior to more effective evaluation.

The Board selected these two media markets based on population, but do not show that these are where such education efforts are actually needed. The SWIFT proposal above specifically sites the need to expand efforts outside the Sacramento and Los Angeles regions. These media markets are also among the most expensive in the nation, so while the efforts will reach more people, the funding will not go as far.

Furthermore, the Department of Consumer Affairs (DCA) is currently implementing an advertising campaign regarding mortgage foreclosures. A future report on the success of those efforts would be useful in examining the ability of DCA to help coordinate such efforts.

ISSUE 7: SPEECH - LANGUAGE PATHOLOGY & AUDIOLOGY BOARD

The Board is requesting to assume responsibility for its cashiering duties in-house rather than continue paying for these services under a shared services agreement with the Medical Board of California.

The Board proposes to use the funding that would have gone to the Medical Board towards temporary staff to cover tasks that existing staff will be directed away from to process cashier receipts.

COMMENTS

DCA internal auditors determined that by running its own cashiering services, the Board could improve efficiency, reduce duplication of efforts, and eliminate control weaknesses.

Unless legislation is enacted to extend the Board's sunset date, it will become a bureau directly under the Department of Consumer Affairs, effective July 1, 2008.

ISSUE 8: ADMINISTRATIVE AND INFORMATION SERVICES DIVISION

The Governor's Budget proposes augmentation of \$382,000 (distributed administration) to fund 4.5 positions to address increased administrative support workload. The Budget also proposes authority for 6 more positions without an increase in funding, for a total of 10.5 new positions. These costs will be passed on to the other Boards and Bureaus.

This request is for various positions throughout the DCA's administration. This includes positions for the Equal Opportunity Employment Office, Personnel Office/Labor Relations Unit, CalStars, Accounting, and Business Services Office.

COMMENTS

While this item is funded from Special Funds in other departments/boards, it is important to remember the effect this request will have on them. The Bureau of Automotive Repair (BAR) takes the majority of the cost at nearly \$90,000 due to its large budget.

ISSUE 9: ARBITRATION CERTIFICATION PROGRAM (ACP)

The Governor's budget proposes 2 positions and \$88,000 (Special Fund) to conduct audits, arbitration oversight, and provide consumer outreach and education regarding the state's Lemon Law.

The New Motor Vehicle Board sets fees on new vehicles sold in California (currently at 45 cents per car) to cover costs of programs like this. The fee is set every year to match salary, equipment, and other needs. Therefore, these programmatic costs will be adjusted for in that fee.

ACP is mandated to audit dealerships for compliance with requirements, recent audits have shown over $\frac{3}{4}$ of the dealerships audited were out of compliance.

COMMENTS

Based on a review of 2006 Consumer Satisfaction Survey and arbitration case files from 2006, the ACP determined that greater consumer education was necessary regarding options and safeguards that are available to purchasers of "lemon" vehicles. This program serves as an alternative to litigation.

ISSUE 10: BUREAU FOR PRIVATE POSTSECONDARY EDUCATION (BPPE)

The Governor's Budget proposes \$7.858 million for 57 positions for the Bureau for Private Postsecondary Education (BPPE). The Budget also includes \$337,000 for the Student Tuition Recovery Fund Program under BPPE.

The BPPE was preceded by the Bureau for Private Postsecondary and Vocational Education. That Bureau became inoperative on July 1, 2007, though legislation provided them interim operating authority for one year. Chapter 365, Statutes of 2007, established the new BPPE within DCA, but restricts the BPPE from commencing operations unless a new statute is enacted that creates a new California Private Postsecondary Education Act. AB 2746 enacts a new California Private Postsecondary Education Act and is currently in the Assembly Higher Education Committee.

COMMENTS

The last year the previous Bureau was funding, 2006-07, it was funded at \$4 million, significantly less than the requested \$7.858 million in the Governor's Proposed Budget. It appears that approximately \$1 million of that is for start-up costs since there has been no operation in place for one year. The remaining \$3 million increase is not adequately justified. The Committee may wish to ask for clarification on how the reforms have increased costs so dramatically.

It may make sense to wait for legislation to progress prior to allocating any funding.

ITEM 2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The mission of the Department of Housing and Community Development (HCD) is to expand housing opportunities for all Californians. The department administers housing finance, economic development, and rehabilitation programs with an emphasis on meeting the shelter needs of low-income persons and families, and other special needs groups. It also administers and implements building codes, manages mobile home registration and titling, and enforces construction standards for mobile homes.

The Governor proposes \$1.05 billion (\$16 million General Fund) and 626 positions for the department – a decrease of \$250 million and an increase of 49 positions.

The majority of the Department's expenditures are supported by general obligation bond revenue.

ISSUE 1: BUDGET BALANCING REDUCTION – STATE HOUSING LAW

The Governor proposes a reduction of \$64,000 (General Fund), through the reduction of .3 positions for the State Housing Law program. This program is responsible for promulgation of revisions to the state's building codes for residential housing. The program currently only has 3.5 positions.

COMMENTS

Also, see issue #9, which adds positions to this division for the purpose of developing building standards regarding water conservation and reuse as directed by recently adopted legislation.

ISSUE 2: BUDGET BALANCING REDUCTION – EMERGENCY HOUSING

The Governor proposes a reduction of \$401,000, resulting in the reduction of state contributions for approximately 1,900 shelter beds. The Emergency Housing Assistance Program (EHAP) currently helps to fund local homeless shelters, providing a portion of the funding for about 19,000 shelter spaces each year. This 10 percent cut will, in essence, eliminate the state's portion of funding for 10 percent of those spaces.

COMMENTS

The State currently provides about 10 percent of the overall funding for local homeless shelters. The Committee may wish to ask for elaboration on what the impact of the proposed cut will be on the local shelters.

ISSUE 3: BUDGET BALANCING REDUCTION – OFFICE OF MIGRANT SERVICES

The Governor proposes an annualized reduction of \$687,000, but assumes only \$343,000 in savings in the Budget Year due to the delay time to implement changes. These centers provide safe, decent, and affordable seasonal housing and support services for migrant farmworker families during the peak harvest season. The General Fund provides 2/3rds of the funding for the facilities, and tenant rents pay the rest.

COMMENTS

While initial estimates thought the state may need to shut down 4-6 facilities, that is no longer the case. During the special session hearings, HCD was able to eliminate state funding from a Central Valley facility administratively and is partnering with the locals to keep that facility open based on reserve funds. This saves approximately \$202,000, leaving \$141,000 to be spread throughout the other centers around the state.

The Department should describe to the committee what actions are still necessary to achieve the intent of the original BBR. The Department has indicated that there are several options on how the remaining \$141,000 will be cut. The first priority is to find other centers with sufficient reserves to fund operations for the next year, like was done with the Central Valley facility. Doing this reduces some limitations enforced on the facility when utilizing state funds. The Department is also working to get federal dollars to ease the demand on the state budget.

If neither of those options achieves the necessary \$141,000 reduction, an across the board cut would be approximately equal to a 2 percent General Fund reduction for all centers. With all these options available, the Department does not expect to need to close any facilities over the next two growing seasons (2008-09).

ISSUE 4: BUDGET BALANCING REDUCTION – HOUSING ELEMENT

The Governor proposes a reduction of \$163,000 (General Fund) by eliminating approximately one position in the administration of Housing Element Law. This program received a \$100,000 reduction in the special session cuts.

This program provides for review and approval of local housing plans that are required as part of local general plans. In addition, some state housing bond programs require housing element compliance, or provide preference for compliance. As such, HCD expects an increase in demand for these services over the next several years.

COMMENTS

The BCP on State Housing Element Law, discussed below in Issue 5, adds some positions to this program, but funds them with Proposition 1C funds instead of General Funds. The rationale being that much of the increased demand is due to Proposition 1C programs/grants.

ISSUE 5: STATE HOUSING ELEMENT LAW

As mentioned above, this request is for two positions and \$222,000 in Proposition 1C funds to address workload associated with the Housing Element Law Program due to the passage of Proposition 1C.

Several of the Proposition 1C programs/grants, such as the Infill Incentive Program either require or prioritize projects that have an approved housing element. With the large amounts of funds to be disbursed under Proposition 1C, it is reasonable to expect that many entities currently not in compliance with housing element law will be submitting housing elements for review. Currently 19 percent of all jurisdictions are out of compliance.

COMMENTS

If the proposed BBR is accepted, this will only net 1 new position for the State Housing Element Law Program, but it will shift the cost of one position from the General Fund to Proposition 1C funds.

Both the Governor and Legislature have expressed a strong interest in making sure these bond funds get people into affordable housing as soon as possible. Understaffing this unit will delay the approval of local housing elements, restricting those jurisdictions from receiving grant funds, thereby delaying the utilization of those funds.

ISSUE 6: IT TECHNICAL SUPPORT SECTION

The Governor's Budget proposes expenditure of \$402,000 (Various Special Funds) for two permanent positions and one two-year limited term position to help maintain the entire HCD IT infrastructure.

Over the years, the IT Technical Support Section (TSS) has absorbed increased workload, and has consequently deteriorated their ability to provide adequate services. HCD is badly in need of an upgraded intranet system to facilitate efficient operations. TSS is primarily consumed with reactive tasks, however, and cannot shift priorities to the intranet system with immediate needs going unaddressed.

HCD is currently using Microsoft Outlook's Public Folders for departmental communications. This system is out-of-date, difficult to navigate, and hard to maintain.

COMMENTS

This proposal will largely allow existing staff to focus on the primary purpose of their job duties, and alleviate the "fire fighting" mentality of just trying to keep up with problems as they arrive.

The exact structure/layout process for the improved intranet system is not developed, but this BCP is merely to sufficiently staff the TSS at HCD to allow the staff to evaluate the needs of the department and determine how best to meet those needs. The Department states that "Staff support for ongoing support and maintenance of the intranet, if needed, will be addressed in a future BCP."

ISSUE 7: BUDGET OFFICE WORKLOAD

The Governor's Budget proposes \$106,000 (Various Special Funds) and one Associate Budget Analyst position to address increased workload for the Budget Office.

This increased workload includes:

- Meeting bond accountability requirements,
- Administering bond funds,
- Ensuring awards are granted pursuant to legislative authority,
- And accurate reporting on bond funds.

HCD monitors and reviews 34 funding sources on an on-going basis totaling amounts well over \$5 billion.

COMMENTS

As discussed in the Vote-Only item, HCD also has to perform budgetary duties in regards to extensions and conversions of existing loans.

This BCP, and the entire Budget Office budget, is funded by each funding source paying its share of the portfolio's monitoring efforts. This cost allocation is determined annually to ensure correct apportionment.

Further, the Budget Office has seen several long-time staffers leave, greatly reducing the historical knowledge and experience in the office. This proposal will help fill some of those gaps.

ISSUE 8: IMPLEMENTATION OF HOUSING URBAN-SUBURBAN-AND-RURAL PARKS PROGRAM

The Governor's Budget proposes \$583,000 and 2 positions for implementation of the Housing Urban-Suburban-and-Rural Parks Program. \$350,000 of that amount is for an interagency agreement with the Department of Parks and Recreation (DPR).

The Governor further proposes authorization for \$30 million in expenditures from the housing-related parks grants under Proposition 1C. The Governor proposes Trailer Bill Language to formalize the design of this program as well. The Committee could also approve the staffing and Bond authorization without the Trailer Bill Language, in which case subsequent legislation would be required prior to expenditure of the funds (language would need to be included specifying such).

COMMENTS

Discussions with HCD suggest that program specifics and the relationship between HCD and DPR in administering this program are still being developed.

Key decisions such as whether to use a competitive awarding process (the Governor's proposal does not), the size of the awards (the Governor's proposal estimates \$500 per unit), etc, will require discussions with a variety of interested parties prior to finalization.

ISSUE 9: NEW STATE HOUSING LAW

The Governor's Budget requests a General Fund augmentation of \$117,000 for one two-year limited term position to implement the provisions of AB 1406 (Chapter 537, Statutes of 2007) and AB 1560 (Chapter 532, Statutes of 2007). These bills add condominiums to the list of structures where recycled water is reasonable for use in toilets, and authorizes HCD to include requirements related to environmentally preferable water using devices and measures in proposed building standards.

The purpose of the State Housing Law Program is to develop and implement new and existing residential building and housing codes in California. The California Building Code is updated every three years, which requires HCD to review national "model" building codes, determine necessary amendments for California, and propose them to the California Building Standards Commission.

COMMENTS

HCD states that the existing 3.5 positions are not capable of meeting the existing demand to update the code, implement the two pieces of legislation cited, as well as work on current Green Building efforts of the Building Standards Commission (BSC).

The Legislature has made its desire to make "green building" the standards practice in California clear. Along with the two pieces of legislation mentioned here, the legislature also passed three green building bills in 2007 (relative to residential, commercial, and state buildings) that were vetoed by the Governor. Part of that veto message cited the existing efforts underway by the BSC, which HCD is collaborating on.

As such, the Committee may wish to request further information from the department to ensure that HCD, BSC, and the other partners are moving in a direction consistent with the desires of the legislature. The current efforts at BSC are largely resulting in voluntary measures, and the Committee may wish to review the appropriateness of funding efforts to develop voluntary building codes that already exist in the private market.

ISSUE 10: UPDATED HOUSING ELEMENTS FOR FLOOD HAZARDS

The Governor's Budget proposes an increase of \$226,000 (General Fund) for two limited-term positions to address additional workload resulting from AB 162 (Chapter 369, Statutes of 2007). This bill requires HCD, when acting as a Council of Governments, to consider flood hazards when evaluating available land suitable for urban development, and changes requirements in relation to housing elements and safety elements.

This legislation also requires more updates to existing safety and housing elements, which will create more review work for HCD.

COMMENTS

As discussed in the corresponding BBR and BCP above (Issues 4 & 5), the State Housing Element Program is set to lose one position, but pick up two positions for Proposition 1C purposes. This BCP requests two additional limited term positions for these separate purposes, but still totaling three new positions for this department.

The workload for both BCP's relative to State Housing Element Law are speculative and could turn out to be high or low.

ISSUE 11: NEW AFFORDABLE HOUSING INNOVATION FUND PROGRAMS

The Governor's Budget proposes \$559,000 (Bond Funds) and five two-year limited term positions to implement the Affordable Housing Innovation Fund Program, pursuant to the provisions of SB 586 (Chapter 652, Statutes of 2007).

The bill specified the funds would be used for:

- Affordable Housing Revolving Development and Acquisition Program – Loan Fund (\$25 million)
 - Provide loans for the purchase of real property for the development or preservation of affordable housing.
- Affordable Housing Revolving Development and Acquisition Program – Practitioner Fund (\$25 million)
 - Primarily to provide funds to nonprofit entities for projects developing or preserving housing affordable to low and moderate-income households.
- Local Housing Trust Fund Matching Grant Program (\$35 million)
 - Continues the program created under Prop. 46 to provide matching grants for local programs. 50 percent of the funds must be used for newly established trusts, and some funds must go towards rural trusts.
- Innovative Homeownership Program (\$10 million)
 - This program allows HCD to draft guidelines for innovative projects that would reduce the cost of affordable housing.
- And the Construction Liability Insurance Reform Pilot Program (\$5 million)
 - Funds a predevelopment program for best practices for state sponsored housing programs.

COMMENTS

Some of this legislation requires HCD to develop regulations regarding priorities and funding structure for the programs created under the Affordable Housing Innovation Fund Program. The Committee may wish to review these required regulations prior to appropriating the funds to determine if further legislative direction is necessary.

SB 586 (Chapter 652, Statutes of 2007) is believed to have appropriated the \$95 million in bond funds; this request is for the positions needed to implement the programs.

ISSUE 12: PROPOSITION 1C BOND FUNDS

In addition to Issues #8 and #11 the Governor's Budget includes appropriation of \$40 million for the BEGIN Program (same as 07-08), \$95 million for the Transit Oriented Development bonds (same as 07-08), and \$200 million for the Infill Incentives Grant (down \$100 million from 07-08, but up from the original 07-08 request of \$100 million).

COMMENTS

There were no Budget Change Proposal's submitted for these proposed expenditures, and the Committee may wish to wait to approve such funds until the Department provides information on how current year funds were spent, and how the proposed funding will be utilized.

ITEM 8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)

The Fair Political Practices Commission has primary responsibility for the impartial administration, implementation, and enforcement of the Political Reform Act of 1974, as amended by the voters and Legislature. The objectives of the Political Reform Act are to:

- Ensure that election campaign contribution and expenditure data is fully and accurately disclosed so that the voters may be fully informed and to inhibit improper financial practices.
- Regulate the activities of lobbyists and disclose their finances to prevent any improper influencing of public officials.
- Provide for the disclosure of assets and income of public officials, which may affect their official actions, to avoid any conflicts of interest.
- Ensure that the state ballot pamphlet contains useful and adequate information so that the voters will not be entirely dependent upon paid advertising for information concerning state measures.
- Eliminate laws and practices that unfairly favor incumbents to provide for fair elections.
- Provide adequate mechanisms to public officials and to private citizens to ensure vigorous enforcement of the Act.

ISSUE 1: BUDGET BALANCING REDUCTION/APRIL FINANCE LETTER

The Governor proposed a 10 percent unallocated cut to the FPPC's budget of \$825,000. That cut was based on their overall budget of \$8.25 million. The Commission argued that much of their funding was authorized by voters through the Political Reform Act, and should not be included.

The Department of Finance submitted a letter on March 10th requesting the budget be adjusted to reflect a budget balancing reduction of \$359,000, \$466,000 less than the original proposed reduction.

COMMENTS

This reduction may still have an impact on the FPPC's ability to meet its core mission. The FPPC has indicated that few of its functions are separate from its functions required by proposition. They have not identified specific cuts, but services like their 800 help number that are heavily used by their constituents will likely have to be reduced or eliminated all together.

ISSUE 2: INCREASED FACILITY COSTS

The Commission requests additional funding of \$84,000 for increased facility costs. Their current lease, entered into in 1992, is set to expire on June 30th, 2008. DGS is working with the Commission to renegotiate the lease, but estimates that rent will increase considerably in this renegotiation. This funding will enable them to meet those costs.

ITEM 8640 POLITICAL REFORM ACT OF 1974

This budget identifies the amounts required to be appropriated by the Legislature to the Fair Political Practices Commission to carry out its duties under the Act, the amounts to be appropriated to other state agencies to carry out their duties under the Act, and, for informational purposes, the continuing appropriation made by the Act to the Commission, adjusted for any cost-of-living change.

ISSUE 1: BUDGET BALANCING REDUCTION – 10 PERCENT CUT

The Governor proposed a 10 percent cut for this line item, totaling \$275,000. This funding is disbursed to three entities. Their respective allocations would be:

Secretary of State will be reduced from 790,000 to 711,000

Franchise Tax Board will be reduced from 1,747,000 to 1,572,000

Department of Justice will be reduced from 216,000 to 195,000 (with the reduction taken in program 50 - law enforcement)

COMMENTS

This Item is required by the Political Reform Act of 1974 to provide a specified level of funding. Even with the proposed reduction in funding, the Item still meets the minimum required funding level.

There is no policy basis for this cut, just part of the Governor's 10 percent across the board reduction.