

## SUBCOMMITTEE NO. 4

## Agenda

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Senator Richard Roth, Chair  
Senator Norma Torres  
Senator Tom Berryhill



Thursday, April 10, 2014  
9:30 a.m. or Upon Adjournment of Session  
Rose Ann Vuich Room 2040

Consultant: Brady Van Engelen  
PART I

### Item Number and Title

0911	Citizens Redistricting Commission
1110/1111	Department of Consumer Affairs Boards and Bureaus
1690	Seismic Safety Commission
1701	Department of Business Oversight
2100	Department of Alcoholic Beverage Control
7760	Department of General Services
8790	Commission on Disability Access
8830	California Law Revision Commission

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**Issues Proposed for Vote Only – Issue Descriptions****California Department of Consumer Affairs****Issue 1 – Governor’s Reorganization Plan No. 2: Technical Cleanup**

**Governor’s Budget Request:** The Governor requests transfer authority for 5.0 permanent positions and budget authority for \$418,000 in Fiscal Year (FY) 2014-15, and ongoing, from the Bureau of Real Estate to the Department of Consumer Affairs.

**Background:** As part of the Governor’s Reorganization Plan No. 2, the Bureau of Real Estate became a bureau within the Department of Consumer Affairs. As part of this process, the positions that supported the Bureau of Real Estate have been transferred to the Department of Consumer Affairs. The Department of Consumer Affairs, the Governor’s Office, the Department of Finance, and the Bureau of Real Estate have been coordinating to identify positions that duplicate services provided by the Department of Consumer Affairs. The Bureau has identified five positions within the administrative division that mirror functions that can be provided by the Department’s Office of Administrative Services staff.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 2 – Board of Accountancy**

**Governor’s Budget Request:** The Governor requests 1.0 permanent position within the California Board of Accountancy (board) to support enhanced licensure requirements that began on January 1, 2014. Existing resources within the board will support the requested 1.0 position.

**Background:** SB 819 (Yee), Chapter 308, Statutes of 2009, modified the licensure process for the state’s prospective accountants. The new educational requirements became effective as of January 1, 2014. The additional educational requirements will increase the board’s applicant review workload, and require response to additional inquiries.

**Staff Comment:** Staff has no issue or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 3 – Acupuncture Board**

**Governor’s Budget Request:** The Governor requests 3.0 permanent positions, as well as increased budget authority of \$280,000 in FY 2014-15 and \$256,000 in FY 2015-16, and ongoing, for increased workload within the Acupuncture Board (board).

**Background:** Over the last decade, the number of licensed acupuncturists in the state has nearly tripled, totaling over 16,000. However, staffing levels within the board have remained constant. The board is currently authorized for 8.5 positions to carry out its responsibility to

provide enforcement, education, oversight, and licensing of acupuncturists practicing in the state.

**Staff Comment:** This request includes budget bill language that would require the board to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 4 – California State Athletic Commission**

**Governor's Budget Request:** The Governor has submitted two requests related to the California State Athletic Commission that will be addressed in the vote-only calendar:

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

**Background:** This request is in response to an audit conducted by the Bureau of State Audits (BSA) in 2005. In that audit, the BSA noted several instances of fiscal mismanagement of the Boxer's Pension: a limited number of boxers were drawing from the fund, administrative costs to manage the fund exceeded total disbursements, and a high degree of inaccurate reporting on the status of the fund. The requested 0.5 position will be funded by terminating an external contract that previously administered the fund. The annual cost of the contract totaled \$32,000, which will now be directed to the requested 0.5 position at the commission. According to the commission the requested 0.5 position will assist in outreach related activities to increase awareness of the fund as well.

**Staff Comment:** The commission has requested to withdraw this request.

**Staff Recommendation:** Reject proposal.

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

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

**Staff Comment:** The commission estimates that licensing fees associated with the new licensing type will generate approximately \$100,000 in revenue annually. Revenue generated from the new licensing type will support the request by the commission for 0.5 positions. The requested position will support the day-to-day management activities associated with the new license within the commission.

**Staff Recommendation:** Approve as budgeted.

## Issue 5 – Board of Behavioral Sciences

**Governor’s Budget Request:** The Governor has submitted two requests related to the Board of Behavioral Sciences that will be considered on the vote-only calendar:

1. **Complaint Intake:** The Governor is requesting 4.5 permanent positions and \$430,000 in FY 2014-15 and \$390,000 in 2015-16, and ongoing, to address an increased workload within the Board of Behavioral Sciences (board).

**Background:** The board serves as the regulatory authority responsible for the licensure, examination, and enforcement of Licensed Marriage and Family Therapists, Licensed Clinical Social Workers, Licensed Educational Psychologists, and Licensed Professional Clinical Counselors. The board currently licenses 84,685 mental health professionals in the state. Since FY 2008-09, enforcement workload has increased significantly for the board. The issuance of citations and fines has increased by over 150 percent, and the board has not been provided additional resources to address the increased workload.

**Staff Comment:** This request includes budget bill language that would require the Board to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

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

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

**Staff Comment:** This request includes budget bill language that would require the board to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

## Issue 6 – Contractors’ State License Board

**Governor’s Budget Request:** The Governor requests 4.0 permanent positions within the Contractors’ State License Board (CSLB) to address enforcement workload. The costs associated with the requested positions will be absorbed by the CSLB.

**Background:** SB 136 (Figueroa), Chapter 909, Statutes of 2004, required that applicants seeking a CSLB license receive a criminal history record check from the California Department

of Justice (DOJ) and the Federal Bureau of Investigation (FBI). To address this, the CSLB sought, and received, 3.0 additional positions during FY 2004-05. However, the positions are dedicated to processing criminal background check for new applicants only. This request would address the CSLB's enforcement efforts for individuals licensed by the CSLB.

**Staff Comment:** Staff has no issues or concerns related to this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 7 – Dental Board of California**

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

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 8 – Medical Board of California: Licensed Midwifery Program**

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

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

**Staff Comment:** Annual revenues for the Licensed Midwifery Program total \$34,000. The Licensed Midwifery Program has sufficient funding to support the request for expenditure authority.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 9 – Naturopathic Medicine Committee**

**Governor's Budget Request:** The Governor is requesting 1.0 three-year limited-term position and \$109,000 in FY 2014-15, and \$101,000 in FY 2015-16 and 2016-17, to address workload associated with enforcement within the Naturopathic Medicine Committee (committee).

**Background:** Since October 23, 2009, the committee has operated as a committee under the Osteopathic Medical Board. However, the committee has the autonomy to function independent of the Osteopathic Medical Board. The committee currently authorized 1.0 PY, which performs the administrative and executive functions for the committee. The committee's workload for FY 2014-15 is projected to increase by twenty percent. The committee has requested the 1.0 position to address the growing workload.

**Staff Comment:** Staff has no issues with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 10 – Osteopathic Medical Board of California**

**Governor's Budget Request:** The Governor has 3.0 permanent positions beginning in FY 2014-15 to address workload associated with licensing and enforcement.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 11 – Physical Therapy Board**

**Governor's Budget Request:** The Governor has submitted two requests related to the Physical Therapy Board (board) that will be considered on the vote-only calendar:

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

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

**Staff Comment:** Staff has no issues or concerns with this request.



**Staff Recommendation:** Approve as budgeted.

#### **Issue 12 – Board of Psychology**

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

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

**Staff Comment:** Staff has no issues with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 13 – Respiratory Care Board**

**Governor's Budget Request:** The Governor is requesting 1.0 permanent position and \$104,000 in FY 2014-15 and \$96,000 ongoing to address workload associated with enforcement.

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

**Staff Comment:** Staff has no issues with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 14 – Bureau of Electronic & Appliance Repair, Home Furnishings & Thermal Insulation**

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

**Background:** The bureau is responsible for the regulation of service contracts held by consumers within the state. AB 480 added the regulation of service contracts for optical products to the list of consumer service contracts regulated by the bureau. The bureau

anticipates an increased workload, and has proposed to stagger the hiring process to ensure that bureau staff is properly trained.

**Staff Comment:** Staff has no issues with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 15 – Professional Fiduciaries Bureau**

**Governor's Budget Request:** The Governor requests \$80,000 and 1.0 position in FY 2014-15, and \$72,000 in FY 2015-16, and ongoing, to support enforcement efforts within the Professional Fiduciaries Bureau (bureau). Additionally, the Governor requests a two-year limited-term \$50,000 increase in expenditure authority for Attorney General (AG) related services for the bureau.

**Background:** The bureau is responsible for the regulation of guardians, conservators, professional fiduciaries, and agents under durable power of attorney as defined by the Professional Fiduciaries Act. SB 1550 (Figueroa), Chapter 491, Statutes of 2006, created the bureau, and provided it with 4.0 positions. The bureau has since been reduced to 1.7 PY's, requiring that its only licensing analyst assist with enforcement related activities.

Additionally, the Governor has requested to establish a two-year limited-term expenditure authority of \$50,000 for the Bureau. Over the last four fiscal years the bureau's AG-related expenditures averaged \$40,000. This request seems within a reasonable range for the bureau's historical AG-related expenditures.

**Staff Comment:** This request includes budget bill language that would require the Bureau to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 16 – Veterinary Medical Board**

**Governor's Budget Request:** The Governor has submitted two requests related to the Veterinary Medical Board:

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

**Background:** SB 304, among other things, requires the board to make every effort to inspect at least 20 percent of veterinary premises on an annual basis. The board currently has funding authority to support approximately 220 inspections annually, the requested funding will increase the board's capacity to perform over 650 inspections annually. In addition to the inspection requirements included in SB 304, the bill allows for the licensure of veterinary assistants by the board. The board estimates that this would

increase its licensee population by approximately 13,000 individuals. Currently, the board licenses approximately 17,000 applicants.

**Staff Comment:** This request includes budget bill language that would require the Bureau to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

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

**Background:** Created in 1893, the Veterinary Medical Board (Board) licenses and regulates veterinarians, registered veterinary technicians (RVTs), RVT schools/programs and veterinary premises/hospitals through the enforcement of the California Veterinary Medicine Practice Act.

The board protects the public from the incompetent, unprofessional, and unlicensed practice of veterinary medicine. The board requires adherence to strict licensure requirements for California veterinarians and RVTs. The pet-owning public expects that the providers of their pet's health care are well-trained and are competent to provide these services. The board assures the public that veterinarians and RVTs possess the level of competence required to perform these services by developing and enforcing the standards for examinations, licensing, and hospital and school inspection.

The board also conducts regular practice analyses to validate the licensing examinations for both veterinarians and RVTs. Additional eligibility pathways have also been approved for licensure of internationally trained veterinary graduates and certification of RVTs to allow qualified applicants from other states in the U.S. and countries around the world to come to California and to improve the provision of veterinary health care for consumers and their animals. The board also states that its mission is to protect consumers and animals through the development and maintenance of professional standards, the licensing of veterinarians and registered veterinary technicians, and through diligent enforcement of the California Veterinary Medicine Practice Act.

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

**Staff Comment:** This request includes budget bill language that would require the board to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted

## Department of General Services

### Issue 1 – Office of State Publishing: Elimination of the Video Multimedia Center

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

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

**Staff Comment:** Staff has no concerns or issues with this request.

**Staff Recommendation:** Approve as budgeted.

### Issue 2 – Building Standards Commission

**Governor's Budget Request:** The Governor has requested \$153,000 (Building Standards Revolving Fund) in 2014-15 and \$152,000 (Building Standards Revolving Fund) in 2015-16, and 1.0 two-year limited-term position, within the California Building Standards Commission (CBSC) to support workload associated with AB 341 (Dickinson), Chapter 585, Statutes of 2013.

**Background:** AB 341 requires the CBSC to update the California Green Building Standards Code, and makes other changes to the California Building Code for the purpose of developing green building standards.

**Staff Comment:** Staff has no concerns or issues with this request.

**Staff Recommendation:** Approve as budgeted.

### Issue 3 – Natural Gas Services Program Fund

**Governor's Budget Request:** The Governor has requested to move the existing Natural Gas Services Program, under the newly-created Natural Gas Services Program Fund, which represents a shift of funding source from the Service Revolving Fund to the Natural Gas Services Program Fund in the amount of \$248,979,000 for the purchase of natural gas, and

\$1,203,000 for the support of four existing program positions. This shift is a result of AB 650 (Nazarian), Chapter 615, Statutes of 2013.

**Background:** AB 650, among other things, established the Natural Gas Services Program, within the DGS. Prior to the passage of AB 650, the legal authority to operate the Natural Gas Service Program was based on DGS' broad authority to provide services to state and local governments. The passage of AB 650 statutorily provided DGS with authority to administer this program.

**Staff Comment:** Staff has no concerns or issues with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 4 – California Records and Information Management Program Transfer**

**Spring Finance Letter:** The Governor has requested a decrease of \$432,000 (\$259,000 General Fund and \$173,000 special funds) and 3.0 positions, to reflect the transfer of the California Records Information Management Program to the Secretary of State.

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

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

**Staff Comment:** This request is part of a two-step process. On April 3<sup>rd</sup>, Senate Budget Subcommittee No. 4 heard a request to augment the Secretary of State budget by \$432,000 in FY 2014-15 to support the transfer of CalRIM. The request was approved.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 5 – GS \$MART**

**Spring Finance Letter:** The Governor has requested an increase of expenditure authority of \$232,000 (Special Fund), and 2.0 permanent positions, to implement the GS \$mart program within DGS.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve Spring Finance Letter request.

#### **Issue 6 – Administrative Services**

**Governor’s Budget Request:** The Governor has requested an augmentation of \$373,000 expenditure authority (\$174,000 Service Revolving Fund and \$199,000 Reimbursement) and 3.0 positions; to provide fiscal and information technology services to the newly-established Government Operations Agency (GOA) and Business, Consumer Services and Housing Agency (BCSHA).

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

## **Commission on Disability Access**

#### **Issue 1 – Accessible California**

**Governor’s Budget Request:** The 2014-15 Governor’s budget includes a request for an augmentation of \$95,000 of General Fund support for the implementation of SB 1186 (Steinberg and Dutton) Chapter 383, Statutes of 2012. SB 1186 modified state disability access laws to encourage greater compliance and reduce disability-related litigation.

**Background:** SB 1186, among other things, requires that the Commission on Disability Access (commission) collect demand letters and complaints and post the information on its website. The commission has been tasked with reviewing the notices and demand letters, and identifying the top violators in order to better assist their efforts with disability access compliance. To date, the commission has received over 2,000 items, primarily legal filings, which require approximately 1.5 hours of review each.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

## California Law Revision Commission

### Issue 1– Funding Shortfall

**Governor’s Budget Request:** The California Law Revision Commission (commission) requests an additional \$50,000 in reimbursement authority.

**Background:** The requested \$50,000 in reimbursement authority will be utilized to fill a vacancy within the commission. Recently, the Legislature has assigned the Commission an increased workload that will require that the commission fill the position in order to meet the workload requirements associated with the increasing Legislative workload.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

### Issue 2 – Additional Attorney Support

**Governor’s Budget Request:** The California Law Revision Commission requests an ongoing increase of \$62,000 in reimbursement authority to cover salary and benefits associated with 0.5 positions to address workload associated with legislative requirements.

**Background:** The commission has experienced an increased workload due to a number of changes in statute that have impacted staffing requirements:

- AB 26X 1 (Blumenfeld), Chapter 5, Statutes of 2011, assigned the commission the task of analyzing and cleaning up the Community Redevelopment Law.
- ACR 98 (Wagner), Chapter 108, Statutes of 2012, assigned the commission the task of analyzing and redrafting the Fish and Game Code, and determining if mediation confidentiality law should be changed in cases of attorney malpractice and other professional misconduct.
- SCR 54 (Padilla), Chapter 115, Statutes of 2013 assigned the commission the task of analyzing and modernizing California law enforcement access to the customer records of electronic communication providers.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Issues Proposed for Discussion / Vote****0911 CITIZENS REDISTRICTING COMMISSION**

**Governor's Budget Request:** The Governor has requested \$20,000 in General Fund (GF) to support the Citizens Redistricting Commission for FY 2014-15.

**Background:** Proposition 11, the Voters FIRST Act, was approved by the voters on the November 4, 2008, general election ballot. Proposition 11 changed the state's redistricting process by establishing a 14-member Citizens Redistricting Commission (commission) to draw the new district boundaries for the State Assembly, State Senate, and Board of Equalization beginning with the 2010 Census and every ten years thereafter. Proposition 11 specifies that a minimum of \$3 million in funding be provided, or the amount appropriated for the previous redistricting plus the Consumer Price Index, whichever is greater.

Pursuant to the requirements of Proposition 11, the 2009-10 budget appropriated \$3 million GF for Proposition 11 implementation costs over a three-year period for the commission, State Auditor, and Secretary of State. Additionally, the 2010-11 budget included provisional budget bill language to provide an expedited request process should the commission demonstrate it required funding greater than the \$2.5 million (the amount that remained from the 2009-10 \$3 million GF appropriation) for its costs from January 1, 2011 to June 30, 2011.

Proposition 20 was approved by the voters on the November 2, 2010 general election ballot, requiring changes and expansions to the 2008 amendments to the California Constitution. The 2010 amendments added California's 53 Congressional Districts to the commission's redistricting responsibilities and expanded the criteria for the district mapping process. The amendments also shortened the completion date for all four maps and supporting reports to no later than August 15, 2011, thereby reducing the time allowed for the commission's mandatory submission of the four maps to the Secretary of State by one month. These amendments were made with no additional appropriation of funds to support the expanded responsibilities and requirements.

The requested funds will support two activities for the Commission: \$15,000 to support an interagency agreement between the commission and the DGS to support fiscal services and human resources related activities and \$5,000 to access external legal advice as necessary. The commission's FY 2013-14 budget totals \$71,000 and 0.5 PY's. The commission is utilizing existing resources to fund the currently authorized part-time position and funding.

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



the commission's position from a manager classification to a less expensive analyst classification.

**Staff Comment:** Staff agrees with the LAO's observation that charging \$15,000 for the administration of a budget totaling \$71,000 seems excessive. Furthermore, the most recent redistricting process occurred between 2009 and 2011. At this time, staff would recommend holding this item open and directing the commission to revise their proposal to accommodate the FY 2013-14 budgetary appropriation.

**Staff Recommendation:** Hold open, direct commission to revise request and resubmit.

<b>1110/11</b>	<b>CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS</b>
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**Department Overview:** The Department of Consumer Affairs (DCA) boards and bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns. DCA boards and bureaus establish minimal competency standards for more than 250 professions involving three million professionals. The DCA consists of 36 regulatory boards, bureaus, committees, commissions, and programs, all of which regulate more than 100 businesses and 200 industries and professions, including doctors, contractors, private security companies, and beauty salons.

The boards and commissions are semi-autonomous regulatory bodies with the authority to set their own priorities and policies. Members of the boards and commissions are appointed by the Governor and the Legislature.

**Budget Overview:** The department's boards are budgeted under organizational code 1110, and the total proposed budget for the Boards is \$309.62 million (non-General Fund) and 1,533.2 Personnel Years for FY 2014-15.

The Bureaus are budgeted under organizational code 1111, and the total proposed budget is \$297.87 million (non-General Fund) and 1,885.1 Personnel Years, for FY 2014-15.

**DCA Boards and Bureaus Resources**

		<b>Positions</b>		<b>Expenditures</b>	
		<b>2013-14</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2014-15</b>
1	Board of Accountancy	80.8	98.8	\$ 11,854	\$ 13,709
2	Architects Board	30.4	30.4	\$ 4,983	\$ 5,080
3	Athletic Commission	9.1	12.1	\$ 8,241	\$ 9,139
4	Board of Behavioral Science	42.5	50.0	\$ 8,090	\$ 7,898
5	Chiropractic Examiners	19.4	19.4	\$ 3,823	\$ 3,813
6	Barbering and Cosmetology	92.2	92.2	\$ 21,352	\$ 21,025
7	Contractors State Licensing	401.6	405.6	\$ 61,713	\$ 62,430
8	Dental Board	74.1	74.6	\$ 14,304	\$ 14,745
9	Dental Hygiene Committee	8.2	8.2	\$ 1,513	\$ 1,518
10	Guide Dogs for the Blind	1.5	1.5	\$ 199	\$ 203
11	Medical Board	282.3	171.3	\$ 58,929	\$ 60,047
12	Acupuncture Board	8.0	11.0	\$ 2,777	\$ 3,279
13	Physical Therapy Board	16.4	19.4	\$ 3,207	\$ 3,904
14	Physician Assistant Board	4.5	4.5	\$ 1,517	\$ 1,535
15	Podiatric Medicine	5.2	5.2	\$ 1,123	\$ 1,441
16	Psychology	17.3	20.3	\$ 4,576	\$ 4,673
17	Respiratory Care Board	16.4	17.4	\$ 3,315	\$ 3,488
18	Speech-Language Hearing Aid	8.6	8.6	\$ 1,918	\$ 1,969
19	Occupational Therapy	7.7	7.7	\$ 1,439	\$ 1,316
20	Board of Optometry	10.4	10.4	\$ 1,863	\$ 1,848
21	Osteopathic Medical Board	8.4	11.4	\$ 1,911	\$ 1,895
22	Naturopathic Medicine Committee	1.0	2.0	\$ 173	\$ 309
22	Board of Pharmacy	81.1	101.1	\$ 16,202	\$ 19,626
23	Engineers and Land Surveyors	64.7	64.7	\$ 11,134	\$ 11,050
24	Registered Nursing	132.0	130.8	\$ 31,899	\$ 37,862
25	Court Reporters Board	5.0	5.0	\$ 1,218	\$ 1,221
26	Structural Pest Control Board	29.9	29.9	\$ 4,870	\$ 4,838
27	Veterinary Medical Board	12.8	23.8	\$ 3,054	\$ 4,507
28	Vocational Nursing	67.9	67.9	\$ 12,299	\$ 11,477
29	Arbitration Certification Program	8.0	8.0	\$ 1,175	\$ 1,202
30	Security and Investigative	49.9	49.9	\$ 12,977	\$ 13,363
31	Private Postsecondary Education	66.0	76.0	\$ 11,507	\$ 13,111
32	Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation	41.9	43.4	\$ 7,535	\$ 7,883
33	Automotive Repair	594.8	592.8	\$ 200,579	\$ 194,751
34	Telephone Medical Advice Services Bureau	1.0	1.0	\$ 175	\$ 179
35	Cemetery and Funeral	21.5	21.5	\$ 4,454	\$ 4,466
36	Real Estate Appraisers	32.8	32.8	\$ 5,502	\$ 5,621
37	Department of Real Estate	334.7	329.7	\$ 48,299	\$ 49,195
38	Professional Fiduciaries	1.7	2.7	\$ 440	\$ 596

*(dollars in thousands)*

<b>Issue 1 – BreEZe System</b>
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**Governor’s Budget Request:** The Governor’s budget includes a request for \$11.84 million in additional funding for continued support of the DCA’s automated licensing and enforcement system - BreEZe.

**Background:** The DCA is the umbrella agency for 37 business and professional licensing entities (collectively referred to as boards and bureaus) that regulate over 2.7 million businesses and professionals in over 250 license categories.

The BreEZe project began with the approval of a Feasibility Study Report (FSR) on November 30, 2009. In FY 2010-11, the DCA gained approval of a Budget Change Proposal to redirect funding from the existing iLicensing Project, plus an augmentation of budgets for the BreEZe project to support the procurement and implementation of an integrated licensing and enforcement system, in support of the DCA’s Consumer Protection Enforcement Initiative. In FY 2011-12, the department gained approval to appropriate \$1.2 million on a one-time basis, to the BreEZe project. BreEZe is designed to bring all of the Department of Consumer Affairs’ boards and bureaus into an integrated licensing and enforcement system. The Legislature approved \$11.995 million in funding to support BreEZe related activities for FY 2013-14.

The BreEZe project includes the purchase and implementation of a commercially integrated enterprise enforcement case management and licensing system that can be fitted specifically for DCA’s needs. The BreEZe Project consists of three phases, and is scheduled for completion in December 2015. In November 2013, DCA transitioned some its entities from the legacy system over to the BreEZe system as part of R1.

BreEZe Costs	Budget Year 2014-15 (dollars in millions)
DCA Boards	\$10,385
DCA Bureaus	\$1,459
<b>Total</b>	<b>\$11,844</b>

**Staff Comment:** As noted earlier, DCA has transitioned some of its entities from the legacy system to the BreEZe system. Some boards that have transitioned to BreEZe have faced difficulty transitioning to the new software platform. BreEZe project staff are coordinating with the systems integrator, Accenture, to revise future releases, and hopefully reduce future issues that arise from DCA’s boards and bureaus transitioning to BreEZe.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

**Issue 2 – Board of Accountancy**

**Board of Accountancy:** The California Board of Accountancy (CBA) was established in 1901 and was charged with regulating the practice of accountancy, and prohibited anyone from falsely claiming to be a certified accountant. The first accountants certified by the CBA were required to sit for written examinations, including questions on Theory of Accounts, Practical Accounting, Auditing, and Commerce Law, and attain a passage rate of at least 70 percent for each section. Applicants were required to provide a notarized affidavit certifying at least three years accounting experience, at least two years of which must have been in the office of a Certified Public Accountant (CPA) performing actual accounting work. In addition, each applicant was required to submit three references testifying to his character, in the form of a "Certificate of Moral Character." Today's mandate, that each CBA licensee pass an ethics course, finds its antecedent in the CBA's original requirement of this certificate. In 1929, the Legislature placed the CBA within the Department of Professional and Vocational Standards. In 1945, the Accountancy Act was substantially revised. In 1971, the Legislature located the CBA within the newly-created Department of Consumer Affairs (DCA). Today, the CBA regulates about 80,126 certified public accountants and 5,198 accountancy firms.

**Governor's Budget Request:** The Governor has submitted two consumer-protection related requests on behalf of the CBA:

1. **Peer Review and Investigation Backlog:** The Governor has requested an increase of expenditure authority for the CBA in FY 2014-15 of \$940,000 (Accountancy Fund), \$876,000 (Accountancy Fund) in FY 2015-16, and \$657,000 (Accountancy Fund) in FY 2016-17, and ongoing. In addition to the funding requested, the Governor has requested an increase of six permanent positions and two two-year limited-term positions with the CBA. The positions will support the CBA's enforcement efforts.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

2. **Mandatory Retroactive Fingerprinting:** The Governor has requested 6.0 three-year limited-term positions, 3.0 two-year limited-term positions, and a budget augmentation of \$923,000 (Accountancy Fund) for FY 2014-15, \$851,000 for FY 2015-16, and \$595,000 for FY 2016-17 to address the increased workload associated with mandatory fingerprinting requirements.

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

**Staff Comment:** The requested positions are limited-term. Upon the expiration of the limited-term position authority, the CBA, and the DCA, will determine if the workload associated with this request is ongoing.

**Staff Recommendation:** Approve as budgeted.

### Issue 3 – State Athletic Commission

**Governor’s Budget Request:** The Governor requests 2.0 positions and \$361,000 (Athletic Commission Fund) in FY 2014-15, and ongoing, for the State Athletic Commission (commission).

**Background:** The commission is responsible for licensing fighters, promoters, managers, seconds, matchmakers, referees, judges, timekeepers, and approves physicians. The commission protects consumers by ensuring that bouts are fair and competitive while protecting the health and safety of participants.

During Fiscal Year 2011-12 the commission neared insolvency. That was only avoided because of the severe cuts taken by the commission to end the year with 0.1 months (\$23,000) in the reserve. During that time the following actions were taken:

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

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

**Staff Comment:** This plan aligns with recommendations made by the Legislature and the Bureau of State Audits, which have both raised concerns regarding the lack of staffing levels within the commission.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

### Issue 4 – California Medical Board/Division of Investigation: SB 304

**Medical Board of California:** The primary purpose of the Medical Board of California (MBC) is to protect consumers, much like the other boards and committees under the DCA. While the MBC does engage in a number of activities to educate or assist physicians, the primary purpose of the MBC is to benefit consumers through the appropriate licensing of physicians and

surgeons and through enforcement of the Medical Practice Act. Under the Medical Practice Act in the Business and Professions Code (BPC), the MBC has jurisdiction over physicians licensed by the state. The MBC licenses and regulates approximately 132,000 physicians and surgeons. The MBC issues some 5,300 licenses each year, and approximately 64,000 licenses are renewed each year. The MBC also has statutory and regulatory authority over licensed midwives, medical assistants, registered contact lens dispensers, registered dispensing opticians, registered non-resident contact lens sellers, registered spectacle lens dispensers, registered polysomnographic trainees, registered polysomnographic technicians, registered polysomnographic technologists, research psychoanalysts, student research psychoanalysts, special program registrants, and special faculty permits.

**Governor's Budget Request:** The Governor's budget requests a one-time transfer of 116.0 positions and \$15.5 million to the Division of Investigation – Health Quality Investigation Unit in FY 2014-15 in order to implement SB 304 (Lieu), Chapter 515, Statutes of 2013. This request also includes a request for 1.0 permanent position and \$118,000 in FY 2014-15, and ongoing, to review investigative case dispositions, and perform other duties previously performed by the board's chief of enforcement.

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

**Staff Comment:** This budget change proposal is in response to legislative action taken last year as part of the Joint Legislative Sunset Review process.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

#### **Issue 5 – California State Board of Pharmacy**

The California State Board of Pharmacy (board) is responsible for enforcing federal and state laws pertaining to the acquisition, storage, distribution and dispensing of dangerous drugs (including controlled substances), and dangerous devices. The board has approximately 130,000 licensees in 17 license categories that include both personal and business licenses. As an agency that regulates the individuals and businesses that dispense, compound, provide, store, and distribute prescription drugs and devices and pharmaceutical services to the public, or to other health care practitioners in compliance with state and federal law, the licensing of pharmacists, pharmacies, and pharmacy technicians is the primary focus of board activity, with consumer protection at the core of the Board's operations. The board's regulatory authority, as described in the Pharmacy Law, extends over individuals and firms located both within and outside California, if they provide services in California

**Governor's Budget Request:** The Governor's 2014-15 budget includes four requests to support the board:

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

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

**Staff Comment:** This request is subject to a reporting requirement, pursuant to budget bill language, that will determine whether or not the requested positions have increased the enforcement capacity of the board.

**Staff Recommendation:** Approve as budgeted.

2. **Enforcement Monitoring:** The Governor requests 2.0 permanent positions and \$185,000 (Pharmacy Board Contingency Fund) to increase the board's enforcement efforts.

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

**Staff Comment:** This request is subject to a reporting requirement, pursuant to budget bill language, that will determine whether or not the requested positions have increased the enforcement capacity of the board.

**Staff Recommendation:** Approve as budgeted.

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

**Background:** SB 493, among other things, created an "Advanced Practice Pharmacist" designation to be recognized by the board, which allows for a pharmacist to perform certain health care services. The board estimates that approximately 2,100 pharmacists will apply for the designation.

**Staff Comment:** The board has noted that if the program is effective and requires additional resources, the board will submit a subsequent budget change proposal.

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

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

**Staff Comment:** Staff has no concerns or issues with this request.

**Staff Recommendation:** Approve as budgeted.

## Issue 6 – Attorney General Augmentation

The DCA's boards and bureaus have the capacity to investigate some complaints within their own enforcement division. The procedures for investigating and referring to the Attorney General's office (AG), or the Office of Administrative Hearings (OAH), are set forth in the Administrative Procedures Act. When necessary, formal discipline measures that require review, and possible prosecution, are referred to either the AG's office or the OAH. The Governor has requested increased expenditure authority for four of the boards and bureaus within the DCA:

1. **Board of Registered Nursing:** The Governor requests a \$2.5 million increase in the Board of Registered Nursing's (BRN) AG expenditure authority for 2014-15, and ongoing. Additionally, the Governor requests a \$200,000 (Board of Registered Nursing Fund) increase in the BRN's Office of OAH expenditure for 2014-15, and ongoing.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

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



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

**Staff Comment:** Staff has no concerns or issues with this request.

**Staff Recommendation:** Approve as budgeted.

3. **Bureau of Security and Investigative Services:** The Governor has submitted a request to augment the Bureau of Security and Investigative Services (bureau) AG expenditure authority by \$600,000 (special fund) in FY 2014-15, and ongoing.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

4. **Physical Therapy Board:** The Governor has submitted a request to augment the Physical Therapy Board's (board) Attorney General (AG) expenditure authority by \$142,000 (special fund) in FY 2014-15, and ongoing.

**Background:** Since FY 2010-11, the board has overspent its AG budget authority by approximately \$149,000. During FY 2012-12 the board exhausted its AG budget authority prior to the end of the fiscal year and was forced to redirect funding to support its AG-related costs. During FY 2012-13, the board requested, and received, a one-time augmentation of \$150,000 to its AG expenditure authority.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

#### **Issue 7 – Bureau of Private Postsecondary Education**

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

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

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

**Staff Comment:** This request includes budget bill language that would require the bureau to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

#### **Issue 8 – Board of Registered Nurses**

**Governor's Budget Request:** The Governor's 2014-15 budget includes a request for 28.0 positions and \$2.522 million (Board of Registered Nursing Fund) in FY 2014-15, 28.0 positions and \$2.298 million (Board of Registered Nursing Fund) in FY 2015-16, 27.0 positions and \$2.243 million (Board of Registered Nursing Fund) in FY 2016-17, and 23.0 permanent positions and \$1.816 million (Board of Registered Nursing Fund) to support the Board of Registered Nursing's (BRN) enforcement workload.

**Background:** The BRN is responsible for regulating the practice of registered nurses (RNs) in California. Currently, there are almost 380,000 licensed RNs in California, with over 23,000 new licenses issued annually, and more than 170,000 licenses renewed annually. The BRN also regulates interim permittees, i.e., applicants who are pending licensure by examination, and temporary licensees, i.e., out-of-state applicants who are pending licensure by endorsement. The interim permit allows the applicant to practice while under the supervision of an RN while awaiting examination results. Similarly, the temporary license enables the applicant to practice registered nursing pending a final decision on the licensure application. The BRN also issues certificates to Clinical Nurse Specialists, Nurse Anesthetists, Nurse Practitioners, Nurse-Midwives and Public Health Nurses. These titles are those most commonly used by the California RNs and use of the titles is protected under the Business and Professions Code.

The BRN has sustained a continued growth in the number of complaints filed, number of citations issued, and the number of cases referred to the Attorney General's office. Of the requested 28.0 positions, 23.0 are permanent positions, 4.0 are three-year limited-term positions, and 1.0 two-year limited-term position. The requested positions will support BRN's

investigation unit, discipline unit, and the probation unit. All of the requested positions are intended to align the BRN's discipline processing time within the DCA stated goal of 12 to 18 months.

**Staff Comment:** This proposal will require a General Fund loan repayment of \$11.3 million. Additionally, this request includes budget bill language that would require the Bureau to report on complaint and disciplinary workloads, case processing times, staffing levels, and an analysis on the effectiveness of the requested staffing augmentation.

**Staff Recommendation:** Approve as budgeted.

### **Issue 9 – Bureau of Automotive Repair**

**Governor's Budget Request:** The Governor's 2014-15 budget includes a request for an augmentation of \$40.372 million (Enhanced Fleet Modernization Subaccount, High Polluter Repair or Removal Account) and 9.0 permanent positions for the Bureau of Automotive Repair's (BAR) administration of the Enhanced Fleet Modernization Program (EFMP), which was authorized by AB 118 (Nunez), Chapter 750, Statutes of 2007.

**Background:** A key part of California's air quality emissions reduction strategy is to implement incentive-based air quality programs to encourage the early retirement and replacement of older vehicles with newer, cleaner ones. Older vehicles account for approximately 25 percent of the miles driven but contribute up to 75 percent of the emissions released. Reducing emissions from the older vehicles is a critical part of California's State Implementation Plan (SIP), which outlines the state's clean air strategy. The SIP is used by the federal government to determine the amount of federal transportation funds California will receive.

The Consumer Assistance Program (CAP) was originally started in 1997 and contains two parts: vehicle retirement and vehicle repair. Under the vehicle repair program, qualified low-income consumers can receive financial assistance up to \$500 to repair a vehicle that is unable to pass biennial smog check inspection when it exceeds specified emission standards. To receive the repair assistance, eligible consumers must pay the initial \$20 in repairs.

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

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

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

**Staff Recommendation:** Approve as budgeted.

**Vote:**

## 1690 SEISMIC SAFETY COMMISSION

### Issue 1 – Continued Funding: Technical Cleanup

**Governor’s Budget Request:** The Governor has requested trailer bill language clarifying that assessment on renter’s insurance policies shall be made, as well as policies covering contents, in order to be consistent with the original intent of the assessment that was established in AB 98 (Committee on Budget), Chapter 27, Statutes of 2013.

**Background:** The Seismic Safety Commission (commission) was originally created in 1975 and was supported by the General Fund. The commission’s mission is to investigate earthquakes, research earthquake related activities, and recommend to the Governor and the Legislature policies and programs needed to reduce earthquake risk. Additionally, the commission is responsible for managing California’s Earthquake Loss Reduction Plan 2007-2011.

The commission currently has one office that houses 6.4 positions and supports the commission’s activities including bi-monthly meetings at various sites statewide. The use of the Insurance Fund for the Commission was designed to be a short-term solution. However, the previous budget concerns in the state have forced the Commission to utilize the Insurance Fund as a more permanent source of funding.

AB 98 directs the Department of Insurance to calculate an annual assessment, not to exceed \$0.15 on commercial and residential property policy holders to be collected by insurers. This technical clean-up would clarify that renter’s insurance policies shall be assessed as well.

**Staff Comment:** The requested language is subject to a supermajority vote.

**Staff Recommendation:** Adopt proposed trailer bill language.

**1701 DEPARTMENT OF BUSINESS OVERSIGHT**

**Department Overview:** Effective July 1, 2013, pursuant to the Governor's Reorganization Plan No. 2 of 2012, the Department of Financial Institutions and the Department of Corporations merged to create the Department of Business Oversight (DBO). The DBO regulates state-licensed financial institutions, products, and professionals to provide accessibility to a fair and secure financial services marketplace.

**Budget Overview:** The Governor's 2014-15 budget includes a request for \$83.79 (Special Fund) million in order to support the DBO. Additionally, the request includes positional authority of 601.0 personnel years.

**Issue 1 – National Mortgage Settlement – Outreach and Education**

**Governor's Budget Request:** The Governor's 2014-15 budget includes a request for a one-time augmentation of \$500,000 (State Corporations Fund) in FY 2014-15, and a one-time \$500,000 (State Corporations Fund) augmentation in 2015-16, to provide foreclosure prevention and recovery education in regions of the state that have been most impacted. .

**Background:** In February 2012, the U.S. Department of Justice, the U.S. Department of Housing and Urban Development and 49 state attorneys general signed the \$25 billion National Mortgage Settlement with five major mortgage servicers: Bank of America, Citi, JPMorgan Chase, Wells Fargo, and Ally/GMAC. As part of the settlement, each participating banking regulator received \$1.0 million to execute the terms of the settlement agreement, which require the development of an outreach program to reach distressed homeowners who have been impacted by foreclosures.

With the additional funds, the DBO anticipates that it will be able to conduct 400 outreach events, attended by approximately 30,000 individuals, and distribute 300,000 pieces of educational material. Overall, the DBO estimates that it will be able to reach more than 100,000 distressed homeowners with the requested funds.

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

**Issue 2 – Broker-Dealer Investment and Advisor Program**

**Governor's Budget Request:** The Governor's 2014-15 budget includes a request for 36.0 positions and an increase of expenditure authority of \$7.9 million (State Corporations Fund) for the Department of Business Oversight (DBO) to implement the provisions of SB 538 (Hill), Chapter 335, Statutes of 2013, which improved the examination process for broker-dealer and investment adviser representatives.

**Background:** The DBO is responsible for the regulation and licensure of investment advisors, broker-dealers, and broker-dealer agents. The DBO estimates that there are 24,359 licensed firms and 328,548 licensed agents/representatives, in the state. Currently, the DBO has a combined 23.0 positions dedicated to licensing and enforcement. The DBO has determined that the amount of workload associated with the licensing and regulation of the state's investment advisors and broker-dealers far exceeds the DBO's current enforcement and licensing capacity. An audit conducted by the Bureau of State Audits (BSA) in 2007 found that the fee structure to support the broker-dealer investment and advisor program was not self-sufficient.

Prior to the passage of SB 538, the DBO did not have the fiscal resources to support staff associated with the additional workload. The DBO had been redirecting approximately \$2.0 million in fines and penalties from the Corporations Fund to support the broker-dealer investment advisor program. SB 538, among other things, established renewal licensing fees for broker-dealer agents and investment advisors. The intent was to create a more self-sustaining program that was not reliant on penalties and fines administered by the DBO.

**Staff Comment:** Prior to the passage of SB 538, California was the only state in the nation that did not require a renewal fee for broker-dealers and investment advisors within the state.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

**2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**

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

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

**Issue 1 - Winemaker Instructional Events Autographing**

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

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

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

**Staff Comment:** Staff has no issues or concerns related to this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 2 – Invitation-only Parties at Licensed Retail Locations**

**Governor's Budget Request:** The Governor's budget includes 1.0 position on a two-year limited-term basis and \$99,000 (Special Fund) in 2014-15, and \$89,000 (Special Fund) in 2015-16, to implement AB 1116 (Hall), Chapter 461, Statutes of 2013.

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

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

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

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

**Staff Comment:** Staff has no issues or concerns related to this request.

**Staff Recommendation:** Approve as budgeted.

## 7760 DEPARTMENT OF GENERAL SERVICES

**Department Overview:** The Department of General Services (DGS) is responsible for the management, review control and support of state agencies as assigned by the Governor and specified by statute. The department's functions include: acquisition, development, leasing, disposal and management of state properties; architectural approval of local schools and other state buildings; printing services provided by the second largest government printing plant in the U.S; procurement of supplies needed by other state agencies; and maintenance of the vast fleet of state vehicles.

**Budget Overview:** The Governor's 2014-15 budget proposes \$1.05 billion dollars (\$8.67 million General Fund) and 3,596.4 Personnel Years.

### Issue 1 – Excess Properties: Interim Support and Consultant Services

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

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

**Agnews Developmental Center:** SB 136 (Huff), Chapter 166, Statutes of 2009 authorized the DGS to dispose of all, or any portion, of the Agnews Developmental Center located in San Jose. Cisco Systems, who had acquired a separate parcel of the Agnews Developmental Center in 1997, was afforded the right of first refusal for this portion of property. Cisco notified the state that they did not intend to purchase this parcel in late 2012. DGS estimates that costs associated with maintenance total for FY 2014-15 total \$848,000. DGS estimates that sale proceeds for this parcel will total \$60 million.

**San Francisco Civic Parcel:** AB 2026 (Villines), Chapter 761, Statutes of 2008, authorized the disposition of .39 acres of land located midblock on the north side of Golden Gate Avenue, between Gough and Franklin Streets within the City of San Francisco. The property was originally acquired through an exchange with the City and County of San Francisco. This property is currently leased to a private parking operator and DGS notes that increasing property values warrant consideration of offering this parcel for sale. DGS estimates that costs associated with the disposition of this parcel will total \$108,000 for FY 2014-15.



**Estrella Correctional Facility and Preston Youth Correctional Facility:** AB 826 (Jones-Sawyer), Chapter 505, Statutes of 2013, authorized the DGS to dispose of any, or all, of the 15 acres of the Preston Youth Correctional Facility and 160 acres of the Estrella Correctional Facility. DGS estimates that costs associated with the disposition of these two parcels will total \$550,000 for FY 2014-15.

**Staff Comment:** Staff has no concerns with this request.

**Staff Recommendation:** Approve as budgeted.

## **Issue 2 – Mercury Cleaners Site Remediation**

**Governor’s Budget Request:** The Governor requests a one-time General Fund augmentation of \$1.0 million in FY 2014-15, to fund preliminary work related to site remediation for state-owned property located at 1419 16<sup>th</sup> Street, Sacramento.

**Spring Finance Letter:** The Governor submitted a Spring Finance Letter that modified the request to include an additional \$2.7 million in General Fund to be utilized for site remediation for the state-owned parcel located at 1419 16<sup>th</sup> Street, Sacramento. The total General Fund request for this project now totals \$3.7 million.

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

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

**Staff Comment:** DGS has noted that if the state is found in non-compliance with the Porter-Cologne Water Quality Control Act, it could be fined up to \$15,000 a day, totaling \$5.5 million a year.

**Staff Recommendation:** Approve as budgeted with modifications requested in Spring Finance Letter.

**Vote:**

**Issue 3 – Equipment Maintenance Management Insurance Program**

**Governor’s Budget Request:** The Governor requests an increase in expenditure authority of \$199,000 for the Service Revolving Fund in 2014-15, \$195,000 in 2015-16, and 2.0 positions on a two-year limited-term basis to expand the Equipment Maintenance Management Insurance Program (EMMP).

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 4 – Office of Administrative Hearings**

**Governor’s Budget Request:** The Governor requests an augmentation of \$1.8 million from the Service Revolving Fund and 19.0 positions beginning in 2014-15, for the Office of Administrative Hearings (OAH).

**Background:** The OAH provides administrative law judges (ALJ) to hear disputes for over 1,500 state and local agencies. The OAH conducts adjudicatory hearings, prehearing and settlement conferences, and mediations. Recently, OAH’s hearing workload has increased and the number of permanent positions that support the OAH have decreased. The increase in workload and decrease in staffing have limited OAH’s ability to meet its goal of setting cases for hearings within 120 days.

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

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

**LAO Recommendation:** The LAO recommends approval of this request, and recommends the adoption of reporting requirements related to caseload and hearing timeframes. Specifically, the reporting should be delineated by agency, hearing location, and case type.

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

**Vote:**

#### Issue 5 – Intellectual Property

**Governor's Budget Request:** The Governor has submitted a request to increase DGS expenditure authority by \$393,000 (Service Revolving Fund) in 2014-15 and \$319,000 in FY 2015-16, and ongoing, and 2.0 permanent positions, in order to implement the provisions of AB 744 (Perez), Chapter 463, Statutes of 2012.

**Background:** A report issued by the Bureau of State Audits (BSA) found that a number of state agencies are not sufficiently knowledgeable about the Intellectual Property that they own in order to act against individuals and entities that use the state's Intellectual Property inappropriately, including profiting from products developed at state expense and claiming rights to state-developed inventions. The report also noted that statewide guidance was limited. AB 744, among other things, requires the DGS to carryout various powers and duties relating to assisting a state agency in the management and development of intellectual property developed by state employees or with state funding, including, among other duties, developing a database of state-owned intellectual property using specified data, starting January 1, 2015. DGS currently does not have a subject matter expert with regards to Intellectual Property and will be reliant on external consultants to create and maintain the program.

**Staff Comment:** Staff does not have any issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

#### Issue 6 – Electric Vehicle Charging Station

**Governor's Budget Request:** The Governor requests reimbursement authority of \$1.0 million in FY 2014-15, and \$600,000 in FY 2015-16 for the Department of General Services Executive Office of Sustainability in order to install electric vehicle supply equipment in DGS' parking facilities statewide.

**Background:** The California Energy Commission and DGS have signed an interagency agreement for \$2.0 million to install electric vehicle supply equipment in state-owned parking facilities. A current year request of \$400,000 in reimbursement authority has been submitted, in accordance with Control Section 1.5 of the Budget Act. This request is seeking augmentation of reimbursement authority for the remaining \$1.6 million.

**Staff Comment:** DGS estimates that the requested funding will support the deployment of 185 electric vehicle supply equipment locations statewide.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

#### **Issue 7 – Sale-Leaseback Legal Fees**

**Governor’s Budget Request:** The Governor requests \$492,000 (General Fund) for FY 2013-14 and \$582,000 for FY 2014-15, to support legal fees related to the Sale Leaseback Initiative.

**Background:** AB 22 X4 (Evans), Chapter 20, Statutes of 2009, provided DGS with \$3.148 million (Property Law Money Account) in order to prepare specific state-owned properties for sale. Ultimately, the Administration chose not to go forward with the sale and lease-back of the state-owned buildings. Shortly thereafter, a lawsuit was filed against the state alleging that the transaction should move forward and that the cancellation of the sale by the state led to lost profits. DGS has sought external legal counsel to represent the state.

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

**Staff Comment:** Staff has no issues or concerns with this request.

**Staff Recommendation:** Approve as budgeted.

**Vote:**

#### **Issue 8 – Capital Outlay**

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

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

**DGS Activities:** It is a DGS practice to compile and maintain some information on the condition of existing state facilities. DGS compiles a five-year special repair plan every year, identifying proposed special repairs at state facilities. DGS also conducts infrastructure and site feasibility

studies of individual buildings and sites. These studies provide detailed information on the condition of building systems, analyses, and costs estimates for building renovations and replacement.

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

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

- **Facility Condition Assessment.** \$1.3 million to fund facility condition assessment of all existing state facilities in the Sacramento region.
- **Project Sequencing Plan.** \$700,000 to rank potential office construction and renovation projects and to create a plan for the sequencing of projects.
- **Funding Plan.** \$250,000 for an economic analysis and funding plan for the top priority projects identified in the sequencing plan.
- **Updated Office Planning Study.** \$50,000 to update the 2008 Sacramento Region State Office Planning Study.
- **Administration.** \$200,000 for staff administration.

**LAO Recommendation:** The LAO recommends the following:

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

**Staff Comment:** Staff understands the LAO's concern regarding the fund source of the Capital outlay study, but also understands that ultimately the funds for this project will come from the General Fund. The Service Revolving Fund draws support from agencies that receive General Fund support, and agencies that receive Special Fund support. It is important to not delay a solution for some of the downtown properties any further and phasing the funding could potentially delay that process.

**Staff Recommendation:** Approve as budgeted.

**Issue 9 – Capital Area Development Authority**

**Background:** In the mid 1960's, the State of California acquired 42 blocks of property south of the Capitol for development of a state office campus. The properties acquired by the state consisted primarily of housing in a neighborhood that was, before the acquisition program began, one of the most populous in the central city. By 1969, only three state office buildings had been built when the building program was officially curtailed. The State of California and the City of Sacramento formed the Capitol Area Development Authority (CADA) in 1978.

In May 2011, the Administration proposed that the state sell properties no longer needed for state programmatic purposes, including those managed by CADA. In response to the Governor's directive, the DGS initiated a plan to sell five CADA-managed properties per year, with the entire portfolio to be sold in about 10 years.

**Staff Comment:** Under this approach, it is unclear whether and how individual property purchasers would meet legislative affordable housing requirements, and how, during the 10-year sales period, CADA could continue to provide affordable housing under its self-funded, internally subsidized model as the number of properties in its control declines and its revenues diminish. Further, it is unclear what entity would assume CADA's outstanding debt and regulatory obligations. The Governor's 2014-15 budget does not include a proposal directly related to the long-term administration of CADA-owned properties.

**Questions for DGS:**

1. *Has CADA submitted a plan to withdraw from the Joint Powers Agreement to DGS? If so, has DGS submitted a response to CADA?*
2. *Does the Administration intend on submitting legislation related to the Governor's proposal? If so, when will the proposed language be available?*