

SUBCOMMITTEE NO. 4

Agenda

Senator Richard Roth, Chair
Senator Norma Torres
Senator Tom Berryhill



Thursday, May 8, 2014
9:30 AM or Upon Adjournment of Session
Rose Ann Vuich Hearing Room 2040

Consultants: Farra Bracht and Brady Van Engelen

Item Number and Title

0690	Office of Emergency Services
0845	Department of Insurance
0911	Citizens Redistricting Commission
0950	State Treasurer's Office
0971	California Alternative Energy and Advanced Transportation Finance Authority
0985	School Finance Authority
1700	Department of Fair Employment and Housing
2240	Department of Housing and Community Development
8940	California Military Department
8955	California Department of Veterans Affairs

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AGENDA – VOTE ONLY ITEMS

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Issues Proposed for Vote Only – Issue Descriptions

Office of Emergency Services (OES)

Issue 1 – Public Safety Communications Office

Governor’s Budget Request: The OES requests an additional 17.3 positions in temporary help and 25 permanent positions to support the transfer of the Public Safety Communications Office (PSCO) from the Department of Technology to the OES.

Background: The PSCO is comprised of 50 offices throughout the state. PSCO has the responsibility of administering the state’s 9-1-1 emergency communications program, serving 462 police, fire, and paramedic dispatch centers located within California’s 58 counties. In 2005, the Office of Network Services was transferred from the Department of General Services to the Department of Technology Services. In an effort to unify all emergency services, the 9-1-1 Emergency Communications and the Radio Communications were transferred in 2009 to the Office of Chief Information Officer (OCIO) and renamed the Public Safety Communications Office. During consideration of the 2013-14 budget the Legislature approved the transfer of 374 positions from the Department of Technology to the Office of Emergency Services.

Prior to July 1, 2013, the Department of Military, State Active Duty personnel, had 26.0 employees working with the Cal OES to provide all-hazards training and exercise programs in support of local and state first responders that was funded through a contract using federal funds.

Staff Comment: The requested positions are funded by the Technology Services Revolving Fund. OES currently has the authority to fund the positions, but lacks the positional authority to support the staff transfer from the Military Department. The requested 17.3 positions will support maintenance and operational support to the PSCO’s assets, and the 25 requested permanent positions are to support the PSCO’s statewide training efforts.

Staff Recommendation: Staff has no issues with this request; approve as budgeted.

Vote:

Issue 2 – Relocation of Red Mountain Communications Site

Governor’s Budget Request: The OES requests \$2.683 million (General Fund) to support the relocation of the Red Mountain Communication Site in Fiscal Year (FY) 2014-15.

Background: The Red Mountain Communications Site towers support twelve public safety agencies within Humboldt and Del Norte counties. The United States Forest Service’s Six Rivers National Forest Plan requires that all communications facilities currently operating on Red Mountain be removed and the land cleared by December 31, 2022. The proposed project will establish three new facilities that will enhance radio coverage currently provided at the Red Mountain facility. The project

will establish three new communications facilities at Rattlesnake Mountain, Alder Camp, and Rodgers Peak.

Staff Comment: The requested funds will support the preliminary plans phase of this project. Project costs are currently estimated to total \$19.982 million. The next phase, working drawings is expected to cost approximately \$1.26 million, and will be requested in FY 2015-16. The last phase, construction, is expected to cost \$16.04 million and will be requested in FY 2016-17. Additional costs, associated with maintenance, leasing, and power, to the respective agencies will total \$25,000 annually.

Staff Recommendation: Approve as budgeted.

Vote:

California Department of Insurance (CDI)

Issue 1 – Legislative Workload Adjustments

Spring Finance Letter: The Governor has submitted a spring finance letter requesting an increase of expenditure authority of \$121,000 (Insurance Fund) in FY 2014-15 and \$114,000 ongoing to address workload associated with the implementation of SB 617 (Calderon), Chapter 496, Statutes of 2011.

Background: SB 617 required each agency adopting a major regulation that is subject to the Office of Administrative Law review to prepare an economic analysis and required state agencies to monitor internal auditing and financial controls. Additionally, the Department of Finance (DOF) has adopted regulations for state agencies to follow when conducting a Standardized Regulatory Impact Assessment. Those regulations became effective on December 1, 2013.

As a result of both SB 617 and the new adopted regulations by the DOF, the workload for CDI has increased significantly. CDI has about 15 active rulemaking projects subject to the Administrative Procedure Act, with approximately three considered major regulations under the new law.

Staff Comment: This proposal provides resources for CDI to comply with provisions included in SB 617.

Staff Recommendation: Staff has no issues with this request; approve requested funds and positions in spring finance letter.

Vote:

California Alternative Energy and Advanced Transportation Finance Authority (CAEATFA)

Issue 1: Implementation of California Public Utilities Commission (CPUC) Energy Efficiency Financing Pilot Programs-California Hub for Energy Efficiency Financing (CHEEF)

Background: This budget proposal was heard in the Senate Budget Subcommittee No. 2 on Resources and Transportation on March 6th. The budget requests reimbursement and expenditure authority of \$4.4 million, over two years, to enable it to serve as the administrator of investor-owned utility (IOU) ratepayer funds for the CHEEF program. Overall funding for the pilot program would use \$65.9 million from IOU ratepayer funds (derived directly from the IOUs, not from the CPUC). Of the \$65.9 million, approximately 65 percent of the funds would go directly to residential customers and 35 percent (\$23 million) would be spent by IOUs and CAEATFA for administrative costs, outreach, and evaluation.

The funding for two years would include:

- \$5 million for CHEEF startup costs (CAEATFA administrative and contracting costs).
- \$10 million for marketing, education, and outreach (\$8 million at IOUs, \$2 million at CAEATFA).
- \$28.9 million for residential credit enhancements including: \$25 million for single family loan loss reserves; \$2.9 million for multi-family debt service reserve fund; and, \$1 million for energy financing line item charges (to Pacific Gas and Electric Company).
- \$14 million for non-residential credit enhancements (small business sector).
- \$8 million to the IOUs for information technology.

Staff Comments: The proposal before the subcommittee does not request approval of the policy set forth by the CPUC but rather is the last step before implementing the CPUC's quasi-legislative policy decision. Given the Legislature's reaction to the CPUC's establishment of programs and activities outside the legislative process last year, it would behoove the CPUC to use the legislative process, rather than bypass it, in its efforts to start new programs. Staff are equally concerned that the majority of the funding for this project under review, would not be administered through the budget, but rather would be directed outside the budget process with objectives not clearly defined in statute.

In addition, CAEATFA—the administrator of the state funds in this proposal, is reviewed under Budget Subcommittee No. 4 because it is within the Treasurer's Office. There is no companion budget proposal under the CPUC's budget.

The Assembly Budget Subcommittee No. 4 adopted this proposal on April 1, 2014.

Staff Recommendation: Reduce this request by \$1,000, without prejudice to the proposal, to keep this item open for further discussion.

Vote.

California School Finance Authority

Department Summary: The California School Finance Authority (CSFA) was created in 1985 to oversee the statewide system for the sale of revenue bonds to reconstruct, remodel, or replace existing school buildings, acquire new school sites and buildings to be made available to public school districts (K-12) and community colleges, and to assist school districts by providing access to financing for working capital and capital improvements. Over the last 25 years, the CSFA has developed a number of school facilities financing programs and most recently is focused on assisting charter schools to meet their facility needs. The CSFA is a three-member board comprised of the State Treasurer, the Superintendent of Public Instruction, and the Director of the DOF, and is administered within the Office of the State Treasurer.

Budget Summary: The CSFA budget calls for \$126.1 million and 10 positions for 2014-15. This represents a small increase from the 2013-14 funding level of \$126.0 million and eight positions. The CSFA is largely funded by General Fund (Proposition 98), federal funds, and other funds that include General Funds (non-98).

Issue 1: Charter School Facility Grant Program

Last year, the Charter School Facility Grant Program (CSFGP) and the Charter School Revolving Loan Program were transferred from the California Department of Education (CDE) to CSFA. The shift included \$175,000 in General Fund (Non-98) and 2.0 positions from CDE to CSFA to support the program transfer in 2013-14 and beyond. The shift was approved because CSFA already administers similar programs and, according to the Administration, the proposed shift was intended to improve the efficiency of charter school program administration and disbursement of funds to local charter schools.

The Governor's budget requests two additional positions and to upgrade an existing position, for a total cost of \$167,000 General Fund (non-98), to administer the program.

Staff Comment: Following the March 20th hearing of this item, the LAO reviewed the workload data subsequently provided by CSFA and found that the request for additional staff and funding is reasonable and recommends approval of the request. The LAO's analysis is below.

LAO Comment: According to a LAO analysis, for the past several years, the Legislature has appropriated \$92 million annually to the CSFGP to assist charter schools in low-income areas with facility-related costs including leases, remodeling, and deferred maintenance. Prior to 2013-14, the program was administered by the CDE. The program made initial payments by October 1 of each year, with additional payments made over the course of the current and subsequent fiscal years. The 2013-14 budget package transferred the administration of the program to CSFA along with one analytical position. In addition, the trailer bill language accelerated the payment schedule. Specifically, statute now requires an initial payment by August 31 of each year, with additional payments made entirely within the current fiscal year. To adhere to this new schedule, the CSFA analyzes funding applications to make initial funding allocations, followed by a series of "true-ups" to actual costs. Given the accelerated schedule, these estimates and true-ups must be done more quickly and more frequently than in the past. Furthermore, the number of funding applications has grown by at least 10 percent per year for the past several years, consistent with the overall growth in the number of charter schools in California. (As of 2011-12, the last year for which final payment data are available, about 300 charter schools received funding from the CSFGP.)

To determine if the requested positions were reasonable, the LAO asked CSFA to provide information about the tasks involved in administering the CSFGP, the expected time needed to process each funding application, the rationale for selecting the specific position classifications, and the manner in which the program workload was completed in the current year. Among their findings were the following:

- During the current year, CSFA has relied on staff assigned to other programs to complete some of the CSFGP workload. This approach is unlikely to be sustainable over the long term because these other staff positions are not supported by General Fund appropriations and have limitations on how their time may be used.
- Given the number of hours required to review each funding application (at least 13) and the expected number of applications (more than 300), the one analyst currently assigned to this program is unlikely to be sufficient to perform all work associated with the program.
- The tasks that will be performed by the requested positions relate to the activities involved in administering the program. Although the positions requested are at a lower classification than is typically used to administer programs like the CSFGP, CSFA has used similarly classified positions to administer other facility funding programs successfully.
- Even with approval of the two positions, CSFA will be required to absorb workload increases associated with an expected increase in the number of funding applications. Absorbing this workload is reasonable because the hours required to process each application should decrease as CSFA gains more experience with the program.
- The CSFA has been prudent with the resources currently provided and is meeting the Legislature's intent that funds be apportioned in an expeditious manner. Administrative changes the CSFA is implementing, such as developing conflict-of-interest rules for charter schools receiving funding, are reasonable and will help ensure proper oversight of state funds.

Staff Recommendation: Approve the request for two additional positions and an upgrade to an existing position, for a total cost of \$167,000 General Fund (non-98).

Vote:

Department of Housing and Community Development (HCD)

Issue 1 – Rental Housing Construction Program

Governor's Budget Request: The Governor's budget includes a request to transfer support costs associated with administering the Rental Housing Construction Program (program) from the Rental Housing Construction Fund (0938) to the Rental Housing Rehabilitation Fund (0929). If adopted, the following changes will be reflected:

- A reduction of \$1.141 million in the Rental Housing Construction Fund (0938), transferred to the Rental Housing Rehabilitation Fund (0929); and, a reduction of 2.0 positions and \$225,000 of funding in FY 2015-16.

Background: The Department of Housing and Community Development (HCD) estimates that there are a total of 1,334 households that currently receive this subsidy. HCD projects that funds that support the program will be exhausted by the end of FY 2014-15. The program provides subsidies to low-income households. HCD estimates that this transfer will extend program operations for the Rental Housing Construction Program to FY 2026-27.

Funds that support this program were originally appropriated by the Legislature in the 1980s. At the time, there were 49 program agreements and it was expected that the subsidies would cover the projects over a 30-year period, the majority of the contracts for this program were executed between 1983 and 1986, and are coming to the end of their original 30-year obligation. However, HCD has restructured some of the loans and obligations, which will commit HCD beyond the original 30-year period.

The reduction of 2.0 positions and \$225,000 in state operations budget authority is a result of a portion of the program maturing, lessening the workload associated with this program.

Staff Comment: HCD has received a legal opinion to determine that funds in the Rental Housing Rehabilitation Fund is a legal source to fund the long-term monitoring costs for the program. If the transfer is adopted, HCD projects the fund balance for the Rental Housing Rehabilitation Loan Fund to total \$69.54 million for the budget year, which means that the transfer will have little to no impact on the condition of the Rental Housing Rehabilitation Fund. Additionally, there is approximately \$68.66 million in General Fund loan repayments that are scheduled to be repaid to the Rental Housing Fund in future fiscal years.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Community Development Block Grant

Governor's Budget Request: The Governor's budget includes a request for \$1.515 million (General Fund), 9.0 three-year limited-term positions and \$971,000 (General Fund) to address backlog and additional workload requirements stemming from additional federal regulations, and a reduction of \$1.426 million in Community Development Block Grant disbursements (local assistance) for three years.

Background: The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs. Established in 1974, the CDBG program is one of the longest continuously run programs at the U.S. Department of Housing and Urban Development (HUD). There are a variety of program areas within CDBG that offer assistance to communities developing public facilities, infrastructure and services, affordable housing, and job creation through business retention efforts. HCD is responsible for the administration of the state program for 163 non-entitlement jurisdictions, which are primarily rural and, in many cases, disadvantaged communities.

The program is highly competitive and demand in the state far exceeds the award amount provided to the state. In 2012, the state received \$43 million that was available for award, however, the 98 applications received by HCD totaled over \$104 million. The non-awarded \$61 million reflects a total of 44 projects that communities are not able to complete unless they receive a CDBG in a future cycle, or find an alternative funding source.

A shrinking federal award amount and increased workload have applied an additional strain to the CDBG program. The state has received 35 percent less in CDBG funding from HUD over the last eight years. And, HCD has been subject to a federal compliance audit which will result in a \$5.9 million debt to the federal Department of Housing and Urban Development. Payments to HUD are not due until 2016, and may be paid either with a reduction in federal disbursements or a cash repayment. To address the \$5.9 million owed to HUD, HCD has proposed to repay a total of \$1.6 million (General Fund) and the total amount received by \$4.3 million. The repayment and the grant reduction will be

stretched over a three-year period; totaling \$544,000 annually in repayments and a \$1.426 million reduction in Local Assistance annually.

The portion of this request that will add 9.0 three-year limited-term positions and \$971,000 (General Fund) will ensure that HCD remains compliant with federal regulations and provide local jurisdictions with a greater level of technical assistance.

Staff Comment: The CDBG program requires a state to match administrative costs dollar for dollar for federal grants used for administrative purposes. In 2007-08, an insufficient amount of General Fund was available to match the federal amount, and HCD chose to use an alternative method of “in-kind” matching. A subsequent audit by HUD determined that the “in-kind” match was not appropriate and that the state would owe approximately \$1.63 million for unmet matching requirements and \$4.27 million for over expenditures.

Staff Recommendation: Approve as budgeted.

Vote:

California Military Department

Issue 1 – Environmental Programs

Governor's Budget Request: The Governor's budget includes a request for an increase of \$519,000 in Federal Trust Fund authority and an additional seven positions for the California Military Department (CMD). The funding and positions support the CMD's Environmental Programs Directorate that ensure environmental requirements mandated by federal and state law, are being adhered to by the Military Department and its partners.

Background: The California National Guard Environmental Program is comprised of 35 total personnel, and is responsible for environmental compliance within CMD's Army National Guard facilities. The California National Guard is responsible for a number of facilities in the state, including three major training facilities, an aviation repair depot, vehicle and weapons maintenance facilities, and a number of smaller vehicle repair shops. Through the National Guard Bureau's federal manning model, it has been determined that a total of 35 positions be provided to the California Army National Guard to comply with federal, state, and local environmental laws.

Staff Comment: Currently ten of the 35 employees within the Environmental Directorate are contract employees. This request would convert seven of those contract positions to state civil service, and the Military Department would still have a total of thirty-five employees within the Environmental Directorate. Staff has no issues or concerns with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Force Protection

Governor's Budget Request: The Governor's budget requests an increase of 46 positions within the California Military Department in order to provide security at CMD installations and airfields.

Background: In FY 2010-11, the California Army National Guard secured a Master Cooperative Agreement with the National Guard Bureau for 47 three-year limited-term positions. The positions associated with this activity expired on June 30, 2013, and have been administratively established in 2013-14. The Military Department has requested that these positions be established on a permanent basis. The funds that support these positions are ongoing, and it is unlikely that the National Guard Bureau will rescind this funding support.

Staff Comment: The requested positions will provide security at eight different facilities throughout the state, overseeing state assets and infrastructure at these installations. The eight installations are listed below:

- Joint Forces Headquarters – Sacramento
- Mather Aviation Support Facility – Mather
- Stockton Aviation Support Facility – Stockton
- Fresno Aviation Support Facility – Fresno
- Theater Aviation Sustainment Maintenance Group – Fresno
- Camp Roberts – Bradley
- Camp San Luis Obispo – San Luis Obispo
- Joint Forces Training Base – Los Alamitos

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – California Military Museum

Governor's Budget Request: The Governor's budget proposes trailer bill language to redirect the annual \$100,000 appropriation (General Fund) to the private non-profit California Military Museum Foundation (foundation) annual \$100,000 General Fund appropriation to the CMD.

Background: SB 1470 (Johannessen), Chapter 469, Statutes of 2002, provides for an annual appropriation of \$100,000 General Fund to the foundation, a private non-profit organization for the operation of the museum. There is currently no codified language in statute to govern this appropriation.

The proposed trailer bill language, if adopted, would provide the CMD with the authority to oversee the expenditures of the Foundation and would require that the foundation submit invoices, or bills to the CMD in order to receive the appropriated funds.

Staff Comment: The Governor's proposal affords the state better mechanisms for the oversight of The California Military Museum, and would establish better fiscal oversight and budgetary procedures for the General Fund appropriation provided to support the Military Museum.

Staff Recommendation: Adopt proposed trailer bill language.

Vote:

Issue 4 – State Active Duty Employee Compensation

Governor's Budget Request: The Governor's budget proposes to augment the Military Department's 2014-15 budget by \$615,000 (\$256,000 General Fund and \$359,000 Federal Trust Fund) to cover the estimated State Active Duty employee compensation increases.

Background: Pursuant to California Military and Veterans Code, Sections 320-321, pay for State Active Duty employees must be based upon established military pay grades and estimated pay increases granted by Congress. This proposed compensation adjustment is due to a congressionally-approved increase in the military allowances for housing and subsistence.

Staff Recommendation: Approve as budgeted.

Vote:

California Department of Veterans Affairs (CalVet)

Issue 1 – Conversion to Civil Service

Governor's Budget Proposal: The Governor's 2014-15 budget includes a request for an additional \$2.068 million in General Fund support and an increase of 43 positions to assist with veterans' claims, food service operations, and security. These positions would be converted from contracted positions

Background: On June 18, 2009, the State Personnel Board ordered the California Department of Veterans Affairs (CalVet) to convert a number of contracted positions to civil service. The ruling was in accordance with Government Code §19130, which specifies which personal service contracts may, and may not, be utilized by state agencies. An appeal made by CalVet in 2011, but was denied by the State Personnel Board. The initial contracts were permitted since they represented a new legislative function, as defined by Government Code §19130.

The requested 43 positions will be spread throughout four of the homes within the Veterans Homes of California network, as follows:

- **Barstow** - \$1.056 million and 20 positions (11 food service, eight security, and one veteran claims service position).
- **Chula Vista** - \$927,000 and 22 positions (13 food service, eight security, and one veteran claims service position).

- **Lancaster** - \$40,000 and 0.5 positions for veteran claims.
- **Ventura** - \$45,000 and 0.5 positions for veteran claims.

The current security contract is set to expire on December 1, 2014. CalVet has requested that the security positions be brought into compliance with Government Code §19130 before the State Personnel Board issues another injunction.

The veterans homes in Yountville and West Los Angeles have permanent positions providing veterans' claims representation at their respective facilities. The Redding and Fresno veterans homes will also have permanent positions that will provide claims representation to residents. The remaining four veterans homes (Lancaster, Chula Vista, Ventura, and Barstow, contract with the local county veteran service office, however, the county veteran service officers are county employees and CalVet has expressed concern that, as county employees, their priorities may not align with CalVet's. CalVet has noted that during FY 2010-11, a significant increase in claims occurred, which can be attributed to adequate staffing.

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

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Redding Veterans Home – Continued Activation

Governor's Budget Request: The Governor's 2014-15 budget includes a request to increase General Fund support by \$3.896 million and 43.3 positions for FY 2014-15, and \$5.047 million and 48.8 positions in order to complete the staffing ramp-up at the Redding Veterans Home.

Background: In 2008, the Legislature approved the construction of a new veterans home in Redding. Construction of the facility began in 2010 and was completed in 2012. The Budget Act of 2010 included staff and funding for pre-activation through full ramp-up. Due to the ongoing fiscal constraints, the Budget Act of 2011 delayed the opening of the veterans home and eliminated all funding and positions related to its activation. The Budget Act of 2012 took a similar approach, providing CalVet with enough support to maintain the facility, but not enough to activate it. Funding was provided in the Budget Act of 2013 to open the veterans home, continue the staffing ramp-up and begin the first year of resident admission.

Staff Comment: This is a multi-year request that will fulfill ramp-up activities at the Redding Veterans Home. The requested resources reflect the final phase of ramp-up for this facility and comply with the terms agreed to with the U.S. Department of Veterans Affairs in their construction grant terms. Resident occupancy for this facility has begun and full occupancy is projected to occur in March 2015.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – Fresno Veterans Home – Continued Activation
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Governor’s Budget Request: The Governor’s 2014-15 budget includes a request to complete the staffing ramp-up and admission of residents at the Fresno Veterans Home. The request includes:

- \$7.56 million (General Fund) and 89 positions in Budget Year 2014-15 and \$12.83 (General Fund) and 137.9 positions ongoing.
- \$4.14 million (General Fund) and 52.2 positions in Budget Year 2015-16 and \$6.44 million (General Fund) and 70.1 positions ongoing.
- \$602,000 (General Fund) in Budget Year 2016-17 and \$700,000 ongoing.

Background: In 2008, the Legislature approved the construction of a new veterans home in Fresno. Construction began in May 2010, and was completed in April 2012. Due to the ongoing fiscal constraints, the Budget Act of 2011 delayed the opening of the veterans home and eliminated all funding and positions related to its activation. The Budget Act of 2012 took a similar approach, providing CalVet with enough support to maintain the facility, but not enough to activate it. Funding was provided in the Budget Act of 2013 to open the veterans home, continue the staffing ramp-up, and begin the first year of resident admission.

Staff Comment: This request for staffing and resources for the remaining years of admissions is projected to take the total census to an estimated 174 by the end of FY 2014-15, 268 by the end of 2015-16, and full occupancy of 300 in the fall of 2016. The requested resources reflect the request submitted in the U.S. Department of Veterans Affairs construction grant.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 4 – County Veteran Service Officer (CVSO) Auditor
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Governor’s Budget Request: The Governor’s 2014-15 budget includes a request for \$52,000 (General Fund) and one position for a county subvention program auditor and database coordinator.

Background: The CalVet County Subvention Program reimburses counties for a portion of their administrative costs and for workload units on a semi-annual basis. Funds are distributed on a pro-rata basis. Auditing the county submissions is a function that has been performed by a retired annuitant.

Recent changes in accordance with SB 1006 (Budget and Fiscal Review Committee), Chapter 32, Statutes of 2012, modified the workload unit computation process. The computation is now based on a performance-based formula that incentivizes CVSOs to maximize the amount of federal dollars received by a veteran. Additionally, SB 1006 modified reporting requirements of CalVet to offer more comparative statistics and best practices in their reports.

Staff Comment: This request will allow CalVet to fulfill a legislative requirement and eliminates a service contract to perform audits of the county subvention program.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 5 – State Cemeteries Perpetual Maintenance Funding

Governor’s Budget Request: The Governor’s 2014-15 budget includes a request for a \$10,000 augmentation of the Northern California Veterans Cemetery Perpetual Maintenance Fund for operational and maintenance purposes.

Background: The Northern California Veterans Cemetery Perpetual Maintenance Fund provides funding for the maintenance of the Northern California Veterans Cemetery at Igo and the Yountville Veterans Home Cemetery.

Initial funding levels were established in 2005 and have not been adjusted. There have been a total of 3,882 burials at the Northern California Veterans Cemetery and total acreage has increased from 1.75 acres to 13.5 acres.

Staff Comment: The Northern California Veterans Cemetery Perpetual Maintenance Fund anticipated FY 2014-15 revenues of \$64,000 and authorized expenditures of \$55,000, the resources to provide this augmentation to the Northern California Veterans Cemetery and the Yountville Veterans Home Cemetery are available.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 6 – Investigative Services

Governor’s Budget Request: The Governor’s 2014-15 budget includes a request for \$96,000 (General Fund) and two permanent positions to investigate claims of elder abuse, hostile work environment complaints, and other miscellaneous employment-related matters.

Background: Currently, CalVet does not have any staff dedicated to investigating claims related to civil litigation, workplace violence complaints, personnel matters, and claims of elder abuse. When necessary, CalVet has been required to contract out investigative-related activities, and is currently expending \$97,000 in resources annually for investigative services.

Staff Comment: According to CalVet, providing their Legal Affairs Division with investigative staff would facilitate a more cost-effective and expedient legal process. When not occupied by active investigations, the Legal Affairs Division intends on utilizing the investigator to support attorneys with trial preparation for ongoing litigation files, which will allow for a more efficient use of staff attorney time, as well.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 7 – Central Coast State Cemetery

Governor’s Budget Request: The Governor’s 2014-15 budget includes a request for \$8.217 million (\$1.42 million Central Coast State Veterans’ Cemetery at Fort Ord Operations Fund and \$6.797 million Federal Trust Fund Authority), to begin construction of the Central Coast State Veterans Cemetery at Fort Ord.

Background: AB 3035 (Laird), Chapter 291, Statutes of 2006, authorized the construction of a cemetery to be located at the former site of Fort Ord. The Central Coast Cemetery will support the burial needs of approximately 177,000 veterans living within six surrounding counties: Alameda, Monterey, San Mateo, Santa Cruz, San Benito, and Santa Clara. The United States Department of Veterans Affairs, through its National Cemetery Administration State Cemetery Grants program will reimburse 100 percent of allowable costs for the design and construction of the cemetery.

When complete, this project will include 5,000 columbaria sites an administration building with public information space and restrooms; a maintenance yard and building; a committal shelter; and a memorial area.

Staff Comment: Funds for completion of project design were included in the 2013 Budget Act.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 8 – Claims Case Management Software Maintenance Fees

Spring Finance Letter: The Governor has submitted a spring finance letter requesting an increase of \$84,000 (Veterans Service Office Fund) to pay for increased costs associated with the maintenance of the statewide veterans claims case management system.

Background: CDVA utilizes a software platform (VetPro) to audit the submissions that county veteran service officers (CVSOs) submit for reimbursement of administrative costs associated with filing a veterans claim. VetPro is utilized by CDVA to identify the quantity, quality, and success rate of claims being filed at the county level.

Annual maintenance fees associated with VetPro have remained constant since 2008; however, these fees are projected to increase by \$1,500 per county in FY 2014-15. This increase totals \$84,000 when spread across the 56 county veteran service offices that are subject to maintenance fees.

Staff Comment: The fund source for this request, the Veteran Service Office Fund, has adequate resources to support the additional \$84,000 requested in the spring finance letter.

Staff Recommendation: Approve spring finance letter request.

Vote:

Issues Proposed for Discussion / Vote
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0845 DEPARTMENT OF INSURANCE

Issue 1 – Office of the Patient Advocate

Governor’s Budget Request: The Department of Insurance requests an increase of special fund authority of \$163,000 in FY 2014-15 and \$150,000 in 2015-16 and 1.5 positions to support implementation activities of AB 922 (Monning), Chapter 552, Statutes of 2011.

Background: AB 922 transferred the Office of the Patient Advocate (OPA) from the Department of Managed Health Care to the California Health and Human Services Agency (CHHSA) in 2012 in order to provide assistance to individuals, including those served by health care service plans regulated by the Department of Managed Health Care and the CDI. AB 922 also requires the CDI to do the following:

- Provide assistance to OPA to develop informational guides for consumers
- Receive complaints referred by OPA
- Develop reports related to health consumer complaints
- Receive and handle referrals from OPA regarding studies and investigations
- Provide transfers of money from the Insurance Fund, as needed for OPA

In FY 2012-13, CDI’s Consumer Services Division was responsible for handling over 10,000 health-related complaints and responding to over 14,000 health-related telephone calls. CDI projects that the number of written complaints for FY 2014-15 will remain at approximately 10,000 and the number of phone calls will increase to over 16,000.

Staff Comment: In accordance with Health and Safety Code 136000(d)(2) CDI is required to public report on information related to problems faced by consumers in obtaining care and coverage, the office shall analyze data on consumer complaints and grievances resolved by these agencies, including demographic data, source of coverage, insurer or plan, resolution of complaints and other information intended to improve health care and coverage for consumers. However, CDI has yet to produce this report. Staff recommends that the requested positions only be approved if CDI agrees to comply with Health and Safety Code 136000(d)(2) and generate a report related to the data required by law.

Staff Recommendation: Approve as budget, with agreement from CDI that they will be in compliance with Health and Safety Code 136000(d)(2).

Vote:

Issue 2 – Enhanced Fraud Investigation and Prevention

Spring Finance Letter: The Governor has submitted a spring finance letter requesting that \$4,585,000 (General Fund) be directed to the CDI fraud investigation and prevention efforts.

Background: This proposal requests an annual General Fund appropriation of \$4,585,000 for a four-year period. The appropriation would provide \$3,585,000 in state operations for up to 32 four-year limited-term positions for enhanced anti-fraud efforts. Additionally, this proposal would provide \$1 million for local assistance for a four-year period for local district attorneys to investigate and prosecute disability and healthcare insurance fraud.

Staff Comment: On November 4, 2013, the CDI successfully litigated an anti-fraud case resulting in a settlement payment of \$46 million.

Staff Recommendation: Approve spring finance letter.

Vote:

Issue 3 – Menu Modernization Project

Spring Finance Letter: The Governor has submitted a spring finance letter requesting a one-time \$1.329 million (Insurance Fund) increase in expenditure authority, and 4.5 one-year limited-term positions, in order to support CDI's efforts to complete the first-year procurement phase of a five-year information technology project.

Background: The CDI menu was originally developed in 1992, and supports nearly all of the mission-critical applications for CDI. The technology that supports the CDI menu is antiquated, and CDI staff has been required to build "work around" solutions in order to maintain functionality of the software platform. Additionally, the vendor that supports the platform will no longer provide that support after June 2017. CDI submitted a Feasibility Study Report (FSR) to the Department of Technology, which was approved on April 1, 2014. According to the FSR, total project costs associated with the CDI menu modernization project total \$21.391 million.

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

Staff Recommendation: Approve spring finance letter request.

Vote:

Issue 4 – Human Resource Information System Replacement Project

Spring Finance Letter: The Governor has submitted a spring finance letter requesting an increase of the CDI budget by \$142,000 (Insurance Fund) to fund the use of the State Controller's California Leave Accounting System and Oracle's Financial Human Resource module that will replace the Human Resource Information System (HRIS), scheduled to sunset on June 30, 2014.

Background: HRIS is an online system that automates personnel-related functions such as attendance tracking, leave balance, and position management. Its legacy application, which was written over two decades ago and is currently used by seven state agencies, will sunset on June 30, 2014. The Technology Department has informed all agencies employing the system to find viable replacements.

HRIS customers were scheduled to transition to the MyCalPays system, but that project has been suspended. Upon completing a cost/benefit analysis, CDI elected to purchase the Oracle Financials HR module. CDI identified one-time resources to cover implementation in FY 2013-14 but will need ongoing resources to cover future years.

Staff Comment: This request also includes budget bill language that stipulates that the requested resources would not be available until after the Technology Department has approved the Feasibility Study Report (FSR) associated with this project. The budget bill language will ensure that the FSR submitted to the Department of Technology is approved before resources are allocated for this project. The FSR is currently pending review.

Staff Recommendation: Approve spring finance letter.

Vote:

Issue 5 – Health Care Coverage Market Reform

Governor's Budget Request: The CDI requests \$1.01 million (Insurance Fund) in expenditure authority in 2014-15 to fund a total of 9.0 positions, to address the workload associated with AB2 X1 (Pan), Chapter 1, Statutes of 2013, which amended and added several statutes to the California Insurance Code necessary to conform with federal guidelines established by the Federal Affordable Care Act (ACA).

Background: Consumers of health insurance fall into one of three categories: individuals, small groups/businesses, and large groups or businesses with more than 50 employees. The majority of the regulation conducted by the CDI is of health insurance companies that cover individuals or small group/businesses. It is estimated that this represents approximately 12 percent of the state's regulated health insurance providers. The Department of Managed Health Care is responsible for the remaining portion.

AB2 X1, which conformed state regulations with federal healthcare guidelines, has created a more complex health insurance market, added 2.7 million new insured individuals to the health insurance market, and increased the number of inquiries and complaints received by CDI's consumer services division. According to CDI, the consumer services division anticipates an increase in the number of complaints received via telephone and in writing.

Staff Comment: Assembly Budget Subcommittee No. 4 approved the request as budgeted. The positions were approved on a permanent basis.

Staff Recommendation: Approve as budgeted to conform to an action taken in Assembly Budget Subcommittee No. 4.

Vote:

0911 CITIZENS REDISTRICTING COMMISSION

Issue 1 – Continued Funding

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 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: This item was previously heard in this subcommittee. During that hearing, the Commission noted that the costs are expected to decrease in subsequent fiscal years. This subcommittee may wish to approve the requested resources only for FY 2014-15.

Staff Recommendation: Staff recommends approving the requested funds on a one-time basis. Approve requested \$20,000 for FY 2014-15.

Vote:

0950 STATE TREASURER'S OFFICE

Issue 1 - Trailer Bill Language Relating to the Local Agency Investment Fund Reimbursement Cap (April Finance Letter # 1)

The STO proposes to amend Government Code Section 16429.1 to increase the maximum amount that may be deducted for the costs incurred in carrying out the administration of the Local Agency Investment Fund (LAIF) to eight percent, if the 13-week daily Treasury Bill rate on the last day of the state's fiscal year is below one percent. If it is above one percent, then the cap would revert back to five percent, consistent with existing law.

Background: The LAIF program is a voluntary program that offers local agencies the opportunity to invest idle funds and earn a competitive yield using the investment expertise of the STO's investment staff at no additional cost to the taxpayer. The LAIF has grown from 293 participants and \$468 million in investments in 1977, when the program began, to 2,594 participants and \$19.9 billion at the end of December 2013.

The LAIF's costs are based on the person hours required to administer the program and remain fairly constant from one billing period to the next. In 2010-11, the cap was increased from up to one-half of one percent of the LAIF earnings to up to five percent of the LAIF earnings. However, the reimbursement formula under the current limitation/cap does not allow for the actual budgeted costs to administer LAIF to be fully recovered.

Staff Comment: Staff has no concerns with this proposal.

Staff Recommendation: Adopt placeholder trailer bill language to increase the Local Agency Investment Fund Reimbursement cap.

Vote:

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

Department of Fair Employment and Housing: The Department of Fair Employment and Housing (DFEH) is responsible for protecting the people of California from unlawful discrimination in employment, housing, and public accommodations, and from the perpetration of acts of hate violence. The Department's jurisdiction extends to individuals, private or public entities, housing providers, and business establishments within the state.

The Governor's Budget proposes total spending of \$21.9 million (\$16 million General Fund) for the department in 2014-15, nearly identical to the resources provided to DFEH in FY 2013-14. The proposed staffing totals 189 personnel years (PYs), which is also nearly identical to FY 2013-14 PY's.

Department of Fair Employment and Housing 2014-15 Budget Overview

Fund Source	2012-13	2013-14	2014-15
General Fund	\$10.30	\$13.03	\$16.04
Federal Trust Fund	\$4.74	\$5.33	\$5.54
National Mortgage Special Deposit Fund	\$2.99	\$3.00	\$ --
Total Expenditures	\$18.03	\$21.57	\$21.58
Positions	157.3	189.8	189.8

***Dollars in millions**

Issue 1 – Department Oversight

Background: On December 18, 2013, the Senate Office of Oversight and Outcomes (SOOO) issued a report reviewing, among other things, DFEH's role in administering the Fair Employment and Housing Act (FEHA), which is considered to be one of the strongest anti-discrimination laws in the nation. In their report, the SOOO noted that since FY 2007-08 the overall budget for DFEH has decreased by approximately ten percent. DFEH is also performing a higher number of investigations, and is using approximately ten percent less investigators to perform investigative functions for DFEH.

In the report, the SOOO noted that budgetary constraints may have played a role in the state's inability to enforce FEHA, which is similar to the conclusion noted in a 2010 study conducted jointly by the RAND Corporation and the UCLA School of Law. Enforcement is undoubtedly no small task; the DFEH receives more than 20,000 new discrimination claims annually. Due to budgetary constraints, DFEH was forced to do more with less. However, as noted by the SOOO, underfunding the agency responsible for the enforcement of state's anti-discrimination laws diminishes DFEH's enforcement capacity and dilutes the effectiveness of the state's anti-discrimination laws.

While fiscal constraints are not unique to DFEH, there are other actions highlighted in the SOOO report that also raised concern. The report noted that DFEH's decision to divert resources away from housing investigations damaged a long-standing relationship with the federal Department of Housing and Urban Development (HUD). For nearly twenty years DFEH conducted investigations on behalf of HUD, which are reimbursable at \$2,600 per claim. Concerns raised by HUD regarding the quality of discrimination investigations, coupled with the threat of losing the contract with HUD; compelled DFEH to hire additional investigators for housing claims.

Staff Comment: In accordance with Government Code Section 12930(k), DFEH is required to submit a written report of its activities and of its recommendations on an annual basis. However, it appears

that the most recent available report is from 2010. In order to determine whether or not additional resources would address the issues raised in the report conducted by the Senate Office of Oversight and Outcomes, and the joint study conducted by the RAND Corporation and the UCLA School of Law, some additional information may be required.

Staff Recommendation: Adopt Supplemental Reporting Language requiring that the DFEH report the following information in a sortable spreadsheet format for both employment cases and housing cases, reported separately for public and private entity respondents since January 1, 2011:

- Number of complaints filed, by each alleged basis of discrimination.
- The following information for complainants: race, sex, age, primary language and zip code of residence.
- For employment cases, the annual rate of pay or salary of the position at issue in the following ranges: less than \$20,000; \$20,000 to \$49,999; \$50,000 to \$74,999; \$75,000 and higher.
- The date on which the complainant requested a right to sue, if any.
- Whether the complaint was drafted by the department before being served on respondent.
- Whether the department received an answer to the complaint from respondent.
- Whether the case was “graded” by the department before receiving an answer to the complaint from the respondent.
- The time between date of complaint and the date of answer. If no answer filed, the time between date of complaint and date of closure.
- Whether the complainant was provided with a copy of the respondent’s answer before case grading or closure.
- Whether the complainant was interviewed in-person by a department investigator.
- Whether the complainant was interviewed by telephone by a department investigator.
- Whether the alleged discriminatory individual(s) was interviewed in-person by a department investigator.
- Whether the alleged discriminatory individual(s) was interviewed by telephone by a department investigator.
- Whether all relevant witnesses identified by complainant, respondent, and other witnesses or documents were interviewed by a department investigator.
- Whether corroborating information or documentation was obtained from complainant.
- Whether corroborating information or documentation was obtained from respondent.
- Whether an on-site inspection was performed by a department investigator.

- Whether the complaint was referred to mediation before receiving answer from the respondent.
- Whether the complaint was settled by department-conducted mediation.
- Whether the complaint was settled by some method other than department-conducted mediation.
- The amount paid in settlement, if any.
- The amount of attorney's fees obtained in settlement for the complainant, if any.
- Whether any other type of relief was obtained (non-monetary) in settlement, and if so the type of relief obtained.
- Whether the department found that the complaint had merit.
- Whether the department issued an accusation.
- Any other reason for case closure, other than settlement or accusation.
- Whether the department filed suit.
- Whether department-filed litigation resulted in a court judgment, and if so the terms of the judgment.
- Whether any settlement included release of claims outside of the jurisdiction of the department.
- Amount of attorney's fees awarded in favor of the department.
- Amount of attorney's fees awarded against the department.
- Average number of allegations per year assigned to each investigator, and the number per year assigned to each attorney.
- Average number of complaints closed per investigator per month.
- Percentage of cases closed within 100 days of filing.
- Percentage of cases closed within 365 days of filing.
- Percentage of cases in which conciliation or settlement was attempted.

Vote:

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Issue 1 – Housing Related Parks Program**

Governor’s Budget Request: The Governor’s budget includes a request to adjust the baseline budget for the Department of Housing and Community Development by an increase of \$25 million to fund awards under the Proposition 1C Housing Related Parks Program.

Spring Finance Letter: The Governor submitted a spring finance letter that requests an increase of \$62.5 million, in addition to the \$25 million included in the Governor's January proposal, for a total of \$87.5 million for the Housing Related Parks Program.

Background: In 2006, voters approved Proposition 1C, authorizing the largest housing bond in the nation. The bond measure authorized an additional \$2.85 billion, most of which was used to support affordable housing efforts. The Housing-Related Parks Program, funded through Proposition 1C, was designed to encourage the construction of low-income housing units by providing funding to cities and counties that can be used for the development and renovation of parks for each qualified housing permit they issue. As of January 30, 2014, there is an estimated \$116 million available for award.

While voters approved Proposition 1C in November 2006, the bond required the Legislature to adopt subsequent legislation to implement the Housing-Related Parks Program. AB 2494 (Caballero), Chapter 641, Statutes of 2008, established the Housing-Related Parks Program, under the administration of the Department of Housing and Community Development.

It was originally anticipated that HCD would make roughly \$25 million in awards per year, beginning in the 2009 calendar year. However, local governments only qualified for \$8.8 million in awards in 2010. HCD issued a Notice of Funding Availability (NOFA) again for the 2011 calendar year, and local governments qualified for only \$11.3 million.

AB 1672 (Torres), Chapter 779, Statutes of 2012, broadened the Housing Related Parks Program eligibility to include units substantially rehabilitated, preserved or acquired for low or very low income households. HCD expects that this will greatly increase the total amount of awards issued annually.

Based on the applications from the most recent NOFA for 2013-14, HCD received \$77.5 million in requests for the \$25 million appropriated in 2013-14. Since the NOFA is oversubscribed, HCD stated that without any changes the law requires funds to be distributed proportionally to all eligible applicants.

Staff Comment: This item was originally heard in Senate Budget Subcommittee No. 4 on March 13th. HCD has noted that the modifications made by AB 1672 have increased the applicant pool substantially. And, in accordance with statute, the funds will have to be distributed proportionally to all eligible applicants.

Staff Recommendation: Approve Governor’s budget request with modifications requested in spring finance letter, which totals \$87.5 million for the Housing Related Parks Program.

Vote:

Issue 2 – Fund Eliminations

Governor’s Budget Request: The Governor’s budget includes a request for the elimination of three funds administered by the Department of Housing and Community Development that are no longer active. Under the Governor’s proposal fund balances will either be returned to the Housing Rehabilitation Loan Fund or the General Fund. These funds are:

- School Facilities Fee Assistance Fund (0101)
- California Housing Trust Fund (0843)
- Rural Community Facility Grant Fund (0984)

Background: HCD has determined that these funds are no longer necessary and would like to eliminate the funds. The Governor has proposed trailer bill language that would allow for the elimination of the three funds listed above.

School Facilities Fee Assistance Fund (0101) – The School Facilities Fee Assistance Fund was created to provide down payment assistance to offset developer impact fees for affordable housing. The assistance was provided as a grant if the housing remained owner-occupied for a qualifying period of five years. Funding support was provided by the General Fund in 1998-99 through 2001-02, totaling \$140 million. The Department of General Services (DGS) originally administered the program, but subsequently DGS contracted with the California Housing Finance Agency (CalHFA) to run the program. The program was sunset in 2002.

Proposition 46 of 2002 allocated an additional \$50 million to the fund, and HCD, as the administrator of housing bonds for the state, assumed administrative responsibility of the fund. All funds allocated via Proposition 46 have been exhausted and the fund balance is currently less than \$100,000 dollars. If approved, the proposed language would designate the General Fund the successor fund for any loan repayments received on loans from the General Fund and funds that were loaned with Proposition 46 dollars would revert to the Housing Rehabilitation Loan Fund.

California Housing Trust Fund (0843) – The California Housing Trust Fund was created in 1985 for the purpose of funding housing to serve low-income households. One of the primary revenue sources for the Housing Trust Fund was tideland oil revenues for transfer to the Emergency Housing Trust Fund to provide grants for emergency shelter operating costs. When tideland oil revenue transfers to housing ceased, the Emergency Housing Trust Fund received General Fund support.

In 2006, authority for the California Housing Trust Fund was amended in anticipation of making an endowment to provide a permanent financing source for affordable housing. Despite the change in law, there has not been an appropriation. Rather, voters approved general obligation housing bonds (Proposition 46) to assist the state’s affordable housing efforts. There is currently \$2.5 million in loan receivables due to this fund, but those loans are not due until 2019. HCD has proposed retaining these repayments within the Housing Rehabilitation Loan Fund, which would serve as the successor of this fund. The Housing Trust Fund currently has a balance of \$68,000, which would also be transferred to the Housing Rehabilitation Loan Fund.

Rural Community Facility Grant (0984) – The Rural Community Facility Grant Fund was created to provide a funding source for technical assistance to rural and low-income communities in obtaining public financing to develop public or mutual water systems, or publicly operated waste water systems. The Rural Community Facility Grant Fund received a \$500,000 transfer from the California Housing

Finance Fund in 1983 and a \$500,000 transfer from the Rental Housing Construction Fund in 1987. There has been no program activity since FY 1988-89.

Staff Comment: Assembly Budget Subcommittee No. 4 approved the Governor's January proposal

Staff Recommendation: Adopt proposed trailer bill language.

Vote:

Issue 3 – Proposition 41: Veterans Bond Act of 2014

Spring Finance Letter: The Governor has submitted a spring finance letter requesting additional resources in advance of the passage of Proposition 41, slated for the June 2014 ballot. Specifically, this request includes the following:

- \$1.231 million in state operations to fund nine positions and one existing position.
- \$75 million in Local Assistance to provide expenditure authority for Proposition 41 programs including provisional language to allow the Director of Finance to increase the appropriation amount and liquidation period.
- A reduction of \$146,000 and one position in state operation expenditures from the Proposition 1C Multi-Family Housing Program.

Background: In 2008, California voters approved Proposition 12, the Veteran's Bond Act of 2008, providing \$900 million to help veterans purchase single-family homes, farms, and mobile homes through the CalVet Home Loan Program. As a result of the housing downturn and the economic recession, the program has not experienced the demand that was originally projected.

In 2013, AB 639 (Perez), Chapter 727, Statutes of 2013 restructured the Veteran's Bond Act of 2008 authorizing \$600 million in existing bond authority to fund multi-family housing for veterans where at least 50 percent of the units were for extremely low-income veterans.

Staff Comment: Assembly Budget approved the requested spring finance letter, and adopted placeholder provisional language to ensure that there is a proper notification process to the Joint Legislative Budget Committee. Staff recommends that this subcommittee take a conforming action to approve the requested spring finance letter and adopt placeholder budget bill language to ensure that there is an adequate notification process to the Legislature.

Staff Recommendation: Approve spring finance letter, adopt provisional budget bill language.

Vote:

Issue 4 – Office of Migrant Services

Spring Finance Letter: The Governor has submitted a spring finance letter requesting trailer bill Language to allow up to \$11 million of disencumbered funds in the Joe Serna Farmworker Housing Grant Program to be used for rehabilitation or construction at the existing 24 state-owned Office of Migrant Services housing centers to address the health and safety deficiencies.

Background: HCD is responsible for maintaining the housing in a manner that is safe for farmworker tenants. A recent inspection and assessment of the OMS housing centers revealed that there are issues that pose significant risks to the health and safety of residents. If repairs are not made, this could be a potential liability to the state.

Over the past 10 years, the OMS facilities have experienced significant deferred maintenance. The funding provided through Proposition 46 housing bonds, the General Fund and federal grants have resulted in improvements to the OMS centers. HCD has invested \$24.2 million in rehabilitation and reconstruction of OMS Centers, with 47 percent of the funds coming from Proposition 46.

Staff Comment: The proposal allows up to \$11 million in funding; currently Proposition 1C provides \$6.5 million.

Staff Recommendation: Approve spring finance letter, adopt proposed trailer bill language.

Vote:

8940 CALIFORNIA MILITARY DEPARTMENT
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Issue 1 – National Guard Armories
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Background: In a prior hearing this subcommittee directed the CMD to develop a plan that will begin to address the California Army National Guard's infrastructure needs in FY 2014-15.

In accordance with direction provided by this subcommittee, the CMD has developed a plan that will accelerate the construction of the San Diego Readiness Center. The Military Department has proposed accelerating the pre-construction phases of the project forward by two fiscal years. The proposed plan would require that the Military Department's 2014-15 budget be augmented by \$790,000 to begin the pre-construction phase of the San Diego Readiness Center.

Current Governor's 5-year infrastructure plan

		2014-15	2015-16	2016-17	2017-18	2018-19	Total
8940	MILITARY DEPARTMENT						
	Advance Plans and Studies	\$0	\$252	\$0	\$0	\$0	\$252
	Latrine Renovations (Statewide Minors)	\$0	\$1,539	\$0	\$0	\$0	\$1,539
	Consolidated Headquarters Complex - Phase I	\$7,354	\$40,388	\$1,961	\$0	\$0	\$49,703
	San Diego Readiness Center Renovation	\$0	\$0	\$790	\$872	\$9,264	\$10,926
	Kitchen Renovations (Statewide Minors)	\$0	\$1,556	\$0	\$0	\$0	\$1,556
	Military Department Total	\$7,354	\$43,735	\$2,751	\$872	\$9,264	\$63,976

*dollars in thousands

Proposed Governor's 5-year infrastructure plan

		2014-15	2015-16	2016-17	2017-18	2018-19	Total
8940	MILITARY DEPARTMENT						
	Advance Plans and Studies	\$0	\$252	\$0	\$0	\$0	\$252
	Latrine Renovations (Statewide Minors)	\$0	\$1,539	\$0	\$0	\$0	\$1,539
	Consolidated Headquarters Complex - Phase I	\$7,354	\$40,388	\$1,961	\$0	\$0	\$49,703
	San Diego Readiness Center Renovation	\$790	\$872	\$3,008	\$3,008	\$3,008	\$10,686
	Kitchen Renovations (Statewide Minors)	\$0	\$1,556	\$0	\$0	\$0	\$1,556
	Military Department Total	\$8,144	\$44,607	\$4,969	\$3,008	\$3,008	\$63,736

*dollars in thousands

Staff Comment: Under the Military Department's proposed five-year infrastructure plan the overall cost will remain the same. The proposed plan would also spread the construction phase of the San Diego Readiness Center into a three- year period. The previous plan would have displaced the unit that occupies the Readiness Center. Breaking it into three phases will allow the wings that are not under construction to absorb the personnel that have been displaced due to construction.

Staff Recommendation: Augment the Military Department's 2014-15 budget by \$790,000 (General Fund) in order to begin addressing the Military Department's infrastructure needs in FY 2014-15.

Vote:

Issue 2 – California Cadet Corps

Spring Finance Letter: The Governor has submitted a request for a redirection of \$500,000 (General Fund) and 3.0 positions to support the California Cadet Corps Program.

Background: The Cadet Corps is a school-based, applied leadership program conducted within a military framework designed to improve the growth and leadership of cadets. The Cadet Corps is composed of students ranging from elementary school to high school. Historically, the Cadet Corps was run by an all-volunteer force that was scattered throughout the state. However, as an all-volunteer force, there was limited accountability for the quality of instruction and the use of equipment. In FY 2011-12, the Legislature approved the redirection of \$300,000 and 2.0 positions to support the Cadet Corps. The two positions still support the program.

The CMD has noted that three redirected positions included in this proposal will support statewide level activities, support statewide competitions for athletics, marksmanship, drill, and ceremony. Also, the requested positions will provide additional resources to CMD to vet and support the adult volunteer cadre that work with the cadet corps.

Staff Comment: The CMD notes that the requested redirection of resources and positions will allow the California Cadet Corps to grow to approximately 6,750 cadets statewide.

Staff Recommendation: Approve spring finance letter request.

Vote: