

SUBCOMMITTEE NO. 4

Agenda

Senator Richard D. Roth, Chair
Senator Steven M. Glazer
Senator Janet Nguyen
Senator Richard Pan



Thursday, April 28, 2016
9:30 a.m. or Upon Adjournment of Session
State Capitol, Room 2040

Part C

Consultant: Samantha Lui

PROPOSED FOR VOTE-ONLY

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ISSUES PROPOSED FOR VOTE-ONLY

8260 ARTS COUNCIL

This issue was originally scheduled to be voted during the subcommittee's April 21, 2016, hearing.

Issue 1: Spring Finance Letter – Reimbursements

Budget. The California Arts Council (CAC) requests an ongoing and permanent \$2 million increase in reimbursement authority in order to continue to operate the Arts-in-Corrections program at CDCR facilities. The reimbursements, which are received through an interagency agreement with the Department of Corrections and Rehabilitation (CDCR), provide support for arts instructions to inmates in the prison system.

Background. The Arts-in-Corrections program, which is as a pilot program between CAC and CDCR, allows professional artists to provide direct instruction and guidance to over 2,000 participants in correctional settings for the creation of, and participation in, visual, performing, literary, or media arts. In 2013-14, \$1 million was provided; in 2014-15, \$1.8 million was provided. In 2015-16, funding was increased to \$3.5 million. With the certainty of a multi-year interagency agreement, the CAC no longer needs to have reimbursements unscheduled.

Staff Comment. The Arts-in-Corrections program was discussed as an oversight item during the Senate Subcommittee No. 5 on Corrections, Public Safety and the Judiciary hearing on April 7, 2016. The CAC will utilize a request for proposal (RFP) to select contractors to implement the Arts-in-Corrections program.

Staff Recommendation. Approve as requested.

7760 DEPARTMENT OF GENERAL SERVICES

The following items were discussed during the subcommittee's April 7, 2016, hearing.

Issue 1: Mercury Cleaners Site Remediation

Budget. The department requests a one-time \$2.1 million General Fund appropriation to continue the remediation efforts at the former Mercury Cleaners site located in downtown Sacramento. Testing, clean-up, and monitoring is necessitated by the detection of contaminant dry cleaning solvents in soil, soil vapor, groundwater, and indoor air samples caused by historical discharge of hazardous wastes and products associated with previous businesses. Funding will include activities to (a) confer with the Central Valley Regional Water Quality Control Board (RWQCB); (b) conduct indoor air quality studies; (c) conduct investigation and treatment of the groundwater; (d) conduct onsite and offsite studies and monitoring near the

Mercury Cleaners property as requested by the RWQCB; and (e) continue soil vapor extraction testing and treatment to remediate hazardous materials

Staff Comment. The total cost for full remediation is unclear, until the full extent of the plume is defined. The department has not investigated other sites and is unable to answer with certainty whether other remediation sites may exist. In addition, it is unknown whether demolition, hazardous materials abatement, or relocation of neighboring tenants will need to occur. In regards to whether the site will generate revenue, at this time, there is no established long-term use defined for the site. The Capitol Area Plan designates this site as residential. The department will continue to finance the remediation through the budget process, as the state has the obligation to remediate state-owned land.

Staff Recommendation. Approve as requested.

Issue 2: Procurement Cost Savings for FI\$Cal
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Budget. The department requests an augmentation of \$670,000 in expenditure authority and four positions in the budget year, and \$1.26 million and eight positions in 2017-18 and ongoing, from the Service Revolving Fund. DGS-Procurement Division (DGS-PD) will recover the cost of the positions without any increase to its billable hourly rate or the acquisition surcharge. The positions, by year, are as follows:

CLASS TITLE	FY 2016-17	FY 2017-18
Associate Procurement Engineer to develop and review contract specifications.	1.0	1.0
Senior Electronic Data Processing Acquisition Specialist (Sup) to supervise the assignment of technical acquisition projects.		1.0
Senior Electronic Data Processing Acquisition Specialist (Tech) to act as lead in negotiations with state agency personnel on difficult procurements.		2.0
Staff Electronic Data Processing Acquisition Specialist to lead agency staff and vendor representatives to purchase electronic hardware, software and associated services through statewide contracts, and bidding processes.	3.0	2.0
Staff Services Analyst (General) to review, collect, and present data related to technology procurements.		2.0

Staff Comment. It remains unclear the savings to be realized through the implementation of FI\$Cal. As the budget is an annual process, staff recommends amending the proposal to allow further deliberation and monitoring the success of the staff, proposed for this year, to implement the savings.

Staff Recommendation. Amend proposal. Approve budget year request of \$670,000 in expenditure authority and four positions from the Service Revolving Fund. Reject out-year request for \$1.26 million and eight positions in 2017-18 and ongoing, from the Service Revolving Fund.

Issue 3: Procurement Workload Increase

Budget. The department requests six permanent positions to be funded by redirecting \$520,000 in operating expenses and equipment. The department notes there will be no fee increases to cover expenditures.

- **Certification and Compliance Unit.** The Certification and Compliance Unit, which certifies entities to compete and participate in annual state contracting, includes 25,649 entries of small business (SB) and disabled veteran business enterprise (DVBE) certification applications. The department requests two associate program governmental analysts to evaluate SB/DVBE certification applications.
- **Communication and Outreach Section.** The section must provide advocate training to over 125 department advocates and assist state agencies that have failed to meet the contract goals. The department requests one staff services analyst and one office technician for outreach, training, education services, and creating an advocate database.
- **Contract and Logistics Response Unit.** The unit must develop contracts, agreements, and missions for commonly procured items needed during an emergency, or prior to an emergency, in compliance with the State Emergency Plan. The department requests one staff services manager and one associate materials analyst to develop, maintain, and administer statewide contracts for use prior to and during a catastrophic disaster.

Staff Recommendation. Approve as requested.

Issue 4: TBL – Energy Services Contracts

Budget. The department proposes the following trailer bill provisions:

- Expands the authorized list of services to include energy efficiency and water conservation services, for which a state agency may enter into an energy savings contract with a qualified energy service company (ESCO).
- Authorizes the department or any other state agency to establish a pool of qualified energy service companies, based on qualifications, experience, pricing, or other factors.
- Defines “energy retrofit project” as a project for which the state works with a qualified energy service company to identify, develop, design, and implement energy conservation measures in existing facilities to reduce energy use or make energy efficient.

- Prohibits the erection or installation of a power generating system, power purchase, or project utilizing a site license or lease agreement to be considered, as an energy retrofit project.

Staff Comment. An ESCO is a single firm that manages and coordinates all phases of an energy project and provides many types of services. Typically, ESCOs provide energy audits, project financing, construction management services, and equipment maintenance and servicing. Currently, only three ESCOs actively bid on types of processes. In the last three years, the department has released twenty requests for responses/proposals (RFPs). With the proposed language, the department would establish a pre-qualified pool of ESCOs, who would meet specified criteria, and could be ready to be assigned to a project. Each energy savings company must be re-qualified every two years. The department hopes to provide a more expedient process for awarding projects, including 40 projects in the next six months.

Staff Recommendation. Approve placeholder trailer bill language, subject to technical changes that may arise in drafting process but consistent with proposed policy change.

7502 DEPARTMENT OF TECHNOLOGY
0690 OFFICE OF EMERGENCY SERVICES

The following issues were discussed during the subcommittee's April 21, 2016, hearing.

Issue 1: Transfer of Public Safety Communications, Public Safety Communications Permanent Positions

Budget. The budget includes two related proposals that complete the final transfer of public safety communications administration.

- Department of Technology (CDT). The budget requests the transfer of one accounting officer and \$83,000 (Technology Services Revolving Fund) to the Office of Emergency Services (OES).
- Office of Emergency Services. The budget requests one accounting officer and \$83,000 (Public Safety Communications Revolving Fund) ongoing to be transferred from CDT; creation of a new Public Safety Communications Revolving Fund; and transfer existing authority from the Technology Services Revolving Fund (TSRF). The budget also includes one-time provisional language to allow borrowing General Fund dollars for cash flow purposes, as it starts up the program (discussed below). The borrowed funds must be repaid by October 31, 2017. The budget also proposes 28 positions for the Public Safety Communications section.

Corresponding trailer bill language establishes the new Public Safety Communications Fund; specifies what monies may be included in the fund; and requires any balance, which exceeds 25 percent of the current fiscal year's budget for PSC, to be used to reduce billing service rates during the following fiscal year.

Staff Recommendation. Approve transfer of funding authority from CDT to OES. Approve shifting one permanent position from CDT to OES. Adopt placeholder provisional budget bill language and placeholder trailer bill language, subject to technical changes that may arise in drafting process but consistent with proposed policy change. Approve establishing 28 permanent positions, with no additional funding, to OES.

0690 OFFICE OF EMERGENCY SERVICES

The following issues were discussed during the April 21, 2016, hearing.

Issue 1: California Sexual Violence Victim Services Fund – Local Assistance

Budget. The Office of Emergency Services (OES) requests \$250,000 in local assistance authority to administer the California Sexual Violence Victim Services Fund, which was established by Senate Bill 782 (DeSaulnier), Chapter 366, Statutes of 2014. Contributions received through the fund would be distributed to support rape crisis programs for victims of rape and sexual assault. OES plans to begin awarding grants to rape crisis centers by July 2016.

Staff Comment. According to data from the FTB, the current contribution fund balance from June 2015 to March 2016 is \$115,598. It is unclear whether this fund will reach the \$250,000 minimum contribution for 2016. In addition, because the FTB does not charge administrative costs in the first year, it will likely retain the lesser amount of three percent of contributions or \$6,000 to cover administrative costs this year.

Staff Recommendation. Approve as requested.

Issue 3: Proposition 1B Adjustment

Budget. The budget requests a reduction of \$20 million in the budget year, and a reduction of \$80 million in 2017-18, of the Proposition 1B bond funding local assistance appropriation to balance administrative costs and to close out the program. Proposition 1B, known as the “Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006,” which authorizes the issuance of \$19.9 billion general obligation bonds over the course of ten years for purposes including: grants for transit system safety, security, and disaster response projects.

Staff Comment. The 2016-17 budget year is the final fiscal year for the department to allocate funding for the program. With one year to encumber the funds¹ and two years to liquidate,² the department has three years left (until 2018-19) to administer the program, conduct program oversight, and manage the program. Existing law prohibits administrative costs (e.g., audit and program oversight costs for agencies, commission, or departments) recoverable by bond funds from exceeding three percent of the program's cost (\$30 million). The department estimates only \$20 million of the allowable \$30 million is needed to reimburse the Department of Finance and the Office of State Audits and Evaluations for program audits.

Staff Recommendation. Approve as requested.

¹ Last day to encumber 2016-17 Proposition 1B program funds is June 30, 2017.

² Last day to liquidate 2016-17 Proposition 1B program funds is June 30, 2019.

7760 OFFICE OF EMERGENCY SERVICES

During the April 21, 2016 hearing, the subcommittee considered the following two items, as part of the department's larger budget proposal³ comprised of 16 different components that support emergency operations. During the hearing, the public nor the Legislative Analyst's Office raised concerns with these two pieces.

Issue 2A: Disaster Logistics Program

Budget. The department requests \$421,000 General Fund and three permanent positions (one program manager and two emergency services coordinators) to address gaps identified in the 2012 Logistics Capability Assessment Tool.

Background. The department supports various emergency planning and response activities, including those related to logistics. For example, the department develops facility use agreements, in coordination with the Department of General Services, to ensure that the necessary locations are available for use during emergency events. The OES reports that the department does not have any existing staff dedicated to disaster logistics, and this function has been covered by existing staff.

Staff Comment. Approve as requested.

Issue 2B: Regional Coordination Center

Budget. The department requests \$782,000 (\$700,000 General Fund, \$82,000 Public Safety Communications Revolving Fund) in the budget year and ongoing to combine the Inland Region, Coastal Region, and a public safety communications office into one site near Fairfield or Vacaville. This new site will expand current regional emergency management capabilities and capacity, and create a Regional Coordination Center. The three existing sites currently occupy 7,601 square feet and will be combined into one site with 14,566 useable square feet. The additional costs of approximately

LAO Comment and Recommendation. The LAO finds the proposal reasonable, given the department's operational needs and deficiencies at existing facilities. The LAO recommends a technical modification, reducing the request from \$700,000 General Fund to \$500,000 General Fund in 2017-18, since one-time and short-term costs associated with the office moves and tenant improvements will not be on an ongoing basis. (This funding amount should be further reduced beginning in 2020-21 to account for reduced costs associated with tenant improvements.)

³ The Office of Emergency Services requests \$35.2 million General Fund in state operations authority in the budget year, and \$14.8 million General Fund in state operations authority in 2017-18 and ongoing; 77 permanent positions, and a permanent decrease of \$3.9 million Federal Trust Fund state operations authority to support emergency operations and critical support. The chart below describes the proposal's 16 various components.

Staff Recommendation. Modify proposal and reduce out-year budget expenditure authority to \$500,000 General Fund.