

SUBCOMMITTEE NO. 4

Agenda

Senator Richard D. Roth, Chair
Senator Steven M. Glazer
Senator Scott Wilk



Thursday, May 17, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 2040

PART A

Consultant: Renita Polk

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0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH**Issue 1: California Institute to Advance Precision Health and Medicine**

Governor's Proposal: The budget includes trailer bill language to establish the California Institute to Advance Precision Health and Medicine as a non-profit entity, and to appropriate \$30 million in one-time General Fund resources for the Institute. To date, the state has appropriated \$23 million in General Fund to OPR for precision medicine. Provisional language was included in each appropriation to ensure that funding was available for projects in both northern and southern California. The Administration's proposal is generally reasonable. However, staff recommends additional language to state that the intent is to fund projects in both northern and southern California, require that the Institute include the Legislature in its annual reporting process, and include a sunset date on the authorization for the non-profit to give the Legislature the chance to assess whether the Institute is meeting the Legislature's policy goals.

Staff Recommendation: Approve \$30 million in one-time General Fund resources. Adopt trailer bill language that includes: 1.) language stating the intent is to provide funding to projects in both northern and southern California; 2.) language that requires the Institute to include the Legislature in its annual reporting process; and 3.) a sunset date of June 30, 2022 for the Institute.

0690 OFFICE OF EMERGENCY SERVICES**Issue 1: California Earthquake Early Warning System (CEEW)**

The subcommittee heard the following issue during its April 5, 2018 hearing.

Budget. OES requests \$15.75 million (General Fund) to complete the build out of and provide continued staffing and operating costs for the California Earthquake Early Warning System and program. Of the total requested amount, \$15 million is a one-time augmentation to complete the build out of the system. The remaining \$750,000 requested is for the ongoing, continued funding of four positions.

Staff Comment. At the April 5, 2018 hearing staff recommended holding this issue open pending release and review of the CEEW business plan. OES released this business plan on May 2, 2018. Staff has reviewed the business plan and has no major concerns.

Staff Recommendation. Approve as budgeted.

Issue 2: Emergency Response Operations – May Revision BCP

The subcommittee heard the following issue during its May 15, 2018, hearing.

Proposal. OES requests \$1.6 million (General Fund) and 8 positions in 2018-19, and \$1.5 million General Fund in 2019-20 and annually thereafter to support local agencies and coordinate emergency response activities.

Staff Recommendation. Approve as budgeted.

Issue 3: Regional Hazardous Material Response Program – May Revision BCP

The subcommittee heard the following issue during both its May 15, 2018, hearing.

Proposal. The May Revision proposes five positions and \$3.4 million General Fund in 2018-19 and \$3.1 million General Fund in 2019-20 and 2020-21 to continue implementation of the Regional Hazardous Materials Response Program.

Staff Recommendation. Approve as budgeted.

Issue 4: California Public Safety Microwave Network (CAPSNET) – May Revision BCP

The subcommittee heard the following issue during its May 15, 2018, hearing.

Proposal. The May Revision proposes \$15 million State Emergency Telephone Number Account (SETNA) and ten positions in 2018-19. This would begin a five year plan to upgrade the CAPSNET at a total project cost of \$78.3 million SETNA and seventeen positions.

Staff Recommendation. Approve as budgeted.

Issue 5: Disaster Response-Emergency Operations Account – May Revision TBL

The subcommittee heard the following issue during its May 15, 2018, hearing.

Proposal. The May Revision proposes trailer bill language that clarifies that allocations to the Disaster Response-Emergency Operations Account (DREOA) may be used for activities that commence within 120 days after a proclamation of emergency by the Governor.

Staff Recommendation. Adopt language that does the following:

- Clearly defines “response” activities as those that are immediate and deal with an ongoing or emerging crisis
- Requires notification to JLBC when an extension past 120 days is requested. The additional notification should include estimated additional amount of time required and reasons for the additional time required.

Issue 6: Consolidation of Victims Programs – May Revision

The subcommittee heard the following issue during its May 15, 2018, hearing.

Proposal. The May Revision includes provisional language to require OES and the California Victims Compensation Board to consider the consolidation of victims programs under one organization.

Staff Recommendation. Approve provisional language, but add requirement that report also be submitted to the relevant policy and budget subcommittees.

Issue 7: Increased Resources for Mutual Aid – Legislative Proposal

The subcommittee heard the following issue during its May 10, 2018, hearing.

Proposal. The subcommittee received a proposal requesting \$100 million to shore up OES' mutual aid system. \$87 million ongoing funding would be used to reimburse local governments for costs to pre-position resources in high-risk areas prior to the onset of extreme weather conditions. The remaining \$13 million in requested ongoing funding would be for modernizing and improving communication and dispatch technologies and to hire additional personnel to allow for more efficient and effective resource deployment.

Staff Recommendation. Provide a one-time \$25 million General Fund augmentation to be used for reimbursement of local governments for costs to pre-position resources in high-risk areas.

0845 CALIFORNIA DEPARTMENT OF INSURANCE (CDI)**Issue 1: Insurance Commissioner Office Space TBL**

Proposal. The Administration proposes trailer bill language to reflect a move of CDI's San Francisco office to Oakland.

Background. CDI has a lease in San Francisco which expires on October 31, 2018. CDI was negotiating the lease extension when the lessor abruptly declined to continue lease negotiations. CDI has been working to find space in San Francisco but given their space needs and prices in excess of the CDI budget CDI found a space in Oakland. The office plans to move in December 2018. There is a statutory requirement for the commissioner to have an office in San Francisco. This change would prevent CDI from being out of compliance with statute until a bill to make the change can be authored.

Staff Recommendation. Adopt placeholder TBL stating that the commissioner must maintain an office in the San Francisco Bay area, instead of San Francisco.

Issue 2: Reauthorization of COIN – Legislative Proposal

The subcommittee heard the following issue during its May 10, 2018 hearing.

Proposal. The subcommittee received a proposal requesting the reauthorization of the COIN Community Development Financial Institution (CDFI) tax credit program.

Staff Recommendation. Approve reauthorization of the COIN CDFI tax credit program.

0890 SECRETARY OF STATE

The subcommittee heard the following issues during its April 5, 2018, hearing.

Issue 1: Voting Systems Replacement for Counties

Budget. The SOS requests \$134.3 million (General Fund) spending authority to cover the costs for the replacement of voting systems. This includes one-time purchase of all necessary hardware, software, peripherals, and one year's worth of software licenses. This funding assumes a 50/50 split between the state and counties.

Staff Comment. The actual costs of voting systems replacement for all counties are unclear. It is difficult to estimate, as costs will vary depending on the voting model used, and it is unknown what voting models many counties will decide to use in the future.

Staff Recommendation. Approve as budgeted.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)
2320 DEPARTMENT OF REAL ESTATE

The subcommittee heard the following issues during its April 19, 2018 hearing.

Issue 1: Department of Real Estate (SB 173)

Budget. The Department of Consumer Affairs (DCA) requests a reduction of 11 positions and \$1.25 million (Real Estate Fund) in 2018-19 and ongoing to implement the provisions of SB 173 (Dodd), Chapter 828, Statutes of 2017. Additionally, the DCA requests up to \$2 million in reimbursement authority in 2018-19 for costs associated with providing administrative transitional support for the Department of Real Estate in 2018-19.

The DRE requests position authority for 18 positions and \$1.835 million (Real Estate Fund) in 2018-19 and ongoing for Human Resources, Fiscal/Budget, and Legislative/Publications functions.

The request also includes an appropriation of \$240,000 (Real Estate Fund) for the Business, Consumer Services and Housing Agency costs, which were previously provided through an interagency agreement with DCA.

As a supplement to the Governor's January budget proposal, the department requests a total reduction of fifteen positions and \$2.3 million, phased in over three years. This proposal would consist of a reduction of \$776,000 and five positions in 2018-19; a reduction of \$500,000 and three and a half positions in 2019-20; and a reduction of \$1 million and six and a half positions in 2020-21.

Legislative Analyst's Office (LAO). The LAO recommends that the Legislature require DCA to begin capturing data on past client usage and workload for its main service segments such as human resources, budget, training, and legislative support. The LAO further recommends supplemental reporting language requiring DCA to begin reporting this data annually starting no later than January 10, 2020.

In regards to the spring finance letter, the LAO recommends approving DCA's requested reduction for 2018-19, but requiring DCA to return next year to request any further reductions.

Staff Recommendation. Approve January budget proposal and the reductions for 2018-19 requested in the spring finance letter. Adopt placeholder language requiring DCA to report on efficiency measures the department has taken, as well as their outcomes, during the sunset review process.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Issue 1: Southern California Disaster Planning Assistance**

Governor's Proposal: The May Revision requests \$480,000 in one-time General Fund resources to address planning and community development workload related to the 2017 Southern California wildfires.

Staff Recommendation: Approve as Budgeted.

7760 DEPARTMENT OF GENERAL SERVICES

The subcommittee heard the following issues during its March 8, 2018, hearing.

Issue 1: Capital Outlay Proposals

Budget. The following capital outlay proposals were included in the Governor's Budget.

- Gregory Bateson Building Renovation - The department requests \$5.2 million General Fund for the performance criteria phase of a project to renovate the Gregory Bateson Building.
- Jesse Unruh Building Renovation - The department requests \$6.3 million General Fund for the performance criteria phase of a project to renovate the historic Jesse Unruh Building.
- Richards Boulevard Complex - The department requests \$18 million General Fund for the performance criteria phase of a new Richards Boulevard Complex project.

Staff Recommendation. Approve all three proposals as budgeted.

Issue 2: Electric Vehicle Service Equipment Infrastructure Assessment and Facility Development

Budget. The department requests one permanent position and a one-time augmentation of \$15.6 million (\$7.8 million General Fund and \$7.8 million Service Revolving Fund) to continue the installation of Electric Vehicle Service Equipment (EVSE) in state facilities.

Staff Recommendation. Approve as requested.

8940 CALIFORNIA MILITARY DEPARTMENT

The subcommittee heard the following issues during its March 8, 2018, hearing.

Issue 1: STARBASE Los Alamitos

Proposal. The proposal provides \$1.7 million (General Fund) for additional classroom space to support the STARBASE program site in Los Alamitos.

Background. STARBASE is a Department of Defense program that inspires fifth grade students to pursue careers in science, technology, engineering and math. While attending the week-long program, students receive 25 hours of hands-on instruction and activities. STARBASE teaches students to complete simulated missions using skills and principles from physics, computer science, chemistry and statistics. Students program a robot to complete a Mars Rover mission, design prototypes on Computer Aided Design, test experiments to learn the unique characteristics of elements and conduct their own experiments.

Staff Recommendation. Approve \$1.7 million for additional classroom space for the STARBASE program at Los Alamitos.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS (CALVET)

The subcommittee heard the following issues during both its March 8, 2018, and May 3, 2018, hearings.

Issue 1: Capital Outlay - VHC Yountville Skilled Nursing Facility

Budget. In the 2018-19 budget proposed in January the department requested \$15.7 million General Fund for the preliminary plans phase for a new skilled nursing facility at the Veterans Home of California in Yountville.

In a Spring Finance Letter, the department decreased the original January proposal to \$7.1 million for the performance criteria phase of the project. The department also requested a shift in project delivery method from design-bid-build to design-build.

Staff Comment and Recommendation. Approve SFL that updates original January proposal. In the agendas for the above mentioned hearings staff expressed concern over the timing of this proposal and how it aligns with the Master Plan. To address those concerns staff recommends adopting placeholder language that requires CalVet to do the following:

- Develop a workgroup that will be required to develop and submit recommendations to CalVet by March 31, 2018 for consideration and incorporation into the Master Plan. The workgroup will include long-term care industry professionals, veterans advocates, legislators from both the Senate and Assembly (or their designees).
- Include an implementation plan for all system-wide facility changes needed to align the homes to meet current and future demand in the Master Plan.
- Prepare the Master Plan by December 31, 2019.
- Update the Master Plan every five years.

PROPOSED FOR DISCUSSION AND VOTE**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 1: Office of Migrant Services Farmworker Housing**

Governor's Proposal: The May Revision includes trailer bill language making changes to the Office of Migrant Services. The proposed language makes the following changes:

- Allows HCD to contract with for-profit entities for the construction and provision of migrant farmworker housing should no suitable non-profit provider be found.
- Statutorily defining a migrant farmworker as an individual who has lived at least 50 miles away from a migrant center for at least three of the last six months.
- Allows non-migrant immediate family members of migrant workers to utilize OMS housing.
- Allows up to 75 percent of units in a migrant housing facility to be exempt from the migrant worker requirement and to be set aside for non-migratory agricultural workers with school age children.
- Reserves a minimum of 25 percent of units in a migrant housing facility for migratory agricultural workers who require round trip travel in excess of 100 miles per day, such that the worker is unable to return to their chosen place of residence on a given work day.

Staff Comments: The Office of Migrant Services provides safe, decent, and affordable seasonal rental housing and support services for migrant farmworker families during the peak harvest season. This proposal raises several concerns. First, allowing for-profit developers to provide migrant worker housing creates the possibility of employer-owned housing developments. Additionally, expanding facilities to non-migratory family members of migrant workers, this bill would decrease the number of units actually available to migrant workers. These are policy issues, and should be addressed through the policy process.

Staff Recommendation: Reject the proposal.

8260 CALIFORNIA ARTS COUNCIL

The subcommittee heard the following issue during both its May 15, 2018, hearing.

Issue 1: Local Programming Augmentation – May Revision

Proposal. The May Revision includes a one-time augmentation of \$5 million with provisional language to make this funding available for expenditure and encumbrance for three years, and authority to transfer up to \$250,000 for administrative costs. These funds will allow the California Arts Council (CAC) to meet the increased demand in all grant programs.

Staff Recommendation. Approve as budgeted.

0000 VARIOUS DEPARTMENTS**Issue 1: Cannabis Regulation, Implementation, and Enforcement**

Proposal. The May Revision includes a total of \$133.3 million for cannabis-related activities across several departments. In addition, the May Revision includes a General Fund loan of up to \$59 million to the Cannabis Control Fund. Note that the May Revision provides funding for all activities on a two-year limited-term basis. The tables below show all proposed expenditures and funding sources for cannabis-related activities.

Proposed Expenditures

	2018-19		
	Governor's Budget	May Revision	Change
Cannabis Control Fund	\$87,704,000	\$145,625,000	\$57,921,000
Cannabis Tax Fund	\$0	\$66,764,000	\$66,764,000
General Fund	\$2,324,000	\$0	-\$2,324,000
Environmental License Plate Fund	\$2,569,000	\$0	-\$2,569,000
Motor Vehicle Fuel Account	\$5,000	\$0	-\$5,000
Business Fees Fund	0	\$440,000	\$440,000
Service Revolving Fund*	0	\$13,034,000	\$13,034,000
Total	\$92,602,000	\$225,863,000	\$133,261,000

*Source funding is from the Cannabis Control Fund.

	2018-19		
	Governor's Budget	May Revision	Change
Bureau of Cannabis Control and Dept of Consumer Affairs	\$33,131,000	\$77,007,000	\$43,876,000
Department of Food and Agriculture	\$21,117,000	\$49,378,000	\$28,261,000
Department of Public Health	\$16,022,000	\$26,590,000	\$10,568,000
Department of Justice	\$0	\$13,966,000	\$13,966,000
Department of General Services*	\$0	\$13,034,000	\$13,034,000
Governor's Office of Business and Economic Development	\$0	\$10,000,000	\$10,000,000
Department of Fish and Wildlife	\$8,842,000	\$8,842,000	\$0
State Water Resources Control Board	\$7,577,000	\$7,577,000	\$0
Department of Tax and Fee Administration	\$2,425,000	\$4,766,000	\$2,341,000
Employment Development Department	\$0	\$3,707,000	\$3,707,000
California Highway Patrol	\$0	\$3,000,000	\$3,000,000
Cannabis Control Appeals Panel	\$1,215,000	\$2,650,000	\$1,435,000
Department of Pesticide Regulation	\$2,273,000	\$2,273,000	\$0
University of California	\$0	\$2,000,000	\$2,000,000
Secretary of State	\$0	\$440,000	\$440,000
Department of Finance	\$0	\$440,000	\$440,000
Franchise Tax Board	\$0	\$193,000	\$193,000
	\$92,602,000	\$225,863,000	\$133,261,000

*Source funding is from the Cannabis Control Fund.

Details of the specific proposals are described below.

General Fund Loan: The May Revision proposes a General Fund loan of \$59.3 million to the Cannabis Control Fund.

Department of Consumer Affairs – Bureau of Cannabis Control: The May Revision proposes an increase of \$33.9 million (Cannabis Control Fund); \$900,000 reimbursements; and a total of 74 positions. The funds will be used to continue implementation of cannabis licensing and enforcement programs. The positions will be phased in beginning in 2018-19, reaching the total 74 positions in 2019-20. Funding includes resources to establish a local liaison unit, regional licensing and enforcement offices, a public awareness campaign, and safety assurance and financial compliance activities. In addition, funding is provided for interagency agreements for cash collection, the track and trace system and proprietary plant and package tag costs, and the administration of microbusiness licensure.

Additionally, it is requested that provisional language be added for the department to have the flexibility to increase resources, subject to Department of Finance approval and not sooner than 30 days after written notification to the Legislature. This will allow the department to respond to increased licensing, compliance, and enforcement workload.

Department of Food and Agriculture: The May Revision proposes \$28.3 million Cannabis Control Fund and \$18.2 million reimbursements in 2018-19; \$21.7 million Cannabis Control Fund and \$18.1 million reimbursements in 2019-20; and 79 positions. The request also includes provisional language to continue the implementation of cannabis cultivation licensing and enforcement. Funding for these activities has been phased-in based on timing of statutory requirements, and these resources will primarily support the ramp-up of annual licensing, compliance, and enforcement activities, as well as costs for proprietary plant and package tags for use with the track-and-trace system.

Additionally, it is requested that provisional language be added for the department to have flexibility to increase resources, subject to Department of Finance approval and not sooner than 30 days after written notification to the Legislature. This will allow the department to respond to increased licensing, compliance, and enforcement workload.

Department of Public Health: The May Revision proposes a total of \$11.1 million (\$10.6 million Cannabis Control Fund and \$533,000 in reimbursements) in 2018-19; \$12.5 million (\$11.9 million Cannabis Control Fund and \$527,000 in reimbursements) in 2019-20; and 38 positions to support cannabis manufacturing, licensing, and information technology activities. The positions will be phased in beginning in 2018-19 (for a total of 38 positions in 2019-20) to implement SB 94 (Budget and Fiscal Review Committee), Chapter 27, Statutes of 2017, including establishing new offices for licensing and cash collection, information technology enhancements, and licensing and enforcement resources in anticipation of increasing licensing workload.

In addition, it is requested that provisional language be added to give the department the flexibility to increase resources as needed, provided the workload needs are clearly

demonstrated, subject to Department of Finance approval and not sooner than 30 days after written notification to the Legislature. This will allow the department to respond to increased licensing, compliance and enforcement workload. Language is also requested to make the information technology resources contingent upon the department working with the California Department of Technology to complete a special project report.

Department of Justice: The May Revision proposes trailer bill language to establish expenditure authorization from the California Cannabis Tax Fund in Revenue and Taxation Code 34019 (a) to support the enforcement of illegal cannabis activities by the Department of Justice. The language provides expenditure authority of \$14 million and 47 positions to establish one interdiction and four investigation teams to combat the illegal cannabis market.

Department of General Services: The May Revision proposes \$11.5 million Service Revolving Fund and 26 positions in 2018-19 and 2019-20; and a one-time augmentation of \$1.6 million for facility expansion projects to accommodate the new positions in 2018-19. The Office of Administrative Hearings within the department conducts mediations and hearings for state and local agencies.

Governor's Office of Business and Economic Development (GO-Biz): Consistent with the provisions of Proposition 64, the May Revision proposes \$10 million (Cannabis Tax Fund) in 2018-19, \$20 million (Cannabis Tax Fund) in 2019-20, and \$30 million (Cannabis Tax Fund) in 2020-21 for GO-Biz to oversee the Community Reinvestment Grants Program. Four percent of funding per year may be spent on administrative costs to implement the program. In addition, GO-Biz requests ten permanent positions phased in as follows: three positions in 2018-19, four positions in 2019-20, and three positions in 2020-21. These resources will allow GO-Biz to fund grants to local health departments and qualified community-based nonprofit organizations that support various substance abuse treatment, job placement, legal services, and other cannabis use-related programs.

California Department of Tax and Fee Administration: The May Revision proposes several changes to reallocate funding and provide support to the department for the collection of cannabis tax payments. The department is requesting to redirect resources that were approved in the budget act of 2017 and seeking additional resources in 2018-19 and 2019-20. The specific changes include:

- A reduction of 7.4 positions in 2017-18 and a redirection of \$689,000 Cannabis Control Fund from personal services to operating expenses and equipment.
- A reduction of 1.1 positions and an increase of \$2.5 million Cannabis Control Fund in 2018-19.
- An increase of 1.1 positions and \$2.6 million in 2019-20.

Employment Development Department: The May Revision proposes \$3.7 million (California Cannabis Tax Fund) and 16.5 positions be provided pursuant to Revenue and Taxation Code section 34019 (a) to collect and process cash payments of employer taxes from cannabis business

and to provide employment services. This includes information technology system enhancements, security upgrades to ten field offices where cash transactions are conducted, and California Highway Patrol security and armored car service contracts.

Cannabis Control Appeals Panel: The May Revision proposes \$1.4 million (Cannabis Control Fund) and five positions in 2018-19 and 2019-20 to support additional workload resulting from the projected increase in appeals related to cannabis licensing. The requested resources will support two new panel members, an additional attorney, administrative support, and facilities and travel costs.

Secretary of State: The May Revision proposes \$440,000 (Business Fees Fund) in 2018-19; \$425,000 (Business Fees Fund) in 2019-20; and three positions to implement SB 94 (Budget and Fiscal Review Committee), Chapter 27, Statutes of 2017. SB 94 established the authority of the Secretary of State to register trademarks and service marks related to lawful cannabis activities. While many applicants for cannabis-related licenses may seek a license from only one of the three state licensing agencies, it is likely that SOS will receive business filings for each of these applicants, leading so a significant increase in workload at the SOS.

Franchise Tax Board: The May Revision proposes trailer bill language to establish expenditure authority from the California Cannabis Tax Fund. This will provide the board \$193,000 to provide support for the election of cannabis tax cash payments in 2018-19. In addition, \$247,000 is proposed for the same purpose in 2019-20. The board will collaborate with CDTFA to leverage the infrastructure CDTFA has in place to collect cannabis cash payments from taxpayers.

Legislative Analyst's Office (LAO). The LAO finds that most proposals appear reasonable. There is considerable uncertainty regarding the amount of resources that will be needed for cannabis-related activities in 2018-19 and ongoing. Accordingly, the administration's approach of providing resources on a two-year limited-term basis makes sense. The LAO notes that the Legislature will want to consider what types of specific information on these programs, if any, it would like the administration to collect to facilitate its evaluation of the requests it will likely receive in 2020-21 to extend cannabis-related funding.

Staff Recommendation. Approve May Revision proposals as offered but fund the DOJ enforcement request from the General Fund and adopt placeholder trailer bill language. In addition, provide an additional four positions to the Bureau of Cannabis Control to provide technical assistance to local equity applicants and programs, and an additional \$10 million to GO-Biz for no or low interest loans or grants to support small businesses within local equity programs.

CONTROL SECTION 6.10

Issue 1: Statewide Deferred Maintenance

Proposal. The May Revision requests that Control Section 6.10 be added in the amount of \$1.067 billion (\$1.06 billion General Fund and \$7 million Motor Vehicle Account) for statewide deferred maintenance funding.

Background. This request will allow departments to address critical deferred maintenance projects statewide including levee improvements; roof replacements; elevator repairs, fire alarm upgrades; heating, ventilation, and air conditioning upgrades; steam, chilled water, and boiler repairs; electrical repairs; window replacements; new paint; and carpet replacement. In addition, funding provided may be used to assess existing infrastructure to inform future infrastructure spending. Proposed text of Control Section 6.10 is below.

(a) Notwithstanding any other provision of law, the Director of Finance may allocate \$1,060,000,000 General Fund to the departments in the amounts identified below for deferred maintenance projects:

Department of Corrections and Rehabilitation.....	174,000,000
Judicial Branch	100,000,000
Department of State Hospitals	100,000,000
California State University.....	100,000,000
University of California	100,000,000
Department of Parks and Recreation	100,000,000
Department of Water Resources.....	100,000,000
Department of General Services.....	75,000,000
Department of Developmental Services—Porterville Facility....	60,000,000
California Military Department.....	50,000,000
Department of Veterans Affairs.....	50,000,000
State Special Schools	16,000,000
Network of California Fairs.....	10,000,000
Office of Emergency Services.....	8,000,000
Department of Food and Agriculture	4,000,000
Employment Development Department.....	4,000,000
Department of Forestry and Fire Protection	4,000,000
California Conservation Corps	2,000,000
California Science Center ¹	2,000,000
Hastings College of the Law	1,000,000

(b) Notwithstanding any other provision of law, the Director of Finance may allocate \$7,000,000 Motor Vehicle Account, State Transportation Fund to the departments in the amounts identified below for deferred maintenance projects:

California Highway Patrol.....	5,000,000
Department of Motor Vehicles.....	2,000,000

(c) Prior to the allocation of funds, the Department of Finance shall provide a list of deferred maintenance projects for each entity identified in (a) and (b) to the Chairperson of the Joint Legislative Budget Committee 30 days prior to allocating any funds. The Department of Finance shall provide a schedule to the Controller providing for the allocation.

(d) Upon approval from the Department of Finance, departments may utilize up to 10 percent of these funds, but no greater than \$5 million, for the purposes of conducting assessments of departmental infrastructure. Any such assessments shall either be conducted by the Department of General Services or shall adhere to guidelines published by the Department of General Services.

(e) Prior to making a change to the list, a department shall obtain the approval of the Director of Finance. The Director of Finance shall notify the Chairperson of the Joint Legislative Budget Committee no less than 30 days prior to adding any project with estimated costs greater than \$1 million and quarterly of any and all changes to the list of deferred maintenance projects. The 30-day and quarterly notification to the Joint Legislative Budget Committee shall identify the projects removed or added, the cost of those projects, and the reasons for the changes.

(f) The amounts allocated pursuant to subdivisions (a) and (b) shall be available for encumbrance or expenditure until June 30, 2021.

¹⁷ Funds for the California Science Center will be allocated to the highest priority projects for each program at the direction of the Manager of Exposition Park.

LAO. The LAO has raised concerns with the proposal, consistent with ones raised in prior years. The LAO notes that the administration has not provided lists of specific projects that would be funded under the proposal and provides no clear basis for proposed funding levels. Rather than funding specific projects, the administration's proposed budget approach is to rely on a JLBC notification process. The LAO is concerned that this process would identify projects proposed for funding after the Legislature has made decisions on the budget. As a result, the funding amounts might not correspond with those that would be prioritized by the Legislature. Additionally, the proposed JLBC process provides the Legislature with much less time to review proposed projects than the traditional budget process and is less transparent to the public. Lastly, the proposed process to allow the administration to move forward with changes to funded projects without legislative approval would diminish the Legislature's control over how funds are spent and could result in the funding of projects that are not consistent with legislative priorities. The administration does not include an assessment of, or a plan to address, the underlying causes of the accumulation of deferred maintenance. Without such a strategy, there is no certainty that departments will have the necessary tools or other resources to address the underlying causes of their deferred maintenance backlogs.

The LAO has recommended the Legislature (1) adopt budget trailer legislation to create a separate account to fund one-time deferred maintenance projects and (2) deposit into this account the amount of General Fund revenues it decides is consistent with its overall General Fund priorities—an amount that could be higher or lower than the \$1.06 billion proposed by the Governor. Under this alternative approach, this funding would then be available for appropriation by the Legislature in future years for departments and specific projects that it deems well justified and high priority. In the LAO's view, this approach would better balance a

reasonable interest in dedicating more resources to maintaining state facilities with greater legislative oversight of these large General Fund allocations.

Staff Recommendation. Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 1: State Project Infrastructure Fund**

Proposal. The May Revision proposes the transfer of \$630 million General Fund to the State Project Infrastructure Fund (SPIF) to support future phases of office building renovation projects in the Sacramento area.

Background. As part of the 2014-15 budget, the administration proposed and the Legislature approved funding for a study of state office buildings in the Sacramento area, which was to include assessments of the condition of state facilities (Facility Condition Assessments), a plan for sequencing the renovation or replacement of state office buildings in Sacramento (State Office Building Strategy), and a plan for funding these activities.

The Department of General Services completed the State Office Building Strategy in March 2016 and made some minor revisions to it in January 2018. The State Office Building Strategy includes building three new state office buildings. It also includes renovating seven existing state office buildings. In addition to these projects, the State Office Building Strategy also proposes replacing or renovating the State Capitol Annex in consultation with the Legislature's Joint Committee on Rules.

The 2016-17 budget established the SPIF. The fund is continuously appropriated for the renovation and construction of state buildings. The statutory language governing the fund allows the Administration to establish and move forward with projects funded by the SPIF without having to receive legislative approval through the traditional state budget process, as is typically required for capital outlay projects. Instead, the language requires the Administration to provide certain notifications and quarterly reports to the Legislature related to SPIF-funded projects.

The transfer proposed in the May Revision is anticipated to fully fund the following projects: State Printing Plant Demolition (design-build phase, \$155.8 million), Jesse Unruh Building renovation (design-build phase, \$83.6 million), and the Resources Building renovation (performance criteria phase, \$8.9 million, and design-build phase, \$367 million). All expenditures for these projects will be made in accordance with the provisions set forth in Government Code Sections 14694 through 14697.

LAO. The LAO believes the projects that the administration anticipates supporting with the proposed funding are reasonable to undertake. However, the LAO does have concerns with the SPIF and finds that it limits legislative oversight. Accordingly, the LAO recommends modifying the SPIF so that it is no longer continuously appropriated.

Staff Recommendation. Reduce funding to \$200 million per year for four years. Year one funding should come from General Fund, and funds from Proposition 2 should be used to fund years two, three, and four.