

SUBCOMMITTEE NO. 5

Agenda

Senator Nancy Skinner, Chair
Senator Joel Anderson
Senator Jim Beall



Thursday, April 26, 2018
9:30 a.m. or upon adjournment of Session
State Capitol - Room 113
Consultant: Anita Lee

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ITEMS PROPOSED FOR VOTE- ONLY**7100 EMPLOYMENT DEVELOPMENT DEPARTMENT****Issue 1: Implementation of Legislation**

Summary. The Employment Development Department (EDD) requests \$280,000 from the EDD Contingent Fund in 2018-19 to implement the requirements of Assembly Bill 677 (Chiu), Chapter 744, Statutes of 2017, and Senate Bill 396 (Lara), Chapter 858, Statutes of 2017, which relate to employment and gender identity and data collection.

Background

- Assembly Bill 677 (Chiu), Chapter 744, Statutes of 2017. This bill expanded the list of state entities currently required to collect voluntary self- identification information on sexual orientation and gender identity to include various education and employment-related state agencies. Funds will be used to implement changes to the CalJOBS system to collect and report sexual orientation and gender identity data. Additionally, this will help staffing costs for two full-time positions to revise policies and procedures, update forms, and conduct Equal Employment Opportunity training on data collection activities.
- Senate Bill 396 (Lara), Chapter 858, Statutes of 2017. This bill required employers with 50 more employees to include, as a part of the existing sexual harassment training, training on harassment based on gender identity and adds transgender and gender nonconforming to the list of individuals facing employment barriers for the purposes of workforce investment training.

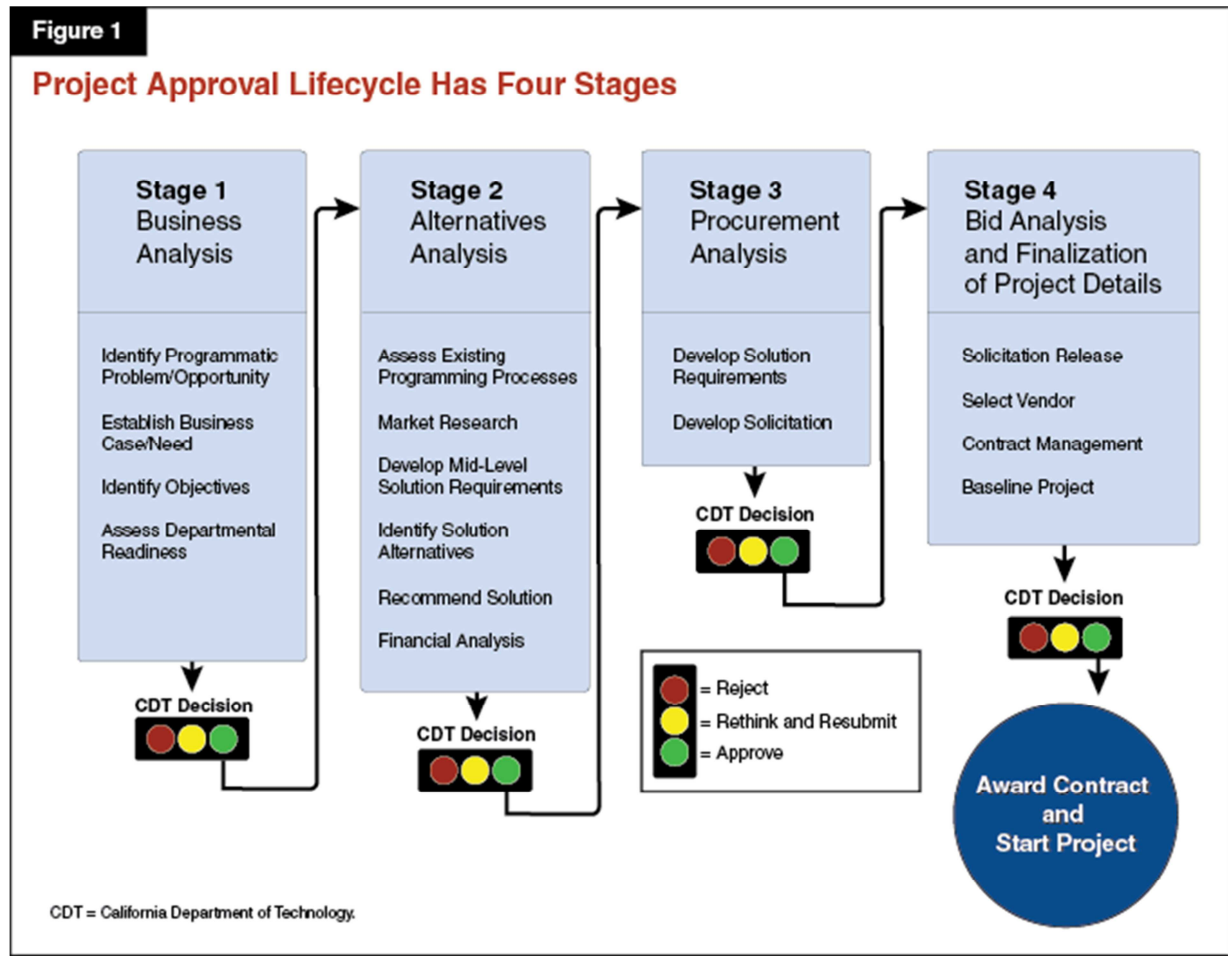
Staff Recommendation. Approve as proposed.

Issue 2: Benefit Systems Modernization

Summary. The Employment Development Department (EDD) requests a one-time augmentation of \$4 million from the Unemployment Compensation Disability Fund and the EDD Contingent Fund, and 15 Personnel Equivalents (PEs) and a redirection of \$4.5 million and 19 PEs in 2018-19 for continuing the Project Approval Lifecycle (PAL) tasks and pre-implementation readiness initiatives for the Benefit Systems Modernization (BSM) project. The resources will primarily be for: state staff, requirements vendor, California Department of Technology (CDT) services, Independent Verification and Validation services, contract and procurement development services, and data conversion readiness to continue activities towards implementing an integrated, secure and sustainable Benefits System to service California claimants seeking unemployment, disability or paid family leave benefits.

Background. The EDD administers several multi-billion dollar benefit programs, including the Unemployment Insurance (UI), Disability Insurance (DI), and Paid Family Leave (PFL) programs that provide financial stability to workers and communities. These three independent, non-integrated benefit systems all rely to varying degrees on an aging mainframe, Common Business Oriented Language (COBOL)-based system, as well as legacy external sub-systems and components. These disparate benefit system databases reside on different technological platforms making it very complex, expensive, and difficult to maintain. In addition to the many technology challenges, recruitment and retention of staff with the COBOL skillset is increasing difficult as there is a diminishing base of staff with COBOL system knowledge. Additionally, the EDD's customers experience a lack of consistency when utilizing the various benefit systems, certain customer groups cannot utilize online services and must submit information manually or through contacting an EDD representative. This could lead to delays in processing claims or confusion with various systems.

Most state IT projects are required to go through the Project Approval Lifecycle (PAL), a four-stage planning process overseen by the California Department of Technology (CDT). The process begins with an agency identifying a programmatic problem or opportunity and ends with bidding the project and finalizing IT project details. Once a project has completed the fourth stage, the agency may execute the project. The CDT continues to provide project oversight during and after project execution.



The BSM project seeks to create one benefit system to automate many UI, DI and PFL claim filing processes that are done manually, as well as eliminate need for IT staff to support multiple applications. The goal is to create a user friendly experience with online self-service options for EDD’s benefit customers. The Administration anticipates substantial ongoing savings after full systems replacement.

These savings would derive from automating many Unemployment Insurance (UI), Disability Insurance (DI) and Paid Family Leave (PFL) claim filing processes that are currently done manually as well as eliminating the need for Information Technology (IT) staff to support existing legacy mainframe applications and some vendor costs.

The 2017 budget provided one-time \$4 million in special funds, and 15 positions, and a redirection of \$3.16 million in special funds and 15 positions in 2017-18 to complete stage two of the project approval lifecycle for its BSM. The Administration proposes to continue this effort for stage three of the PAL process for procurement and development and to begin the system integrator procurement. The Administration estimates that stage three will be completed by December 2018, and stage four will be completed by July 2021.

Staff Recommendation. Approve as proposed.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS**Issue 3: Implementation of Legislation**

Summary: The Governor's budget proposes to fund the implementation of various chaptered legislation with special funds.

Background

- Assembly Bill 581 (McCarty), Chapter 533, Statutes of 2017 – Apprenticeship Training Funds: The Department of Industrial Relations (DIR) requests \$143,000 Apprenticeship Training Contribution Fund and one position in 2018-19 and \$130,000 ongoing to implement and meet the ongoing requirements AB 581. AB 581 requires an apprenticeship program to keep adequate records that document the expenditure of grant funds from the California Apprenticeship Council to be eligible to receive such funds. The bill also requires those apprenticeship programs to make all records available to the DIR.
- Senate Bill 306 (Hertzberg), Chapter 460, Statutes of 2017 – Retaliation Enforcement: DIR requests \$623,000 Labor Enforcement and Compliance Fund and three positions in 2018-19 and \$585,000 ongoing to implement and meet the ongoing requirements of SB 306. This bill grants the Labor Commissioner authority to seek an immediate and temporary injunction when workers face retaliation for reporting violations of the law. SB 306 gives the Labor Commissioner authority to issue citations and penalties directly to enforce retaliation claims, rather than exclusively through the courts. This bill authorizes an employee who is bringing a civil action for a retaliation claim to seek injunctive relief from the court.
- Assembly Bill 450 (Chiu), Chapter 492, Statutes of 2017 – Immigration Worksite Enforcement Acts: DIR requests \$1.6 million Labor Enforcement and Compliance Fund and eight positions in 2018-19 and \$1.5 million ongoing to meet the ongoing requirements AB 450. This bill prohibits an employer from providing access to a federal government immigration enforcement agent to any non-public areas of a place of labor if the agent does not have a warrant. This bill authorizes the Attorney General and Labor Commission the ability to enforce the bill, and to create a template for these notice requirements, among others.

Staff Recommendation: Approve as proposed.

Issue 4: Schools' Occupational Injury and Illness Prevention Program

Summary: The Department of Industrial Relations (DIR) requests \$250,000 Workers' Compensation Administration Revolving Fund in 2018-19, 2019-20 and 2020-21 to allow the Commission on Health and Safety and Workers' Compensation to assist schools in establishing effective occupational Injury and Illness Prevention Programs (IIPP) by expending monies that can only be utilized for this purpose.

Background. Pursuant to existing law, the Division of Occupational Safety and Health (Cal/OSHA) related civil or administrative penalties assessed to school districts, state universities, or other specified educational facilities are deposited into the Revolving Fund. Educational facilities may apply for a refund of their penalties within two years and six months from the date of the violation if certain conditions are met. The remaining funds are to be used by the Commission to assist schools in establishing effective occupational injury and illness prevention programs. The Revolving Fund has accumulated approximately \$1 million and can now be utilized to provide training and/or other assistance to more school districts.

The Governor's budget proposal would allow the Commission to both offer grants to high-risk school districts and/or do an interagency contract to expand the School Action for Safety and Health Program (SASH). The SASH program provides free trainings to help school districts reduce the high rate of work-related injuries and illnesses among school employees. Once trainees complete the training, they are certified by the University of California and the Commission as SASH coordinators, allowing them to develop, implement, and evaluate injury and illness prevention activities. The SASH program provides educational materials, planning templates, and other tools to help efficiently develop their IIPPs. The SASH program conducts about seven trainings each year, and has reached 700 staff members from 268 school districts.

The budget proposal would allow for additional trainings, webinars, delivering a training of trainers program to the Joint Powers Authorities (JPAs) that insure school districts in California in order to prepare their risk managers/trainers to deliver the SASH training to the employees in their districts. The Administration estimates the following outcomes:

Workload Measure	2017/18	2018/19	2019/20	2020/21
Grants Awarded	0	7	7	7
IIPPs Reviewed	6	12	12	12
Number of participants reached through IIPP trainings	100	200	200	200
Webinars on health and safety topics for school district employees	0	3	3	3
Factsheets on Cal/OSHA standards and other health and safety issues for school employees	1	2	2	2
Training of trainers for JPAs	0	0	3	3
Evaluation Report/Summary of Accomplishments	1	1	1	1

Staff Recommendation. Approve as proposed.

Issue 5: Division of Labor Standards Enforcement Recruitment and Administrative Services

Summary. The Department of Industrial Relations requests \$465,000 Labor Enforcement and Compliance Fund in 2018-19 and \$415,000 ongoing and four positions for the Division of Labor Standards of Enforcement (DLSE) to support staff recruitment and retention, and to satisfy growing administrative needs.

Background. The DLSE is responsible for enforcing labor standards, including the adjudication of wage claims, and investigation of retaliation and public works complaints. In recent years, the Division increased its targeted enforcement efforts, and the state provided 51 positions in 2016-17 and an additional 47 positions in 2017-18. However, the administration unit, which performs all support functions for the DLSE, has not grown to meet the increased workload, including adequately supporting the DLSE's program staff.

The administration unit acts as a liaison with DIR's Human Resources unit to oversee the hiring process. The unit also works closely with district offices to monitor performance management, which includes tracking probationary reports, and annual performance appraisal deadlines and prompt completion of staff assessments by program management staff. The unit also manages the office space for the divisions 19 offices located throughout the state. Lastly, the administration unit responds to Public Records Act (PRA) request that district offices receive to ensure prompt processing of records. DIR requests the following positions:

- Recruitment and Retention Resources. DIR requests one additional Staff Services Analyst dedicated to the Division's recruitment efforts, administration of training and mentoring of staff to maintain a strong, current knowledgebase on legislative requirements and processes, in conjunction with the Division-wide onboarding plan the DLSE has established. This position would focus on recruitment, staff development, onboarding, training, and performance management.
- Increased Facilities and Procurement Needs: The Prompt Payment Act requires state agencies to pay each vendor within 45 days of receiving an invoice; however DIR notes that vendor invoices have been consistently late ranging from 30 to 60 days. Additionally, the division has seen late contract renewals ranging between 30 to 60 days. DIR requests two additional Staff Services Analysts to assist with the DLSE facility needs.
- Significant Growth in Number and Complexity of PRA Requests. The PRA requires that public agencies respond within 10 days to any requests for public records. Complex PRA requests, which account for approximately 17 percent of requests, responses take an average of four to six months to prepare. This has led to two lawsuits against the DLSE. DIR requests one Staff Services Analyst to coordinate the DLSE's statewide PRA requests, and serve as a key liaison with the DIR and the public upon the enactment of new legislation.

Staff Recommendation. Approve as proposed.

Issue 6: Apprenticeship Programs in Nontraditional Industries

Summary: The Department of Industrial Relations requests \$3.5 million Employment Training Fund and 22.0 positions in 2018-19, \$4.5 million and 32.0 positions in 2019-20, \$5.7 million and 42.0 positions in 2020-21, and \$5.6 million ongoing to expand statewide apprenticeship opportunities to nontraditional industries and the inmate population.

Background

The Division of Apprenticeship Standards (DAS), within the DIR, is responsible for promoting and developing employment based apprenticeship training programs, improving apprentices' working conditions, and advancing profitable employment opportunities for apprentices. The division accomplishes these objectives by providing consultative services to apprenticeship program sponsors, employers, employee organizations, and education providers.

California's State Strategic Workforce plan calls for creating a million middle-skill, industry-valued and recognized postsecondary credentials between 2017 and 2027 and for doubling the number of people enrolled in apprenticeship programs during that same period. As of June 30, 2017, the Division reports over 74,000 active apprentices. The challenge is to substantially increase the number of apprentices in non-construction sectors and to increase access to an approved apprenticeship program for inmates, ex-offenders, veterans, women and other under-represented communities, in order to achieve the qualitative and quantitative goals of the State Strategic Workforce Plan. Over two-thirds of all active apprentices are in the building and construction trades, and 92 percent of all construction apprentices are enrolled in joint management/labor programs.

The 2017 Budget Act approved six positions and \$923,000 in federal funds to accomplish the objectives of a federal grant to expand and diversify registered apprenticeship, and to begin the expansion and diversification of California's Strategic Workforce Plan. This funding is set to expire in 2018-19. Under the 2017-18 budget, 40 new programs were created, with 20,000 new apprentices, and 133 companies were engaged.

Governor's Budget Proposal. The Administration requests the continuance of that initial funding with an ongoing augmentation of 42.0 positions and \$5.6 million annually to be phased-in over a three-year period.

This proposal will build and strengthen a collaborative relationship between DIR, the California Department of Corrections and Rehabilitation (CDCR), the California Prison Industry Authority, and the Labor and Workforce Development Agency (Agency) by collaborating to create apprenticeship programs and on-the-job training certification for inmates prior to release. The goal is to provide inmates with occupational training and industry recognized certifications while in prison to increase their opportunity for job placement or paid apprenticeship programs upon their release, and successful reintegration into society.

This proposal focuses on engaging nontraditional industry leaders in apprenticeship and increase opportunities for veterans, women and low-income groups. Job growth in the state is occurring in the information technology, health care, advanced manufacturing, and transportation/logistics sectors. DIR has collaborated with and will hold round table discussions with Cisco, Salesforce, California Manufacturing and Technology Association, etc. to increase employer awareness of, enthusiasm for and participation in apprenticeship programs.

Labor Agency and DIR will coordinate with the following governmental agencies:

- CDCR: To develop connections between the Department of General Services, other state agencies and the State Building Trades Council to promote hiring of ex-offenders into state civil service as well as local building trades apprenticeship training committees.
- Workforce Development Board: To meet its Federal Workforce Innovation and opportunity Act and AB 554 mandate, align workforce and education program content with the state's industry sector needs, and provide employers with the skilled workforce necessary to compete in the global economy.
- Employment Training Panel: To provide funding support to employers in upgrading the skills of their workers.
- CalHR Civil Service Initiative team: To craft apprenticeship programs for civil service occupations where skill gaps exist.

The proposal will create opportunities for new and emerging industries by utilizing a creative approach to program design and deployment, which reflects a consensus among government, businesses, and labor about the value of apprenticeship to industry growth, as well as worker advancement and security. Program objectives are as follows:

- Develop a new understanding of apprenticeship among relevant state agencies.
- Create a parallel system for nontraditional apprenticeship models in information technology, health care, advanced manufacturing, etc.
- Ensure the ability of the Division to accommodate unique needs of each industry sector.
- Refresh the established inmate apprenticeship training program to prepare parolees and ex-offenders to meet criteria for successful job placement.
- Align inmate apprenticeship programs with industry demand. Currently, there are approximately 304 internal inmate continuing education training programs in: automotive repair, machinist, meat cutting, printing, upholstering and others. Through coordination with CDCR, these programs are being formalized as apprenticeship or on-the-job training programs where appropriate.
- Engage businesses in the nontraditional industries, to educate them on the value of hiring well trained ex-offenders through partnership with other governmental agencies (i.e. the Board), or local community colleges, to provide a robust package of resources to employers.
- Promote opportunities for ex-offenders, women, veterans, and those from other under-represented communities.

The Administration estimates the following outcomes associated with the proposal.

Workload Measure	2017-18	2018-19	2019-20	2020-21	2021-22
Number of active apprentices	81,794	87,570	93,346	99,122	104,898
Number of new apprentices enrolled	36,807	39,407	42,006	44,605	47,204
Number of completion certificates issued to graduating apprentices	11,357	13,698	15,204	16,359	17,514
Number of new apprenticeship program applications received	52	100	100	100	100
Number of new apprenticeship programs approved	48	92	92	92	92

Staff Recommendation. Approve as proposed.

7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES (CALHR)**Issue 7: Trailer Bill Language for State Retiree Census Data****Summary**

The Governor's budget proposes trailer bill language that would require the Public Employees' Retirement System (CalPERS) to assist the CalHR by providing retiree names and addresses to CalHR for the purposes of notifying those retirees of eligibility for enrollment into a benefit program, such as dental or vision, offered by CalHR.

Background

CalHR administers benefits for active and retired state employees. CalPERS maintains the census data for retired state employees, while the State Controller's Office maintains the census data for active state employees. In order to fulfill its duty to administer benefits for retired state employees, CalHR needs access to the retiree census data maintained by CalPERS. CalPERS has requested that CalHR obtain express legislative authorization to facilitate the provision of the census data. Without this census data, CalHR is unable to contact retired state employees to inform them about the benefits that are available to them. Retired state employees are currently eligible for dental, vision, and group legal benefits offered by the state.

This change would ensure CalPERS can provide the necessary census data to CalHR. The information is limited to the retiree names and addresses, and no sensitive personal information, such as social security numbers, would be exchanged. The information would be used solely for the purpose of notifying retired state employees about eligibility for enrollment into a benefit program offered by the state and any information provided to CalHR would be treated as confidential by CalHR.

Staff Recommendation. Approve as proposed.

Issue 8: Statewide Human Resources Workload

Summary. CalHR requests eight positions and \$1.8 million (\$213,000 General Fund, and remainder is reimbursement and special fund) in 2018-19, and \$1.9 million (\$111,000 General Fund, and the remainder is reimbursement and special funds) in 2019-20 and ongoing to address workload in areas of training, retention, and recruitment.

Background. The Administration's proposal enables CalHR to follow through on its commitment to fully modernize and improve HR services. The resources will be allocated to the following divisions:

- Workforce Development Division
 - Statewide Training Center - \$759,000 Reimbursement (five Training Officer IIs and one Office Technician-Typing) to increase training and course offerings to meet demand, and to address customer service and administrative support. CalHR lacks a comprehensive IT solution to efficiently administer growing statewide training programs, and much of the operations are currently manual with limited functionality. Currently, CalHR can only meet approximately 48 percent of 2018-19 and 37 percent of 2019-20 projected demand for training.
 - Learning Management System: \$330,000 (\$188,000 General Fund) in 2018-19 and \$150,000 ongoing. This is to create a centralized training record of employees, so that departments can track employees training records as they move to different departments. Additionally, this will help manage the statewide training centers course catalog. Currently, some departments are still using excel systems to track training. This proposal will allow departments' systems to interface with CalHR's system.
 - Statewide Employee Engagement Survey: \$441,000 reimbursement and one position. Last year, the budget provided \$135,000 to create the program, and to procure vendor-hosted survey support for approximately 21 departments or 17 percent of 123 departments. This proposal seeks to expand it to 54 percent of departments in 2018-19 and all departments in 2019-20 ongoing.
- Selection Division
 - Selection Hiring and Consulting: \$136,000 Reimbursement and one position. CalHR's goal is to update selection and hiring practices, making them user friendly while providing for the high user demand necessary to fulfill department hiring needs. The position will help produce online examinations and assessments, and work with external stake holders and departments regarding examinations. The requested staff will be able to dedicate the time necessary to accomplish the goal without redirecting staff from current mission critical duties.
- Executive Office
 - Statewide Multimedia Vendor Services: \$165,000 (\$25,000 General Fund, remainder is reimbursement and special funds). CalHR will establish a contract(s)

for marketing and branding support, video production and other digital media services, to be managed through the Office of the Deputy Director of Communications. With this proposal, CalHR will have the ability to produce statewide recruitment materials to generate interest and drive prospective applicants to want to work for the State of California.

Staff Recommendation: Approve as proposed.

Issue 9: Merit System Services Program

Summary. CalHR is requesting an overall reduction of \$944,000 in reimbursement authority and the establishment of 13 permanent positions, both to be phased-in over three years, to assume the duties performed by a vendor, Cooperative Personnel Services (CPS), that currently administers the Merit System Services (MSS) Program on behalf of CalHR:

- Fiscal year (FY) 2018-19: increase of \$207,000 reimbursement authority and establish 7.0 positions.
- FY 2019-20: decrease of \$317,000 reimbursement authority and establish four positions.
- FY 2020-21: decrease of \$834,000 reimbursement authority and establish two positions.

Background

The merit systems services (MSS) is a program required by federal law. Since the inception of specified Social Security Act programs in the 1930s, the federal government has conditioned the receipt of federal funding for this program on the state ensuring that both the state and the local agencies involved in administering these programs maintain a merit-based civil service system. Initially, predecessors of the current Department of Social Services and Department of Health Care Services ensured local agency compliance. However, in 1970, the MSS Program was consolidated and transferred to the State Personnel Board (SPB), and in 2014, this responsibility was transferred from SPB to CalHR.

In July 2016, CalHR adopted state regulations known as Local Agency Personnel Standards (LAPS), which permits flexibility in allowing counties to use their own local rules when administering the MSS Program. Under LAPS, many of the functions that a vendor, Cooperative Personnel Services (CPS), had performed on behalf of the MSS Program became the counties' responsibilities. Overall, the revised regulations changed the way business is done in many aspects. This change can be used as a pivotal point in transitioning the program from CPS to CalHR. Since the revision of LAPS, a limited-term position at CalHR was approved in 2016-17 to assess and develop a strategy to transfer back state duties performed by CPS. This limited-term position has been performing management review and analysis to gain a thorough knowledge of CPS' operations by reviewing the operations.

The day-to-day operations of the program are currently conducted by CPS. SPB first contracted with CPS in 1985 and the contract has been renewed regularly thereafter including after the transition to CalHR in 2014. The present contract with CPS expires on June 30, 2018. If the BCP is approved, CalHR will renegotiate this contract with CPS to reflect CalHR assuming the county audit functions in FY 2018-19 and for CPS to continue to administer the MSS Program in counties that have not been approved as independent counties with an overall plan to gradually assume those duties over the next several years (2018-2021).

The work CPS performs on behalf of the MSS Program falls into two broad categories:

1. CPS audits counties that are approved to operate its own merit system, known as Approved Local Merit System (ALMS) counties. The ALMS counties are periodically

audited to ensure continued compliance with the six federal requirements. Currently, 33 of the 58 counties are ALMS. The remaining 25 counties are known as Interagency Merit System (IMS) counties that fall into the second category of work performed by CPS.

2. CPS provides direct human resource assistance to IMS counties. Currently, the IMS counties are not audited.

Positions: In 2018-19, seven positions will assume the audit functions CPS currently performs for 33 counties that have been approved to independently operate their own merit personnel system. The staff members' primary responsibilities will be to perform the following functions:

- Staff Services Manager II (one): This position will direct and implement the MSS Program integration into CalHR, provide ongoing administration of the program, and be responsible for creating a business plan to include goals, objectives, and timeframes for the integration. This will require the manager to conduct detailed research for best practices and innovative business processes. Further, the manager will act as the point of contact for stakeholders, provide general supervision over the staff within the unit, and continuously interpret laws, rules, regulations, and develop policies.
- Associate Personnel Analyst (four): The main responsibilities of these analysts will be to audit the 33 ALMS counties. In addition, they will assist in developing processes and procedures for the audit portion of the program.
- Associate Personnel Analyst (one): The main responsibility of this position will be to study the current operations of CPS and perform project management duties to assist in transitioning the program in-house as efficiently as possible. In addition, the analyst will act as contract manager, and track and monitor integration development schedules. They will also have the responsibility of monitoring the website for incoming appeals.
- Office Technician-Typing (one): This position will serve as support to all MSS program staff. As this is a new unit, the office technician will have a responsibility to assist with the development of office processes and procedures, training materials, and templates. They will format, proofread, and correct grammar/spelling/punctuation for correspondence and reports. In addition to other administrative duties, this position will make travel arrangements, compile, copy, assemble materials, etc.

In 2019–20, CalHR will assume the human resources services functions from CPS for 12 of the 25 IMS counties. The additional staff members' primary responsibilities will be to perform the following functions:

- Staff Services Manager I (one): This position will provide direct supervision over staff responsible for providing the IMS counties human resources services such as recruitment, selection, and human resources consultation.

- Associate Personnel Analyst (three): The primary responsibilities of these analysts will be to provide examination, recruitment, and human resource consultative services to the counties who currently rely on CPS to perform human resources functions.

In 2020–21, CalHR will assume the human resources services functions from CPS for the remaining 13 IMS counties. The additional staff members' primary responsibilities will be to perform the following functions:

- Associate Personnel Analyst (two): The primary responsibilities of these analysts will be to provide examination, recruitment, and human resource consultative services to the remaining IMS counties.

Staff Comments

This proposal would allow CalHR to assume the audit duties and assess the HR duties provided to counties performed by an outside vendor. CalHR has modernized the regulations that guide the MSS Program. This proposal is the first step toward bringing CalHR into compliance with Government Code Section 19130, which discourages state agencies from contracting out for services that could be carried out by state employees.

Staff Recommendation: Approve as proposed.

Issue 10: Enterprise Data Strategy

Summary. The Governor's budget includes \$503,000 (\$63,000 General Fund, \$301,000 Reimbursements, \$53,000 Central Services Cost Recovery and \$86,000 Special Fund) and three positions in 2018-19, and ongoing, to address workload resulting from statewide enterprise human resources (Enterprise HR) automation initiatives and support. This effort is in collaboration with the Department of Technology (CDT) and the State Controller's Office (SCO).

Background

Enterprise HR is a statewide cross-agency initiative with associated governance co-chaired by the California Department of Human Resources (CalHR) and State Controller's Office (SCO). Today, California's HR processes, procedures and reporting are typically manual across departments. They consist of a collection of disparate systems, built on various technical platforms, with a range of automation maturity. The current systems are not integrated, making reporting across state entities difficult without significant manual effort. Challenges with data sharing and consistency add to the inability to effectively collect, synthesize and utilize state employee history. Current manual efforts result in the duplication of the tasks required to manage employee training, employment, payroll, reimbursements, and other key human resource activities statewide.

Enterprise HR will help define enterprise strategies for addressing these business challenges including, but not limited to, business processes, data, and technology. This will provide solutions for promoting statewide interoperability and data sharing across departments.

CalHR requests resources to establish the enterprise core record (ECR). This project lays the foundation for tracking reporting on all state employees with an employee ID throughout their state career and will be the central location that tracks all employee information for all statewide HR solutions that come on board. The second initiative that began is the statewide learning management solution (LMS) project, which is a part of the CalHR Statewide Human Resources Workload budget change proposal. Currently, the ECR and LMS efforts are underway with CalHR, SCO, and CDT leading these efforts with minimal staff between the participating departments. CalHR owns the majority of the projects on the Enterprise HR initiatives roadmap and without additional resources, CalHR cannot continue to staff these projects going forward.

Positions:

- **Data Processing Manger III (1.0):** Currently, CalHR has one project manager that is primarily working on CalHR's ECOS project along with other projects. These initial Enterprise HR efforts will begin with CalHR's CIO as the project manager along with a temporary project manager from CDT. The project requires a project manager to oversee each of these efforts, drive timelines, develop and monitor work breakdown structures, acquire resources, manage scope, risks, and issues, and all other project manager duties necessary.

- **Systems Software Specialist III, Technical (1.0):** CalHR currently does not have an Enterprise Architect (EA) and this effort needs an EA to maintain a consistent enterprise vision, ensure business values, and give direction for all of CalHR's Enterprise HR initiatives. The EA also ensures that CalHR's efforts are in-line technically with all other efforts at CDT, SCO, and any other projects approved by the governance committee. The EA will be responsible for ensuring that a scalable data layer will sit between all of the initiatives and the data store for the core employee record to promote interoperability between systems and keeping a single employee record for all HR systems in the state. These are very large efforts and affect all state departments.
- **Senior Information Systems Analyst (Specialist) (1.0):** The business analyst is also essential to any project to lead process reengineering, elicitation and documentation of requirements, tracking and verifying requirements traceability matrices, testing solutions, documenting workflows, completing PAL stage gate process documentation, and assisting in managing scope. CalHR currently has two primary business analysts that are already working on several different projects and cannot also work on Enterprise HR efforts.

Staff Recommendation. Approve as proposed.

7503 STATE PERSONNEL BOARD**Issue 11: Administrative Services Workload**

Summary. The State Personnel Board (SPB) requests five positions and \$655,000 (\$223,000 General Fund, \$263,000 Reimbursements, and \$169,000 Central Service Cost Recovery) in 2018-19 and ongoing to provide internal administrative resources to assist with equal employment opportunity (EEO) duties, business services support, and manage SPB proceedings.

Background

Governor's Reorganization Plan Number One (GRP1) of 2011 consolidated specific functions of SPB and the former Department of Personnel Administration (DPA) into the new Department of Human Resources (CalHR) and transferred SPB's administrative support functions to CalHR. CalHR continues to provide administrative support to SPB and is partially reimbursed for these services. Under the reorganization, SPB maintained authority over appeals, merit system policy, audits and oversight, and classification approval.

CalHR's EEO resources have struggled to provide service to SPB, especially without being located onsite at SPB. CalHR's facilities staff are not always able to address issues in the SPB facility in a timely manner. Having on-site facility staff will alleviate many of the issues that SPB executive staff are currently addressing directly with the Department of General Services or elevating to Government Operations Agency.

SPB is responsible for California's civil service system, ensuring that it is free from political patronage, and that employment decisions are based on merit. Prior to the GRP1 of 2011, SPB had a small unit that prepared and reviewed all board items for submission on the board meeting agenda. Under GRP1, all of SPB's operational and administrative support functions were transferred to CalHR, including the unit that reviewed, vetted, and prepared items to take before the board. Consequently, since July 2012, SPB has been without internal staff to perform this work. CalHR staff have attempted to perform these duties, including recommending which classifications can be consolidated or abolished, devising revision proposals to classification specifications, and preparing other types of board items. Absent SPB's direct management, carrying out those functions has been burdensome, time consuming, and inefficient for both SPB and CalHR.

Staff Recommendation. Approve as proposed.

7920 CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
Issue 12: Internal Investment Management

Summary. The California State Teachers' Retirement System (CalSTRS) requests \$15.4 million and 58 permanent positions, to be deployed over a five years. These resources will enable CalSTRS to strategically respond to global economic conditions and increased complexity of assets under management at a lower cost through the use of internal management. These resources would be deployed pursuant to Teachers' Retirement Board (TRB) actions as increased assets under management (AUM) demand and as market opportunities and risks are presented.

Background. In 1992, voters approved Proposition 162, which amended the California Constitution to give the board of each public pension system authority and fiduciary responsibility for investment of moneys and the administration of the pension system. As a result, the California Constitution makes a pension board the exclusive authority over the investment decisions and administration of its pension system. As of September 30, CalSTRS has a portfolio valued at \$215.3 billion, with the largest amount of assets (\$119 billion) in global equity. As of June 30, 2017 approximately 44 percent of the portfolio is managed internally, with approximately 56 percent managed externally.

In 2010-11, the TRB considered approaches to internal versus external management of assets. The findings concluded that transitioning assets to internal management increases control, transparency and results in a significant cost avoidance from external management fees. Consistent with those findings the TRB adopted the approaches to internal management in June 2011. CalSTRS has steadily increased internal asset management staff with single-year requests approved through the administrative and legislative budget process. While this process has functioned satisfactorily in the past, the increased complexity and competitive nature of the investment markets require additional nimbleness and speed to respond to market opportunities and risks. This proposal's multi-year request provides that flexibility.

The Investment Branch reports to the CalSTRS Chief Investment Officer (CIO) and to the TRB. The CIO oversees about 168 employees. The branch is organized into two major business areas: investment management and business/operational management. CalSTRS' goal is to increase value of assets under internal management, as well as look for cost efficiencies and enhanced returns by bring both public and private asset strategies in-house and reduce reliance on third-party investment managers.

CalSTRS anticipates distributing funding and positions over five years as proposed:

	2018-19	2019-20	2020-21	2021-22	2022-23	Totals
Proposed budget in millions	\$3.4	\$3.1	\$3.2	\$2.9	\$2.9	\$15.4
Proposed staffing	14	12	12	10	10	58

Additionally, the Governor is proposing budget bill language to implement the request:

7920-001-0835—For support of State Teachers’ Retirement System, payable from the Teachers’ Retirement Fund 206,581,000

Schedule:

(1) 6450-Service to Members and Employers 206,581,000

Provisions:

1. Of the amount appropriated in this item, up to \$6,197,000 shall be available for encumbrance or expenditure until June 30, 2021, and shall be available for liquidation until June 30, 2023, upon approval by the Teachers’ Retirement Board and written notification by the State Teachers’ Retirement System to the Controller.
2. **Notwithstanding Provision 1, of the amount appropriated in this item, \$3,400,000 is available for internal investment staff and related expenditures. The Director of Finance may adjust staffing levels and augment this item by an additional \$12,023,000, for a total of \$15,423,000, upon approval by the Teachers’ Retirement Board and written notification to the Department of Finance of the necessity of the adjustment. Within 30 days of making any adjustment to this appropriation pursuant to this provision, the Director of Finance shall report the adjustment in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees of each house of the Legislature that consider appropriations.**

Staff Recommendation. Approve as proposed.

ITEMS PROPOSED FOR DISCUSSION**7501 CALIFORNIA DEPARTMENT OF HUMAN RESOURCES (CALHR)****0511 GOVERNMENT OPERATIONS AGENCY****Issue 13: Civil Service Improvement Trailer Bill Language****Presenter**

- Marybel Batjer, Secretary of the Government Operations Agency

Summary. The Governor's proposes trailer bill language to continue advancing the Administration's civil service improvement efforts.

Background. The California Government Operations (GovOps) Agency is responsible for administering state operations including procurement, information technology, and human resources. GovOps oversees various departments, including CalHR, the State Personnel Board, CalPERS, CalSTRS, Office of Administrative Law, California Franchise Tax Board, Department of General Services, and California Department of Technology. Over the last three years, the Administration has proposed trailer bill language and budget change proposals to further its civil service improvement initiative. The goal of the initiative is to produce a modern human resource system that will allow state departments to find and quickly hire the best candidates through a fair and merit-based process.

Previous Budget Acts. The 2015-16 budget act adopted various civil service improvements, including (1) consolidating various hiring eligibility list requirements into a single process, under the "Rule of Three Ranks," which would allow hiring managers to consider all eligible persons whose examination scores result in them being in the top three ranks; (2) Expanding the pool of candidates eligible to compete for a career executive assignment CEA position to include individuals from the private sector; and (3) Reconciling department budgets to help promote greater transparency in how departments develop their support budgets, which include vacant positions, personal services and operating expenses and equipment.

The 2016-17 Budget Act provided CalHR with 16 positions in 2016-17, and 17 positions in 2017-18 to implement civil service improvements. Additionally, the Legislature adopted trailer bill language to modify the exempt appointee reinstatement guidelines, remove the probationary period for individuals who successfully complete the Limited Examination and Appointment Program job examination period and are appointed to a position, among others.

In 2017-18 the Administration again proposed trailer bill language, which proposed significant changes to the civil service process. The proposal included the following: (1) extended the maximum probationary period from six months to one year, (2) removed requirements for when a department may refresh open and promotional eligible lists, (3) removed requirements of information that is included in job announcements, (4) created alternative eligibility lists, (5) created exam demonstration projects, which were different from existing traditional exams, among others. Ultimately, this language was not included in the final budget package.

Trailer Bill Language. Staff notes that the Administration published the proposed 2018-19 trailer bill language on April 18, 2018. The committee and policy staff are still reviewing and analyzing the impacts of the proposal. The proposed trailer bill makes various changes to the civil service hiring and examination process, including the following:

- State Personnel Board: Authorizes the SPB to prescribe rules to govern appointments. Currently, SPB does not have this authority under statute, however SPB has passed regulations to give itself this authority.
- Examination: Authorizes CalHR or departments to offer all examinations on a continuous basis. Currently, CalHR or departments can only offer job examinations on a continuous basis if it has difficulty maintaining qualified eligibility lists.
- Promotional Exams: Removes the requirement that an individual can only apply for a promotion if they are on an examination list for the same job classification, and provides SPB the authority to prescribe conditions for promotional examinations and transfers.
- Employee Lists: Eliminates the conditions precedent (conditions that must be met) which currently allows the department to obtain another employment list of the same or higher level class only if an employment list is unavailable for the class in which it belongs. Instead, the proposal would allow the department to obtain another list under any circumstance, as prescribed by SPB.
- Reemployment Lists/Top Three Rankings for Limited Examination and Appointment Program (LEAP): Authorizes a department to merge LEAP lists and regular employment lists.
- Reemployment Lists/Top Three Rankings: Eliminates a department's ability to recruit from candidates who scored lower than rank three should the department not have at least three names in ranks one through three.
- Examination process: Eliminates the requirement for CalHR to approve a qualified candidate, and allows the department to hire candidates directly.
- Permanent Employee Status for Career Executive Assignments (CEA): Specifies that a permanent employee would include a person who was appointed to career executive assignment (CEA) positions and who never competed in civil service exams to obtain permanent civil service status. Under current law, when the assignment is over, the person has no permanent right to a position in state government unless the person has reinstatement rights arising out of previous civil service.
- Departmental Cooperation: Requires SPB and CalHR to cooperate with each other and with DOF, the State Controller, and other agencies to promote efficient and economic administration of the state's business.

Staff Comments

In 2015-16, 2016-17, and 2017-18 the Administration proposed civil service improvement reforms through the budget process. In the past, members of the subcommittee noted these proposals may have been better discussed through the policy committee process. As noted above, the Administration published the proposed trailer bill language on April 18th, giving staff, stakeholders, and the public limited time to review and analyze the proposal. Staff questions whether proposed trailer bill language has a budget nexus, or if the proposal may be better suited for policy committee, or in the collective bargaining process. Additionally, it is unclear if these changes are technical, or if there are potential unintended consequences that may impact the merit principle of the civil service system.

Similar to previous years, the Administration notes that many provisions of the proposal would conform statute to SPB rules and regulations. However, staff wonders if such a process is appropriate, or if it is the responsibility and jurisdiction of Legislature to develop statute governing civil service.

Additionally, staff has concerns about the proposal to eliminate “conditions precedent”, which are effectively conditions that must be met before the SPB or the department has authority to do what the statute allows. By eliminating the conditions precedent, the changes give greater authority to essentially exercise wide and general flexibility when the Legislature intended flexibility for narrow exemptions.

Staff also questions the impact on the proposed changes of rankings and eligibility lists. Specifically, under the proposal departments can continually reissue an examination, which may lead to unintended consequences of ignoring candidates who ranked on previous exams, and make the examination process less competitive. Additionally, the proposal eliminates a department’s ability to recruit deeper within an existing list, which could allow a department to continuously offer examinations and refresh lists.

The Administration notes the intent of merging LEAP lists and other lists together is to make a department unaware that a candidate has eligibility from a LEAP list, and therefore make it easier for a LEAP candidate to be hired. While the intent of the proposal is laudable, staff wonders if there is an unintended consequence of making it actually making it harder for a LEAP candidate to be chosen over a higher ranked candidate.

Lastly, the Administration contends that many changes are technical and stylistic, however some of these may lead to unintended consequences. For example, for amendments proposed under “departmental cooperation” could be interpreted as requiring SPB to first cooperate with CalHR before engaging with other listed agencies, and could limit SPB’s ability to work independently with the other agencies except when CalHR is in agreement. In light of these concerns, staff is recommending to hold this item open allowing for additional conversation with policy committee, relevant stakeholders and further public review.

The subcommittee may wish to ask:

- Are there any court cases that the proposed statutory changes would or could overturn or impact?
- How CSI would impact seniority rights among state employees in the event there was a recession and the Administration implemented workforce reduction?
- What happens when an employee is let go, but has rights to a position that has been eliminated because of the class consolidation?

Staff Recommendation. Hold Open.

7120 CALIFORNIA WORKFORCE DEVELOPMENT BOARD**Issue 14: Statewide Prison to Employment Initiative****Presenter**

- Tim Rainey, Executive Director, California Workforce Development Board

Background

Each year, federal Workforce Innovation and Opportunity Act (WIOA) funding is allocated to the California Workforce Development Board (State Board). The State Board then distributes WIOA funds to each of the 45 local boards, which use the funds to operate America's Job Centers of California (AJCCs) within their jurisdiction. Local boards operate roughly 200 one-stop job centers in California. In these centers, job seekers can search online job databases, take courses on resume building, receive individualized career counseling, enroll in career-focused coursework, and participate in on-the-job training. WIOA funding for job services at AJCCs is approximately \$400 million annually.

In addition to distributing federal funds, the State Board also sets statewide workforce development policy. This policy is reflected in California's state workforce plan, which the State Board is required to prepare every five years. Under state law, the state workforce plan serves as the "comprehensive framework and coordinated plan for the aligned investment of all federal and state workforce training and employment services funding streams and programs." The state's workforce plan lays out key goals, that guide the activities of the workforce system. These goals include:

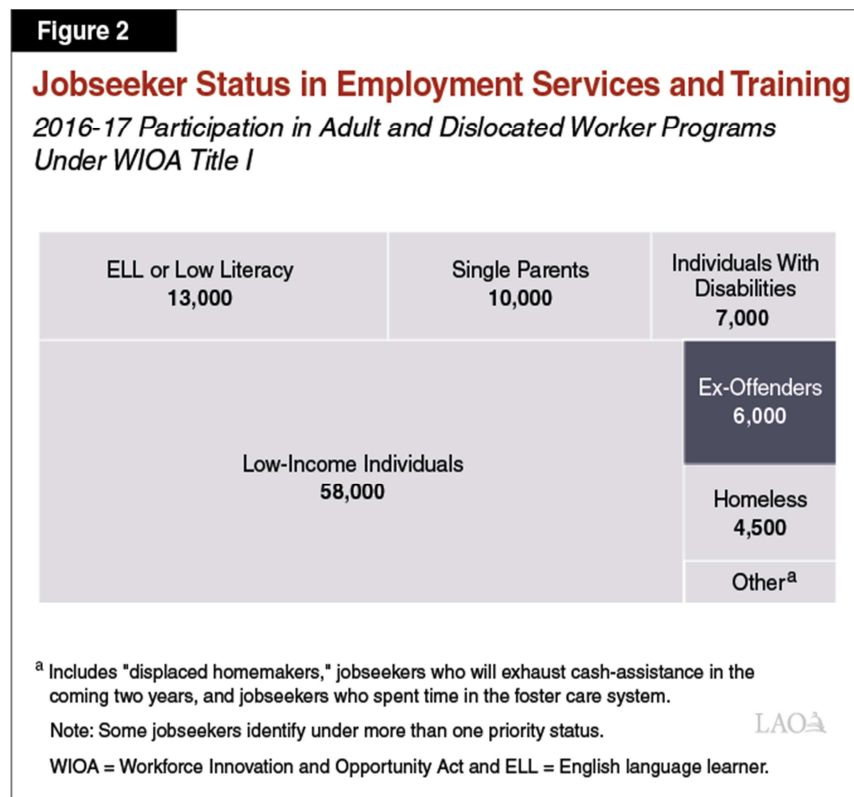
- Fostering "Demand Driven Skills Attainment"
- Workforce and education programs should align with industry needs.
- Enabling Upward Mobility for All Californians
- Workforce and education programs should be accessible to all residents, including those with barriers to employment.
- Aligning, Coordinating, and Integrating Services
- Allocate resources efficiently to meet clients' unique workforce and education needs.

Identifying High Demand Jobs and Partnering With Other State Entities. In developing its plan, the State Board works with businesses and labor market experts to identify job fields that are in high demand. It then designs employment training programs to prepare jobseekers for jobs in these industries. Federal law requires the state workforce plan to include jobs programs run by other state entities, such as programs operated by the Employment Development Department; the California Community Colleges; the California Department of Education, which oversees adult education; and the Department of Social Services, which oversees jobs programs in the California Work Opportunity and Responsibility to Kids program (the state's cash assistance program for low-income families) and CalFresh (the state's food benefit program for low-income households). These programs are included in the plan to ensure that job training programs work together to meet the state's workforce goals. Although some local boards work to coordinate

services with the California Department of Corrections and Rehabilitation (CDCR), this currently is not a requirement under state or federal law.

Who Is Eligible to Receive Job Services? Job services are available to all jobseekers, but prioritized for certain types of jobseekers who face challenges in finding and maintaining employment. These priority jobseekers include English language learners, low-income individuals, homeless individuals, seasonal farmworkers, individuals with disabilities, and ex-offenders, among others.

What Job Services Are Provided at AJCCs? AJCCs offer two levels of job services: basic career services and intensive career services. Basic career services include an initial assessment, self-directed job search, and referrals to other job programs. Intensive career services, which cost more and require more staff-time than basic services, are available to priority jobseekers for whom finding and maintaining employment is likely to be more challenging. Intensive career services may include one-on-one career counseling, basic skills training, career-oriented coursework, and on-the-job training. In 2016-17, a total of 88,000 Californians received WIOA career services. About two-thirds of those received basic career services (59,000) and one-third (29,000) received intensive career services. The figure below displays the different types of priority jobseekers, including ex-offenders, who received job services in 2016-17.



Existing State Program Provides Grants for Ex-Offender Employment Services. The state currently funds a grant program, known as ForwardFocus, which was established through AB 2060 (Pérez, V. Manuel), Chapter 383, Statutes of 2014. ForwardFocus is a competitive grants

program for county partnerships—typically comprised of the county, local board (and their AJCCs), probation department, and local community based organizations (CBOs)—who in turn coordinate services and provide integrated job training opportunities to recently released ex-offenders. Participating county partnerships were encouraged to use evidenced based practices, as well as required to integrate matching funds and the services to be provided with grant funds.

Since 2014, county partnerships have received about \$7 million from previous budget acts for these purposes and have provided employment services to about 800 recently released ex-offenders. The board is currently in its third round of grants (\$2 million), which will span from May 1, 2018 to April 30, 2020. Current law requires the State Board to submit a report to the Legislature about the program’s effectiveness, including an assessment of the viability of integrating workforce programs for ex-offenders. The report, which was due January 1, 2018, was received by the Legislature on April 6, 2018.

The report notes that grants are still in progress, and data is not final, therefore findings are preliminary. The Legislature will receive a more detailed analysis once final data is available. In the interim, the board reports that there were 13 AB 2060 grantees in 2015 and 2016, with projects spanning from 18 months to two years, and awards of up to \$400,000 each. The report presents preliminary participation and outcomes data reported by grantees.

	Round 1	Round 2	Total
Total participants	344	451	795
Participants enrolled in training	286	305	591
Participants completed training	222	242	464
Participants placed in employment	146	210	356

The report notes several key practices and lessons learned in serving the supervised population. Specifically, the report notes the importance of: (1) “earn-and-learn” training opportunities to ensure participants have an income while training; (2) pre-apprenticeship and apprenticeship programs; (3) flexible resources for dedicated case managers, professional development and supportive services (housing, transportation, childcare, etc.); (4) partnering with probation departments; (5) collaborating with community based organizations; and (6) considering industry sectors and training programs that are appropriate for this population, as well as employer engagement. Many of these lessons are incorporated in the boards preliminary recommendations, as well as (1) encourage formal partnerships, agreements, and co-funding arrangement of key stakeholders; (2) support state alignment of partner agencies, and (3) invest and guide the development of regional partner strategies.

Governor's Budget Proposal

Provides \$14 Million General Fund for Employment Services for Ex-offenders. The Governor's 2018-19 proposal would provide \$14 million General Fund over two years to fund a new job training program for ex-offenders at the state's AJCCs (and their subcontractors). Funds could be used for a variety of services, including English language learning, basic skills and adult education, training stipends, industry-approved certification programs, pre-apprenticeship, and on-the-job training, among others. Based on training cost data from the ForwardFocus grant program, the State Board estimates that about 1,000 ex-offenders would attain job placements as a result of these services. (A somewhat larger number of ex-offenders would receive services.) This represents \$14,000 in funding for each ex-offender who attains a job placement.

Provides \$20 Million General Fund for Supportive Services. In addition to direct employment services, the Governor proposes to allocate \$20 million General Fund over two years to fund supportive services for ex-offenders who participate in job training. Supportive services are services that an ex-offender may require in order to attend job training. Common supportive services include bus passes, childcare vouchers, and housing assistance. According to the proposal, ex-offenders who participate in employment services would be eligible for up to \$5,000 each in supportive services.

Provides \$1.75 Million General Fund to Integrate Workforce Training Programs. Under the proposal, the State Board would provide an additional \$1.75 million General Fund to local boards for the creation of regional partnerships and planning between the local boards, CDCR, parole centers and county probation departments, and community-based reentry services and others as authorized by the state board. Grants would be made to each of the 14 workforce regions based roughly on the number of ex-offenders in each region. According to the Administration, implementation grants that facilitate collaboration would help regional partners "package" services and customize job placement based on an ex-offender's training history and job needs.

The proposal requires all local entities to develop partnership plans. These plans would outline how each entity intends to integrate services for ex-offenders. One byproduct of this new planning requirement is that the state workforce plan would add CDCR and county probation as official workforce partners.

The trailer bill provides the board the flexibility to develop guidelines for the program, such as plan content, partners, activities of partnerships, guidelines for allocation and distribution of grants. Trailer bill language requires the board to at least consider need of workforce services in each region for formerly incarcerated, size of post-release population, and recidivism rate of each region.

Some Grant Evaluation Data Would Be Submitted to State Board. The proposal provides \$1 million for a grant evaluation, and would require local boards to submit to the State Board information about ex-offender participation in grant-funded programs. This would include information about how the grant was implemented, the number of ex-offenders who enrolled in

training activities, whether enrollees completed training, and whether participants found employment.

Legislative Analyst's Office Comments

When the LAO published their analysis, the January ForwardFocus report was not available, as a result they recommended withholding action until the report was available for review. As an initial review of the proposal, the LAO notes that several major elements of the proposal are based on the existing ForwardFocus grant program raising questions as to the need for a new employment services program. Specifically, the Administration's proposal is similar in the following respects: (1) fund similar employment services; (2) require similar though limited data reporting; (3) both encourage integrated services.

New Proposal's Plan to Allocate Grants Throughout State May Have Drawbacks. Under the Governor's proposal, grants would be allocated according to the number of ex-offenders in each region or a similar measure as determined by the board. Under the existing program, grants are distributed on a competitive basis and require a two-to-one match from local entities.. The new proposal does not require a matching requirement, and instead distributes grants across all areas of the state.

The LAO is concerned that grants under the new proposal may be too small to be effective in some parts of the state. The state's ex-offender population is concentrated in major cities: three-quarters of supervised ex-offenders reside in ten large counties. Rural areas would likely receive few resources under the proposal. Statewide grants in these areas may be insufficient to integrate services or operate employment programs for ex-offenders.

Should the Legislature want to invest in the existing ForwardFocus program, the LAO recommends the Legislature request new data from grantees, including information about recidivism among past and current job training participants, and also specify how large grants should be, how many grants should be made and in what regions, and whether a different matching requirement would be more appropriate.

The LAO also recommends the Legislature request additional data to evaluate performance and effectiveness of grantees and require the State Board to submit this information in an annual report to the Legislature. This information could include: the percentage of participants or past participants that recidivated within one year of their release, the type and cost of job services provided to each participant, and whether participants maintained stable and unsubsidized work six months after finishing the program.

The LAO recommends that the Legislature to ask the department the following questions: (1) are local agencies able to integrate services within existing funding, (2) what has prevented integration from occurring in the past, (3) what steps would be needed to integrate CDCR data into the state's workforce data systems, and (4) are there other local agencies that should be included in efforts to integrate services.

Staff Comments

In recent years, the Administration and the Legislature has sought to create better regional coordination for services such as adult education, career technical education, and workforce development across various state departments, such as the California Community Colleges, California Department of Education, and the state board. This has aligned with the California Unified Strategic Workforce Development Plan of 2016-2020.

Additionally, the state has also invested in several initiatives and programs that specifically targets the formerly incarcerated and justice-involved population. The 2017-18 budget provided \$5 million and one position from the Road Maintenance and Rehabilitation Account, State Transportation Fund for 2017-18 through 2021-22, to implement pre-apprenticeship training programs, focused on formerly incarcerated, women, and minorities, in support of SB 1 (Beall), Chapter 5, Statutes 2017 projects. Additionally, Proposition 39 and the Clean Energy Jobs Act, SB 73 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2013, created a construction pre-apprenticeship skills training grant program, which builds pipelines for the construction trades for disadvantaged youth, veterans and the formerly incarcerated, and appropriates \$3 million Proposition 39 funds annually to the State Board from FY 2013-14 through FY 2017-18. Additionally, the state used \$3 million from discretionary WIOA funds to fund the Workforce Accelerator Fund Awards, which funded 14 ex-offender projects (with \$3.6 million in local matching funds).

The proposed trailer bill language would evaluate outcomes of the grants based on individuals enrolled in programs, individuals who transition into workforce, services provided, and ability to succeed in workforce and education system, supportive services among others. While the BCP notes that the program evaluation would be completed in fall of 2021, there is currently no specified date.

The subcommittee may wish to ask:

- Under AB 2060, preliminary data shows there was a 44 percent job placement rate. Please describe what programs and practices were the most successful in job placement, and which have not been successful?
- What is the rationale for not including a local match requirement for supportive services grants or regional implementation grants?
- What is the rationale for not including non-supplantation language for the grants?

Staff Recommendation. Hold Open.

7320 PUBLIC EMPLOYMENT RELATIONS BOARD**Issue 15: Workload Oversight Item (Informational)**

Presenter

- Mary Ann Aguayo, Chief Administrative Officer, Public Employment Relations Board

Background. The Public Employment Relations Board (PERB) is a quasi-judicial administrative agency charged with administering the eight statutes that establish the collective bargaining process for about 2.3 million governmental employees in California. In this role, PERB (1) ensures these laws are implemented and applied consistently and (2) mediates and adjudicates disputes between governmental employers and employees. Such disputes include “unfair labor practice” claims. Section 3541 of the Government Code establishes PERB and specifies that the board “shall be independent of any state agency.” The board consists of up to five members appointed by the Governor with the advice and consent of the Senate; however, the board can establish a quorum—allowing it to conduct business— with three members.

PERB has had budgetary challenges as the agency’s workload has increased over the years without budgetary augmentations. In response to these challenges, PERB has relied on keeping various positions vacant—including vacant seats on the board—to redirect funds in the board’s budget. These vacancies—particularly in the Office of the General Counsel—have contributed to significant backlogs in resolving labor disputes at PERB. PERB’s budget issues were further complicated after the Department of General Services (DGS) determined in 2015 that PERB would need to relocate its Los Angeles regional office (located in Glendale). This office is PERB’s busiest regional office, processing more than 50 percent of PERB cases each year.

Previous Budget Acts.

The 2016-17 budget Act provided \$885,000 General Fund to fund five new positions—bringing the board’s total position authority to 62 positions—and \$217,000 General Fund to pay for costs associated with relocating the Glendale office. The budget also included provisional language directing PERB to report to the Legislature on or before January 10, 2017 and May 14, 2017 on specific workload metrics. The goal of this reporting was to help the Legislature determine if PERB has sufficient resources to address the existing case backlog and resolve labor disputes in a timely manner.

In the January 2017 report, PERB indicated that 60 days is a reasonably effective period for the Office of the General Counsel to complete investigations and issue determinations in unfair practice cases or representation petitions. The average age of cases has increased recently to more than three times this 60-day goal. Specifically, for January through March 2018, it takes about 165 days to process Office of the General Counsel cases, which directly affect the workload of the Division of Administrative Law. PERB reports it takes about 117 days to process cases at the Division of Administrative Law. PERB also notes that there are 37 cases which are over one year old.

The 2017-18 budget provided \$750,000 General Fund in 2017-18 and 2018-19, \$620,000 in 2019-20, and \$590,000 in 2020-21 and ongoing, to provide the appropriate level of permanent funding to support all existing permanent positions, reduce existing backlogs, and improve PERB's timeliness for issuance of resolutions and case determinations.

Los Angeles Regional Office. The 2016-17 budget provided funding for office relocation, whose lease ended in February 2017. PERB reports that the office is coordinating a move to take place by June 2018. In addition, PERB notes that it has held about 7.5 positions vacant, and used related spending to pay for the move.

Two Vacant Board Seats. In order to take action on items, a quorum of three board members must be present at board meetings. For more than two years, two of the five seats on the board have been vacant. This creates a greater likelihood of the board not having a quorum at its meetings. For example, the board was not able to achieve a quorum at its December 2016 public board meeting because one board member was absent. The LAO estimates that the three vacant positions associated with these board vacancies—the two board members and a shared support staff position—free up at least \$500,000 (about 5 percent of the department's budget) for PERB to spend on other staff and operating expenses. It is not clear the extent to which PERB relies on these freed up funds to pay for staff across the departments' four divisions.

The subcommittee may wish to ask the following questions:

1. How has PERB utilized the 2017-18 budget allocation, and its plans for the 2018-19 allocation?
2. How long will it take for General Counsel to reduce the average time it takes to process cases to the target period of 60 days?
3. Why is the PERB board not filled? If all five seats of the board are filled, how will PERB support currently filled positions?
4. Why did PERB hold positions vacant to fund the office relocation since the 2016-17 budget provided \$217,000 for this purpose?

Staff Recommendation. None at this time. This is an informational item.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS**Issue 16: Victims of Wage Theft Restitution Funds****Presenter**

- Greg Edwards, Chief Financial Officer, Department of Industrial Relations

Summary: The Department of Industrial Relations (DIR) requests budget bill language to allow fund balance transfers in 2018-19 from the Industrial Relations Unpaid Wage Fund (Unpaid Wage Fund), to the Garment Manufacturers Special Account, the Car Wash Worker Restitution Fund, and the Farmworker Remedial Account, upon approval of the DOF to pay valid claims, in the event of a cash shortage in any of the restitution funds, prior to any annual transfer of revenue from the Unpaid Wage Fund to the General Fund.

Background

DIR administers the Unpaid Wage Fund which was originally established in 1975 for all wages or benefits collected by the Labor Commissioner, to be remitted to the worker or the worker's lawful representative. At the end of each fiscal year, the unencumbered balance remaining in the Unpaid Wage Fund is transferred to the General Fund. The practice of depositing the remaining unencumbered balance into the General Fund began in FY 2005-06 as a result of concerns over General Fund solvency.

The Garment Account is administered by the Labor Commissioner, and funds from this account are dispersed only to persons determined by the Labor Commissioner to have been damaged by the failure of a garment manufacturer to pay wages and benefits. California Code of Regulations Section 13635 sets the fee structure for the Garment Account, applicable to garment contractors and garment manufacturers based on their gross sales receipts. Fees for garment contractors range from \$250 for contractors with \$100,000 or less in gross sales to \$1,000 for contractors who earn over \$1 million in gross sales. In addition, \$75 of each registration is deposited into the Garment Account. This account has been insolvent since 2015-16 because the amount of new claims is greater than the account's annual revenue. This results in over \$4.5 million of claims that cannot be paid. The Garment Account receives an average of \$300,000 each year from fees but in recent years expends \$800,000 to \$1.5 million to unpaid wage claims annually. The Garment Account is short \$500,000 to \$1.2 million to meet the needs of all wage claims each year. The Unpaid Wage Fund transfers between \$2 million to \$6 million of unencumbered funds to the General Fund every year

DIR also administers other accounts including the Car Wash Fund, and the Farmworker Account, that each serve as a safety net for the workers in its respective industries when wages illegally withheld from these employees cannot be collected from the responsible employer. Workers with a valid claim may submit their request for payment to the applicable restitution fund. If/when, any of these funds are exhausted, the respective employee(s) are left without recourse. However, at this time, the Administration does not anticipate an additional need in the Car Wash Fund or the Farmworker Account. The Administration notes that these funds are included out of caution so that the DIR may have the authority to address any unfunded claims should they arise in 2018-19.

The Governor proposes the following budget bill language:

7350-011-0913—For transfer by the Controller, upon order of the Director of Finance, from the Industrial Relations Unpaid Wage Fund to the General Fund

..... (1,000)

Provisions:

1. *For the 2018–19 fiscal year, notwithstanding any other provision of law, and upon approval by the Department of Finance, funds available in the Industrial Relations Unpaid Wage Fund may be transferred to the Farmworker Remedial Account; the Garment Manufacturers Special Account; and/or the Car Wash Worker Restitution Fund in the event of a cash shortage prior to any transfer from the Industrial Relations Unpaid Wage Fund to the General Fund.*
2. Notwithstanding any other provision of law, the Controller shall transfer to the General Fund the unencumbered balance, less six months of expenditures, as determined by the Director of Finance, in the Industrial Relations Unpaid Wage Fund as of June 30, 2019.
3. The Department of Industrial Relations shall provide an estimate of the transfer amount to the Department of Finance no later than April 15, 2019.

Staff Comments. As noted above, the Garment Account is experiencing over \$4.5 million in outstanding claims due to insufficient funds in the account. Under the Administration’s proposal, the DIR expects an approximately \$4.3 million one-time transfer from the Unpaid Wage Fund to the Garment Account, which would effectively reduce transfers to the General Fund. The subcommittee may wish to consider why an imbalance exists, and what alternatives or mechanisms there are to right size the Garment fund moving forward. DIR will continue to evaluate the ongoing need as they move forward. DIR notes that the garment claims would have first priority under the proposal, and at this time, there are no shortfalls in either the farmworker or carwash funds. Statute notes that should any future claim be submitted under the unpaid wage fund, but cannot be remitted because funds have been transmitted to the General Fund then it is the General Fund responsibility to pay out the claim.

Staff Recommendation. Approve as proposed.