Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Sydney Kamlager, Chair
Senator Anna Caballero
Senator Jim Nielsen
Senator Richard D. Roth

Wednesday, March 2, 2022
1:30 p.m.
State Capitol - Room 2040

Consultants: Anita Lee, Joe Stephenshaw, and Elisa Wynne

Vote Only Items

Discussion Items

Public Comment

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ITEMS FOR VOTE ONLY

0855 Gambling Control Commission

Issue 1: Support Staffing

Request. The Governor's budget includes $494,000 ($217,000 Indian Gaming Special Distribution Fund and $277,000 Gambling Control Fund) and four positions in 2022-23, and $486,000 in 2023-24 and ongoing for the Gambling Control Commission to support implementation of recommendations by the California State Auditor and to address an increase in workload within the Licensing, Information Technology and Support, and Legislative and Regulatory Affairs Units.

The four positions are as follows: one Information Technology (IT) Specialist I in the IT Support Unit, one Staff Management Auditor in the Administration Division, one Staff Services Manager (SSM) in the Licensing Division, and one SSM in the Legislative and Regulatory Affairs Division.

Background. The Information Technology Support Unit under the Administration Division of the Commission has three permanent full-time employees (Chief Information Officer, Network Engineer and Application Developer), and is also temporarily supported by three Retired Annuitant positions to meet increasing needs. The Administration notes that workload for the unit has continued to increase from a PY equivalent of 3.6 in 2018-19 to 3.2 in 2020-21; additionally processing times for IT ticket requests have increased from 20 minutes to 30 minutes. The Administration notes that the increased time spent on IT requests have increased due to additional business systems that have been deployed (mobile devise management systems, web workload), increased telework support, increased complexity of telework infrastructure, increased number of IT devices and systems. In order to create a permanent solution and to reduce the reliance on Retired Annuitant positions moving forward, the Administration requests position authority and funding for an Information Technology Specialist I and Staff Management Auditor.

The Governor also requests an additional Staff Management Auditor who will report to the Deputy Director of the Administration Division and will supervise the existing Associate Management Auditor and will directly address the needs identified in the 2018 State Auditor report. The California State Auditor recommended that the Commission implement procedures to track the number of license application, conduct cost analysis of activities supported by the Gambling Control Fund, and adjust regulatory fees to reflect cost of activities. The Commission notes that it will conduct the cost workload analysis on an annual basis and analyze its fee structure every two years. Additionally, the Commission intends to ensure that all policies and procedures are reviewed on a three-year cycle. However, the Administration notes that due to lack of resources, auditing is mostly performed by high-level staff at the Deputy Director and Executive Director Levels. The Administration notes that the Commission requires a dedicated position to ensure sufficient auditing in performed with consistency.

The Governor also requests position authority for one Staff Services Manager (SSM) I in the Licensing Division. Currently, the Division has one SSM that manages the daily operations and supervises six AGPAs, and a Deputy Director overseeing all workload for Commission Licensing Meetings and oversight over the Division. Prior to the Governor's 2013 Reorganization, the division had three SSM positions. The Administration notes that current structure has resulted in unintended silos, limiting in-depth reviews, created inefficiencies and shifted the supervisory responsibility to crisis management. Additionally, the current structure does not provide emergency backup for the SSM and does not allow for succession planning. The Administration notes that an additional SSM will increase program oversight, performance, management, mentoring and delegation.

Lastly, the Administration requests one SSM in the Legislative and Regulatory Affairs Division. The Commission is the primary regulatory body over gambling establishments, and they anticipate increased needs to promulgate or update regulations due to recent legislation. The Administration notes this position is needed to update regulations and statutory analysis in a timely manner.

Staff Recommendation. Approve as budgeted.

0981 CALIFORNIA ACHIEVING A BETTER LIFE EXPERIENCE ACT BOARD

Issue 2: CalABLE Marketing and Outreach

Request. The Governor's budget includes $197,000 for the addition of one Associate Governmental Program Analyst (AGPA) level position and funding to support the development of a marketing, outreach, and public education program to successfully implement and grow the California Achieving a Better Life Experience ("CalABLE") Program.

Background. The federal Achieving a Better Life Experience Act of 2014 (ABLE), allowed individuals who become blind or disabled before reaching age 26 to create tax-free savings accounts. ABLE accounts generally follow the same rules as 529s: individuals can make nondeductible cash contributions to an ABLE account in the name of a specified beneficiary, and with tax-free earnings. ABLE account distributions are also not included in the beneficiary's income if they are used for qualified services for the beneficiary and distributions do not exceed the cost of those services. The ABLE Act directs states to establish one ABLE account for each eligible beneficiary. SB 324 (Pavley), Chapter 796, Statutes of 2015, and AB 449 (Irwin) Chapter 774, Statutes of 2015, implemented the ABLE Act in California and directs the California Achieving a Better Life Experience Board to administer ABLE accounts on behalf of qualified Californians. The ABLE Act, for taxable years beginning on or after January 1, 2015, encourages and assists individuals and families to save private funds for the purpose of supporting persons with disabilities to maintain their health, independence, and quality of life by excluding from gross income distributions used for qualified disability expenses by a beneficiary of a Qualified ABLE Program established and maintained by a state, as specified.

The Budget Act of 2016 authorized the Board to receive up to $1.5 million as a General fund loan to support startup and administrative costs, including three permanent positions (Executive Director, 1 Staff Services Manager I, and an Associate Governmental Program Analyst), as well as funding for external consulting/contract services, development of regulations and program operations. The Board received an initial appropriation of $850,000 for 2016-17 and $650,000 for 2017-18. CalABLE has operated with GF loans, totaling $4.8 million since its inception. In the Budget Act of 2021, CalABLE was provided $1.2 million General Fund for program administrative operations. CalABLE's staffing level has remained the same since 2016.

The Program launched for public enrollment in December 2018. The latest report (3rd quarter of 2021) report shows 6,473 active accounts with over $60 million in assets under management. CalABLE has recently completed a marketing plan under its current budget with contractor, with the goal to achieve 17,000 accounts by 2023. Under current growth and budget assumptions, CalABLE is expected to reach self-sustainability (revenue exceeds operating expenditures) when it reaches approximately 20,500 accounts.

CalABLE does not have sufficient staffing to provide outreach and education to the disability population of the state to reach our aggressive growth targets, especially as it relates to the Spanish speaking population of the state. To continue the programs growth and reach its goal of self-sufficiency the CalABLE Board requests:

- One position at the AGPA level to allow for a Field Representative to support a broad outreach and public education campaign to target specific California and national audiences: eligible individuals with disabilities, their family members, and organizations and agencies providing disability advocacy, services, and public benefit programs, estimated at $197,000.

Staff Recommendation. Approve as Budgeted.

0890 SECRETARY OF STATE (SOS)

Issue 3: California New Motor Voter Program Task Force (AB 796)

Governor's Budget. The Governor's budget includes $481,000 General Fund in 2022-23 ($466,000 ongoing) to fund three positions to implement and administer the provisions of AB 796 (Berman), Chapter 314, Statutes of 2021.

Background. AB 796 codified into state law voter registration information transmittal requirements in the federal National Vote Registration Act of 1993, as specified, and various provisions from a legal settlement regarding the transmission of voter registration information, as specified. The bill also required the SOS to establish a taskforce to evaluate the California New Motor Voter Program.

Staff Comments. Requested resources are consistent with the legislative bill analysis.

Staff Recommendation: Approve as Budgeted.

Issue 4: Campaign Disclosures – Limited Liability Companies (SB 686)

Governor's Budget. The Governor's budget includes $566,000 General Fund in 2022-23 ($125,000 ongoing) to support one position and to incorporate the changes and new filing type to the California Automated Lobbyist and Campaign Contribution and Expenditure Search System (CAL-ACCESS) Replacement System(CARS) required by SB 686 (Glazer), Chapter 321, Statutes of 2021.

Background. SB 686 amended the Political Reform Act to require Limited Liability Companies that qualify as a political committee to file a disclosure statement with the SOS.

Staff Comments. Requested resources are consistent with the legislative bill analysis.

Staff Recommendation: Approve as Budgeted.

Issue 5: Electioneering Regulations (SB 35)

Governor's Budget. The Governor's budget includes $50,000 General Fund in 2022-23 for temporary help to assist in the promulgation of regulations related to electioneering as required by SB 35 (Umberg), Chapter 318, Statutes of 2021.

Background. SB 35 made changes to the distance within which electioneering and specified political activities near a voting site are prohibited, as specified. The bill also extended an existing deadline for a candidate for Governor to submit tax returns to the SOS in order to have the candidate's name printed on the direct primary election ballot, and makes changes to the process for submitting those documents, as specified.

SB 35 requires the SOS to promulgate regulations specifying the manner in which notice regarding prohibitions on electioneering and activity related to corruption of the voting process will be provided to the public.

Staff Comments. Given the additional requirements imposed on the SOS by SB 35, this request is reasonable.

Staff Recommendation: Approve as Budgeted.

Issue 6: Ensure Safe at Home Applications and Materials are Available in Additional Languages (AB 277)

Governor's Budget. The Governor's budget includes $44,000 General Fund in 2022-23 ($9,000 ongoing) to meet requirements of AB 277 (Valladares), Chapter 457, Statutes of 2021.

Background. AB 277 requires the SOS to provide application forms, notices, and explanatory materials related to the Safe at Home program in at least five languages and requires information about the Safe at Home program to be included on Judicial Council forms relating to domestic violence.

Staff Comments. Requested resources are consistent with the legislative bill analysis.

Staff Recommendation: Approve as Budgeted.

Issue 7: Systems Unit FI$Cal Augmentation

Governor's Budget. The Governor's budget includes $136,000 ($95,000 Business Fees Fund and $41,000 General Fund) in 2022-23 and $131,000 ($93,000 Business Fees Fund and $38,000 General Fund) annually thereafter to fund one existing, currently unfunded, position to ensure that SOS has the necessary resources to transact effectively and successfully in the Financial Information System of California (FI$Cal).

Background. In May of 2021, the SOS brought in a retired annuitant to assess the current Management Services Division staffing and architecture of FI$Cal support staff. One of the recommendations posed by the consultant was to move the Systems Unit functions from Budgets to Accounting and request permanent funding for one Associate Accounting Analyst in efforts to mitigate the issue of key person dependencies and establish a team of critical resources to ensure business continuity.

Staff Comments. State agencies and departments must have adequate resources to successfully transact within FI$Cal to ensure timely completion and submission of year-end financial statements. This request supports the SOS in these efforts.

Staff Recommendation: Approve as Budgeted.

1111 DEPARTMENT OF CONSUMER AFFAIRS

Issue 8: Board of Pharmacy – Site Licensing Staff Augmentation

Request. The Governor's budget requests an increase of two Associate Government Program Analyst (AGPA) positions and $314,000 in fiscal year 2022-23 and $298,000 ongoing. These resources enable the Board's Licensing Unit to address an increase in temporary license applications received and increased workload from the expansion of Board authority related to management and control of site licenses. As a result of the increase in licensing workload, the Board is exceeding its current mandated licensing timeframes established by the Board via regulations.

Background. Under various provisions of Pharmacy Law, entities may seek a temporary license while also seeking permanent licensure to operate a pharmacy. Business and Professions Code (BPC) section 4110 provides that the Board may, at its discretion, issue a temporary permit for a period not to exceed 180 days. The provisions for temporary licensure were initially limited to changes in ownership or changes in location; however, in 2018 the provisions were expanded to allow for any applicant to seek temporary licensure. The Board is required to evaluate applications and supporting documents, including funding, assessment of ownership, management and control, and other operational issues, as well as assess and review ownership structures and positions to identify issues of management and control that may compromise consumer protections.

As a result of the expansion of temporary license, the Board has experienced a 78 percent increase in the number of Limited Liability Corporations involved in various layers of ownership, and about 50 percent of site applications have more than one level of ownership. The Board anticipates a 50 percent increase in the number of temporary license applications it receives on average over the next three fiscal years based on historical figures. Under regulations, the Board is required to process pharmacy applications in 30 days, however current processing time is 60 days to process the initial application. The current processing time to review responses to deficiencies is 79 days. Similarly, the Board's processing time for initial sterile compounding pharmacy applications is 64 days and an additional 87 days to review responses received to mitigate deficiencies identified.

The Board requests two AGPA positions to address the increase of temporary license applications and to reduce processing times of temporary and site license applications. One AGPA will conduct an enforcement background check at the time of initial application and before the issuance of the site license. The AGPA will conduct a thorough enforcement investigation on all tiers of ownership of the facility applying for a license. The other AGPA will conduct and expedite abbreviated and meticulous analysis of documentation submitted for each temporary license application and authorize the issuance of temporary licenses. With the addition of these two staff, processing times will be significantly reduced, addressing the barrier to licensure created by extended processing times.

Processing times for incomplete pharmacy and incomplete nonresident pharmacy applications are projected in 2021-22 to be 129-201 days. With the additional staff, the Board anticipates a reduction in the overall processing time for these applications to 100-140 days by the end of 2022-23, 60-90 days by the end of 2023-24, and 45-60 days by the end of 2024-25 and ongoing.

Staff Recommendation. Approve as budgeted.

Issue 9: Board of Registered Nursing - Permanent Funding for Licensing and Call Center Positions

Request. The Board of Registered Nursing (BRN) requests $1.88 million in fiscal year 2022-23 and ongoing to support 22 positions provided in 2019-20 with limited-term funding. Funding is requested to continue supporting 22 existing positions in the following programmatic areas:

- Public Information Unit (PIU) – Consumer Assistance Call Center and Correspondence: 14.0 positions
- Licensing Division - Fingerprint Unit: 3.0 positions
- Licensing Division - United States Licensing Evaluation: 5.0 positions

This request also includes a reduction of nine positions previously assigned to the Call Center that were authorized in 2019-20. Due to various efficiencies, these positions will no longer be required to address ongoing workload.

Background. The 2019-20 Budget Act provided BRN 67 positions, of which 31 positions were three-year limited-term. These additional resources, combined with organizational integration of streamlined procedures, and fully leveraging the functionality of the Board's BreEZe IT system, has allowed the BRN to improve its average licensing processing timeframes from 12-20 weeks to as low as 8-12 weeks for the initial review.

Currently, licensing processing times are within the 10-12 weeks for initial review. The Board's goal is to complete the initial assessment within 4-6 weeks. By completing the initial review within the 4-6 week target, applicants will be granted an authorization to test (ATT) and application deficiencies will be identified, and applicants will be notified quicker. The pass rates of applicants taking the National Council Licensure Examination (NCLEX) immediately following graduation are higher. The quicker an applicant is approved, the sooner they can take the examination. Additionally, the sooner applicants are notified of application deficiencies, they can submit the required documentation to clear the deficiencies. The 4-6-week target for the initial application review is paramount to serve our stakeholders and the public.

During 2019-20 and 2020-21, nursing license applications and fingerprint submissions increased over 20 percent. Due to this increase in applications, the BRN requests ongoing and permanent funding for 22 of the 31 positions that were previously approved with limited-term funding. These resources will continue to address and create further efficiencies in managing the increased workload in the Administration and Public Information Unit and the Licensing Division.

ADMINISTRATION AND PUBLIC INFORMATION UNIT	
Call Center & Correspondence	**Positions**
Supervising Program Technician II	1.0
Program Technician III	1.0
Program Technician II	9.0
Staff Services Analyst	1.0
Office Technician	1.0
Staff Services Manager I	1.0
LICENSING DIVISION	
Fingerprint Unit	**Positions**
Program Technician II	2.0
Staff Services Analyst	1.0
United States Licensing Evaluations	
Program Technician II	5.0
Total Request	**22.0**

BRN anticipates the existing fund condition of the BRN Fund, which is funding through application fees, license fees and penalty fees associated with practice of registered nursing, is sufficient to support the proposal ongoing. Based on budgetary projections of the BRNs current and future fund condition, the Administration notes that the current fees are sufficient to support the proposal.

Staff Recommendation. Approve as budgeted.

Issue 10: Dental Board – Permanent Resources for Chapter 929, Statutes of 2018 (SB 501)

Request. The Dental Board of California (DBC) requests $586,000 and four positions (one Staff Services Manager I, two Associate Governmental Program Analysts, and one Staff Services Analyst) and an additional $20,000 for IT support and software licensing in 2022-23 and ongoing to allow the continued implementation of the provisions outlined in Senate Bill 501 (Glazer), Chapter 929, Statutes of 2018.

Additionally, the Board is requesting two-year limited-term funding of $182,000 in fiscal year 2022-23 and $272,000 in 2023-24 to support required modifications to the Board's BreEZe Licensing IT system for costs associated with the implementation of SB 501.

Total Request by Fiscal year

- FY 2022- 23 - $788,000
- FY 2023-24 - $878,000
- FY 2024-25 ongoing - $606,000

Background. SB 501 established new requirements and minimal standards for the use of sedation and anesthesia in pediatric dental procedure, as well as create processes for DBC to issue various permits, conduct inspection or evaluations prior to issuance of sedation permits. The 2019 Budget provided $547,000 and four positions in 2019-20 and $465,000 in 2020-21 and 2021-22 to implement the provisions of SB 501. The Administration requests that these positions be made permanent.

Staff notes that DBC has about a 23 percent vacancy rate, with 20 of 88 positions vacant. The Board notes in the last year, while some positions were filled, others were vacant due to retirements, promotions, or other employment opportunities. The Board notes that three positions are expected to bill filled at the end of February, three are in the hiring process, 11 are in active recruitment, and three are being discussed with Office of Human Resources for possible reclassification. DBC notes that they cannot redirect existing resources to support this proposal, and that most of the savings that the Board generates each year is associated with vacant positions.

DBC's Anesthesia Unit ensures that applicants meet the eligibility requirements for an anesthesia and sedation permit, checks for compliance with continuing education requirements, and reviews anesthesia and sedation processes and procedures in accordance with the Dental Practice Act.

The requested two AGPA positions will responsible for data regarding any adverse events related to delivery of anesthesia and sedation of a dental patient, review results of on-site inspection and evaluations for permit holders, and will review and analyze data for implementation or changes as relates to SB 501. The requested Staff Services Analyst (SSA) will be responsible for process applications related to anesthesia and sedation and reviewing eligibility requirements. The SSA will also prepare correspondence with applicants regarding application status and deficiencies. The requested Staff Services Manager SSM will supervise the unit staff and direct operations and oversee program leadership and prepares reports and responses to the Governor and legislative correspondence.

Lastly, the Administration projects IT costs of approximately $20,000 in 2022-23 and on-going for general IT support (e.g., web, telecom, service desk, etc.) and software licensing. Additionally, $182,000 in 2022-23 and $272,000 in 2023-24 are required for IT contractor work. Existing maintenance resources at the Department cannot be redirected for this level of effort as it involves creating two new license types, retiring one existing license type, numerous and complex related modifications, and updating approximately eight fees.

Staff Recommendation. Approve as budgeted.

Issue 11: Dental Hygiene Board - Continuing Education Audit Analyst

Request. The Dental Hygiene Board of California (DHBC) requests $129,000 in fiscal year 2022-23 and $121,000 in 2023-24 and ongoing, and 1.0 Staff Services Analyst position to increase annual continuing education (CE) audits for license renewal compliance.

Background. In 2019, the DHBC was established under DCA and has authority regarding all aspects of the licensing of the dental hygiene profession, enforcement and investigation of its licensees, and the approval of educational programs that provide the prerequisite education to become a licensed dental hygienist. Part of its oversight authority, DHBC is required to conduct ongoing continuing education audits to verify the licensees completed the required number of hours to renew their license. The Board is required to audit at least five percent of the licensee population each year. Through the mandated five percent audit rate, the board found that approximately 40 percent of audited dental hygiene licensees were non-compliant at the time of their last renewal. The Board believes that increasing its current audit rate to 10 percent is necessary to increase CE compliance to ensure licensees are taking the mandated CE courses.

In order to meet the Board’s goal to increase CE audits to 10 percent each year, the Board notes it will need additional SSA to conduct these reviews. The Board renews roughly 10,900 dental hygiene licenses each year on average, so by conducting a 10 percent audit each year once the BCP is approved, about 1,090 licensees would be selected for a random CE audit beginning in 2022-23 and ongoing.

In July 2021, the Board approved a fee increase to increase its license renewal fee for Registered Dental Hygienists to $300 to be effective July 1, 2022. The Administration notes that this fee increase will sustain the Board’s fund for the foreseeable future.

Staff Recommendation. Approve as budgeted.

Issue 12: Bureau of Household Goods and Services Enforcement Staff Augmentation

Request. The Bureau of Household Goods and Services requests four Special Investigator positions and an increase in expenditure authority of $620,000, Household Movers Fund, Professions and Vocations Fund, in fiscal year 2022-23 and $588,000 in 2023-24 and ongoing to actively target household movers operating without a valid permit in violation of the Household Movers Act.

Background. Effective 2018 the Household Movers fund and jurisdiction over household movers transferred from the California Public Utilities Commission to the Bureau. Existing law specifies that a household mover shall not engage, advertise, solicit, or enter into an agreement to engage in the business of transporting used household goods and personal effects by motor vehicle over any public highway unless they have a valid permit issued by the Bureau. In order to obtain a permit, the household mover must submit fingerprints for a criminal background clearance, pass an examination showing financial responsibility, and obtain workers' compensation, cargo liability, public liability, and property damage insurances. Existing law also requires the Bureau to implement a process to conduct appropriate and timely enforcement against illegally operating household movers.

Since the authority over household movers was transferred to the Bureau, the number of complaints received that require an investigation has risen by 40 percent. In 2018-19 the Bureau opened a total of 199 investigations based on complaints received. In 2020-21, the Bureau opened 332 investigations. Out of the 332 investigations opened as of April 2021, 309 complaints were against unpermitted movers. Unpermitted movers account for over 90 percent of the complaints received by the Bureau annually. The Bureau prioritize investigation hold hostage cases, where movers will not release the consumers property while demanding higher payment an agreed upon by the consumer. The Bureau has only been able to close 14 hold hostage cases out of the 83 hold hostage complaints received. In total, the Bureau has closed 73 complaints out of the 365 complaints received in 2020-21. The rest of the complaints are pending further action.

Of the Bureaus 11 authorized positions, five positions are for enforcement - one Supervising Special Investigator (SI) position and four SI positions to perform field investigations. The Administration requests four additional SI positions in order to prioritize timely processing of consumer complaints and implement a process for appropriate and timely enforcement against illegally operating household movers, as well as conduct sting operations. The additional positions will also help the Bureau maintain relationships with, and implement outreach and education programs to, local law enforcement, district attorneys, and airports, and coordinate with law enforcement agencies. The Bureau anticipates an improvement of nearly 55 percent case closure and/or action taken by 2025-26, increasing from the current 34 percent closure rate.

Staff Recommendation. Approve as budgeted.

Issue 13: Department of Consumer Affairs Office of Human Resources - Legislative and Regulatory Consultant

Request. The Department of Consumer Affairs (DCA), Office of Human Resources (OHR) requests $175,000 in fiscal year 2022-23, $167,000 in 2023-24 and ongoing, and one Staff Services Manager I (SSM I) specialist to address workload increases related to legislative and regulatory changes impacting employment law and coordinate the application and interpretation of directives for DCA. The Administration notes that OHR does not have a position designated to this responsibility.

Background. OHR provides a wide range of administrative and personnel support services 36 boards and bureaus. These personnel services include, but are not limited to:

- Examination, Hiring, and Recruiting.
- Payroll and Benefits.
- Health and Safety-Related Benefits.
- Labor Relations.
- Employee Discipline.
- Training, Policy Interpretation and Dissemination, and Position Control.

Nearly every action OHR takes is prompted by a requirement of a law, employee bargaining unit contract, or control agency guideline. For example, OHR is responsible for reviewing approving requests for reviewing and approving requests for Family and Medical Leave Act (FMLA), California Family Rights Act (CFRA), reasonable accommodations, and workers' compensation.

The Administration notes that while existing management and staff maintain the daily operations of examinations, hiring, recruiting, payroll, benefits, labor negotiations, employee discipline and the ongoing interpretation of control agency directives, OHR does not have sufficient resources to provide the same level of service when new laws and regulations become effective. OHR requires an additional resource to make sure the department is up-to-date and in compliance with new laws and regulations that impact employees department-wide.

The SSM I specialist would be responsible for keeping abreast of any new legislative and regulatory changes, as well as control agency directives that impact employment law and the health and safety of DCA employees. The position will:

- Interpret statutes, regulations, and/or control agency directives.
- Formulate recommendations on how to internally and externally implement the statute, regulation and/or control agency directive.
- Communicate those changes to boards, bureaus, DCA leadership, and OHR staff.

Once the policy changes are reviewed and adopted by OHR upper management, the SSM I specialist will be responsible for working with the various OHR units to develop procedures to implement the new requirements of the law, regulation, and/or control agency directive. The approval of this proposal will benefit DCA employees and reduce the risk of liability to the department.

Staff Recommendation. Approve as budgeted.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

Issue 14: Business Modernization and Responsible Beverage Service

Request. ABC requests four positions and an increase in expenditure authority of $2.8 million, Alcohol Beverage Control Fund in 2022-23 and 2023-24, $2.3 million in 2024-25, and $1.8 million ongoing, for support costs following the completion of the Business Modernization and Responsible Beverage Service (BizMod/RBS) Project and to continue the initiative to modernize the department's operations and services to the public.

Background. Prior to its modernization efforts, ABC licensees did not have the option to renew licenses online, pay fees electronically, apply for licensure online, or other administrative actions that can be generally completed online in this modern time. Additionally, AB 1221 (Gonzalez Fletcher), Chapter 487, Statutes of 2017 required that alcohol servicers receive training on responsible beverage service within 60 days of their employment date beginning July 1, 2021.

The 2019 Budget provided the first phase of funding to build a system to support the implementation of the Responsible Beverage Service (RBS) Training Program Act, which was deployed in March 2021. The 2020 and 2021 Budgets provided additional funding to ABC to implement public services including electronic payment, electronic notifications, license renewal, and online application origination options to provide licensees the ability to interact with ABC in a more efficient and customer-centric manner. The third phase of the funding in 2021-22 was for the first year after the project's completion date of June 30, 2021 and to continue to address modernization of ABC's public services. The 2020 Budget Act also shifted the effective date of the AB 1221 requirement that all servers be trained by July 1, 2022.

This proposal will continue to provide the resources to expand the online service offerings included in the BizMod/RBS Project while also providing production support to those services already made available to the public, including the RBS system, which will experience its greatest level of utilization during the summer of 2022, when the RBS training mandate becomes effective. The resources will expand functionality of electronic payment processing to support new online services, increase public facing services, expand electronic payments to all transactions, while also conducting normal maintenance and operations among others.

Staff Recommendation. Approve as budgeted.

Issue 15: San Jose, San Diego, and Stockton District Office Relocations – Vote only

Request. ABC requests an increase in expenditure authority of $254,000 Alcohol Beverage Control Fund in 2022-23, $439,000 in 2023-24, and incremental adjustments thereafter for increased rent costs for the San Jose, San Diego, and Stockton district offices. These three offices are required to move to private buildings because the state buildings within which they currently reside have been moved into the surplus process by the Department of General Services.

Background. The ABC San Jose District Office is responsible for the licensing, enforcement, and administrative duties for all licensed locations in Santa Clara and San Mateo Counties. Currently there are 6,471 active licenses within this office's jurisdiction, which includes on-sale retail, off-sale retail, and non-retail licenses.

The ABC San Diego District Office is responsible for the licensing, enforcement, and administrative duties for all licensed locations in southern San Diego County. Currently there are 5,906 active licenses within this office's jurisdiction.

The ABC San Diego District Office is responsible for the licensing, enforcement, and administrative duties for all licensed locations in southern San Diego County. Currently there are 5,906 active licenses within this office's jurisdiction.

DGS has operated and ABC has occupied state buildings in San Jose, San Diego, and Stockton for many years. DGS has deemed all of these office buildings as too costly to renovate, identifying them as surplus property to be sold, and will be relocating all building tenants to privately-owned space. DGS plans to find alternative office space in the greater San Jose, San Diego, and Stockton areas resulting in higher rental rates, which necessitates this request. DGS proposes to relocate the ABC office in San Jose by December 31, 2022, the office in San Diego by October 1, 2022, and the Stockton office by December 31, 2022. ABC has already submitted the paperwork to begin the planning process for accommodating ABC's needs in the new buildings.

Staff Recommendation. Approve as budgeted.

7760 Department of General Services (DGS)

Issue 16: Facilities Management Division Special Repair Workload Transfer

Governor's Budget. The Governor's budget includes position authority for 10.0 permanent positions in 2022-23 to transition workload associated with deferred maintenance, special repair projects, and ongoing technology maintenance from a private contractor to state personnel.

Background. In response to an audit conducted by State Auditor which identified opportunities for DGS to improve management of its facility deferred maintenance program, Facilities Management Division (FMD) was created as a separate division to be responsible for the safety and security of buildings under the jurisdiction of DGS as well as providing building management, maintenance, trades, engineering, custodial, landscaping, and minor construction services. FMD contracted with Kitchell to assist with the development of a building maintenance program including program and project management to assist FMD with improving standards, systems, and processes for the maintenance of buildings under the jurisdiction of DGS. This contract included enhancement of an automated maintenance system (Maximo) and a comprehensive dashboard tracking system in conjunction with a new internal governance process to identify, prioritize, track, and monitor the status of ongoing maintenance projects.

The consultant contract is ending in September of 2022, and workload will be transitioned to the civil service classifications included in this request. The requested positions are necessary to continue the pace of special repairs that DGS is making and maintain the software platform that enables all workload to be properly tracked and billed.

Staff Recommendation: Approve as Budgeted.

Issue 17: Position Authority for Facilities Grant Program

Governor's Budget. The Governor's budget includes position authority for 5.0 permanent positions in 2022-23 for workload related to the recently expanded California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.

Background. The Full-Day Kindergarten Facilities Grant Program was established through the 2018- 19 Education Omnibus Trailer Bill using $100 million one-time General Fund. The program is administered by the State Allocation Board to provide grants to school districts that lack facilities to provide full-day kindergarten. Priority for grants is given to those districts that meet the requirements of financial hardship and for districts that are located in underserved communities. The bill allowed administrative costs of up to 2.5 percent for DGS/Office of Public School Construction (OPSC) to be charged to the program.

Chapter 44, Statutes of 2021 (Assembly Bill 130), the 2021-20 Education Omnibus Trailer Bill provides an additional $490 million one-time General Fund to expand the program. The program's scope is changed from solely full-day kindergarten facilities to also include transitional kindergarten and California state preschool facilities. The expanded program is now known as the California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program. The bill allows for administrative costs of up to 2.5 percent for DGS/OPSC to be charged to the program.

Staff Recommendation: Approve as Budgeted.

Issue 18: Statewide Insurance Services Program Workload Adjustment

Governor's Budget. The Governor's budget includes $153,000 from the Service Revolving Fund in 2022-23, ongoing, and one position to provide the necessary support to sustain the Equipment Management Maintenance Insurance Program (EMMP).

Background. In 2010, DGS, which is responsible for the procurement of insurance for state agencies, piloted the EMMP to replace expensive equipment maintenance service contracts. The EMMP replaces an organization's multiple service contracts with a comprehensive program that consolidates the cost of equipment maintenance and repair. Once the existing warranty expires, the equipment is eligible for enrollment in the EMMP. The insurance broker's standard practice is to quote an ongoing savings of 25 percent from the current coverage cost for new participants from the insurance premium paid by an organization. The EMMP also maintains a centralized online data portal, which provides departments with enhanced visibility of their equipment portfolio and creates administrative efficiencies for participating departments.

The pilot proved to be successful by initially generating savings of $260,000 from a small number of DGS offices. Over the past five years, the program has expanded substantially to include over 50 state departments with more than 46,000 pieces of equipment covered, achieving cumulative savings of over $34 million through fiscal year 2020-21. However, with this significant growth, the program has had the same level of staff, two positions, since the 2013-14 fiscal year.

Staff Recommendation: Approve as Budgeted.

8260 California Arts Council

Issue 19: California Poet Laureate and Youth Poet Laureate

Request. The California Arts Council requests $173,000 ongoing General Fund and one AGPA to support the California Poet Laureate and California Youth Poet Laureate, and also to enable the Arts Council to provide outreach and technical assistance to all 58 counties on literary arts programs, including the Poet Laureate, Youth Poet Laureate, and the Poetry Out Loud programs.

Background. Existing law establishes the position of the California Poet Laureate and California Youth Poet Laureate, who are appointed by the Governor from a list of three nominees provided by the Arts Council established through a selection process, for one two-year term. The California Poet Laureate is also confirmed by the Senate.

Existing law authorizes the Arts council to provide a stipend for the California Poet Laureate and the Youth Poet Laureate, and must provide payment of the travel; expenses incurred in fulfilling their responsibilities' as established in statute and by the council. Statute authorizes the Arts Council upon appropriation by the Legislature to provide an annual stipend of $10,000 for the Youth Poet Laureate. The Arts Council notes that, when feasible, it has provided a $5,000 stipend annually to the Poet Laureate. The Arts Council provided this stipend and $2,500 travel expenses in 2018-19, 2017-18 and 2016-17 to the Poet Laureate.

The Arts Council budget request will provide a $25,000 annual stipend to the Poet Laureate and a $10,000 annual stipend will be provided to the Youth Poet Laureate. Both Poet Laureate roles are to publicize the art of poetry and encourage literacy arts participation and learning throughout the state. Additionally, they will provide a minimum of six public readings in urban and rural settings. They will also undertake a significant cultural project during the term that includes the goal of bringing the poetic arts to students who might otherwise have little or no opportunity to be exposed to poetry.

Additionally, $138,000 of this request will support one AGPA to facilitate the Poet Laureate search and application process and manage and support the program. Currently, the Arts Council contracts with a consultant to administer the application process, but the Poet Laureates have not been supported in their role due to lack of staff at the Arts Council. The additional AGPA will help work and conduct outreach for statewide literary arts programs, create an online web presence for the program, provide technical assistance, and create a supportive structure both Poet Laureates.

The Administration notes that statewide outreach to recruit the Poet Laureate and Youth Poet Laureate will result in a diverse cadre of candidates and allows access to these appointments to individuals that have been traditionally excluded from the opportunity due to barriers and lack of resources.

Staff Recommendation. Approve as budgeted.

8620 Fair Political Practices Commission

Issue 20: Campaign Disclosure: Limited Liability Companies – SB 686 (Glazer), Chapter 321, Statutes of 2021

Request. The Fair Political Practices Commission (FPPC) requests one Special Investigator position and $131,000 General Fund in 2022-23 and $124,000 annually thereafter to implement the provisions SB 686 (Glazer), Chapter 321, Statutes of 2021.

Background. SB 686 requires a limited liability companies (LLCs) that qualifies as a campaign committee or a sponsor of a campaign committee under the Political Reform Act of 1974 to file a statement of members with the Secretary of State. The statement of members must include certain information about the LLC, including a list of all persons who have a membership interest in the

LLC of at least 10 percent or who made a cumulative capital contribution of at least $10,000 to the LLC after it qualified as a committee or sponsor of a committee, or within the 12 months before it qualified.

In the last few years, hundreds of LLCs qualified as committees. Because of the number of entities subject to this new reporting requirement, the FPPC anticipates an increase in the number of investigations on potential violations and in bringing appropriate enforcement actions against those in violation of the Act. This proposal would add one permanent position: 1 Special Investigator. This position is needed to conduct an effective investigation for each complaint in relation to the LLC.

Staff Recommendation. Approve as budgeted.

8820 California Commission on the Status of Women and Girls

Issue 21: Regional Outreach and Interdepartmental Coordination

Request. The Commission on the Status of Women and Girls requests $493,000 ongoing General Fund and three positions for additional outreach and coordination with state entities and regional women and girls commissions, and to bolster daily operations of the Commission.

Background. The Administration notes an increase in demands for the Commission with requests for information, speaking, and programmatic assistance from local commissions as well as other women service organizations, including nonprofits and foundations, working to meet the needs in strategic and informed ways. The Commission has been unable to fulfill the growing demand due to limited staff capacity.

Currently, the Commission has 10.2 authorized positions, and requests the following:

- Interagency Coordination—One Staff Services Manager I Specialist to act as an interagency coordinator on a variety of topics and coordinates with both internal and external stakeholders, conducts sensitive/confidential projects, analytical studies and surveys, formulates program alternatives, and makes recommendations for gender equity solutions to partners on behalf of the Commission.

- External Affairs & Outreach—Two Associate Governmental Program Analyst positions to perform duties related to external affairs involving outreach and coordination with regional women and girls' commissions and local community-based organizations to identify and research opportunities for collaboration to support women and girls, generating important communication feedback loops to inform statewide programmatic and policy efforts.

In addition, funds are requested to: (1) re-classify an existing permanent full time Staff Services Manager I Specialist to a Staff Services Manager II exceptionally allocated to fulfill the needs at the commission to perform at a level that require increased skillset and experience which will also support staff retention, (2) $15,000 help pay for operating expenses of the Commission, and (3) $10,000 to pay for travel costs of the new positions to conduct outreach.

The Administration notes that having dedicated staff for strategic outreach and collaborative efforts would improve the Commission's accessibility to local, diverse and underserved communities. Additionally, the Administration hopes to create stronger coordination with state agencies will bring increased awareness and education on gender equity issues for the purpose of impactful programming, resources and services for women and girls throughout the state. Additional resources for daily operations would allow the Commission to build more robust tools that support multicultural communications, event-based trainings for partners, research and delivery of content and reports on relevant issues from a statewide perspective.

Staff Recommendation. Approve as budgeted.

8940 MILITARY DEPARTMENT

Issue 22: State Information Technology Network Phase 3

Request. The California Military Department requests 11 State Civil Service positions and $3.1 million General Fund in 2022-23, and $2.1 million General Fund annually thereafter, to continue the development, implementation, and maintenance of its State Information Technology Network.

Background. Prior to November 2019, all programs in the CMD relied on federal computer systems operating on a federal Department of Defense (DoD) network for all daily functions. In November 2019, the DoD introduced and implemented a nationwide modernization and convergence of the Federal network in order to improve the resiliency and security of all DoD networks. Consequently, state programs and access to state systems are no longer supported. This has resulted in a significant adverse impact to daily state operations which include web services, monthly and emergency pay processing, accounting, calculating utility usage costs, and other IT related services (i.e. voice, storage, email, and video conferences) used daily. CMD has stated that payroll, personnel, benefits, and other business functions have been negatively impacted and delayed.

The CMD State Network is required to conduct daily operations for over 1,000 state employees in the CMD that support state specific functions for disaster preparation and planning, youth programs, facilities maintenance, accounting, and personnel management. The State Network will enable CMD to integrate with other state systems to streamline business processes, allow CMD to support state interdepartmental efforts, among others. At present, the CMD is conducting these functions on a degrading federal DoD network with a few departments operating on the nascent State Network initiated with funds and positions provided in the 2020 Budget Act and 2021 Budget Act. The 2020-21 Budget Act provided nine permanent positions and $3.9 million one-time General Fund and $2.8 million ongoing as the first phase of this project. The 2021-22 budget act provided an additional 11 positions and $2.7 million in General Fund ($2.1 million ongoing and $0.6 million one-time).

The 2020 Budget Act and 2021 Budget Act authorized approximately one-half of the staffing and funding for the CMD State Network. For continued funding and position authority, the CMD is submitting this proposal (Phase 3) to improve and maintain the efficiency of the network for the long-term. Permanent (long-term) funding for the personnel and equipment is essential to the long-term success of the CMD state centric network, as this network will remain in place as a permanent solution to meet the requirements of the CMD state personnel.

The Governor requests 11 positions as follows:

1. One Information Technology Supervisor II
2. One Information Technology Supervisor I
3. Three Information Technology Specialist I
4. Three Information Technology Associates
5. Three Staff Services Analysts

Staff Recommendation. Approve as budgeted.

Issue 23: State Personnel Staffing

Request. The California Military Department requests four positions and $479,000 General Fund in 2022-23, and $475,000 General Fund annually thereafter, to address increased administrative requirements and demands on State Personnel.

Background. The administrative demand on the CMD's State Personnel has increased over the last six years commensurate with the dramatic expansion of CMD's existing programs, such as Youth Programs, and the development of newer programs such as Work for Warriors, Cyber, Fire Guard and the establishment of a new Information Technology section to create and manage a state network. The CMD's State Personnel staff is also challenged with incorporating the steady increase in California Department of Human Resources (CalHR) driven administrative requirements across a broad scope of Human Resource and administrative functions. Largely, these actions fall into five categories: Classification and Pay, Payroll and Benefits, Workers Compensation and Training, Labor Relations and Performance Management, and Audit and Investigations.

The CMD manages both State Active Duty Service Members and State Civil Service employees, each with their own rules and regulations. Civil Service adjustments are automatically completed by the State Controller's Office (SCO), while Active Duty pay rate changes require manual annual adjustments for each Service Members' pay and allowances which are driven by rank, time in service, and duty location. Inadequate staffing and an increase in administrative actions has also led to a growing number of errors, which results in additional Accounts Receivables and creates a larger backlog of pay, benefits and leave issues.

Staff Recommendation. Approve as budgeted.

8955 California Department of Veterans Affairs (CalVet)

Issue 24: Administrative Support

Request. The California Department of Veterans Affairs requests 10 positions and $1,562,000 ($1,508,000 General Fund and $54,000 Farm and Home Building Fund of 1943) in 2022-23, and $1,505,000 ($1,454,000 General Fund and $51,000 Farm and Home Building Fund of 1943) annually thereafter, for administrative support in the Homes, Legal Affairs, Administration, and Communications Divisions.

Background. CalVet employs more than 3,500 staff located throughout the state at eight Veterans Homes of California (Homes), three satellite Veteran Services Division (VSD) District Offices, three state cemeteries, the Farm and Home Loan Program, and headquarters in Sacramento.

CalVet requests additional funding and position authority for one Standards Compliance Coordinator. Six of the eight Homes have Standards Compliance Coordinator (SCC), which play a vital role in maintaining compliance with state and federal regulatory standards. SCCs engage in clinical and non-clinical compliance reviews, identify deficiencies, and resolve them before they result in negative findings or pose a risk to resident welfare. CalVet currently lacks a statewide SCC. This impacts CalVet’s ability to support and oversee compliance in the Homes, to backfill vacancies as they arise, and to coordinate SCC efforts as a system.

CalVet requests full one Registered Dieticians (RD) to be located in Los Angeles. RDs are highly specialized, recruitment can be challenging when the Homes have vacancies, and CalVet has struggled to identify temporary backfills. CalVet lacks a headquarters-based RD position to provide oversight and act as a liaison for the dietary operations at its eight Homes. These dietary services and staff are integral to the operations of long-term care facilities and the health and wellbeing of their residents. CalVet struggles to support Homes-wide compliance due to the lack of an RD position. The RD position will also have the ability to backfill current RD shortages.

CalVet requests a Career Executive Assignment position to serve as the Chief Financial Officer for the Homes. The Homes are projected to collect $135.6 million in revenue and reimbursements during fiscal year 2021-22. The primary sources of revenue are USDVA per diem and Aid and Attendance allowances, member fees, Medicare, Medi-Cal, and other health insurance. Revenue collected is returned to the General Fund to offset the Homes’ budgetary footprint. The CFO would be responsible for oversight of revenue collection. Without a CFO, CalVet struggles to maintain full oversight of reimbursement streams and related compliance.

CalVet requests three positions for the Legal Affairs Division. Existing staff resources are insufficient to represent CalVet adequately in the work currently assigned to the Legal Affairs Division. CalVet is currently a defendant in 16 cases currently pending in Superior Courts throughout California. These cases are complex tort, contract, real property, and employment law matters, and require experienced attorneys with trial experience. CalVet is currently filling this need by the use of a retired annuitant Attorney IV funded through salary savings from vacant positions. CalVet is also contracting out representation in 4 of the 16 cases to the Attorney

General's Office and private counsel, due to the large number of active matters and the insufficient CalVet resources presently available. During the 2020-21 fiscal year, the total amount spent on Attorney General legal billing was $836,085 and $367,569 on legal services from Department of Human Resources, for a total outside legal expense of $1,203,654. Due to the insufficient resources available to resolve matters expeditiously, the Legal Affairs Division currently has 1,261 open and unresolved matters pending resolution.

CalVet requests a reclassification of an AGPA position to a Staff Services Manager 1 position for the Small Business (SB) and Disabled Veterans Business Enterprise (DVBE) Advocate (Advocate). The Advocate provides technical assistance on how to do business with CalVet and conducts outreach to the community. The Advocate needs to be at a level to handle issues independently. Since 2018, the responsibility of the Advocate has increased, and is required to submit three annual reports to the GFS, process quarterly and annual reports to stakeholders and among others.

CalVet requests two AGPA positions to in the Office of Procurement and Contracts due to a substantial increase in contracting-related responsibilities. OPC has to work overtime to complete many executed contracts by their official start date and over the past few years has worked hundreds of overtime/compensating time off hours. Although working the extra hours to accomplish as much work as possible, OPC still averages more than 100 contracts not executed on time. The two AGPA positions will be responsible for processing and developing non-IT service contracts for the eight Homes. The positions will also be responsible for any changes or revisions to those contracts and service orders.

CalVet requests one graphic designer position. CalVet notes that the division is no longer sufficient to meet the graphic design, digital media, Americans with Disabilities Act (ADA) compliance requirement, event management, emergency response, and report production needs of CalVet. Without adequate staffing, the Communications Department risks being out of compliance with ADA requirements, may fail to produce annual required reports to the Legislature, and may be unable to meet the continued demand for digital media, event management, and emergency response.

Staff Recommendation. Approve as budgeted.

Issue 25: CalVet Electronic Health Record Project Phase 3 Continued

Request. CalVet requests a one-time augmentation of $433,000 General Fund in 2022-23 for the third year of implementation of a new long-term care electronic health record system in the Veterans Homes of California and Headquarters.

Background. CalVet's existing clinical, financial, and administrative aspects of the Homes rely heavily on paper records. In 2016, CalVet began to work with the Department of Technology to explore various options for an electronic health record system to use in its Veterans Homes. The 2020-21 budget provided a one-time augmentation of $1.2 million General Fund for the first phase of implementing the electronic health record system, which was installed at its Homes in Barstow, Chula Vista, Lancaster, and Ventura. The 2021-22 budget provided $10 million General Fund for the second year of implementation, and was used to enhance the system at the initial four Homes, and implementing the system at the remaining Homes in Fresno, Redding, West Los Angeles, and Yountville. At the time, the project was scheduled to be completed in December 2021.

However, due to the COVID-19 pandemic, subject matter experts were not available for the project for extended periods, leading to project delays. This triggered a Special Project Report to the CDT. While the scope of the project did not change, adjustments were made to project timelines and order of implementation, as well as applications. The project timeline expanded by 20 months, and will be completed by 2023-24. This delay increased total project cost by $6.2 million, however because the 2021 budget provided funding authority, the Administration requests $433,000 in 2022-23 to complete phase of the project.

Completing Phase 3 of the Electronic Health Record Project will provide CalVet with a modern EHR and enable the Homes to maintain all health records and PHI within the EHR. Additionally, finishing Phase 3 will eliminate the need for paper records. Furthermore, the digitization of all active health records will provide CalVet with the ability to track and report, have complete and comprehensive audit logs, and maximize the technical safeguards as they pertain to HIPAA compliance, which boosts confidence in information security.

Activity	Start Date	End Date
Phase 3 – Remaining Homes Implementation + Enhancements		
Chula Vista	11/29/2022	1/12/2023
Barstow	1/14/2023	3/29/2023
Yountville	3/29/2023	5/11/2023
Redding	5/3/2023	6/15/2023
Fresno	6/27/2023	8/9/2023
Project Completion		9/13/2023

Staff Recommendation. Approve as budgeted.

Issue 26: CalVet Timekeeping Tool

Request. CalVet requests $120,000 ($116,000 General Fund and $4,000 Farm & Home Building Fund of 1943) in 2022-23 and $270,000 ($262,000 General Fund and $8,000 Farm & Home Building Fund of 1943) annually thereafter for planning, procurement, implementation, and ongoing maintenance of a CalVet timekeeping tool. This automated timekeeping tool will replace the current paper process and will be used by all employees in the Veterans Homes of California, district offices, cemeteries, and headquarters.

Background. Currently, CalVet utilizes a manual paper process of timekeeping for employees. State laws, rules, regulations, and collective bargaining agreements set forth the mandatory deadlines for processing timesheets by the state, which includes processing leave balance usage, mandatory leaves, appointments, separations, and overtime in the State Controllers' Office (SCO) payroll system and other control agency system. In the October 31, 2019, Compliance Review report, the State Personnel Board (SPB) found CalVet to be in serious violation of a timekeeping documentation process. Additionally, CalVet is currently going through another SPB audit and in review of this audit, CalVet will be in violation in the timekeeping documentation process, due to the inability to conduct a second monthly in-house leave usage audit required by the California Department of Human Resources policy.

This request will support CalVet in the planning, procurement, implementation, and ongoing maintenance of automated timekeeping Software as a Service tool. This will improve accessibility and enable employees to submit their timesheets without printing or manually signing a paper timesheet. In addition, as the timekeeping tool is automated, it will feed into the SCO without manually keying in every timesheet.

Staff Recommendation. Approve as budgeted.

Issue 27: Cemetery Operations

Request. CalVet requests five positions and $492,000 General Fund in 2022-23, and $483,000 General Fund annually thereafter, to support operational, custodian, and security requirements at the Northern California Veterans Cemetery (NCVC) and California Central Coast Veterans Cemetery (CCCVC).

Background. CalVet operates three veterans cemeteries: the NCVC, CCCVC, and Yountville Memorial Grove Veterans Cemetery (YMGVC). These state veteran cemeteries are operated by state employees who provide burial services and maintain the grounds.

The NCVC, located in Igo, was dedicated on November 11, 2005, with the first interment occurring on December 21, 2005. Over 7,300 veterans and their eligible dependents are interred in burial sites at the cemetery. The State of California is responsible for the operation and perpetual maintenance of the cemetery and is required to meet the United States Department of Veterans Affairs (VA) National Cemetery Administration (NCA) standards. The NCVC staff is also the most experienced staff among the three cemeteries and as such, they are used to provide initial and ongoing training for staff at the other two cemeteries and will be looked upon for the training of all future state veteran cemeteries.

The janitorial and security services are performed by independent contractors at the NCVC and the CCCVC. The NCVC has been without a janitorial contract since June 2020 because CalVet did not receive a responsible bidder within the budget for the contract. Therefore, the duties are being performed by NCVC staff including the SSM II, OT, AGPA, Supervising Groundskeeper II, and Groundskeepers. Currently, the cemeteries use contracted janitorial services for cleaning the offices and restrooms. The NCVC has attempted other means of providing janitorial services including using services through Department of General Services (DGS) and other local agencies and has been unsuccessful. The NCVC also went through a lengthy issue with a janitorial contractor who was failing to properly complete their required duties.

CalVet requests five positions and $492,000 General Fund in 2022-23, and $483,000 General Fund annually thereafter, to support operational, custodian, and security requirements at the NCVC and

CCCVC. The five positions are: one AGPA, four 0.5 full-time equivalent Custodian Is, and four 0.5 full-time equivalent Security Guards.

Staff Recommendation. Approve as budgeted.

Issue 28: Facilities Planning and Management

Request. CalVet requests three positions and $515,000 General Fund in 2022-23, and $498,000 General Fund annually thereafter, to address the increased workload in facilities planning and construction management. The increased workload resulting from five recently operationalized Veterans Homes has increased beyond existing staff's ability to coordinate and manage.

Background. CalVet's Architectural and Engineering (A&E) Regulations, approved by the Office of Administrative Law in 2015, allow CalVet to pursue design work independently from the Department of General Services (DGS). The A&E regulations allow CalVet to independently pursue design and/or specifications to address public work responsibilities at the Veterans Homes or cemeteries. Currently, CalVet operates eight Veterans Homes and three cemeteries. Annual licensing inspections of the Veterans Homes are conducted by state and federal authorities and must demonstrate that they are being maintained in a manner that ensures a safe environment for the residents. When licensing inspectors find facilities-related deficiencies, the Veterans Home is required to take immediate action to correct those deficiencies. Projects associated with these corrective actions often exceed the technical abilities of current staff.

CalVet currently has only two staff positions with the technical competencies needed to plan and oversee large maintenance and repair projects that are required to ensure the long-term viability of the Veterans Homes which are all licensed care facilities. A Departmental Construction and Maintenance Supervisor currently manages a group of three analytical staff who oversee the agency's infrastructure and capital outlay program, deferred maintenance tracking and reporting, and sustainability programs. In addition, a Senior Architect serves as an advisor to CalVet's executive leadership by providing insight and guidance regarding matters related to architectural, engineering, and facilities planning.

As the newer facilities begin to age and their building systems reach the end of their expected useful life, the current staff will not be able to identify and manage the types of projects that will be required to effectively maintain these facilities.

CalVet requests three positions and $515,000 General Fund in 2022-23, and $498,000 General Fund annually thereafter, to address the increased workload in facilities planning and construction management. The request is for two Associate Construction Analysts and one Office Technician (Typing) to assist with the increased workload related to facilities planning and construction management.

The Administration notes that the requested positions are a more cost effective and efficient use of state resources than the use of DGS design services. Without these positions, CalVet will be obligated to pursue the services through DGS. The Administration notes that if CalVet was required to pursue this work through the DGS public works process, CalVet would not be able to meet its plan of correction due to costs and lengthy timeline.

Staff Recommendation. Approve as budgeted.

Issue 29: Health Informatics Support

Request. CalVet requests four positions and $657,000 General Fund in 2022-23, and $635,000 General Fund annually thereafter, to improve core operations, effectiveness, and to address the staffing needs of the Information Services Division (ISD).

Two positions are for the CalVet Health Informatics Program unit (also known as Health Informatics) and two positions are for the Application & Development Services (ADS) unit. The positions are necessary to provide support for CalVet infrastructure, applications, websites, SharePoint sites, data analytics, healthcare system management, and maintenance of various environments.

Background. The CalVet ISD supports the programs through services provided by application and web support, infrastructure and operation support, information technology (IT) security, project management, IT administration, and policy and procurement. ISD is supported by various units, but the ADS and Health Informatics units work closely together on various systems and applications. The ADS and Health Informatics units work on system and software application support, data analytics, testing, configuration, data validation, and support to system or application updates and routine releases. In addition, the units work with the subject matter experts (SMEs) to create and develop system reports or updates to features.

After system testing is completed, the Health Informatics unit is responsible for updating training materials and creating communication documents to inform end-users about new system functions or options. Staff in this unit travel to provide system training and support. Additionally, Health Informatics also helps maintains the IT systems. The 24 to 48-hour turnaround has now become 2 to 3 weeks for testing or maintenance before placement of updates into production environments. As business needs grow within IT and healthcare, the system updates have become more frequent and in-demand with urgency to keep the systems functioning and running smoothly.

The ADS unit supports the application support and automation needs for all CalVet lines of business. Additionally, ADS provides configuration management and helpdesk support of the electronic medical record suite of applications used to provide care for residents the Veterans Homes. Over the last few years, ADS was tasked with providing more services to veterans and identifying and implementing productivity and collaboration opportunities for CalVet staff in support of California's veterans. New tools and custom applications were implemented requiring expertise and specialized technology skills to support. Unfortunately, the addition of these services outpaced CalVet's ability to appropriately support and expand the technology solutions that provide information and services to veterans and staff.

CalVet's ISD requests 4 positions for additional support for the ADS and Health Informatics units: 1 Information Technology Specialist II and 3 Information Technology Specialist Is. The request to increase staffing in the ADS and Health Informatics units is to test, maintain systems/website/ applications, and perform data analytics, especially with growing business needs and evolving information technology advances in healthcare.

Staff Recommendation. Approve as budgeted.

Issue 30: Information Services Division Information Technology Refresh

Request. CalVet requests $1,356,000 ongoing General Fund for information technology refresh to accommodate the increase in the number and complexity of the CalVet information technology hardware and software assets. Refresh includes:

- Replacing current desktop computing devices (computers, printers, monitors, etc.)
- Replacing core network infrastructure.
- Replacing medical IT equipment.

Background. The 2007 Budget Act included $715,000 to cover the ongoing IT refresh costs for CalVet headquarters and the three Homes that existed at that time located in Yountville, Barstow, and Chula Vista. Since then, there has been an ever-growing demand for long-term care services for veterans and their spouses, leading CalVet to more than double the number of Homes from 5 to 12. In addition, the CalVet's business environment has significantly evolved over the last decade not only by increasing the number of supported facilities but also by adding new business services through IT projects (EHR, Medication Dispensing, etc.), and expanding technology into new areas such as heating, ventilation and air conditioning systems, dental systems, and nurse call systems.

For staff resources to achieve CalVet's mission and objectives, CalVet provides employees with the IT tools they need to perform their business functions. These IT tools, collectively referred to as the IT infrastructure, include:

- Workstation hardware and software
- Network components
- Servers and software
- Printers
- Other peripheral devices
- All the interconnecting cabling and devices

CalVet's IT Hardware portfolio has a value of approximately $12.6 million. For CalVet to refresh on its established schedule, CalVet needs a total of $2.1 million annually. In 2007-08, CalVet received $715,000 in annual refresh funding which addresses only 29 percent of the amount needed annually. This leads to hardware systems that fail beyond repair and for software systems to become increasingly outdated and therefore incompatible with systems external to CalVet. Over 32 percent of CalVet's devices are currently beyond their industry-recommended refresh date. Aging technology presents many risks, including security risks, diminished productivity, impact on resident care, and increased cost of repairing aging equipment.

In the absence of adequate funding, CalVet took numerous steps to minimize the impact and ensure continued functioning. These steps included: reduction of hardware infrastructure through the utilization of statewide cloud services, replacing multiple specialty solutions with a combined enterprise solution (e.g., reducing four backup solutions with a single solution), and researching cost-saving measures for printing through managed print services.

CalVet is requesting $1.4 million in additional funds per year to address this hardware refresh deficiency.

Staff Recommendation. Approve as budgeted.

Issue 31: Information Technology Security Operations

Request. CalVet requests two positions and $365,000 ($354,000 General Fund and $11,000 Farm & Home Building Fund of 1943) in 2022-23, and $354,000 ($343,000 General Fund and $11,000 Farm & Home Building Fund of 1943) annually thereafter, to improve the information technology security operations. The requested resources will improve the overall information security program, including implementing new security solutions and mitigating security risks and incidents.

Background. CalVet has numerous systems that are mission-critical. These critical systems include Supervisory Control and Data Acquisition for the Yountville Rector Reservoir water treatment plant, pharmacy dispensing for resident medications, and wander elopement that tracks memory care residents. In addition, CalVet operates other systems including electronic health record, medical asset management system, pharmacy management system, dietary management system and resident wireless.

Over the past four years, CalVet has completed mandatory information security assessments and audits to highlight gaps and deficiencies. While CalVet has resolved many of these security gaps, there are still many that still need to be addressed. The remaining gaps and deficiencies require additional funding for staff.

Currently, CalVet does not have any full-time staff dedicated to technical security operations activities. The Information Security Office consists of three positions that work on policy, procedure, and technology recovery planning. By not having staff dedicated to security operations, CalVet is unable to adequately protect the existing IT solutions.

CalVet requests one Application Security Architect and one Information Security Risk Management Lead position and $365,000 ($354,000 General Fund and $11,000 Farm & Home Building Fund of 1943) in 2022-23, and $354,000 ($343,000 General Fund and $11,000 Farm & Home Building Fund of 1943) annually thereafter, to improve IT security operations. The requested resources will improve the overall information security program, including implementing new security solutions and mitigating security risks and incidents. This request will assist CalVet in establishing security operations controls as required by State Administrative Manual (SAM) section 5305.

The requested resources will significantly improve CalVet security posture by: 1. Implementing policies and procedures that improve compliance with established frameworks. 2. Establishing an information security risk management program. 3. Continuously scanning for vulnerabilities and remediating in a rapid manner. 4. Establishing a security data management program to ensure the protection of Personal Health Information (PHI) and Personal identifiable information (PII).

Staff Recommendation. Approve as budgeted.

Issue 32: Northern California Veterans Cemetery, Igo: Columbaria Expansion

Request. CalVet requests $2,154,000 for the construction phase of the columbarium expansion project at the Northern California Veterans Cemetery (NCVC) in Igo, California. The scope includes the construction of 10 new columbaria, each consisting 100 niches on each side totaling 2,000 additional niches; new walk-ways, ramps, curb and gutters; landscaping; and irrigation. CalVet's preapplication for federal grant funds were accepted by the United States Department of Veterans Affairs (USDVA) Veterans Cemeteries Grants Program in July 2018, and when funded will provide 100 percent reimbursement of allowable costs.

Background. The NCVC opened for interments in December 2005 with 1,200 columbaria niches. When the cemetery was designed in 2002, the number of in-ground burial plots and columbaria niches was consistent with existing interment rates. Since then, niches have been utilized regularly and seem to be the most desired burial option – niches are the most desired burial option, over double that of requests for casket and in-ground cremains. An additional 2,000 niches were constructed and completed in March 2012.

As of June 17, 2021, only 216 columbaria niches remain and with the current interment rate, the columbaria will be exhausted by August 2022. The nearest veteran's cemetery with available space is nearly 200 miles away in Dixon, California. CalVet applied for a federal grant in August 2018 to construct additional columbaria, and the preapplication was approved for consideration of grant funding through the VA National Cemetery Administration, State Cemetery Grant Program. The project intends to build 2,000 additional columbaria niches; additionally, it will build new walk-ways, ramps, curb and gutters, landscaping, and irrigation.

The 2021 Budget provided $296,000 General Fund for the preliminary plans and working drawings phases for the columbarium expansion at the Northern California Veterans Cemetery (NCVC) in Igo, California. At the time, the construction costs were estimated to be $1.55 million.

The construction amount includes $1,822,000 for the construction contract, $91,000 for contingency, $162,000 for architectural and engineering services, and $79,000 for other project costs. The current project schedule estimates preliminary plans complete in April 2022. Working drawings to begin in May 2022 and to be completed in September 2022. Construction to begin in November 2022 and will be completed in April 2023.

Staff Recommendation. Approve as budgeted.

ITEMS FOR DISCUSSION

0511 GOVERNMENT OPERATIONS AGENCY

The Government Operations Agency is responsible for coordinating and overseeing state operations, including procurement, information technology, and human resources. The mission of the Government Operations Agency is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operational decisions.

The Government Operations Agency oversees the Office of Administrative Law, California Public Employees' Retirement System, California State Teachers' Retirement System, State Personnel Board, Victim Compensation Board, Department of General Services, Department of Technology, Department of Human Resources, Franchise Tax Board, and Department of Tax and Fee Administration. In addition, the Government Operations Agency administers the California Complete Count-Census 2020 Office, Office of Digital Innovation, Cradle-to-Career Data System, and Racial Equity Advisory Council.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0250	Office of the Secretary of Government Operations	22.4	32.0	38.0	$316,780	$98,989	$8,264
0255	State Planning and Policy Development	9.7	-	-	12,120	2,242	-
0256	Digital Innovation	10.7	50.0	50.0	12,025	25,382	15,214
0257	Cradle to Career	-	12.0	16.0	-	16,314	9,614
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**42.8**	**94.0**	**104.0**	**$340,925**	**$142,927**	**$33,092**

FUNDING		**2020-21***	**2021-22***	**2022-23***
0001	General Fund	$335,948	$124,308	$24,643
0995	Reimbursements	4,977	8,447	8,449
9753	Digital Innovation Services Revolving Fund	-	10,172	-
TOTALS, EXPENDITURES, ALL FUNDS		**$340,925**	**$142,927**	**$33,092**

Issue 33: Government Excellence and Transformation Center Staffing

Request. The Governor's budget includes four positions (Career Executive Assignment A, Staff Services Manager I, Research Data Specialist I, and Associated Governmental Program Analyst) and $665,000 General Fund in 2022-23 and ongoing to staff the Government Excellence and Transformation (GET) Center.

The GET Center seeks to accelerate the modernization of state operations by state departments to conduct pilots that could be scaled across state government for broad adoption. Additionally, the GET Center will establish a repository of best practices and case studies of successful operational innovations that measurably improve the state's operational effectiveness.

GovOps has used existing staff to establish the GET Center. Specifically, they used two Deputy Secretaries, a Staff Services Manager and an Executive Fellow to varying degrees to develop strategy and design general framework for the Center. GovOps developed the Center's goals, selection criteria for pilots and conducted several beta projects to determine what capacity will be needed to support the administrations goals. However, the Administration notes that GovOps can no longer support this worker with internal redirections.

The Administration notes that ongoing funding is needed to conduct outreach to state agencies and select departments, establish new business models, provide and analyze data to prioritize pilots and projects, design and implement projects and pilots (with two or three new projects quarterly), establish communication through various means including newsletter and podcasts, and collaborate efforts with state agencies and departments, and potentially with new contracts or public private partnerships.

The Administration expects that once fully staffed, the GET Center will implement five scalable projects annually, issue three case studies highlighting lessons learned, and establish a website by 2023.

Staff Recommendation. Hold Open.

Issue 34: Workload Adjustments

Request. The Governor's budget includes two positions and $435,000 ($170,000 General Fund and $265,000 reimbursements) in 2022-23 and ongoing to fund and manage existing workload associated with oversight and management of state government operations. The two positions are Statewide Privacy Officer and Assistant Secretary.

The Administration notes that due to the COVID-19 pandemic and wildfire emergencies, GovOps has had to internally redirect staff to manage workload associated with their emergency services. GovOps notes that the frequency and severity of emergency events has limited their ability to monitor and assist the Department of General Services and other departments, and can no longer manage their normal workload.

GovOps notes that there is a need for an individual that is dedicated within GovOps to coordinate emergency response activities amongst their control agency departments, track response efforts, report on fiscal impacts, and assisting with other department plans such as the Cradle-to-Career Data System and Office of Digital innovation.

GovOps also requests the establishment of a Statewide Privacy Officer to coordinate and oversee GovOps compliance with state and federal privacy laws, work with GovOps control agency departments to promote privacy of data, perform assessment and inventory of operations, and participate in special projects on an as-needed basis.

Staff Recommendation. Hold Open.

Issue 35: Chief Equity Officer

Request. The Governor's budget includes trailer bill language to establish a Chief Equity Officer that is to be appointed by the Governor and to report to the Secretary of GovOps.

Background. The Governor's 2021-22 budget requested funding and trailer bill language to establish and appoint a Chief Equity Officer. The 2021-22 Budget provided $540,000 to support the Chief Equity Officer and two positions ongoing, but deferred trailer bill language as a part of discussions around Senate Bill 17 (Pan).

SB 17 (Pan), pending in Assembly Appropriations Committee, seeks to establish the Office of Racial Equity, an independent public entity, governed by a Racial Equity and Advisory Committee to develop a statewide Racial Equity Framework outlining the state's visions and goals to address structural racism and racial inequities with a focus on the work of state government. The bill requires state agencies to develop and submit Racial Equity Plans to the Office for review and approval, among other responsibilities. The bill also establishes a Chief Equity Officer at GovOps, and directs the Officer to work with the Office of Racial Equity.

The Governor's proposed trailer bill language specifies that it is the duty of the Chief Equity Officer to improve equity in state government operations and authorizes the Chief Equity Officer to engage with state entities to improve equity and inclusion practices. The language also authorizes the Chief Equity Officer to create, in consultation with the appropriate control agencies, standards and procedures on equity and inclusion for state entities in the state administration manual, human resources manual, or state contracting manual.

Staff Recommendation. Hold Open.

0890 SECRETARY OF STATE (SOS)

The SOS, a constitutionally established office, is the chief elections officer of the state and is responsible for the administration and enforcement of election laws. The Office also is responsible for administering and enforcing laws pertaining to filing documents associated with corporations, limited liability companies, partnerships, limited partnerships, unincorporated associations and pertaining to filing bonds and perfecting security agreements. In addition, the Office is responsible for commissioning notaries public, enforcing the notary laws, and in conjunction with being the home of the State Archives, administering a state records management program and preserving documents and records having historical significance. The SOS is the filing officer for lobbying and campaign registration and disclosure documents filed under the Political Reform Act. The SOS also operates the Safe at Home program, maintains the Domestic Partners and Advance Health Care Directives registries, provides support functions for the Voting Modernization Board, and is home to the California Museum.

Below is the Governor's budget display of positions and expenditures for the SOS. In the 2022-23 fiscal year, the Governor's budget proposes a total of $146.8 million in expenditures ($97.6 million from the General Fund) and 560.5 positions.

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0700	Filings and Registrations	319.5	322.5	322.5	$75,003	$78,075	$75,591
0705	Elections	62.5	64.5	67.5	160,217	113,978	55,534
0710	Archives	31.3	33.3	35.3	8,990	13,872	14,798
0715	DOJ Legal Services	-	-	-	765	852	852
9900100	Administration	114.2	128.2	135.2	30,317	43,072	46,854
9900200	Administration - Distributed	-	-	-	-30,317	-43,072	-46,854
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**527.5**	**548.5**	**560.5**	**$244,975**	**$206,777**	**$146,775**

Issue 36: Fee Relief for New Businesses

Governor's Budget. The Governor's budget includes $39.8 million General Fund on a one-time basis to waive document filing fees for all new businesses registering with the SOS during the 2022-23 fiscal year.

Background. Despite the negative impacts of the COVID-19 Pandemic, over the past few years the number of California filings for corporations, limited liability corporations (LLCs) and limited partnerships (LPs) has continued to rise as new businesses have been created, formed, and relocated. In 2018, the total number of filings was 289,879, in 2019, the number of filings was 301,614, in 2020, the number of filings was 343,877, and in 2021 (through November 30), the number of filings was already 396,290. Various documents are required to be filed with the SOS when forming a business in California, and the necessary document filings are accompanied by filing fees of $100 for a corporation and $70 for a LLC or LP.

This request allocates $39.8 million one-time General Fund for the SOS to waive filing fees on a onetime basis for all new businesses registering with the SOS from July 1, 2022 through June 30, 2023, to continue to encourage business growth in California. This amount of funding in this proposal is the estimated amount needed to backfill all revenues related to waiving first-time SOS filing fees for new businesses including corporations, LLCs and LPs.

In addition, it is requested that budget bill language be added that will: (1) allow the amount available for transfer to be increased, if necessary, by an amount sufficient to backfill revenues lost as a result of the fee waivers, (2) require the SOS to report to the Department of Finance, by January 1, 2024, on the revenues related to waiving the first-time SOS filing fees, and (3) allow the funds to be available for transfer through September 30, 2023.

Legislative Analyst's Office (LAO). The LAO had the following findings in relation to this proposal:

Waiving Fee Likely Would Do Little to Stimulate Business Growth. Businesses likely consider the filing fees an unwelcome cost. However, the proposed one-time fee waiver would provide limited financial assistance to new businesses relative to the overall cost of starting a new business. These costs—such as equipment, construction costs, employee salaries, and rent— often sum to tens of thousands of dollars, or considerably more. Paying a $100 or $70 fee likely is not a barrier to the formation of new business entities in California. Further, the request indicates that the number of filings has grown considerably over the past few years—from 289,879 in 2018 to 343,877 in 2020 and—through November 30— 396,290 in 2021. This growth in new business entity formations has been occurring under the existing fee structure. Although new businesses may appreciate the one-time filing fee relief, we doubt that the Administration's proposal would do much, if anything, to stimulate meaningful business growth.

Business Filing Fee and Reserve Structure Needs Attention. The Business Fees Fund consistently has a fund balance in excess of $1 million at the end of the fiscal year. This has resulted in significant sums of money being transferred from the Business Fees Fund to the General Fund. For example, between 2011-12 and 2020-21, the General Fund received $179 million from the special fund. The amount transferred to the General Fund has varied significantly year to year, ranging from $5 million in 2011-12 to $36 million in 2017-18. As a percentage of revenues, the transfer to the General Fund has varied from 9 percent of fee revenues in 2019-20 to 41 percent of fee revenues in 2017-18. The consistent and large transfers to the General Fund suggest that business entities have been paying higher fees than are necessary to support the program. The fee structure should be designed so that businesses pay fees that are at a level that is reasonable for the support of the program. That being said, lowering fees creates risk that the special fund might not have sufficient resources in a particular year. This is demonstrated by the volatility in revenues to the fund. For example, between 2011-12 and 2020-21, year-over-year growth in revenues ranged from a 40 percent increase in revenues between 2013-14 and 2014-15 (from $50.7 million to $71.1 million) and a 5 percent decrease between 2017-18 and 2018-19 (from $87.8 million to $83.3 million). The current reserve limit of $1 million makes it difficult for SOS to charge businesses a lower fee while still fulfilling the requirements of Section 12176 that the fund be self-sufficient. A higher reserve limit for the fund would allow a lower fee for all businesses while still providing that the fund is self-sufficient.

California Business Connect (CBC) Should Change SOS Operations. The CBC project is automating the business filing processes at SOS. While many processes already have been automated under the project, filings related to business entities is the last module to be rolled out. This module is scheduled to be completed by April 2022. The project is scheduled to be through maintenance and operations by April 2023. Once fully operational, CBC will fundamentally change SOS operations. This could lead to changes in revenues and resource needs for the program.

Budget Bill Language Could Be Clearer. The administration proposes budget bill language to implement its plan to waive filing fees for new business entities. Specifically, provision one of the language states that the $39.8 million General Fund appropriation "shall be limited to backfilling revenues related to waiving first-time Secretary of State filing fees for businesses (corporations, limited liability companies and limited partnerships)." If the Legislature is interested in adopting this fee waiver, this language could be clearer as to which fees are waived for 2022-23.

Reject Proposal. Because we do not view the business filing fees to be a barrier for new businesses, we recommend that the Legislature reject the proposal. Instead, we recommend that the Legislature use the proposed $39.8 million in a more targeted manner that achieves legislative priorities—whether that be encouraging business growth in California or supporting other legislative priorities supported by the General Fund.

If Adopting Proposal, Modify Budget Bill Language. If the Legislature chooses to waive fees paid by new LPs, LLCs, and corporations, we recommend that the Legislature modify the proposed budget bill language to clarify legislative intent.

Direct Administration to Evaluate Fund Structure. Regardless of whether or not the Legislature approves the proposal, we think that the Business Fees Fund requires attention. The appropriate structure of the fund will not be known until the operational needs become clearer in a year or two after CBC is fully operational. We recommend that the Legislature direct the administration to include, with any future proposals related to the business filing division, a justification for existing fee levels and how those levels align with services provided by the SOS. After the full implementation of CBC, the Legislature could consider requiring SOS to report on options that align the fees for the Business Fees Fund with desired service levels. The report should include an analysis of (1) the fee levels, (2) service costs, (3) reserve levels, and (4) mechanisms for annual fee adjustments based on reserves.

Staff Comments. Providing support that California businesses need to sustain, reopen, or form as we continue to deal with the impacts of the COVID pandemic should continue to be a priority. As we deliberate the 2022-23 budget over the next couple of months, this proposal should be considered as part of a larger effort to provide such support.

Staff Recommendation: Hold open.

1111 DEPARTMENT OF CONSUMER AFFAIRS

The Department of Consumer Affairs (DCA) helps promote good business practices and make sure California's consumers receive quality services by establishing minimal competency standards for approximately 250 professions and occupations involving more than three million professionals. In general, fs Boards and Bureaus provide exams and licensing, enforcement, complaint resolution, and education for consumers.

DCAs staff investigate complaints against licensees; develop valid examinations for applicants for licensure; monitor and advocate for legislation; provide consumer education and outreach; provide legal and audit services; and provide general administrative support involving personnel, budgeting, accounting, purchasing, and space management.

There are currently 26 boards, one committee, and one commission under the broad authority of DCA, and seven bureaus and one certification program under the direct oversight of DCA.

Issue 37: BreEZe System Maintenance and Credit Card Funding and Business Modernization Cohort 1 Maintenance and Operations

Request. DCAs Consumer and Client Services Division (CCSD) requests appropriation authority of $8.5 million in 2022-23 and ongoing for the continued support 37 positions that conduct BreEZe maintenance and operation. This request also includes $4.2 million in funding for 2022-23 and ongoing for programs to fund credit card processing fees on behalf of users of credit card payments.

DCA also requests $1.7 million in fiscal year 2022-23 to fund software licensing, project management, maintenance, credit card services, technical knowledge transfer, and three existing positions for the Business Modernization Cohort 1. These are boards and bureaus that are not on BreEZe.

Background on BreEZe. BreEZe is the system of record for 18 of the departments 36 boards and bureaus, and specifically supports DCA's applicant tracking, licensing, renewal, enforcement, monitoring, cashiering, and data management requirements. When first initiated, the BreEZe project was proposed to be an integrated, web-enabled enforcement and licensing system that would replace various systems that have been in place at all of the boards and bureaus within DCA. It was proposed to be completed in three phases (or “releases”), with roughly half of the boards and bureaus in the third release.

In November 2009, the BreEZe project was approved with a budget of $28 million and an expected completion date of June 2014. DCA selected Accenture as the vendor for the project in September 2011. The first release was launched in October 2013, but experienced various implementation challenges. Notably, according to a report by the California State Auditor, executive officers for most of the Release 1 boards and bureaus reported that BreEZe decreased their regulatory entity’s operational efficiency. In January 2015, the Administration informed the Legislature of its intent to cancel the contract with Accenture after Release 2 due in large part to rising project costs, which had grown to $96 million for Releases 1 and 2 alone. The Legislature concurred with the Administration's proposed approach in March 2015, but expressed a desire for closer oversight over the project and for a plan for development of IT systems for Release 3 boards and bureaus. In January 2016, DCA launched Release 2 and has since reported that the second release has proceeded successfully.

The 2020 Budget provided $11.5 million special funds in 2020-21 and $10.6 million 2021-22, a total of a two-year period, for the continued support of BreEZe Maintenance and Operations.

The Department requests $8.5 million ongoing to continue to fund 37 existing positions to support the core maintenance and operations services of business requirement analysis, configuration, development, testing, and software release management. This is the same level of staffing that has been supporting BreEZe maintenance and operations since July 2019.

This proposal also requests ongoing funding of $4.2 ongoing million for payment of credit card processing fees on behalf of users of credit card payments. BreEZe interfaces with third party payment processors which provide DCA the ability to accept electronic payments while meeting compliance with Payment Card Industry Security Standards. This request also incorporates funding for four programs not currently on BreEZe that have implemented an interim online payment solution in advance of their business modernization efforts.

Background on Business Modernization Cohort 1. The 16 boards and bureaus not currently on the BreEZe system are proceeding individually through a structured business modernization initiative to identify and implement business and technology improvements. In January 2020, three boards and one bureau completed the PAL process and began project implementation activities. These boards and bureaus include the Board for Professional Engineers, Land Surveyors, and Geologists (BPELSG), the Bureau for Private Postsecondary Education (BPPE), the California Acupuncture Board (CAB), and the Board of Chiropractic Examiners (BCE). Collectively, they are known as Business Modernization Cohort 1.

The 2021 Budget Act provided $1.8 million one-time for Cohort 1 maintenance activities associated with software licensing, project management, maintenance, credit card services, technical knowledge transfer and 3.5 existing positions.

The Governor requests $1.7 million in 2022-23 to fund software licensing, project management, maintenance, credit card services, technical knowledge transfer, and three existing positions.
Below is a summary table of the request, broken down by board or bureau:

Acupuncture Board	$272,000
Board of Chiropractic Examiners	$113,000
Bureau for Private Postsecondary Education	$263,000
Board for Professional Engineers, Land Surveyors, and Geologists	$694,000

DCA Admin - Distributed (Office of Information Services) *Costs included in the above boards/bureau authority*	$511,000
Total	$1,342,000

For each board or bureau, the project has already delivered functionality to production that includes online application submissions, back office streamlined workflows, online consumer complaint submissions, and real-time application status updates with the applicant via email and text messages. To date, the project is within its baseline budget and will complete its project phase in Spring 2022.

With upgrading current systems to allow for a more substantial online presence, the Department and some of its boards and bureaus are integrating functionality to allow applicants and licensees to pay fees using credit card payments. Cohort 1 is funding credit card processing fees on behalf of users of credit card payments.

The budget proposal also includes $353,000 in funding for payment of credit card processing fees on behalf of users of credit card payments. The requested amounts assume that 80 percent of all estimated revenue will be collected via online payments and assumes an average convenience fee of two percent per transaction in the second year of the project's implementation.

Legislative Analyst's Office Comments. The LAO does not have concerns with the above proposals. However, the special funds that would support the proposals each have a structural imbalance and are projected to become insolvent within the next three years. Specifically:

- ***State Board of Chiropractic Examiners Fund.*** The Governor proposes $181,000 onetime to support various costs associated with the Business Modernization IT project for the Board of Chiropractic Examiners, including funds for software licensing and project management.

- ***Board of Podiatric Medicine Fund.*** The Governor proposes $40,000 ongoing to support maintenance and operation costs of the BreEZe IT system for the Podiatric Medical Board.

- ***Private Postsecondary Education Administration Fund.*** The Governor proposes $1.5 million ongoing to provide permanent support for the operations of the Office of Student Assistance and Relief and the Student Tuition Recovery Fund Unit. The Governor also proposes $921,000 onetime for various costs associated with the Business Modernization IT project for the Bureau for Private Postsecondary Education, including funds for software licensing and project management.

- ***Respiratory Care Fund.*** The Governor proposes $120,000 ongoing to support maintenance and operations costs of the BreEZe IT system for the Respiratory Care Board.

- ***Electronics and Appliance Repair Fund.*** The Governor proposes $130,000 in 2022-23 and $122,000 ongoing to implement Chapter 452 of 2021 (AB 1221, Flora) that expanded the definition of services covered under the regulatory purview of the Bureau of Household Goods and Services.

- ***Contingent Fund of the Medical Board.*** The Governor proposes $1.9 million ongoing to support maintenance and operation costs of the BreEZe IT system for the Medical Board of California. The Governor also proposes $603,000 in 2022-23 and $377,000 in 2023-24 and ongoing to review applications and respond to applicants and consumers as part of the board's implementation of Chapter 649 of 2021 (SB 806, Roth), which changed the training and licensing requirements for medical doctors.

- ***Occupational Therapy Fund.*** The Governor proposes $112,000 ongoing to support maintenance and operation costs of the BreEZe IT system for the California Board of Occupational Therapy

Moreover, the Administration reports that the fees that support these funds are at the maximum level authorized in statute. The figure below shows the administration's projected year-end fund balance for each fund from 2021-22 through 2024-25—assuming the level of expenditures proposed in the Governor's budget and no changes impacting the amount of revenue going into each fund. As the figure shows, the Administration forecasts that three of the funds will become insolvent in 2023-24 and the other five will become insolvent in 2024-25.

Fee-Supported Business Regulation Funds With Structural Imbalances and Proposed Expenditure Increases

(In Thousands)

		Projected End-of-Year Fund Balance			
Administering Entity	**Fund**	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Department of Real Estate	Real Estate Fund	$25,281	$1,398	$2,721	-$8,165
Board of Chiropractic Examiners	State Board of Chiropractice Examiners Fund	1,714	976	84	-951
Podiatric Medical Board of California	Board of Podiatric Medicine Fund	423	326	18	-19
Bureau for Private Postsecondary Education	Private Postsecondary Education Administration Fund	7,321	1,975	-16,066	-22,615
Respiratory Care Board	Respiratory Care Fund	944	561	53	-576
Bureau of Household Goods and Services	Electronics and Appliance Repair Fund	1,853	999	48	-1,003
Medical Board of California	Contingent Fund of the Medical Board	10,582[a]	75	-30,904	-45,801
California Board of Occupational Therapy	Occupational Therapy Fund	798	283	-336	-1,058

[a] The 2021-22 ending fund balance assumes the administration makes a loan to the fund of $18 million in order to maintain solvency of the account.

According to the Administration, it will seek to increase the fees for (1) the Board of Chiropractic Examiners Fund, (2) the Private Postsecondary Education Fund, and (3) the Contingent Fund of the Medical Board this year through the legislative policy process. While increasing fees through the policy process is a common practice, the Administration's approach could result in increased expenditures being approved from the funds without fee revenue being correspondingly increased to support the expenditures. This would occur if the Governor's proposals to increase expenditures were approved through the budget process and the necessary fee increases were not approved in the policy process.

To the extent that the Legislature approves the Governor's expenditure proposals, the LAO recommends adopting provisional budget bill language to ensure that there is sufficient revenue in the respective funds to support the additional expenditures. Specifically, for each approved expenditure, the LAO recommends specifying that the associated funding is only available for expenditure if legislation is enacted in the current legislative session to increase fees at a level to fully support the expenditure.

Staff Recommendation. Hold Open.

1703 California Privacy Protection Agency

Proposition 24, the California Privacy Rights Act of 2020, was approved by California voters on November 3, 2020, creating the California Privacy Protection Agency. The Agency is vested with administrative power, authority, and jurisdiction to implement and enforce the California Consumer Privacy Act of 2018, which is aimed at protecting Californians' personal information and the promotion of public awareness and understanding of the risks, rules, and rights related to the collection, use, sale, and disclosure of personal information, including the rights of minors.

The Agency is governed by a five-member board, including the chairperson. The chairperson and one member of the board are appointed by the Governor. The Attorney General, the Senate Rules Committee, and the Speaker of the Assembly each appoint one member. These appointments must be made from among Californians with expertise in the areas of privacy, technology, and consumer rights.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
1600	Administration of the California Privacy Protection Act	-	-	34.0	$4,043	$10,000	$10,000
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**-**	**-**	**34.0**	**$4,043**	**$10,000**	**$10,000**

FUNDING		**2020-21***	**2021-22***	**2022-23***
0001	General Fund	$4,043	$10,000	$10,000
TOTALS, EXPENDITURES, ALL FUNDS		**$4,043**	**$10,000**	**$10,000**

Issue 38: Consumer Privacy Implementation and Enforcement

Request. The California Privacy Protection Agency (CPPA) requests 34 positions in fiscal year 2022-23 and ongoing to provide the initial staff resources to allow the Agency to start up and fulfill its immediate statutory responsibilities.

Background. In November of 2020, voters approved Proposition 24, the California Privacy Rights Act of 2020 (CPRA), which provides consumers various rights to limit and control businesses' collection and sharing of personal information and imposes on businesses various disclosure, security, and other responsibilities. For example, the law grants consumers rights to opt out from certain business uses of personal information, to delete or correct personal information held by businesses, to correct inaccuracies in or delete personal information held by businesses, and limit businesses' use of "sensitive personal information" such as precise geolocation, race, ethnicity, and health information. The CPRA affects all California consumers and a wide swath of California businesses: it applies to any business that has $25 million in gross revenues, or sells or shares the personal information of 100,000 or more California consumers, or derives 50 percent or more of its annual revenue from selling or sharing consumers' personal information.

The Agency's responsibilities include (but are not limited to) engaging in rulemaking, investigating violations, assessing penalties, cooperating with other jurisdictions, and promoting public awareness including providing guidance to consumers and businesses on complex matters relating to online privacy, cybersecurity, and automated decision making. The Agency and the Office of the Attorney General will share enforcement powers.

The Agency's Board was appointed in March 2021. CPRA appropriated $5 million for 2020-21 and $10 million per fiscal year thereafter, for expenditure to support the operations of the CPPA. The Agency established an Architectural Revolving Fund account from the initial $5 million appropriation in 2020-21 with the expectation that it will explore physical offices at the conclusion of the COVID-19 Pandemic. The Agency also entered into, or is in the process of entering into, Interagency Agreements (IAAs) with the Department of General Services (DGS) and the Department of Consumer Affairs (DCA) for human resources, finance and budget, and information technology services. The Business, Consumer Services, and Housing Agency (BSCH) has also provided extensive support. In September 2021, The California Office of the Attorney General (OAG) began to provide legal services and some limited administrative services on a fee-for-service basis. The Administration notes that these are short-term solutions, and insufficient to meet the Agency's ongoing responsibilities.

As directed by the CPRA, the Board hired an Executive Director in October 2021. The agency currently has two employees in addition to the Executive Director, a Deputy Director of Administration who was hired December 2021 and a retired annuitant serving half-time as an Attorney IV.

CPPA requires position authority to hire permanent staff to establish its administrative functions and fulfill its statutory obligations. Its first rulemaking package is due on July 1, 2022, with enforcement to follow in July 1, 2023. The CPRA directs the Agency immediately to begin rulemaking on more than twenty complex topics, involving, inter alia, consumer opt-out preference signals, the treatment of consumer personal information and sensitive personal information, cybersecurity auditing, geolocation, and automated decision-making.

The Administration requests the following 34 positions in six divisions (Executive Function, Legal Division, Enforcement Division, Policy/ Legislative Affairs Division, Public Affairs Division, and the Administrative Division) as follows:

1. One Executive Director
2. One Office Technician
3. Four Staff Services Manager I
4. Three Staff Services Manager II
5. Nine Associate Governmental Program Analysts
6. One Information Officer II
7. One Attorney I
8. One Attorney IV
9. Two Attorney III
10. One Assistant Chief Counsel
11. Three Career Executive Assignment A

12. Five Career Executive Assignment B
13. Two Career Executive Assignment C

The Administration notes that these positions, including salaries, wages and benefits, would cost $5.6 million. Additionally, the operating expenses and equipment for the Agency is $408,000. Agency notes that the remaining funds not spent on personal services will be used to establish contracts as necessary to start up administrative functions, including implementation of regulations by July 1, 2022 and enforcement regulations beginning July 1, 2023. Staff notes that the Administration may be submitting additional requests for the establishment of the Agency.

Staff Recommendation. Hold Open.

2320 DEPARTMENT OF REAL ESTATE

The mission of the Department of Real Estate is to safeguard and promote the public interests in real estate matters through licensure, regulation, education, and enforcement.

Effective July 1, 2018, the California Bureau of Real Estate, under the Department of Consumer Affairs, became the Department of Real Estate, pursuant to Chapter 828, Statutes of 2017 (SB 173).

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
1700	Department of Real Estate	346.9	376.7	381.7	$51,167	$57,586	$58,408
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**346.9**	**376.7**	**381.7**	**$51,167**	**$57,586**	**$58,408**

FUNDING		2020-21*	2021-22*	2022-23*
0317	Real Estate Fund	$50,950	$56,951	$57,773
0995	Reimbursements	17	435	435
3295	Education and Research Account	200	200	200
TOTALS, EXPENDITURES, ALL FUNDS		**$51,167**	**$57,586**	**$58,408**

Issue 39: Various Proposals

Requests. The mission of the Department of Real Estate is to safeguard and promote the public interests in real estate matters through licensure, regulation, education, and enforcement. Effective July 1, 2018, the California Bureau of Real Estate, under the Department of Consumer Affairs, became the Department of Real Estate, pursuant to Chapter 828, Statutes of 2017 (SB 173).

The Department of Real Estate requests the following:

- **Information Technology Security:** $370,000 in 2022-23 and $354,000 in 2023-24 ongoing, from the Real Estate Fund, and two Information Technology Specialist II's to meet State of California mandated information technology security regulations and processes and to support DRE's Information Technology and Security Programs, providing compliance with statewide policies.

- **Internal Audit Workload:** $176,000 in 2022-2023, and $168,000 in 2023-2024 ongoing, from the Real Estate Fund, and one Senior Management Auditor in the newly formed Internal Audit Unit within the DRE's Audit Program.

- **Real estate applicants and licensees: education requirements:** $216,000 in 2022-23, and $200,000 in 2023-24 and ongoing, from the Real Estate Fund, and one Associate Governmental Program Analyst, and one Office Technician to meet the requirements of SB 263 (Rubio), Chapter 361, Statutes of 2021.

Background on IT Security. DRE's Information Security Office (ISO) consists of one full time staff managing and implementing the ISO program. The Information Security Officer has a full workload managing, implementing, measuring, and overseeing the program, which includes but is not limited to awareness training, drafting security policies, procedures and standards, reviewing access levels, reporting vulnerabilities, identifying, tracking and reporting risks, and performing required compliance and reporting activities.

A 2019 Independent Security Assessment performed by the California Military Department as well as an internal assessment conducted by DRE identified various IT security risks, deficiencies and areas of to improve privacy compliance at the DRE. The redirection of staff from other sections has already been explored and utilized. DRE notes that they cannot afford to transfer additional staff from other sections to the Information Security Office on a permanent basis because the workload in those programs would become backlogged, resulting in delays, and additional complaints to DRE, BCSH, and the Legislature. DRE requests additional two positions and funding ongoing to address IT security at the department.

Background on Internal Audit Workload. An Internal Audit Unit (IAU) was formed in July 2020 within DRE's existing Audit program, which performs external audits of real estate licensees. The purpose of the newly created IAU was to provide independent and objective guidance to mitigate risk and improve the operations of the Department. The IAU is responsible for performing internal audits, special management reviews, employee investigations, and other special requests by Executive Management. The IAU was started with existing resources from the Audit program. Currently, DRE has 1.5 positions dedicated to internal audits. Unfortunately, this leaves the department in a vulnerable position where it lacks the ability to conduct proactive audits initiated by Executive Management or those audits necessary in response to compliance reports received from other state entities and control agencies.

DRE relies on Executive Management to establish and maintain the internal controls with each of their program areas. Adequately staffing the IAU will assist Executive Management decision making by providing objective audits on DRE operations in a timely manner. With one additional position, the IAU will be able to address the internal audit workload demands and be able to assist Executive Management in establishing and maintaining internal controls. Audits and evaluations with meaningful action plans will be developed.

Background on Real Estate Applicants and Licenses. Existing law requires any person who wishes to engage in the real estate business must be licensed by the DRE. Additionally, the existing law specifies that real estate salesperson or broker applicant must successfully complete various college level courses. The broker and salesperson licenses are issued for a four-year period, and existing law outlines the renewal process, including the requirement to complete continuing education, as specified.

SB 263 (Rubio), Chapter 361, Statutes of 2021 provides that the statutorily required pre-license Real Estate Practice course must include a component on the topic of implicit bias. Additionally, SB 263 requires that the statutorily required prelicense Legal Aspects of Real Estate course include a component on state and federal fair housing laws as they apply to the practice of real estate. SB 263 also makes changes to the continuing education course requirements for salespersons and brokers, and establishes a two-hour continuing education course in implicit bias training.

DRE's Education Section is responsible for processing, reviewing, and approving all pre-license and continuing education course applications in which these courses are used to qualify for California real estate salesperson or broker examinations and license renewal requirements. DRE will need to review and approve course modifications and new courses associated with the implementation of SB 263, and be updated before January 1, 2023.

The request for one Associate Governmental Program Analyst (AGPA) position and one Office Technician (General) (OT) position is based on the high volume of additional work provided for in SB 263. Specifically, the AGPA will assist in establishing new course guidelines, inform providers and licensees of the new requirements, draft correspondence to colleges and universities, assist in revising policies and procedures, conduct course reviews for approval, overseeing the audit program, among others. The OT will complete intake duties, prepare course applications to have funds processed, enter information onto the DRE database, preparing and mailing certificates, among other duties.

Staff Comments. The LAO does not have concerns about the proposals. However, these proposals request ongoing support, and the Real Estate Fund is projected to be insolvent in 2024-25**.** According to the Administration, fees are at the statutory maximum and were last increased in 2009. The Administration notes that DRE is in the final stages of contracting out for a fee study to assess whether fee changes are necessary. DRE anticipates that the fee study will be completed sometime in August 2022. DRE will not pursue a fee increase this year, and will implement any necessary fee increases in future years.

Staff Recommendation. Hold Open.

7502 DEPARTMENT OF TECHNOLOGY

The Department of Technology (CDT) is the central information technology (IT) organization for the State of California. CDT is responsible for the approval and oversight of statewide IT projects, statewide IT professional development, and provides centralized IT services to state and local governments, as well as non-governmental entities. CDT promulgates statewide IT security policies and procedures, and has responsibility over telecommunication and IT procurement.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
6230	Department of Technology	790.3	887.0	1,017.6	$446,703	$3,774,429	$508,432
9900100	Administration	109.7	135.5	4.9	16,422	23,427	550
9900200	Administration - Distributed	-	-	-	-16,422	-23,427	-550
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**900.0**	**1,022.5**	**1,022.5**	**$446,703**	**$3,774,429**	**$508,432**

FUNDING		**2020-21***	**2021-22***	**2022-23***
0001	General Fund	$6,916	$68,794	$95,976
0995	Reimbursements	-	10	10
8506	Coronavirus Fiscal Recovery Fund of 2021	-	3,250,000	-
9730	Technology Services Revolving Fund	436,306	451,653	408,242
9740	Central Service Cost Recovery Fund	3,481	3,972	4,204
TOTALS, EXPENDITURES, ALL FUNDS		**$446,703**	**$3,774,429**	**$508,432**

Issue 40: OTech Decrease in Services and Statewide Centralized Services General Fund Request

Request. CDT requests a conversion of $41.1 million from Technology Services Revolving Fund (TSRF) to the General Fund from 2022-23 through 2024-25 to support critical Statewide Services, Mandatory/Oversight Services, and CDT Internal Indirect and Administrative costs. Additionally, CDT requests a three-year augmentation of $3 million for the Statewide Strategic Initiatives positions.

CDT also requests $10.5 million in General Fund for three years beginning in 2022-23 through 2024-25 to supplement loss of revenue due to customers moving operations to cloud-based services. Over the three-year period, CDT will re-evaluate its State Data Center rates and services and then shift the requested funding back to cost recovery thereafter.

Background. CDT is the Administration's main IT entity with broad authority over most aspects of technology in state government. CDT is organized into several offices, including the Office of Technology Services (OTech). About 80 percent of CDT's proposed 2022-23 budget is funded through cost recovery—that is, billing for IT services it provides to state entities (and others) and using revenues from those services to cover most of its expenditures.

OTech provides IT services to state entities (and others) primarily through its State Data Center. OTech (and others) also manage statewide contracts for vendor-hosted subscription services (VHSS), IT services provided and primarily supported by private vendors, not CDT—to offer services to entities at a lower cost than they might be able to negotiate with vendors as individual entities. State entities, however, may enter into separate contracts with private vendors for IT services—even at a higher cost—because state entities generally are not required to use CDT's IT services.

CDT sets State Data Center IT service rates to recover the cost of services, both direct (such as hardware and software) and indirect (such as internal CDT administration). To calculate these rates, CDT generally divides the direct and indirect costs of a service by its projected demand. As the projected costs of and demand for services change, CDT re-calculates its service rates and submits them annually to the Department of Finance (DOF) for approval.

The Technology Services Revolving Fund (TSRF) is CDT's primary cost recovery fund. Revenues from the department's State Data Center IT services are deposited into the fund, and expenditures on direct and indirect service costs are made from the fund. As a cost recovery fund, the TSRF does not maintain a balance from one fiscal year to the next like, for example, a special revenue fund. Accordingly, there is no fund balance to provide a cushion for increased expenditures or revenue losses. CDT requests its expenditure authority from the fund through the budget process. CDT estimates its expenditure authority primarily based on projected demand for its services at the rates approved by DOF. If demand for services is higher than anticipated, CDT can request further expenditure authority from DOF through recurring provisional budget bill language. If demand for services is lower than anticipated, however, CDT absorbs the associated revenue losses until its service rates can be increased to account for lower demand or its service costs can be reduced.

Governor's Budget Proposals. The Governor's budget proposes $54.6 million General Fund each year for three fiscal years, starting in 2022-23, as follows:

- $41.1 million in expenditures and 205 positions shift from TSRF to General Fund to reduce State Data Center rates by an estimated 10 percent. CDT also requests an additional $3.1 million General Fund for external consulting costs and internal positions to work on statewide strategic initiatives, such as the development of a statewide IT Strategic Plan.

- $10.5 million General Fund to cover the short-term net revenue losses from state entities, such as the Department of Child Support Services and the Department of Motor Vehicles, migrating some of their business applications and IT services off the State Data Center and onto service offerings from private vendors.

CDT proposes that, over the next three fiscal years, it will undertake a "rate re-revaluation process" to assess (among other considerations) its current rate development processes and State Data Center service offerings. The Administration's intent for this re-evaluation is to make CDT's cost recovery model more sustainable to, for example, avoid additional short-term net revenue losses. Once a revamped cost recovery model and associated rate structure is in place, the administration would revert the expenditures and positions funded by General Fund in these proposals to cost recovery (in 2025-26).

Legislative Analyst's Office Comments. One of CDT's main responsibilities is to provide IT services to state entities. These proposals, however, raise questions about CDT's business model for providing IT services. This is because the proposals seek to address not only revenue losses, but also a declining customer base for CDT's State Data Center IT services. The chart below is a sample comparison provided by CDT of State Data Center and private vendor rates for three IT services. This comparison appears to suggest that at least some of CDT's State Data Center rates are not competitively priced. CDT acknowledges that some State Data Center services cannot be provided at comparable or lower rates than private vendors *even if rates are reduced to cover only direct costs*. In other words, despite the 10 percent reduction in fees, the department's proposal to temporarily cover some of its indirect administrative costs outside of the rate structure would not make some of the IT services it provides competitively priced.

Service[a]	CDT	Amazon	Microsoft	Google	IBM
Storage (per GB, per month)	\$0.26[b]	\$0.03	\$0.02	\$0.02	\$0.02
Windows Virtual Private Server (per month)[c]	514.24	181.58	154.08	248.40	253.44
Linux Virtual Private Server (per month)[c]	540.40	185.76	185.76	159.12	181.44

[a]Features, levels of service, and other service options not available for comparison.

[b] Lowest end of the range, but can be as high as \$1.38 per GB per month.

[c] Rates based on comparable virtual private server configurations.

CDT = California Department of Technology; IBM = International Business Machines Corporation; and GB = gigabyte.

Moreover, the lack of information available for state entities to make direct comparisons between private vendor rates and State Data Center rates makes state entities' decisions about the provision of IT services more difficult. The inability of state entities to directly compare the benefits and costs of private vendor and State Data Center IT services and the much higher State Data Center rates for at least some IT services suggest that additional work is needed not only to re-evaluate rates, but also to re-evaluate the department's business model for providing IT services.

The proposals as currently presented to the Legislature are missing key information about the anticipated rate re-evaluation process. For example, the proposals do not provide any details on the methodology for evaluating State Data Center IT services to reduce rates or on the time line for the process. Based on anecdotal information, some services may be eliminated, added or shifted. Some services may also be shifted from cost recovery fund to the General Fund. These results of the rate evaluation process suggest the need for a more active role for the Legislature in its oversight of the process.

The BCP requests funding based on forecasted revenues from and expenditures on the Data Center. However, CDT notes that they cannot accurately forecast either its revenues from or expenditures on services over a three-year period because demand can change significantly year over year. By approving the BCP over three years, the Legislature would limit its ability to conduct oversight and make appropriate adjustments based on changing fiscal conditions of the TSRF.

Multiyear funding of these proposals also would limit legislative involvement in the rate re-evaluation process. The Administration notes that they will provide updates at their quarterly legislative briefings, however LAO notes that these briefings will cover a wide range of topics and are unlikely to provide the Legislature with the requisite information and time to learn about and be involved in the rate re-evaluation process. Requests for funding on an annual basis would allow the Legislature to decide whether the administration's progress on the rate re-evaluation process warrants additional legislative involvement and/or oversight.

The LAO recommends approving only one year of funding for both proposals to ensure legislative oversight continues through the annual budget process. Annual funding for these proposals also would allow CDT to better forecast additional net revenue losses. Budget-year funding to shift some internal administrative costs to the General Fund also would allow the Legislature to evaluate whether the anticipated reduction in State Data Center rates changes state entities' demand for IT services from CDT.

The LAO also recommends establishing trailer bill language to allow for more Legislative direction and oversight of the rate re-evaluation process. Specifically, the trailer bill should at a minimum include at least objectives for the rate evaluation process, outcome metrics for the process, and an evaluation of the CDT's current business model for providing IT services.

Staff Recommendation. Hold Open.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

DGS, as an enterprise organization under the Government Operations Agency, provides centralized services to state agencies in the areas of: management of state-owned and leased real estate, including design and construction of state infrastructure projects; approval of architectural designs for local schools and other state-owned building; printing services; procurement of commodities, services, and equipment for state agencies; and management of the state's vehicle fleet. Furthermore, DGS employs practices that support initiatives to reduce energy consumption and help preserve California resources. The Director of DGS serves on several state boards and commissions.

Below is the Governor's budget display of positions and expenditures for DGS. In the 2022-23 fiscal year, the Governor's budget proposes a total of $1.3 billion in expenditures ($117.8 billion from the General Fund) and 4,144.3 positions.

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
6320	Building Regulation Services	369.8	400.8	400.8	$90,002	$102,205	$100,817
6324	Facilities Management Division	1,581.7	1,785.2	1,785.2	526,445	557,442	616,977
6325	Real Estate Services	384.7	391.7	398.7	89,503	100,235	90,417
6330	Statewide Support Services	904.5	1,000.4	1,010.4	542,913	589,474	539,270
6335	Program Overhead Allocations Interagency Support Division and RESD Executive	14.0	10.0	10.0	-	-	-
9900100	Administration	517.3	524.2	539.2	997,752	492,755	99,959
9900200	Administration - Distributed	-	-	-	-78,508	-89,034	-94,307
9900300	Distributed Services	-	-	-	-11,513	-11,513	-13,117
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,772.0**	**4,112.3**	**4,144.3**	**$2,156,594**	**$1,741,564**	**$1,340,016**

Issue 41: Facilities Management Division Deferred Maintenance

Governor's Budget. The Governor's budget $100.7 million General Fund on a one-time basis to address critical elevator and Direct Digital Control deficiencies in buildings owned and operated by DGS.

Background.

Elevator Projects

Industry standards dictate that elevator equipment should be modernized every 20-25 years; however, the actual life cycle can vary depending on the type of equipment installed, its age, the level of usage, and maintenance performed. There are three types of modernization that may be employed depending on the condition of the conveyance system: maintenance, repair, and replacement. Elevator maintenance includes a routine examination, lubrication, cleaning, and adjustment of parts, components, or subsystems for the purpose of ensuring performance in accordance with the applicable code requirements. Elevator repair refers to reconditioning or renewal of parts, components, or subsystems necessary to keep equipment in compliance with applicable code requirements. Replacement means the substitution of a device, component, or subsystem in its entirety, for ensuring performance in accordance with applicable code requirements. For example, a rewound hoist motor is a repair, a new hoist motor with the same characteristics is a replacement, and a new hoist motor with new controls, features or functions is a modernization.

The following chart lists the proposed elevator projects.

Location	Building Name	Age of Elevators	Number of Stories	Number of Cars	Estimated Project Cost
Los Angeles	Junipero Serra Building	24	10	7	$8,190,000
Sacramento	Attorney General Building	27	19	8	$8,184,000
San Francisco	Ronald M. George SOC (Hiram Johnson)	23	14	13	$15,210,000
Totals				**31**	**$31,584,000**

Junipero Serra Building: ($8,190,000) Equipment was installed in 1997 (24 years ago) and includes outdated, uncommon controls that prevent competitively-bid maintenance jobs for this building. These elevators are frequently down and have resulted in at least one injury due to cab misalignment. The requested funding will be used to modernize the existing elevator system.

Attorney General Building: ($8,184,000) Equipment was installed in 1994 (27 years ago). These elevators are now past the end of their useful life and the requested funding will be used for elevator modernization.

Ronald M. George Complex (Hiram Johnson Building): ($15,210,000). Thirteen elevator cars are located within the Hiram Johnson Building. Two of the elevators were originally installed in 1955 and subsequently modernized in 1998 when the remaining fourteen cars were installed; meaning all of the cars and equipment are at least 23 years old. Replacement of the elevator drives and access to technician support is limited due to the age of the equipment. The requested funding will be used for elevator modernization.

<u>Direct Digital Control (DDC)</u>

System Projects Advanced DDC systems (also known as building energy management systems or BEMS) can automate fault detection and diagnostics of newer Fire and Life Safety (FLS) systems to help reduce downtime and operation and maintenance costs, adding to the energy savings from simply optimizing equipment set points and setting timers.

In 2020-21 and 2021-22, FMD received one-time General Fund authority through an approved Budget Change Proposal to repair or replace FLS systems including fire alarm control panels, accessible pull stations, smoke detection systems, and accessible audio-visual announcement devices. Once the FLS projects began in 2020 DGS found that numerous DDC systems that interfaced with the FLS systems were obsolete and in need of upgrade or replacement—as they could no longer fully communicate with the myriad of additional sensor and enunciation devices (e.g. alarms, strobes, etc.) that now interface with the FLS systems. This communication is essential to minimizing the spread of fire and smoke during a fire event. When a sensor is activated, communication is sent to the DDC system to close dampers, reduce or stop certain airflows, or engage the stairwell pressurization system to provide positive air pressure in the exit stairwells that prevents smoke intrusion. The absence of this communication could allow a small fire to spread and/or risk the possibility of the exit stairwells filling with smoke. As smoke inhalation is the major cause of loss of life in a fire event, having a reliable communication path that ensures occupants can be protected from this hazard is essential.

The following chart lists the proposed DDC projects.

Location	Building Name	Square Feet	Cost/ ft²	Estimated Cost
Los Angeles	Junipero Serra	550,000	$15.00	$8,250,000
Los Angeles	Ronald Reagan	850,000	$15.00	$12,750,000
Riverside	Riverside Cal-Tower	162,000	$15.00	$2,430,000
Sacramento	Attorney General Building	560,661	$15.00	$8,409,915
Sacramento	East End Complex	1,492,501	$15.00	$22,387,515
Sacramento	Franchise Tax Board	514,616	$15.00	$7,719,240
San Francisco	Pat Brown (CPUC)	383,503	$15.00	$5,752,545
Santa Rosa	Santa Rosa	97,377	$15.00	$1,460,655
Totals				**$69,159,870**

Staff Recommendation: Hold open.

8260 California Arts Council

The California Arts Council (Council) consists of eleven members, nine appointed by the Governor and one each appointed by the President pro Tempore of the Senate and the Speaker of the Assembly. The Council establishes general policy and approves program allocations.

The Council recognizes that the Arts are essential for the cultural, educational, social and economic development of California. The Council seeks to further its mandates and services to the public through the development of partnerships with the public and private sectors and by providing support to the state's non-profit arts and cultural community, which are broad-based and extended across the state from its largest metropolitan areas to its most rural areas.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
6540	Arts Council	23.4	23.4	24.4	$29,132	$192,719	$68,583
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**23.4**	**23.4**	**24.4**	**$29,132**	**$192,719**	**$68,583**

FUNDING		2020-21*	2021-22*	2022-23*
0001	General Fund	$19,140	$177,587	$56,642
0078	Graphic Design License Plate Account	-	3,680	2,275
0890	Federal Trust Fund	1,992	2,755	1,219
0995	Reimbursements	8,000	8,197	8,197
8085	Keep Arts in Schools Fund	-	500	250
TOTALS, EXPENDITURES, ALL FUNDS		**$29,132**	**$192,719**	**$68,583**

Issue 42: Support for Cultural Districts

Request. The California Arts Council requests $30 million one-time General Fund, to be spent over three years, to support the existing 14 cultural districts and to expand the cultural districts program to serve traditionally underserved communities, represent a cohort that reflects the geographic and racial diversity of the state, and enable the California Arts Council sufficient capacity to provide technical assistance.

Background. AB 189 (Bloom), Chapter 396, Statutes of 2015, directed the Arts Council to create a cultural district program. It defined a state-designated cultural district as a certified geographical area with a concentration of cultural facilities, creative enterprises, or arts venues. AB 189 directed the Arts Council to create a competitive application system for certifying state-designated cultural districts, provide technical and promotional support for these districts, and collaborate with public agencies and private entities to maximize the benefits of these districts.

In 2015-16, the Arts Council began dedicating some of its operating funds to create a cultural district pilot program. In July 2017, the Arts Council designated 14 areas across the state as cultural districts. Starting in 2017-18, the Arts Council awarded each of these districts $5,000 stipends per year for three years as an incentive to participate in the pilot. To date, the Arts Council has spent roughly $300,000 to fund these stipends and has incurred costs related to program support, development, and evaluation.

Cultural District	City
Balboa Park Cultural District	San Diego
Barrio Logan Cultural District	San Diego
The BLVD Cultural District	Lancaster
Calle 24 Latino Cultural District	San Francisco
Rotten City - Emeryville Cultural Arts District	Emeryville
Eureka Cultural Arts District	Eureka
Grass Valley-Nevada City Cultural District	Grass Valley/Nevada City
Little Tokyo	Los Angeles
Oceanside Cultural District	Oceanside
Redding Cultural District	Redding
San Pedro Arts & Cultural District	San Pedro
Downtown San Rafael Arts Districts	San Rafael
SOMA Pilipinas - Filipino Cultural Heritage District	San Francisco
Truckee Cultural District	Truckee

In 2019, the Council contracted with third-party evaluators to review the pilot cohort's first two years. The evaluation suggested 12 recommendations to enhance future program effectiveness: 1) provide significantly greater financial support to the districts; 2) continue current program inputs (designation, stipend, marketing materials, State partner agencies, technical assistance, and peer-to-peer networking) and develop them in ways that will increase their impact; 3) develop a comprehensive technical assistance resource center to support capacity building for cultural districts; 4) develop inter-agency partnerships to support capacity building for cultural districts; 5) do a round of applications in 2020 to select a second cohort of cultural districts but then pause for three years; 6) defer decisions about program expansion beyond the initial two cohorts until the first five years of the program can be assessed; 7) increase program investment through a legislative request or allocation of CAC Program Funds; 8) conduct ongoing and annual evaluation; 9) document economic impact of the districts and the program; 10) increase CAC staffing of the program; 11) revisit and clarify the legislative language in AB 189; and 12) encourage cultural districts to consider applications to other CAC programs.

The evaluation identified an additional seven recommendations specific to equity:

1. Prioritize designation of African American/Black, Native American, and Chinese American cultural districts in the next cohort.
2. Prioritize designation of districts in areas of the state that are underfunded or not directly funded by the CAC.
3. Support the development of applications that promote equity.
4. Build inter-agency partnerships to identify and support diverse districts.
5. Provide technical assistance to communities considering an application and to applicants.
6. Revisit and refine the selection criteria for the program with an equity lens.
7. More strongly make the case for the importance of the state designation.

In 2020, the Governor's January budget proposed $9 million to provide stipends of $100,000 annually for three years for 30 cultural districts (14 existing districts and 16 new districts). However, due to the COVID-19 pandemic, this proposal was withdrawn in the Governor's May Revision.

Under the Governor's budget request of $30 million, the Arts Council notes that it will focus on the establishment of the following, based on the 2019 gap analysis evaluation:

- African American districts, or Black "umbrella" districts that encompass several culturally specific communities within it, who are absent from the current cultural district cohort.
- Districts that represent Chinese American and Native American communities, who are also absent from the current cohort.
- Districts that represent Latinx and Asian American communities, who are underrepresented in the current cultural district cohort.
- Districts in lower-income and rural counties.

In addition, the Arts Council reports that it would seek to achieve the following goals with the funding:

- Identify, support, and connect centers of arts and cultural activity statewide.
- Provide increased access to the arts and culture through the development and preservation of cultural centers statewide.
- Foster increased opportunities for artists, craftsmen, and other small businesses.
- Encourage the retention of local assets and actively work to mitigate displacement of such assets.
- Support improvements to the built environment.
- Contribute to increased public awareness of, and visits to, California's centers of cultural activity.

Staff Comments. The 2019 gap analysis found that half of the 14 cultural districts are located in counties whose residents live above the state's median household income and half are below. However, when comparing the median household income of each zip code where these districts are located (as reported by the United States Census Bureau), and to the poverty level threshold used for Medi-Cal applicants (138 percent of the federal poverty level, which is $35,535 in 2019), 13 out of the 14 cultural districts are located in zip codes where the median household income is above the poverty line. The evaluation notes that some of the cultural districts face challenges with gentrification and displacement of lower-income residents. The chart below is from the subcommittee's 2020 analysis on the Administration's cultural district proposal.

Cultural District	**Zip Code**	**Median Income***	**Poverty Level****
Balboa Park Cultural District	92101	$ 60,417	Above
Barrio Logan Cultural District	92113	$ 33,125	Below
The BLVD Cultural District	93534	$ 37,883	Above
Calle 24 Latino Cultural District	94110	$ 109,747	Above
Rotten City - Emeryville Cultural Arts District	94608	$ 68,352	Above
Eureka Cultural Arts District	95501	$ 40,629	Above
Grass Valley-Nevada City Cultural District	95945/95959	$ 53,609	Above
Little Tokyo	90012	$ 38,786	Above
Oceanside Cultural District	92054	$ 56,170	Above
Redding Cultural District	96001	$ 48,125	Above
San Pedro Arts & Cultural District	90731	$ 49,464	Above
Downtown San Rafael Arts Districts	94901	$ 85,889	Above
SOMA Pilipinas - Filipino Cultural Heritage District	94103	$ 49,052	Above
Truckee Cultural District	96161	$ 89,091	Above

* As reported by the U.S. Census.
** Poverty level is defined at $35,535.

Above	13
Below	1

Additionally, the evaluation notes that "the cultural districts are not often located in regions of the state that are underserved by the Arts Council, especially the northeastern, southeastern, and Central Valley counties of the state."

Legislative Analyst's Office Comments. ***Key Details Lacking.*** While the Governor's proposal is potentially promising in that it seeks to address some of the findings from the evaluation of the pilot, it is not possible to fully evaluate the proposal as key details are currently lacking. Specifically, the Arts Council has not provided information that would allow the following questions to be answered:

- How would funds be allocated between existing and new cultural districts?
- What would be the allowable uses of the funds?
- What criteria would be used to award grants?
- How will the goals and outcomes sought by the Arts Council be measured?

The Arts Council has indicated that more details on the proposal will be provided by this spring. Without such details, it is not possible to determine the extent to which the proposed funding would effectively address concerns about the lack of diversity of cultural districts and the extent to which the planned uses of the funds are appropriate for one-time funding. Accordingly, the LAO recommends that the Legislature withhold action on the Governor's proposal until the Arts Council is able to provide sufficient details about how the program would be implemented.

Staff Recommendation. Hold Open.

8940 MILITARY DEPARTMENT

The Military Department is responsible for the command, leadership and management of the California National Guard, Youth and Community Programs, State Guard and the Naval Militia. The California Military Department, under proper authority, organizes, resources, and trains forces with unique capabilities to serve the community, state, and nation. The purpose of the California National Guard is to provide mission ready forces to the federal government as directed by the President, emergency public safety support to civil authorities as directed by the Governor, and support to our member's families and to the community. With an authorized strength of approximately 19,000, the Army National Guard and Air National Guard are organized, manned, and funded in accordance with federal Departments of the Army and Air Force regulatory guidance.

The Military Department Youth and Community Program serves California communities and families by delivering national level, high quality educational support programs, in partnership with the educational community, within a military, academic structured environment.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
6911	National Guard	572.8	614.8	644.8	$198,824	$181,751	$237,362
6912	Youth & Community Programs	117.0	201.0	309.0	36,674	40,571	40,820
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**689.8**	**815.8**	**953.8**	**$235,498**	**$222,322**	**$278,182**

FUNDING		**2020-21***	**2021-22***	**2022-23***
0001	General Fund	$75,318	$89,265	$144,513
0485	Armory Discretionary Improvement Account	-	136	136
0890	Federal Trust Fund	118,854	123,076	123,622
0995	Reimbursements	40,373	7,564	7,602
3085	Mental Health Services Fund	934	1,531	1,559
8078	California Military Department Support Fund	19	250	250
8504	Military Department Workers' Compensation fund	-	500	500
TOTALS, EXPENDITURES, ALL FUNDS		**$235,498**	**$222,322**	**$278,182**

Issue 43: Drug Interdiction Efforts

Request. The Military Department requests $20 million one-time General Fund in 2022-23 to expand the Military Department's existing drug interdiction efforts supporting law enforcement agencies within the four High Intensity Drug Trafficking Areas (HIDTA) in California. This will amplify the CMD's focus on drug-trafficking transnational criminal organizations (TCO) throughout the State. It is expected that 100 service members will be deployed for drug interdiction efforts to assist various Law Enforcement Agencies (LEAs).

Background. The Counterdrug Task Force is a federally funded, Title 32 program that has been part of California National Guard's (CNG) mission since 1986. This program, which currently receives $27 million annually in federal funds, provides support to local law enforcement agencies in areas known to have high levels of drug trafficking. The Administration indicates that requests for assistance from local law enforcement have far exceeded CMD's level of ongoing funding. Accordingly, the proposal would allow CMD to fulfill in 2022-23 more of the requests it receives from local law enforcement.

The CMD proposes to use the existing California National Guard (CNG) model to support law enforcement agencies as they target the illegal smuggling and distribution of fentanyl and other illegal drugs. The 100 service members will be managed by the CNG's current Counterdrug Task Force and be employed to support LEAs at the four HIDTA sites located in San Diego, Los Angeles, Central Valley (Sacramento) and Northern California (San Francisco). The Counterdrug Task Force processes requests from LEAs and responds using available resources.

The $20 million is expected to be expended in the following areas to enhance the existing Counterdrug Task Force:

- $17.1 million for service member salaries and benefits (including $1.5 million for per diem costs).
- $600,000 for vehicles and fuel.
- $2.3 million for other items of expense (travel, equipment, lodging, communications, etc.).

The existing Counterdrug Task Force model will be used to determine the proper allocation of the state resources for various drug interdiction efforts supporting LEAs throughout the four HIDTA. Enhancing the existing interdiction model with additional one-time state funding will likely lead to additional drug seizures.

In addition to the Counterdrug Task Force, the CMD has managed Task Force Vigilance which operated as a Title 32, federally funded, state-controlled task force from 2018 until 2020. Pursuant to the Governor's General Order #2019-01, Task Force Vigilance included 100 service members employed to assist LEAs in detecting and intercepting transnational crime and drugs coming into California from Mexico. During its two-year duration, Task Force Vigilance Task Force Vigilance assisted in the seizure of:

- $18.4 million in Fentanyl

- $9.7 million in Heroin
- $89.6 million in Methamphetamines
- $52.1 million in Cocaine
- $690 million in Marijuana
- 411 liters in Pesticides

Legislative Analyst's Office Comments. The Governor's proposal seeks additional resources to reduce opioid overdoses, as well as crimes and violence related to the smuggling and distribution of illegal drugs, by increasing CMD's capacity to respond to local law enforcement requests for support. However, according to the Administration, the vast majority of local law enforcement requests tend to involve targeting illegal cannabis cultivation and trafficking rather than illegal drugs linked to overdose deaths. Accordingly, as currently structured, the proposal is likely to have little effect on overdose deaths. Addressing illegal cannabis cultivation and trafficking is a reasonable statewide goal. However, if the state is interested in reducing overdose deaths, this proposal would likely not be an effective way to do so.

Staff Recommendation. Hold Open.

Issue 44: Enhancing and Expanding Fire Crews: Task Force Rattlesnake

Request. The California Military Department requests 15 State Active Duty positions and $39.9 million General Fund in 2022-23, and $41.3 million General Fund annually thereafter, to convert 13 Type I hand crews currently operating on temporary COVID-19 Federal Emergency Management Agency funding and seasonal reimbursement contracts with the California Department of Forestry and Fire Protection (CAL FIRE) into 14 Type I, year-round hand crews that conduct vegetation management, hazardous fuel reduction projects, and wildland fire suppression.

Background. CMD maintains a reciprocal cooperative agreement with the foresting agencies that defines the force packaging and procedures for CMD activations to a wildland fire. Before 2019, CMD would be called on to fill emergency resource gaps in the response phase only. CMD would mobilize the resource to fulfill the emergency requirement and then be released.

In 2019, CAL FIRE partnered with CMD to develop full-time year-round concept for hand crews, forming Joint Task Force Rattlesnake. Joint Task Force Rattlesnake originally consisted of five hand crews, formed by the Governor's General Order 2019-01, Executive Order N-05-19, to assist in the prevention of wildfires in the State of California and assist with the completion of 35 priority fuel reduction projects.

The Budget Act of 2020 provided CAL FIRE funding to support 10 CMD crews to operate for six months out of every year through an inter-agency agreement. This $4 million was designed to give CAL FIRE fuels mitigation assistance and temporary help Fire Captain and Firefighter positions to supervise and support those crews. Additionally, in April 2020, Joint Task Force Rattlesnake was augmented with FEMA Federal Mission Assignment (MA) funding to conduct its fuel reduction and fire suppression operations. These actions allowed CMD to temporarily expand to 13 CMD hand crews statewide. The current MA authorizing Title 32 forces is set to expire on

April 1, 2022. When the MA expires, CAL FIRE is left with permanent funding that will only support 10 crews for six months out of the year.

The CMD requests $39.9 million General Fund in 2022-23 and $41.3 million General Fund annually thereafter, to convert 13 Type I hand crews currently operating on temporary COVID-19 FEMA funding and seasonal reimbursement contracts with CAL FIRE into 14 Type I, year-round hand crews that conduct vegetation management, hazardous fuel reduction projects, and wildland fire suppression.

CMD also requests 15 permanent positions to support command and control administration functions of the task force: Task Force Commander (one position), Task Force Senior Enlisted Advisor (one position), Executive Officer (one position), Operations Section (five positions), Logistics Section (two positions), and Administration and Finance Section (five positions).

There are two components to the CMD crew staffing, the administrative support cell that consists of 15 personnel, and 308 service members and officers that staff the 14 crews. The minimum daily staffing per crew will be 13 service members and one Fire Captain (FC) and Fire Apparatus Engineer (FAE) from CAL FIRE.

Legislative Analyst's Office Comments. The proposed CMD hand crews (and associated support staff, as relevant) would provide a significant increase in the resources available to assist in responding to active wildfires, as well as conducting hazardous fuel removal projects at other times. The LAO expects that such an expansion would provide important value to the state. However, the additional CalFire staffing proposal (heard in Senate Budget Subcommittee No. 2) is anticipated to be required to oversee the proposed changes to the CMD crews. According to the Administration, this additional staffing is included in the staffing and operational enhancements proposal. Given this, it will be important for the Legislature to consider the proposals together. Therefore, the LAO recommends withholding action on the CMD proposal so that they may be considered together.

Staff Recommendation. Hold Open.

9201 LOCAL GOVERNMENT FINANCING

Issue 45: Insufficient Educational Revenue Augmentation Fund (ERAF) Backfills

Governor's Budget. The Governor's budget includes $96.2 million General Fund to reimburse San Mateo County and Alpine County for Vehicle License Fee (VLF) insufficiencies in 2020-21 driven by insufficient Educational Revenue Augmentation Fund (ERAF) revenues.

In addition, statutory amendments are proposed to provide a continuous appropriation and a process to claim funding for VLF insufficiencies driven by insufficient ERAF revenues in future years. Trailer bill language would also specify that excess ERAF within the county would be first applied to the VLF insufficiency, with General Fund backfilling the remainder.

Background.
The Motor Vehicle License Fee (VLF) is a tax on ownership of a registered vehicle. All revenue from vehicle license fees is distributed to counties and cities and used for general purposes and some specific, required health and human services-related purposes. In the mid 1990's the state lowered the VLF rate and reimbursed counties and cities for the reduced VLF revenue with state General Fund, known as the "VLF Backfill".

Also in response to a severe budget deficit in the 1990's, the state met its legal obligation to fund schools by diverting specified amounts of local property taxes into an "Education Revenue Augmentation Fund" or ERAF in each county. ERAF funds are then transferred to local K-14 school entities. Some school districts, known as "Basic Aid School Districts" do not receive any ERAF allocations as local property taxes for K-14 education, already cover the level of funding provided for K-14 education, therefore the school district was not receiving state General Fund that could be offset by ERAF.

In 2004, a new mechanism for backfilling the VLF was created and a portion of property taxes from schools (through ERAF or other K-14 property taxes if ERAF was insufficient) was provided to counties and cities to replace the VLF Backfill, known as the "VLF swap". Prior to 2004, the amount counties and cities received was based on their populations. Today, counties and cities' VLF swap amounts increase annually based on growth in the assessed value of property within their boundaries. After the adoption of the VLF swap, statewide growth in assessed valuation—and, as a result, VLF swap payments—has significantly exceeded growth in VLF revenues. Although the VLF swap reduced the amount of property tax revenue in ERAF available to fund schools, state law specified that the shift would not affect the calculation of excess ERAF.

Over the past several years, some counties, currently San Mateo and Alpine, have been unable to cover insufficiencies in their VLF funds with ERAF funding. When all or most school districts in the county are in basic aid status, the county is unable to direct enough K-14 property taxes or ERAF from school districts, as it will not generate a General Fund backfill. This shortfall has been relatively low in past years, but growing property tax revenue combined with declining enrollment has increased the shortfall and projections assume continued growth. State General Fund has been provided in prior budget acts to cover the shortfall, but it has been provided in arrears. The Governor's budget continues this practice by including $96.2 million General Fund to reimburse San Mateo County and Alpine County for insufficiencies in 2020-21. County projections show this amount growing and potentially creating insufficiencies in other counties, with Napa projecting basic aid status for school districts in the coming years. In response to concerns from counties that these larger insufficiencies would create immediate budget impacts and potential reductions in services while county applies for a backfill, the Governor's budget included a new process, for insufficient VLF Revenues amounts expected to occur in the 2023-24 fiscal year and for each fiscal year thereafter for which:

- Creates a continuous appropriation from the General Fund sufficient to pay any claims for Insufficient VLF Revenues.
- Creates a process by which the auditor of a county with insufficient VLF Revenues shall file with the State Controller's Office a claim for the amount of insufficient VLF Revenues

preceding the fiscal year in which such insufficient VLF Revenues is expected to occur. The Controller shall pay the auditor the approved amount of insufficient VLF Revenues claimed pursuant this section in the fiscal year after the claim is submitted. The Controller shall remit to the auditor fifty percent of the approved amount on or before December 31, and shall remit the other fifty percent to the auditor on or before April 30.

- The Controller shall perform reviews or audits of insufficient VLF Revenues claims at his or her discretion.
- Specifies that for the 2022-23 fiscal year and each fiscal year thereafter, funds allocated to a city, county, or a city and county as excess ERAF after K-14 obligations have been met, shall be counted by the auditor toward satisfying the city and county vehicle license fee adjustment amount.

Staff Comments. Counties with insufficient VLF currently (San Mateo and Alpine) and those anticipating this situation in the near future (Napa) note that they appreciate the mechanism for front-loading of the insufficient VLF backfill. This would serve to prevent reductions in planned budget expenditures. However, several counties and cities oppose the provision requiring excess ERAF revenues to first backfill the VLF insufficiency (in the past the entirety of the excess ERAF had been available for city and county expenditure).

The Department of Finance notes that the General Fund obligation will continue to grow in these counties with growing property taxes. Since 2012-13, the state has provided over $33 million for Insufficient ERAF backfills. Another $96 million is proposed for 2022-23. These backfills are not required by law. They also note that this practice has Proposition 98 implications. In a Test 1 year, the Proposition 98 Guarantee is calculated as a specific percentage of General Fund revenues and property taxes are added on. When the majority of school districts within a county are basic aid, the county may reduce K-14 property taxes in other school districts to fill the VLF insufficiency. Under Test One of Proposition 98, which has been operative since 2018-19, and which will be operative for the foreseeable future, the shifted property tax revenue is not backfilled by the state. It is a revenue loss for schools.

Staff Recommendation. Hold Open.

0954 SCHOLARSHARE INVESTMENT BOARD

Issue 46: CalKIDS Savings Accounts

Governor's Budget. The Governor's budget includes the following changes related to the California Kids Investment and Development Savings Program (CalKIDS):

- $238,000 ongoing General Fund to support 2 additional staff for CalKIDS.
- An increase of $4 million one-time General Fund in 2022-23 to notify participants in grades 1 through 12 of their CalKIDS accounts, as well as $400,000 ongoing General Fund beginning in 2023-24 to notify each incoming cohort of first graders.
- An increase of $1 million one-time General Fund in 2022-23 for a short-term marketing campaign to increase awareness of the CalKIDS program upon its launch.
- An increase of $5 million ongoing General Fund for financial literacy outreach efforts that will inform families of the long-term benefits of saving for college associated with CalKIDS.

Background.

The ScholarShare Investment Board (SIB) administers the Golden State ScholarShare College Savings Trust Program (ScholarShare 529), the California Memorial Scholarship Program (CMS), and the California Kids Investment and Development Savings Program (CalKIDS). The CalKIDS program funds college savings accounts targeted to low-income and underrepresented public school students, in addition to establishing college savings accounts for all newborns.

The 2021 Budget Act provided approximately $1.9 billion in one-time federal and state funds to establish college savings accounts for all current low-income public school students in grades 1-12 in 2021-22, as defined for purposes of the Local Control Funding Formula, with supplemental investments for foster youth and homeless students enrolled in a public school. Approximately $170 million ongoing General Fund is provided in 2022-23 and ongoing to establish college savings accounts for incoming first-grade cohorts of low-income public school students, as defined for purposes of the Local Control Funding Formula, with supplemental investments for foster youth and homeless students enrolled in a public school.

The SIB did not receive additional positions in the 2021-22 budget package for the expansion of CalKIDS, but did receive an increase of $700,000 General Fund ongoing that is being used for various administrative costs, including the program's IT platform. The SIB has one Staff Services Manager I (SSM I) partially dedicated to the program, that was intended to focus on the administration of the CalKIDS serving the newborn population, as well as other children's savings account (CSA) initiatives. The SIB is currently redirecting other staff to support program administration. The additional positions requested would have various responsibilities, including but not limited to compiling and analyzing participant data, conducting marketing and outreach, assisting with regulations, and communicating with stakeholders.

LAO Comments.

The LAO notes that given the ongoing workload associated with the considerable expansion of the CalKIDS program in the 2021-22 budget the staffing increase requested is justified.

The LAO also notes that in order for CalKIDS to meet the goals of expanding college access, particularly for low-income students, participants and their families need to know about their CalKIDS account and any deposits from the state, as well as how they can contribute their own funds toward saving for college. However, the Governor's three outreach proposals have similar purposes. The participant notifications and marketing campaign are designed to make participants aware of their accounts, while the financial literacy outreach initiative is intended to inform participants of the benefits of those accounts (for example, by introducing participating families to the concept of compound interest). Incorporating these separate components into one initiative could provide a more coordinated message to students and their families simultaneously notifying them of their accounts and informing them of the associated benefits. A consolidated approach could also reduce duplication across initiatives, potentially leading to lower overall costs.

Finally, the LAO has concerns about the funding justifications for some proposed activities. In particular, limited justification has been provided for the financial literacy outreach funding. The Administration indicates this initiative would allow SIB to produce informational materials, translate those materials into various languages, update the program website, and provide other financial literacy activities to participants and their families. However, the proposed funding level is not linked with the cost of these activities. Instead, the Administration determined the proposed funding level based on the combined one-time cost of the other two initiatives (participant notifications and marketing campaign). In addition, while the proposed funding is ongoing, several of the proposed activities (including producing initial informational materials and updating the website) would be one time.

As a result of their review, the LAO recommends that the outreach proposals be modified. The LAO recommends creating one combined initiative, providing at least the proposed $4 million one-time and $400,000 ongoing for participant notification, as participants and their families need a basic level of awareness of their CalKIDS accounts for the program to have its intended effect. The LAO notes that the Legislature could also consider including the proposed $1 million one-time General Fund for a short-term marketing campaign to further increase program awareness. However, the LAO recommends withholding action on the proposed $5 million ongoing for financial literacy outreach and requesting the administration develop a more detailed proposal. Such a proposal would identify the specific financial literacy outreach activities that would occur, the estimated cost of those activities, the duration of those costs (one time vs. ongoing), and any opportunities to coordinate or consolidate these outreach activities with the related participant notification and marketing activities.

Staff Recommendation: Hold Open.