

SUBCOMMITTEE NO. 4

Agenda

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



Thursday, March 8, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 2040

Consultant: Renita Polk

PROPOSED FOR VOTE-ONLY

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ISSUES PROPOSED FOR VOTE-ONLY**7760 DEPARTMENT OF GENERAL SERVICES****Issue 1: Institutional Purchasers - Sale of California Produce (AB 822)**

Budget. The Department of General Services (DGS) is requesting \$308,000 from the Service Revolving Fund and two permanent positions to implement the provisions of Assembly Bill 822 (Caballero), Chapter 785, Statutes of 2017.

Background. AB 822 creates a five percent bid preference for California-grown agricultural products purchased by state-owned or state-run institutions, with the exception of state universities. The bill will apply every time a state-owned or state-run institution intends to accept a bid or price for agricultural products grown outside the state, amending Food and Agricultural Code Section 58595(b). As a result, state agencies and institutions will now need to require suppliers to indicate whether they are proposing any agricultural products grown outside California. To implement AB 822 DGS is requesting resources for the development of necessary regulations and updates to the State Contracting Manual.

In order to comply with the provisions of this bill, DGS will implement a two-step verification and validation process. During the award process, DGS and departments purchasing agricultural products will be responsible for verifying each bidder's supply chain to determine whether a bid preference applied to products grown in California or products processed and packaged in California should be applied. Once awarded, DGS and purchasing departments will again need to verify the supply chain to ensure that contractors who received a preference deliver California-grown or California-processed or packaged agricultural products. Compliance checks will also be performed to ensure acquisitions continue to comply with any bid preference received. This will create a new and non-absorbable workload for DGS.

Staff Recommendation. Approve as requested.

Issue 2: Public Contracts Bid Specifications (AB 262)

Budget. The department is requesting one permanent position, \$638,000 from the Service Revolving Fund in 2018-19, and \$138,000 annually thereafter to implement the provisions of Assembly Bill 262 (Bonta), Chapter 816, Statutes of 2017.

Background. DGS is the state's central purchasing authority for all state executive branch departments, agencies, and institutions. DGS is responsible for assisting state agencies in describing and developing standard technical specifications that can be competitively bid to acquire quality goods and services (State Administrative Manual 3510.1 and 3510.3). As part of the commodity bid process, DGS also evaluates products for compliance to solicitation specifications.

AB 262, the Buy Clean California Act, requires DGS to establish a maximum acceptable global warming potential for four categories of building materials, using a specified methodology, by January 1, 2019. The bill generally prohibits building materials that exceed the maximum acceptable global warming potential from being used for University of California, California State University, and other

types of state public works contracts entered on or after July 1, 2019. DGS would be required to review the maximum global warming potential standards every three years to determine whether they should be lowered further to reflect industry improvements. DGS must establish the reporting framework and maximum acceptable global warming potential for each category of eligible materials and thresholds for global warming potential in eligible materials. The State Contracting Manual will be updated to reflect the policy for evaluating environmental product disclosures and maximum allowable global warming potentials acceptable in public work contracts. In addition, DGS is required to submit reports to the Legislature with the first report due January 1, 2019, and a subsequent report due January 1, 2022, and every three years thereafter regarding status of the implementation and its effectiveness in reducing global warming potential. Proposed duties of the requested position include preparation of these reports; ongoing contract management for all impacted public works contracts; data analysis, retention, and management; providing information and technical assistance to DGS customer departments; and ensuring transparency in purchasing.

Staff Recommendation. Approve as requested.

Issue 3: New Certification for Small Business in Public Works Contracts (SB 605)

Budget. The department is requesting two permanent positions, \$374,000 Service Revolving Fund authority in 2018-19, and \$274,000 annually thereafter to implement the provisions of Senate Bill 605 (Galgiani), Chapter 673, Statutes of 2017.

Background. SB 605 amended the Government Code to create a new small business certification type specifically for the purpose of public works. The size limit eligibility criteria for this type of small business certification has more than doubled from a 100 employee count to a 200 employee count, and from the current \$15 million in gross annual receipts to \$36 million. The Small Business certification program affects all state departments as they are required to meet the Executive Order mandate of 25 percent in small business participation. More than 40 local government partners also use the certification in their own local programs. To participate in state contracts and be counted toward the participation goals, businesses must become certified by the department. Certification is issued for two years, and re-certification can be requested within 90 days of the certification expiration.

To implement this bill, the department will need to develop and apply the new certification type for small businesses for the purpose of public works. Additional duties required to implement this bill include developing new program guidelines, training, policy, procedures and regulations; working closely with the Financial Information System for California (FI\$Cal) and Cal eProcure to modify the certification module; developing and implementing new reporting requirements; and increasing efforts in the dissemination of information and outreach. The department has estimated an increase of 1,000 to 1,300 applications for certification, as well as a steady workload increase due to re-certification of these firms.

Staff Recommendation. Approve as requested.

Issue 4: Mercury Cleaners Site Monitoring
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Budget. The department is requesting \$578,000 in ongoing General Fund authority to continue monitoring the results of remediation efforts of the former Mercury Cleaners site, a state-owned property.

Background. The State of California owns the real property site known as Mercury Cleaners at 1419 16th Street, Sacramento. DGS acts as the state's real estate manager for the site. The site has been owned by the state since 1967, and has been used by commercial dry cleaning businesses from 1947-2015. High concentrations of hazardous materials exist on the site due to the former dry cleaning operations, primarily high concentrations of dry cleaning solvents in the soil and groundwater. The Central Valley Regional Water Quality Control Board (RWQCB) is the lead agency for the investigation, remediation, and ongoing monitoring of this site. Under direction of RWQCB, remediation is underway for cleanup of the hazardous materials. DGS is undertaking the cleanup in a "voluntary" compliance mode, which includes implementation of a proactive remediation project plan. Without remediation of the site, there is a potential health risk to occupants of surrounding residential housing sites, commercial businesses, and an adjacent child daycare facility.

Continued monitoring and testing of the site is now needed. The table below provides cost estimates for monitoring and testing activities in fiscal year 2018-19. Monitoring and reporting activities will continue for the next 10-20 years.

Activity	Cost
Groundwater Monitoring and Reporting	\$516,000
Supplemental Air Quality Studies	\$62,000
Total	\$578,000

Staff Recommendation. Approve as requested.

8940 CALIFORNIA MILITARY DEPARTMENT**Issue 1: State Active Duty Compensation Increase**

Budget. The California Military Department (CMD) requests \$1.18 million (\$514,000 General Fund, \$617,000 Federal Trust Fund, \$26,000 Reimbursement authority, and \$23,000 Mental Health Services Fund) to align the pay of its state active duty employees to the pay of service members of similar grade in the United States Army, United States Air Force, and United States Navy, pursuant to Military and Veterans Code (MVC) sections 320 and 321.

Background. Compensation for service members of the United States Army, United States Air Force, and United States Navy is set forth annually by the federal government in the National Defense Authorization Act (NDAA). The NDAA is usually signed into law in late December. MVC sections 320 and 321 provide that the CMD must pay its state active duty employees at the same rate as service members of similar grade in the federal armed forces.

Staff Comment. Since the writing of this proposal the NDAA has been signed into law. The department will submit spring finance letter that will adjust the amount requested to align with the signed NDAA. The spring finance letter will reduce the amount requested by \$234,954.

Staff Recommendation. Approve as requested.

Issue 2: Capital Outlay Proposals

Budget. The department requests a total of \$25.2 million (\$12.6 million General Fund and \$12.6 million federal matching funds) for the five capital outlay proposals listed below.

- **Advance Plans and Studies:** The department requests \$300,000 (\$150,000 General Fund and \$150,000 federal matching funds) for architect-engineering services to conduct design studies and programming charrettes for future capital projects. These services will allow the department to develop conceptual designs and cost estimates for future projects.
- **Burbank Armory Renovation:** The department requests \$5.7 million (\$2.86 million General Fund and \$2.86 million federal matching funds) for the performance criteria and design-build phase of the Burbank project. The request would provide funds to renovate the 31,800 square foot Burbank Readiness Center, built in 1951.
- **San Diego Readiness Center Renovation (Phase 3):** The department requests \$3.9 million (\$1.96 million General Fund and \$1.96 million federal matching funds) for Phase 3 of construction for the continuing San Diego Readiness Center Renovation project.
- **San Jose Armory Renovation:** The department requests \$4.9 million (\$2.46 million General Fund and \$2.46 million matching federal funds) for the performance criteria and design-build phase of the San Jose project. The request would provide funds to renovate the 31,800 square foot San Jose Readiness Center, built in 1950.

- **Santa Rosa Armory Renovation:** The department requests \$5.6 million (\$2.8 million General Fund and \$2.8 million federal matching funds) for performance criteria and the design-build phase of the Santa Rosa project. The request would provide funds to renovate the 16,900 square foot Santa Rosa Readiness Center, built in 1951.
- **Torrance Armory Renovation:** The department requests \$4.8 million (\$2.4 million General Fund and \$2.4 million federal matching funds) for performance criteria and the design-build phase of the Torrance project. The request would provide funds to renovate the 10,600 square foot Torrance Readiness Center, built in 1955.

Background. The department maintains 95 active armories, four aviation centers, 24 field maintenance shops, two combined support maintenance shops, and two maneuver area training equipment sites. The department also operates three major training facilities.

Staff Recommendation. Approve as requested.

8955 DEPARTMENT OF VETERANS AFFAIRS**Issue 1: Information Services Staffing**

Budget. The department is requesting nine positions, an augmentation of \$1.235 million (\$1.09 million General Fund and \$145,000 Farm and Home Building Fund of 1943) in fiscal year 2018-19, and \$1.185 million (\$1.045 million General Fund and \$140,000 Farm and Home Building Fund of 1943) annually thereafter to provide support for CalVet's information security and information technology projects. The requested positions are:

- Four Staff Information Systems Analysts
- Senior Information Systems Analyst
- Staff Programmer Analyst
- System Software Specialist I
- System Software Specialist II
- System Software Specialist III

Background. The CalVet's major lines of business are Veteran Services and Benefits, Veterans Homes, and Farm and Home Loans. The Information Services Division (ISD) supports the business through services provided by application and web support, infrastructure and operational support, information security office, and IT projects and procurement.

In an effort to meet its strategic goals, the CalVet is turning to technology to provide the highest quality of CalVet-sponsored care and services. As CalVet's business partners become more technology savvy and interested in technology solutions, there has been a significant increase in requests by business staff and management to evaluate new technologies and software applications to provide enhanced resources to veterans and improve efficiencies in the staff that provide these services. The ISD staff resources are strained with the need to provide appropriate procurement and project management services, systems design and analysis, employment of advanced security needs, and improvement of current infrastructure, to meet a growing demand of technology offerings. While the project work and initiatives are implemented, staff must continue to maintain and support existing services and their underlying technology, as well as develop skillsets to address the increasing needs, security risks, and challenges of new technologies.

Current staffing levels within all ISD sections were confirmed as insufficient through an independent workload study conducted by CPS HR Consulting. Results of the study indicate insufficient staffing levels to manage the breadth and scope of current responsibilities; many tasks were identified as "not getting done." Without adequate staffing for the ISD sections, activities are delayed, contractors are necessary to provide an array of consulting services, IT assets face security risks, customer satisfaction is diminished, and ISD loses the ability to accurately plan for maintaining and supporting existing technology.

Staff Recommendation. Approve as requested.

Issue 2: Central Coast Veterans Cemetery

Budget. The department requests \$571,000 (California Central Coast State Veterans Cemetery at Fort Ord Operations Fund) to complete the working drawings for the California Central Coast Veterans Cemetery.

Background. The cemetery is located on approximately 12 acres at the former Fort Ord Army base and serves the interment needs of California veterans in the counties of Alameda, Monterey, San Mateo, Santa Cruz, San Benito, and Santa Clara. As of September 30, 2017, there are approximately 159,000 veterans living within the six counties based on 2016 data.

In 2017-18, \$1.5 million General Fund (\$1.212 million for preliminary plans, \$50,000 for working drawings, and \$238,000 for construction) was appropriated for the state's share of the California Central Coast Veterans Cemetery project, to expand the existing cemetery by 4.29 acres. Expansion will include approximately 2,000 in ground crypts, 1,700 in-ground cremains plots, and 400 linear feet of additional roadway. This request will allow the department to utilize private donations in the amount of \$571,000, which will be deposited into the fund to complete the working drawings phase of the project. It is anticipated that the construction phase of the project (\$7.384 million) will be funded by: (1) private donations in the amount of \$268,000, (2) federal funds in the amount of \$6.878 million, and (3) General Fund in the amount of \$238,000 (appropriated in 2017-18).

Staff Recommendation. Approve as requested.

Issue 3: Annual Reporting on the Veterans Homes of California (AB 1365)

Budget. The department requests two positions, \$232,000 General Fund in 2018-19, and \$343,000 annually thereafter to satisfy the requirements of Assembly Bill 1365 (Reyes), Chapter 509, Statutes of 2017. The request includes ongoing funding for one Research Program Specialist currently funded through June 30, 2019.

Background. AB 1364 requires an annual report to the Legislature, and a post on CalVet's website, that includes the budget of the Veterans Homes of California, revenue, cost of care, and deferred maintenance costs. CalVet is also required to review the use restrictions imposed by federal law on the Veterans' Homes. The bill requires that report to be submitted by February 1, 2019, and every year thereafter. The Budget Act of 2017 included provisional language requiring CalVet to prepare a master plan for the operation of the veterans' homes system no later than July 1, 2019. The language included two-year limited-term funding for one Research Program Specialist which expires June 30, 2019. This request includes permanent funding for this position.

Operating funds for the VHCs are provided by the state General Fund and partially offset by revenues collected from the VA per diem program, private insurance, Aid and Attendance, Medi-Cal, and Medicare. Additionally, the residents pay a percentage of their income dependent upon the level of care they are receiving, in accordance with statute.

Staff Comment. Note that the data required by AB 1365 is different from the information the department is required to provide in its master plan for the operation of the Veterans Homes system,

required in the 2017 Budget Act. The information gathered, as required in AB 1365, will help to inform the master plan.

Staff Recommendation. Approve as requested.

Issue 4: Veterans Claims Representatives (SB 776)
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Budget. The department requests seven positions, \$907,000 General Fund in 2018-19, and \$868,000 annually thereafter to fulfill the requirements of Senate Bill 776 (Newman), Chapter 599, Statutes of 2017.

Background. Senate Bill 776 requires the department to provide one employee, who is trained and accredited by CalVet, for every five state prisons, to assist incarcerated veterans in applying for and receiving any federal or other veterans benefits. According to the California Department of Corrections and Rehabilitation (CDCR) about 5.3 percent (6,800 individuals) of the state's total in-custody population are veterans.

Access to veterans' benefits can serve as vital support resources to incarcerated veterans upon their transition out of state custody as they undertake efforts toward reintegration into general society. Currently, County Veteran Service Offices (CVSOs) are the most important resources in assisting veterans in accessing the federal and state veteran benefits for which they may be eligible. A large number of incarcerated veterans are fully eligible for a wide range of benefits as a result of their service prior to their incarceration. In general, federal law mandates significant reductions in USDVA benefits available during the period of the veteran's incarceration. However, a veteran released from incarceration may reinstate the full compensation benefit by submitting an application to the USDVA. This form may be submitted up to 30 days prior to release to help expedite reinstatement. Unfortunately, in many counties where state prisons are located, CVSOs are already occupied in serving the many and varied needs of their local veteran populations and consequently may have difficulty servicing the incarcerated veteran population in a timely manner.

This proposal requests seven positions to aid incarcerated veterans in applying for and receiving federal veterans' benefits. The positions will provide dedicated support for incarcerated veterans. The proposal also requests a position upgrade of a Staff Services Manager II to a Staff Services Manager III.

Staff Recommendation. Approve as requested.

ISSUES PROPOSED FOR DISCUSSION/VOTE

7760 DEPARTMENT OF GENERAL SERVICES

Overview. The Department of General Services (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 buildings; 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.

Budget. The budget includes \$1.085 billion (\$19 million General Fund (GF), \$1.06 billion special funds, and \$5.7 million reimbursements) to support the department and its various programs.

Issue 1: Modification of Funding Structure for Contracted Fiscal Services

Budget. The department requests a permanent net budget augmentation of \$2.503 million in 2018-19 to fully recover costs in providing fiscal services. The department also requests a modification to the funding structure; a reduction of \$3.07 million in Service Revolving Fund authority, an increase of \$3.177 million in General Fund authority, and an increase of \$2.396 million in Central Services Cost Recovery Fund authority.

Background. The Contracted Fiscal Services (CFS) unit within DGS provides budgeting and accounting services to other state departments, boards, and commissions that do not have the staff or expertise necessary to perform budget and/or accounting functions. Currently, CFS provides services to 43 boards, commissions, conservancies, authorities, and state agencies, and recovers its costs by billing customers through an interagency agreement. Each year, as part of the rates process, CFS estimates the number of hours that will be required to perform the budget and/or accounting services for each client-agency in the forthcoming fiscal year and establishes a contract with each client-agency for these services. Each year, a significant amount of DGS staff time is used for the preparation, billing, and cash receipt functions related to these contracts. In addition to the time spent by DGS staff on CFS contract-related tasks, each client-agency spends administrative time each year on the authorization and monitoring of CFS contracts.

This net budget augmentation will align the budget for CFS with the costs incurred in providing fiscal services. The change in the funding structure will allow the Department of Finance (DOF) to allocate CFS' funding needs through Pro Rata assessments to various client-agency special funds and adjustments to the GF. DOF will directly charge each client-agency's fund to appropriately recover the Central Services Cost Recovery Fund allocations for the services provided by CFS. The appropriate budget reduction amount for each client-agency will be determined and each client-agency's expenditure authority will be reduced through Control Section 25.40. Instead of preparing annual contracts for CFS services and paying for these services out of each client-agencies' state operations budget, this request proposes to fund CFS services using GF and the Central Services Cost Recovery Fund.

Staff Recommendation. Approve as requested.

Issue 2: Electric Vehicle Service Equipment Infrastructure

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

Background. The Zero Emission Vehicle (ZEV) Five Year Infrastructure Plan requires DGS to oversee plans to make electric vehicle charging infrastructure available in at least five percent of workplace parking spaces at state facilities, and to increase state fleet ZEV purchases to 50 percent by 2025. DGS assists state agencies in developing and implementing workplace charging plans that will result in EVSE, and reports the results of EVSE-related facility assessments to the Administration. DGS is also charged with supporting state agencies in completing readiness surveys, conducting site assessments, oversight of architectural and engineering functions, construction management, system activation, and identification of alternative funding options if available.

In 2017-18, DGS received a one-time augmentation of \$6.7 million and three permanent positions to fund facility assessments, design, installation and program oversight for year one of the ZEV Five-Year Infrastructure Plan. This included surveying departments on their EVSE needs. Initial surveys and assessments were completed in 2017. Candidate locations for in-field site assessments and preliminary architecture and engineering services have been selected. The office is also planning on conducting annual updates to these surveys. Beginning on December 31, 2017, agencies were asked to submit updates that describe any changes to their plans.

This request is to fund year two of the DGS ZEV Five-Year Infrastructure Plan to install EVSE in state facilities to support both the state fleet and state employee charging needs. \$14.3 million will support approximately 1,200 EVSE installations and the remaining \$1.3 million will support 1,600 facility assessments throughout California.

Legislative Analyst's Office (LAO). The LAO suggests the Legislature consider other state funding sources for this project, given the costs. While DGS has been exploring the use of non-state funding sources, the use of other state funding sources would need to be appropriated by the Legislature. In the Governor's Cap-and-Trade expenditure plan \$235 million is proposed for EVSE installation for private use in 2018-19. It is unclear why two different fund types (special vs. General) were proposed for these installations.

Staff Comment. The subcommittee may wish to inquire about other state funding sources for the proposal.

Staff Recommendation. Hold open.

Issue 3: Capital Outlay - State Printing Plant Demolition

Budget. The department requests \$815,000 General Fund for the working drawings phase of the State Printing Plant Demolition project. The project includes the demolition and hazardous materials mitigation of the 17-acre property to prepare it for new office space development.

Background. Since the mid-1990s, the state has targeted the 17.3-acre parcel on which the existing Printing Plant is located for future office development. The existing State Printing Plant located at 344 North Seventh Street in Sacramento was built in 1954 and has well-documented health and safety, infrastructure and programmatic deficiencies. The Office of State Publishing is in the process of programming replacement space with the intention of using leased facilities for the new Printing Plant. Leased space is more appropriate due to the changing nature of the printing industry. The DGS-sponsored 2008 Sacramento Region State Office Planning Study (Study)—updated in 2015 per legislative requirements—identifies the Printing Plant site as a desirable office development area. The site is well situated to transit, offering another benefit for office development; and offers an attractive solution to meeting the state's identified need for new and/or renovated office space. Before office development can occur, demolition of the existing structures and hazardous materials clean up, including removing/replacing contaminated soil, must take place.

Staff Recommendation. Approve as requested.

Issue 4: Capital Outlay - Richards Boulevard Complex

Budget. The department requests \$18 million General Fund for the performance criteria phase of a new Richards Boulevard Complex project.

Background. This project would continue implementation of the Ten Year Sequencing Plan by constructing a new office campus of approximately one million net usable square feet on the state property at the corner of Richards Boulevard and North Seventh Street, the current site of the State Printing Plant. The demolition of the State Printing Plant, scheduled for completion in early 2021, will create a vacant state-owned clean parcel on which to develop office space to house agencies currently located in leased space or in buildings requiring renovation.

This proposal to develop an office complex on the site will create a future opportunity to relocate business, consumer services and housing agency departments out of leased space; as well as relocating the Department of Tax and Fee Administration staff out of the 450 N Street Building and other leased space. The complex would consist of four buildings, and include office space, retail and childcare. Total project costs are estimated at approximately \$1 billion.

LAO. The LAO recommends rejection of this proposal, as the office does not believe it is a cost-effective way to address the state's office building needs. The LAO states that DGS' payback period estimate of 45 years is not based on realistic assumptions. The DGS estimate, according to the LAO, has no discounting of future savings and costs, a high interest rate assumption, and low inflation rate on state costs. It is also recommended that the Legislature seek additional information on the Administration's construction strategy.

Staff Comment. Staff notes that should the Legislature choose to reject this proposal it must consider the effect of that decision on other projects included in the Ten Year Sequencing Plan. Projects included in the plan are interrelated and rejection of any proposal will disturb the completion of the plan.

Staff Recommendation. Hold open.

Issue 5: Capital Outlay - Gregory Bateson Building Renovation

Budget. The department requests \$5.2 million General Fund for the performance criteria phase of a project to renovate the Gregory Bateson Building.

Background. This project would continue implementation of the Ten Year Sequencing Plan by renovating the historically significant Gregory Bateson Building located at 1600 Ninth Street in Sacramento. Infrastructure studies and building assessments conducted in 2008 and 2015 found a variety of deficiencies within the Bateson building. The building is ranked fifth statewide for state-owned, DGS- controlled office buildings requiring renovation or replacement.

The building contains approximately 215,000 net usable square feet that is included in the DGS Ten Year Sequencing Plan. The current occupants, the Health and Human Services Agency, Department of Developmental Services, and Department of State Hospitals, will be relocated to the New O Street Office Building in March 2021. Proposed tenants for the renovated Bateson Building include California Natural Resources Agency departments from leased space that are not consolidating into the New Natural Resources Agency Headquarters Building.

The project includes renovation of all major building systems, applicable reinstatement of energy systems, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunications systems will be replaced. In addition, repairs to prevent water intrusion and hazardous material abatement will be performed. A security officer station and physical barriers will also be placed at one of the building entrances. Total project cost is estimated to be \$161 million (\$5.2 million for performance criteria, and \$155.8 million for design-build).

LAO. The LAO has expressed concerns with the cost of the proposed renovations. The renovations are anticipated to cost \$750 per net useable square foot. The cost is significantly higher than the Library and Courts Building renovation which, when adjusted for inflation, cost close to \$550 per net useable square foot. It is also recommended that the Legislature require the department to report on the renovation's high cost and alternative scopes to reduce project costs.

Staff Comment. The subcommittee may wish to inquire about the renovation's high costs compared to previous renovations of other historic buildings.

Staff Recommendation. Hold open.

Issue 6: Capital Outlay - Jesse Unruh Building Renovation

Budget. The department requests \$6.3 million General Fund for the performance criteria phase of a project to renovate the historic Jesse Unruh Building.

Background. This project would continue implementation of the Ten Year Sequencing Plan by renovating and restoring the Jesse Unruh Building, which was ranked ninth in the statewide rankings for buildings needing renovation or replacement. Infrastructure studies conducted in 2008 and 2013 identified several deficiencies within the building. The building contains approximately 125,000 net usable square feet that is included in the DGS Ten Year Sequencing Plan. The current occupants of the

building include the State Treasurer's Office and the California State Transportation Agency. The State Treasurer's Office will be returned to the building.

The project includes renovation of all major building systems, restoration of historic elements, and corrections to ADA and fire and life safety deficiencies. The mechanical, plumbing, electrical, and telecommunication systems will be replaced. Other project elements include elevator replacement, roof and window replacement, repairs to exterior terra cotta, and lead paint and asbestos abatement. Total project cost is estimated to be \$89.9 million (\$6.3 million for performance criteria, and \$83.5 million for design-build).

LAO. The LAO has expressed concerns with the cost of the proposed renovations. The renovations are anticipated to cost \$750 per net useable square foot. The cost is significantly higher than the Library and Courts Building renovation which, when adjusted for inflation, cost close to \$550 per net useable square foot. It is also recommended that the Legislature require the department to report on the renovation's high cost and alternative scopes to reduce project costs.

Staff Comment. The subcommittee may wish to inquire about the renovation's high costs compared to previous renovations of other historic buildings.

Staff Recommendation. Hold open.

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)

Overview. The CMD oversees and manages the California Army National Guard, the California Air National Guard, the California State Military Reserve, and the California Cadet Corps. CMD has federal, state, and community functions. Soldiers and airmen are deployed by the Department of Defense in support of military operations overseas, activated to protect lives and property after state disasters, and provide various community services.

Budget. The budget includes approximately \$183 million (\$61.5 million General Fund, \$111.6 million federal funds, \$7.3 million reimbursements, and \$2.3 million special funds) to support the department and its various programs. In addition to these funds, the department receives other federal funds, which are not deposited in the State Treasury, totaling \$617 million.

Issue 1: California Cadet Corps Program Expansion

Budget. The department requests 12 positions, \$7.2 million General Fund in 2018-19, and various amounts in subsequent years (detailed in table below) to expand the California Cadet Corps (CACC) programs to over 100 schools across the state. Note that costs in the table below have been updated by the department since submission of the BCP.

	2018-19	2019-20	2020-21	2021-22	2022-23	Subsequent Years
Positions	12	11	11	11	11	11
Uniforms	\$2.8 million	\$2.1 million	\$2.6 million	\$3 million	\$2.6 million	\$2.6 million
Activities	\$793,045	\$1.2 million	\$1.6 million	\$2.1 million	\$2.5 million	\$2.5 million
Supplies	\$619,845	\$319,346	\$367,063	\$403,154	\$292,680	\$292,680
Staff	\$1.7 million	\$1.5 million	\$1.5 million	\$1.5 million	\$1.5 million	\$1.5 million
Curriculum	\$583,590	\$223,159	\$223,159	\$223,159	\$223,159	\$223,159
Commandants (in-classroom military instructors)	\$226,125	\$483,600	\$520,875	\$606,750	\$692,625	\$559,312
Equipment	\$409,562	\$149,225	\$156,016	\$166,109	\$177,175	\$155,676
Total requested funding	\$7.2 million	\$6.2 million	\$7.1 million	\$8.1 million	\$8.1 million	\$7.9 million

Background. The CACC was established through statute in 1911. The CACC is the State of California's only school-based, applied leadership program conducted within a military framework. Students in the CACC program participate in an optional class as well as additional military-themed extracurricular activities. Currently, about 6,000 students at 51 middle and high schools participate in CACC. Currently, schools must fund local CACC activities. Many schools are not able to participate

due to resource constraints. The CACC does not have funds for schools to acquire transportation or food for these events. The state provides about \$1.5 million from the General Fund annually to support CACC, allocated mostly to purchase cadet uniforms, support statewide activities such as drill competitions and encampments, and support three CMD positions to administer the program. The CACC does not have funds available for payroll, bus contracts, meals, and travel. Schools currently participating in CACC pay for these additional costs. This proposal requests funding for uniforms, payroll, classroom supplies, curriculum, and other equipment.

In 2016, funding was provided through a budget change proposal that fulfilled the current uniform requirements for Cadets enrolled in the Program. These funds provided uniforms to all cadets in the 50 schools in the program. This proposal will expand the program into 100 total schools by 2019-20. The department aims to set up programs in high schools where a CACC program has been established at a nearby middle school, and vice versa. Also, the department hopes to return to school districts that previously housed CACC programs that were shuttered due to the program's elimination from the state budget from 1992-1999.

LAO. The Local Control Funding Formula (LCFF) is a method used to allocate K-12 education funding. LCFF provides schools with funding on a per-pupil basis with additional supplemental funding for certain student groups. Schools receive an additional 20 percent of the base grant for English learner students and low income students, and another 50 percent of the base grant for those same students served in excess of 55 percent of district enrollment. With this formula schools are able to choose how to spend education funds. Schools wishing to participate in the CACC program have the option of using LCFF funds for this program. Currently, all participant schools use LCFF funds to pay for the program. Due to the above reasons, and that the effects of CACC on student outcomes can be uncertain, the LAO recommends rejecting the proposal.

Staff Comment. Since the release of the LAO analysis of this proposal the department has provided updated numbers and additional information on the proposal beyond what was provided in the BCP. The subcommittee may wish to inquire if the LAO recommendation remains the same in the light of these new details.

Staff Recommendation. Hold open.

Issue 2: California Military Institute and Porterville Military Institute

Budget. The department requests twenty-one positions, \$3.5 million General Fund in 2018-19, and \$3.3 million General Fund annually thereafter to support the California Military Institute (CMI) and the Porterville Military Institute (PMI).

Background. The Military Academy model combines traditional academic rigor with an established character education curriculum that emphasizes teamwork, leadership, and responsibility. Students at the CMD military academies are all members of the California Cadet Corps, whose more than 100 years-old tradition stresses leadership, citizenship, patriotism, basic military knowledge, academic excellence, and personal health and wellness. Statute dictates that the CMD is responsible for providing uniforms, equipment, developing curriculum, and conducting state level competitions, activities, and awards programs for the cadets.

CMI is a public charter school located in Perris, California. The school opened in 2003 and serves over 1,000 students in grades five through twelve. Close to 90 percent of the school's students are English learners or low income. Porterville city officials are currently working to establish PMI. The school is scheduled to open in the fall of 2018. Enrollment at PMI is expected to be about 500 students. The school is expected to serve a high number of English learners and low income students as 85 percent of students in the surrounding school district meet those criteria. Both CMI and PMI are modeled after the Oakland Military Institute, the only military academy currently supported by CMD. All of these schools were founded as an answer to rising violent crime in the areas where the schools are located.

LAO. As with the previous proposal LCFF funding is an option these schools can use to support CMD activities. The LAO recommends rejecting the requested appropriation, but approving the positions and \$2.9 million in reimbursement authority annually to allow CMD to support CMI and PMI should the schools allocate some of their LCFF funds to these activities.

Staff Comment. The subcommittee may wish to inquire about the resources supported by the CMD at CMI, compared to the CMD-supported resources within the CACC (discussed in the previous proposal).

Staff Recommendation. Hold open.

Issue 3: Cyber Network Defense Team

Prior to presenting this proposal the department will present an informational overview of the Cyber Network Defense Team (CNDT), its mission, and accomplishments.

Budget. The department requests ten positions, and ongoing reimbursement authority of \$2.6 million to increase assessment capability from 35 cyber security assessments per year to 70 cyber security assessments per year.

Background. The CNDT leverages federal military cyber security training and experience to provide assistance and expertise to state agencies before, during, and after a cyber-attack. The CNDT performs independent cyber vulnerability assessments and is the only state entity capable of performing these assessments. The CNDT identifies cyber security vulnerabilities and assists state agencies to resolve those vulnerabilities. The CNDT began as a pilot program in 2013 with a grant from the Speaker of the Assembly. In 2014, six permanent positions were approved for the program. The next year, the CMD partnered with the California Department of Technology (CDT) to implement a plan to improve the security of the state government network.

Cybercrime is a dangerous and growing threat to the State of California. The cost of repairing compromised networks is vastly higher than investing to prevent a cyber-attack. In 2011-12 the CDT reported that cyber incidents in state government cost the state over \$2.5 million. The CDT requires state agencies to receive cyber security assessment every two years, and Assembly Bill 670 (Irwin), Chapter 518, Statutes of 2015 requires that no fewer than 35 state agencies per year receive these assessments. Currently, approximately 63 agencies per year must be evaluated through these assessments, conducted by the CNDT or a private sector vendor. Departments can choose who conducts their assessments. About 80 percent of cyber security assessments are conducted by the CNDT, as the CNDT is more cost effective than contracting with a vendor. This proposal will provide resources so that the CNDT can double its capability to perform cyber security assessments. CDT's

policy is that all 126 state government agencies receive an independent cyber security assessment every two years.

Questions.

- *Please explain the differences between audits conducted by the CDT and the assessments conducted by the CNDT.*

Staff Recommendation. Approve as requested.

Issue 4: STARBASE Program

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

There are STARBASE sites in Sacramento and Los Alamitos. STARBASE Los Alamitos runs a competitive rocket team every year in which students participate in the Team America Rocket Challenge while learning the basics of rocket science. All students are given an online interactive posttest as they leave; with over 90 percent of students scoring at 80 percent or higher for comprehension of the science standards they learned at STARBASE (up from average scores of 52 percent before they attended the program). All STARBASE missions are aligned to the Next Generation Science Standards, and offer extension materials to teachers.

Staff Comment. The STARBASE program is a much sought after benefit for many schools across the state. While the federal government pays for all operating costs associated with STARBASE, California must provide classrooms for the program. Unfortunately, many schools that desire to participate are not able to due to a lack of classroom space for the program. The Legislature may want to consider providing additional funding for more classroom space to help more schools take advantage of this program.

Staff Recommendation. Informational Issue. No action necessary.

Issue 5: Work for Warriors

Background. According to the U.S. Department of Veterans Affairs, California is home to the largest population of Veterans in the country, with nearly 2 million. There are also over 190,000 active duty personnel, reserve personnel, and military civilians living in California. Unemployment and underemployment are among the most critical issues facing our service members, including National Guard members, and their families. Personnel returning from deployments face a particularly high unemployment rate. California is currently one of only 15 states to have a higher unemployed veteran population than unemployed non-veteran population.

Currently, The WFW uses a direct placement model, which walks service members through each step of the hiring process, including resume preparation, and interviews. To date, WFW has assisted in placing over 6,300 service members and veterans, an average of just over three per day. The program is also remarkably cost effective, with a cost per placement ratio of under \$1,200, representing a significant savings to the government when factoring in unemployment compensation costs. Currently, the program has 18 team members who help match military personnel, veterans and military family members into employment commensurate with their education and experience.

Now in its 6th year, the WFW program remains relevant. The number of new Veterans requesting employment assistance has grown dramatically each year (**2015**: 2,131 new requests; **2016**: 3,352 new requests; **2017**: 4,602 new requests). The total number enrolled in the program has also more than doubled in the last 3 years (**2015**: 7,017 and **2017**: 14,971). From 2012 to 2015 the program was funded by a \$500,000 grant from the Speaker of the Assembly. In 2015-16 the program was funded with a \$670,000 Workforce Innovation and Opportunity grant from the Employment Development Department. Currently, the program is funded with \$670,000 (General Fund).

Staff Comment. The WFW program has a direct, measurable, positive impact on the California economy. Although the department has successfully applied for and received funding in the last three years, it remains uncertain whether additional funding to maintain the program will be available.

Staff Recommendation. Informational Issue. No action necessary.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS (CALVET)

Overview. The California Department of Veterans Affairs (CalVet) serves nearly two million California veterans and their families, helping present claims for entitled state and federal benefits or direct low-cost loans to acquire farms and homes; and providing the veterans, who are aged or have disabilities, with residential and medical care in a home-like environment at the Veterans Homes.

The department facilities include eight veterans homes on 776 acres of land and 2.4 million gross square feet of building space; three state cemeteries (Igo, Seaside in Monterey County, and in Yountville) with 24,000 gravesites on 91 acres; and two office buildings.

Budget. The budget provides \$467.7 million (\$405.9 million General Fund, \$2.6 million federal funds, and \$59.2 million special funds) to support the department and its programs.

Issue 1: Rector Dam and Reservoir

Budget. The department requests five positions; \$1.5 million General Fund in 2018-19; and \$596,000 General Fund annually thereafter to make improvements to the Rector Dam and Reservoir.

Background. Rector Creek is located in Napa County. In 1946, the state constructed the Rector Dam, impounding water to the Rector Reservoir. The dam and reservoir are operated by the department to provide water to the Veterans Home of California in Yountville, the town of Yountville, the Department of Fish and Wildlife (DFW), Napa State Hospital, and several small wineries located near the Rector Dam.

In November 2016, Water Audit California filed a lawsuit alleging that the department was in violation of Fish and Game Code section 5937 and various federal regulations. With the guidance of counsel from California's Attorney General's Office, the parties (CalVet and Water Audit California) acknowledge that the historic operation of Rector Dam has resulted in portions of Rector Creek between the base of Rector Dam and the creek's confluence with Conn Creek being dry in some years. The parties have reached an agreement on a conceptual resolution of the case within the terms and conditions stated in a proposed stipulation of settlement agreement. As part of the settlement CalVet is installing measurement and monitoring equipment and is requesting the DFW to produce a fish habitat study and a water flow evaluation.

The requested funding would provide the resources for monitoring the dam and for the DFW produced studies. The department will develop a plan for the operation of Rector Dam and Reservoir based on the results of monitoring activities and studies. The proposal also requests five positions to operate and monitor the dam and reservoir according to DFW and State Water Resources Control Board requirements.

Staff Recommendation. Approve as requested.

Issue 2: VHC Yountville Private Domiciliary Rooms

Budget. The Department of Veterans Affairs (CalVet) is requesting a reduction of \$732,000 General Fund and two and a half positions to convert rooms in the domiciliary level of care at the Veterans Home of California (VHC) Yountville.

Background. The Veterans Homes provide long-term care to veterans and their spouses within different levels of care, including Skilled Nursing Facility (SNF), SNF Memory Care (SNF-MC), Intermediate Care Facility (ICF), Residential Care Facility for the Elderly (RCFE), and domiciliary (DOM), based on residents' needs. The Veterans Homes range in capacity from 60 residents on a campus more than 10 acres in size to more than 1,000 residents on more than 615 acres. Collectively, the Veterans Homes have the capacity to house and care for more than 2,500 residents at once. The Homes are open to veterans who are age 55 or older, or have a disability as determined by the United States Department of Veterans Affairs (VA) or California Department of Social Services.

The DOM level of care is provided to those applicants who need little to no support in their day-to-day activities. Unlike all other levels of care offered in the Veterans Homes, these residents are considered to be living fully independently. VHC-Yountville has 514 DOM rooms and is budgeted for 637 residents in this level of care. Of the 514 rooms, 123 have previously been designated for dual occupancy. This proposal requests moving all VHC-Yountville DOM residents into private rooms. This is due to the fact they reside in the oldest, most cramped living spaces. A large proportion of these rooms are approximately 14 feet by 14 feet and house two residents apiece. Each half of a typical room accommodates a twin-size bed, dresser, desk, detached storage closet, and a small amount of space to maneuver. Residents have expressed concerns with the current living arrangements; in particular, the small rooms make it difficult for roommates to keep from disturbing one another and increase the likelihood of disputes and conflicts.

The Department regards quality of life as critical to successful operation of the Veterans Homes. By adopting single rooms in VHC-Yountville's DOM, the CalVet will improve living conditions. Maintaining a high quality of life is a cornerstone in creating a "home-like environment" and in meeting the CalVet's goals of maximizing resident dignity and independence.

LAO. The 2017 Budget Act required the department to complete and submit a master plan for the Veterans Homes system and each individual home. The plans should include an assessment the current and projected long-term care needs of California's veterans and an evaluation of the need for each level of care at each home, among other things. The LAO has expressed concerns about the timing of this proposal in relation to the completion of the master plan.

Staff Comment. The subcommittee may want to inquire about the timing of this proposal and if the department should develop that master plan before following through with this proposal. Also, note that cost savings associated with this proposal (with the exception of the position reductions) are already being realized in the budget of the home since the DOM is not at its full budgeted capacity.

Staff Recommendation. Hold open.

Issue 3: Capital Outlay - VHC Yountville Skilled Nursing Facility

Budget. The department requests \$15.7 million General Fund for the preliminary plans phase for a new skilled nursing facility at the Veterans Home of California in Yountville.

Background. The department proposes to construct a new 240-bed Skilled Nursing Facility (SNF) at the Veterans Home of California-Yountville. The new facility will replace the 156 SNF beds currently located in the Holderman building and 75 memory care beds currently located in the Roosevelt Building, with a total replacement of 231 existing beds. The new approximately 280,000 square foot facility will be constructed on 11 acres adjacent to the existing Holderman Hospital on the Yountville campus.

The Holderman building was built as a hospital in 1932. The hospital was closed in 2009 and the building continues to be used as a long-term care facility. The Holderman building is institutional in nature, with all rooms lining long, narrow hallways, which are easily congested as clinical staff and residents in wheelchairs move from point to point. The current space does not meet USDVA standards and Code of Federal Regulations, which is to include a natural, home-like environment, and maximize the residents' degree of personal autonomy and freedom. The Roosevelt building currently houses the memory care unit. The existing facility has long hallways, sloped and alternating ramps, and viewable exit doors that are not conducive to a safe and secure environment for memory-care patients.

The new facility will take direct advantage of the changing nature of long term care, emphasizing a non-institutional character in both physical plant and operations. The most significant changes from the current SNF program will be private and enhanced shared bedrooms with private bathrooms and improved resident dining options. The new design will allow all 240 beds to operate as memory care beds, if needed. The facility is anticipated to be two and three stories of steel construction and will include kitchens, a loading dock, and will be designed to meet or exceed Leadership in Energy and Environmental Design (LEED) silver standards. The new SNF will also house the central health services offices. It is anticipated that the existing memory care facility will be converted to a Residential Care Facility for the Elderly housing unit. Total project costs are estimated to be \$317 million (\$15.7 million for preliminary plans, \$12.9 million for working drawings, and \$288.4 million for construction).

LAO. The 2017 Budget Act required the department to complete and submit a master plan for the Veterans Homes system and each individual home. The plans should include an assessment the current and projected long-term care needs of California's veterans and an evaluation of the need for each level of care at each home, among other things. The LAO has expressed concerns about the timing of this proposal in relation to the completion of the master plan.

Staff Comment. The subcommittee may want to inquire about the timing of this proposal and if it the department should develop that master plan before following through with this proposal. The subcommittee may also want to consider if approval of this proposal aligns with its legislative priorities. Also, note that a master plan for the Yountville home completed in 2013, found a replacement SNF to be the highest priority. Lastly, the subcommittee may wish to further clarify and define its intent and purpose in requiring the department to develop a master plan.

Staff Recommendation. Hold open.

Issue 4: Position Funding Alignment

Budget. The department requests an augmentation of \$1.6 million (an increase of \$4.9 million General Fund and a decrease of \$3.3 million Farm and Home Building Fund) to correctly align funding associated with General Fund sourced programs and to adjust rental payments to the Farm and Home (F&H) Loan program to the standard DGS price book rate for rental space occupied by other CalVet programs.

Background. The F&H Loan program was established in 1921. The program does not receive any General Fund monies and is funded through a combination of General Obligation Bonds and Revenue Bonds with principal and interest paid through the proceeds of the veteran home loan payments. The F&H Loan program currently supports 33 administrative positions in Information Services, Legal, Accounting, Communications, Legislative, Human Resources, and Contracts and Procurement, as well as absorbing roughly 15 percent of the distributed administration costs for some administrative positions.

The CalVet headquarters building is an asset of the F&H Loan program. The building was built in 1956 with F&H Loan program bond proceeds. The operational costs of the building are born by the F&H Loan Program. The F&H Loan Program rents all excess space to the rest of CalVet. The DGS price book currently calls for a rent of \$2.58 per square foot whereas CalVet's General Fund programs pay the F&H Loan Program a rate of roughly \$1.20 per square foot, a difference of \$1.6 million annually.

A 1974 court decision determined that the F&H Building fund was created to provide a benefit of home loans to veterans and may only be used for that purpose and for the costs associated with meeting that purpose, i.e. only those costs necessary to administer the F&H Loan Program. Currently that fund is being used to subsidized General Fund-sourced programs. This proposal seeks to rectify that issue by transferring administrative positions currently supported by the F&H Loan program to distributed administration, and providing an augmentation to reflect rent at \$2.58 per square foot. Using General Fund in lieu of the 1943 Fund will properly align program costs with the correct funding source. This should enable the maximum amount of funds to go to the Veterans Home Loan program.

Staff Recommendation. Approve as requested.