

SUBCOMMITTEE NO. 4

Agenda

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



Thursday, March 9, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 2040

Consultant: Renita Polk

ITEMS PROPOSED FOR VOTE-ONLY

<u>Item</u>	<u>Department</u>	<u>Page</u>
2100	Department of Alcoholic Beverage Control	3
Issue 1	Fee Increase	3
Issue 2	Rent Increases	3
Issue 3	Flexible Staffing for Licensing	4
2120	Alcohol Beverage Control Appeals Board	5
Issue 1	Contract Administrative Services	5
1111	Department of Consumer Affairs	6
Issue 1	Board of Psychology – Staffing Transition	6
Issue 2	Board of Optometry – Occupational Analysis	6
Issue 3	Contractors State License Board – Increase Violation Reporting (SB 465)	8
Issue 4	Dental Board – Reimbursement Authority for ADEX Exam (AB 2331)	8
Issue 5	Dental Board – Pediatric Anesthesia (AB 2235)	9
Issue 6	Medical Board – Physician and Surgeon Health and Wellness Program (SB 1177)	9
Issue 7	Board of Pharmacy – Pharmacy Technician Occupational Analysis (SB 952)	10
Issue 8	Board of Pharmacy –Outsourcing Facilities Audits and Automated Delivery Systems (SB 1193)	10
Issue 9	Bureau of Real Estate – Broker Relationships and Removal of Posted Discipline	11
Issue 10	Bureau of Security and Investigative Services – Security Guard Firearm Assessment Program (SB 1196)	12
8940	California Military Department	14
Issue 1	Environmental Programs Increase	14
Issue 2	San Diego Readiness Center Renovation (Phase 2)	14

ITEMS PROPOSED FOR DISCUSSION/VOTE

2100	Department of Alcoholic Beverage Control	15
Issue 1	Information Security	15
Issue 2	Database Administration	16
1111	Department of Consumer Affairs	17
Issue 1	Medical Board – Staff Augmentation: Enforcement	19
Issue 2	Board of Registered Nursing – Licensing Program Staff	20
Issue 3	Board of Registered Nursing – Military Education and Experience	21
Issue 4	Bureau for Private Postsecondary Education – Implementation of SB 1192	22
Issue 5	State Board of Optometry – Registered Dispensing Optician Augmentation	23
Issue 6	Consumer Affairs Administration – Workforce Development for Allied Health Professionals (AB 2105)	24
Issue 7	Consumer Affairs Administration – Organizational Change Management (SOLID)	25
Issue 8	Consumer Affairs Administration – BreEZe System and Credit Card Funding	26
8940	California Military Department	28
Issue 1	Advance Plans and Studies	28
Issue 2	Consolidated Headquarters Complex	28
8955	California Department of Veterans Affairs	30
Issue 1	Reduce Funding for Veterans Services Division Support	30

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ISSUES PROPOSED FOR VOTE-ONLY

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC)

Issue 1: Fee Increase

The department submitted the attached revised fee schedule for Legislature approval which reflects adjusted fees based on increases in the Consumer Price Index (CPI). The revised schedule represents an accumulation of six years of CPI adjustments resulting in an adjustment of 11.48 percent to be effective January 1, 2018.

Background. Fees proposed for increase represent 92 percent of ABC's total annual revenue. These fees were last increased by 3.49 percent in January 2010. Statute provides ABC the authority to increase fees annually consistent with the CPI. Since this authority was provided in 2004, fees have been adjusted twice.

Issue 2: Rent Increases

Budget. ABC requests \$1.084 million in the budget year, \$1.141 million in 2018-19, and \$1.195 million in 2019-20, from the Alcoholic Beverage Control Fund to cover the increased rent costs due to annual rent increases, renegotiating expiring leases at the current market rate, and increased space needs over the past several years.

Background. ABC has a baseline rent budget of \$3,844,000. Based on existing leases and assumptions regarding market rate for leases that need to be renewed, ABC will be spending approximately \$4,716,000 in 2016-17 and \$4,928,000 in 2017-18. ABC has seen an increase of over 16 percent in rent costs over the past five years.

The last approved ABC Budget Change Proposal was in 2009-10, which increased ABC's facilities budget to \$3.9 million. Pursuant to Control Section 3.91 (b), ABC's budget was adjusted to actual costs for fiscal years 2011 -12 and 2012-13, resulting in reductions of \$130,000 and \$69,000, respectively. In 2015-16, ABC's budget was adjusted to realize savings related to reduced rent in state-owned buildings, resulting in adjustments of \$5,000 and \$18,000 in fiscal years 2015-16 and 2016-17; respectively. As a result of these adjustments, ABC's facilities budget is \$3,844,000 for 2016-17.

One lease expires during 2017-18, and six have already expired or will expire in 2016-17. Renegotiation of these leases is either complete or in the process now. Based on the costs of the existing leases and reasonable estimates of the cost of leases that need to be renewed, ABC is forecasting that facilities costs in 2017-18 will be \$4.928 million, which is nine percent higher than the 2015-16 cost and \$1.084 million above the current facilities budget.

Issue 3: Flexible Staffing for Licensing

Budget. The Department of Alcoholic Beverage Control requests \$92,000 in the budget year and \$88,000 ongoing from the Alcohol Beverage Control Fund for two part-time positions to increase the capacity and flexibility of the licensing program to meet the increasing workload associated with the licensure of businesses seeking to manufacture, distribute, and sell alcoholic beverages in the state.

Background. Applications for alcohol licenses have increased by 16 percent over the last six years. This increase in license applications, coupled with additional local requirements, have further compounded the workload related to investigating and processing license applications, lengthening the total time from application to the issuance of a license.

Currently, ABC is failing to meet its goals of processing 75 percent of original (new) permanent applications within 90 days from the date the application was received. From 2011-12 to 2015-16 the percentage of original applications processed within 90 days dropped from 56 percent to 46 percent. Further, a July 2016 survey of district offices found there were 221 applications that were not being finalized due solely to lack of resources, indicating the beginning of a backlog that is expected to grow if the current growth trend continues (see table below).

Distribution of Emerging Backlog - July 2016					
Division/District Office	LRs	Pending		Backlog	Backlog per LR
		Pending Apps.	Apps. per LR		
Northern Division					
Fresno	3	125	42	2	0.7
Oakland	6	259	43	0	0.0
Redding	2	48	24	0	0.0
Sacramento	5	222	44	2	0.4
Salinas	2	98	47	8	4.0
San Francisco	5	221	44	28	5.6
San Jose	4	148	37	4	1.0
Santa Rosa/Eureka	6	383	64	13	2.2
Stockton	3	127	42	4	1.3
Subtotal	36	1626		61	
Southern Division					
Bakersfield	2	90	45	0	0.0
Long Beach/Lakewood	3	148	49	27	9.0
LA Metro	6	370	62	32	5.3
Monrovia	3	207	69	12	4.0
Palm Desert	2	95	48	0	0.0
Riverside	5	193	39	6	1.2
Santa Ana	5	256	51	25	5.0
San Diego	4	246	62	14	3.5
San Luis Obispo	2	132	66	12	6.0
San Marcos	3	174	58	16	5.3
Ventura	2	75	38	6	3.0
Van Nuys	3	161	54	10	3.3
Subtotal	40	2147		160	
Total, ABC	76	3773		221	

LR – licensing representative

2120 ALCOHOL BEVERAGE CONTROL APPEALS BOARD**Issue 1: Contract Administrative Services**

Budget. The Alcohol Beverage Control Appeals Board requests \$106,000 from the Alcoholic Beverage Control Appeals Fund to contract with the Department of General Services for administrative services.

Background. The Alcohol Beverage Control Appeals Board is an independent entity that provides quasi-judicial administrative review of decisions, primarily those related to enforcement actions, of the Department of Alcoholic Beverage Control. All staff is independent of the department and are appointed, directed, and controlled by the board. The board issues written decisions with orders affirming, reversing, and/or remanding the department's decisions. Revenues in the fund come from fees for the filing of an appeal, established by the board.

Currently, the department provides the administrative services of human resources, accounting, and budgeting, at no cost to the board. However, this may present a conflict of interest as the department's decisions are subject to appeal and review by the board. On occasion, the department has had to recuse itself from a transaction due to this conflict of interest.

The Department of General Services (DGS) provides contracted fiscal and human resource services to over 80 departments, boards, and commissions in state government. The DGS has expert staff dedicated solely to providing these services to state agencies for all types of funding (general fund, bonds, special funds etc.) and size.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)**Issue 1: Board of Psychology – Staffing Transition**

Budget. The Board of Psychology is requesting position authority to transition one Staff Services Manager (SSM) II position and one SSM I position from temporary to permanent status. The board proposes to redirect \$230,000 in fiscal year 2017-18 and ongoing from its existing operating expenses and equipment budget to its personal services budget to fund the requested positions.

Background. The Board of Psychology is one of 40 regulatory entities which fall under the organizational structure of the Department of Consumer Affairs. The board regulates psychologists, psychological assistants, and registered psychologists.

In 2014-15, the board conducted a study to determine if it had the appropriate organizational structure. To complete the recommended changes provided by the study, the Board established an SSM II in the temporary help blanket to serve as the Assistant Executive Officer (AEO). Additionally, there was a recommendation for the Associate Governmental Program Analyst (AGPA) in the licensing unit to be upgraded to an SSM I. The board established one SSM I to oversee the licensing unit in the temporary help blanket and kept the AGPA in their current position. The board determined there was adequate workload for the AGPA and SSM I due to the continual review of applications and the need for assistance processing applicant files in a timely manner.

At the SSM II classification, the AEO works under the administrative direction of the Executive Officer (EO) who reports directly to the nine members of the Board of Psychology. The AEO oversees the daily management of the Licensing Unit, Central Services Unit, and Enforcement Unit, and works in coordination with the EO to develop and implement board policies and strategic plan goals and objectives. The AEO also provides a high level of expertise in complex legal and regulatory issues relating to the practice of psychology in California and its emerging issues.

At the SSM I classification, the licensing unit manager works under the administrative direction of the AEO. The licensing manager is a supervisory position responsible for planning, organizing, directing, and administering all activities of the board's Licensing unit. The Licensing unit SSM I oversees the daily management of the board's operations through the supervision of ten subordinate staff.

Issue 2: Board of Optometry – Occupational Analysis

Budget. The California State Board of Optometry requests a special fund budget augmentation of \$86,000 in fiscal year 2017-18 to fund an occupational analysis and audit of the board's optometrist licensing exam. The occupational analysis is needed to assure validity, maintain consistency, preserve security, and ensure integrity of the examination.

Background. The State Board of Optometry is charged with protecting the health and safety of California consumers through licensing, education, and regulation of the practice of optometry.

In order to obtain a license in California, all applicants must pass the California Laws and Regulations Examination (CLRE) and the National Board of Examiners in Optometry (NBEO) exam. An

occupational analysis and audit should be performed every five years, but the board has not had an occupational analysis or audit of the NBEO exam performed since 2009. The optometry scope in California has expanded to include diagnosing and treating glaucoma since then. In addition, the board and optometry schools throughout the U.S. have raised concerns specific to how the NBEO is currently administering the examination. An audit of the exam will help identify any valid concerns and ensure the NBEO exam withstands any integrity challenges.

Implementation. To begin the occupational analysis process, the board would enter into an interagency contract with the Office of Professional Examination Services (OPES). OPES will begin by conducting a series of telephone interviews with licensed optometrists throughout the state, which are then evaluated by a panel of subject matter experts during a two-day workshop. OPES will conduct surveys and evaluate survey data, then convene additional workshops to determine and confirm professional practices in California. OPES will then prepare a final report which will include an updated exam plan, which is a blue print used in exam construction.

LEGISLATIVE IMPLEMENTATION

The following DCA budget requests pertain to workload associated with implementing recently passed legislation.

Issue 3: Contractors State License Board – Increase Violation Reporting (SB 465)

Budget. The Contractors State License Board (CSLB) is requesting two positions and \$190,000 in fiscal year 2017-18 and \$174,000 in 2018-19 and ongoing to address the increase in referral workload and implement the mandates associated with Senate Bill 465 (Hill), Chapter 372, Statutes of 2016. Additionally, CSLB is requesting an Attorney General (AG) augmentation of \$320,000 in 2017-18 and ongoing to support the increase in referral cases to the AG office that are considered the most egregious contractor violations.

Background. SB 465 revised the existing reporting requirements to ensure that any citation, fine, or any other actions involving or potentially involving a serious injury or illness taken by the Division of Occupational Safety and Health (Cal/OSHA) against a contractor, along with any information regarding the contractor, is timely reported to the CSLB. It also requires contractors to report specific disciplinary information to the CSLB, and requires the CSLB to conduct a study to determine if CSLB's ability to protect the public could be improved.

Currently, the workload for cases referred to CSLB by Cal/OSHA is about 50 cases annually. With these new statutory requirements it is estimated that an additional 1,500 cases will be referred to CSLB. Around four percent of cases are referred to the AG annually. In order to fully review each referral from Cal/OSHA and provide additional investigation for the more serious violations, the CSLB is requesting an additional Enforcement Representative II position to investigate and discipline the contractors accordingly. Additionally, CSLB is also requesting an Office Technician-Typing position to receive, open, review, and assign the referrals from Cal/OSHA. In order to take disciplinary action against these violations, CSLB requests an AG augmentation of \$320,000 to support the anticipated increase in referral cases to the AG office for the most flagrant contractor violations.

Issue 4: Dental Board – Reimbursement Authority for ADEX Exam (AB 2331)

Budget. The Dental Board of California is requesting expenditure and reimbursement authority to implement the mandates of Assembly Bill 2331 (Dababneh), Chapter 572, Statutes of 2016. The board would be reimbursed by the American Board of Dental Examiners Inc. (ADEX) for the costs associated with the initial exam occupational analysis, review, and validation, which would cost \$112,000 in fiscal year 2017-18. This would require a one-time \$112,000 increase in the board's expenditure and reimbursement authority.

Background. Currently, the Dental Board regulates dentists, registered dental assistants, and registered dental assistants in extended functions. The board regulates approximately 101,500 licensees, of which 45,400 are dentists.

The board receives applications from candidates qualifying for licensure through the Western Regional Examining Board. AB 2331 requires the board to accept another exam; the examination developed by

the ADEX, for state dental licensure once it has been determined the exam meets the California state requirements. The board would pay DCA's Office of Professional Examination Services (OPES) to perform these tasks and then be reimbursed by ADEX for the total cost. Once the examination validation studies are performed and the ADEX exam is found to be in compliance with the state's requirements, then implementation will take place.

Implementation. The Board will post a notice on its website informing licensees that as of January 1, 2017, the new regulations regarding this additional pathway to licensure will be developed. The OPES will conduct the analyses which will take approximately 12-18 months to finish. During this time, the promulgation of regulations will take place which will also take approximately 12-18 months. As a result, applications for the ADEX exam will not be processed until 2019-20.

Issue 5: Dental Board – Pediatric Anesthesia (AB 2235)

Budget. The Dental Board of California is requesting position authority for one Associate Governmental Program Analyst (AGPA) and a budget augmentation of \$113,000 in fiscal year 2017-18 and \$105,000 in 2018-19 and ongoing, to implement the provisions of Assembly Bill 2235 (Thurmond), Chapter 519, Statutes of 2016.

Background. This request addresses the new reporting requirements that would expand the reporting duties of general anesthesia and conscious sedation permit holders. It also allows the board to create the required form or forms for reporting, mandate those permit-holders fill out a board created form encompassing the reporting requirements of the bill, process reports received, and assess a penalty on licensees who are not in compliance with the reporting requirements. This request will also provide resources to the board to create a report on pediatric deaths related to general anesthesia in dentistry.

The requested position will be assigned to formulate spreadsheets, review and analyze reports, and make recommendations, which will be used in order to independently draft the report on pediatric deaths related to general anesthesia to be presented to the Legislature. The requested position will also draft and recommend to the board an approved form to be utilized by all dental sedation practitioners, which will need to go through the regulatory process and be incorporated in regulations. Additionally, this position will formulate a procedure in which to implement the processing of such reports and deficiencies in the report(s) as they arise and act as the program representative to address any inquiries.

Issue 6: Medical Board – Physician and Surgeon Health and Wellness Program (SB 1177)

Budget. The Medical Board of California requests \$114,000 in fiscal year 2017-18 and \$106,000 annually thereafter to fund one permanent Associate Governmental Program Analyst (AGPA) to implement the provisions of Senate Bill 1177 (Galgiani), Chapter 591, Statutes of 2016. The Board also requests \$250,000 in 2018-19 to contract with an auditor to audit the program and ensure compliance with statute.

Background. The board is tasked with licensing physicians, surgeons, and other allied health licenses; reviewing the quality of medical practice carried out by physicians, surgeons, and other allied health

licensees; enforcing the disciplinary and criminal provisions; and issuing disciplinary actions when licensees are found to be in violation of the law.

Previously under the board's Diversion Program, physicians who were found to have a substance abuse problem or mental impairment were allowed to enter the Diversion Program without any record of disciplinary action. If the physician successfully completed the Diversion Program, the public never became aware of the issue. Based upon concerns over the safety of patients, the Legislature did not approve the continuation of this Diversion Program and it became inoperative on July 1, 2008.

SB 1177 authorizes the establishment of the Physician and Surgeon Health and Wellness Program (PHWP) within the board. The PHWP will be administered by a private third-party entity and will provide early identification of, and appropriate interventions to support a licensee in rehabilitation from substance abuse to ensure that the licensee remains able to practice medicine in a manner that will not endanger the public health and safety. The requested position will set up the PHWP, assist in promulgating regulations, coordinate with the third party entity to implement the PHWP, serve as a liaison between the stakeholders, and monitor the activities of the third-party administrator on an ongoing basis.

Issue 7: Board of Pharmacy – Pharmacy Technician Occupational Analysis (SB 952)

Budget. The Board of Pharmacy is requesting a one-time budget augmentation of \$154,000 in fiscal year 2017-18 to fund additional costs associated with the implementation of Senate Bill 952 (Anderson), Chapter 150, Statutes of 2016.

Background. The Board of Pharmacy protects and promotes the health and safety of Californians by pursuing the highest quality of pharmacist's care and the appropriate use of pharmaceuticals through education, communication, licensing, legislation, regulation, and enforcement.

SB 952 amends one of the pharmacy technician qualification methods from being certified by the Pharmacy Technician Certification Board to being certified by a pharmacy technician organization that offers a pharmacy technician certification program accredited by the National Commission for Certifying Agencies, and approved by the board. To comply with statute, the board needs to contract with the Office of Professional Examination Services (OPES) to conduct an occupational analysis for pharmacy technicians before it can accept new examinations.

Issue 8: Board of Pharmacy – Outsourcing Facility Audits and Automated Delivery Systems (SB 1193)

Budget. The California State Board of Pharmacy is requesting special fund expenditure authorization in the amount of \$481,000 in fiscal year 2017-18 and \$449,000 in 2018-19 ongoing to fund one Supervising Pharmacy Inspector, two Pharmacy Inspectors, and a half-time Office Technician to regulate the provisions set forth in Senate Bill 1193 (Hill), Chapter 484, Statutes of 2016.

Background. The November 2013 enactment of the federal Drug Quality and Security Act responded to a 2012 compounding tragedy (where a pharmacy compounded a product that was contaminated by fungal material) in a new way: this legislation created a new type of entity authorized to compound

medications - the outsourcing facility. These generally large-scale production facilities are authorized to compound large quantities of medications for use by other entities, whereas a pharmacy generally compounds pursuant to a patient-specific prescription. Requirements for outsourcing facilities are more stringent than compounding requirements for sterile compounding pharmacies. SB 1193 expressly authorizes that a facility that is registered as an outsourcing facility with the Food and Drug Administration (FDA) shall be concurrently licensed with the board as an outsourcing facility.

SB 1193 also requires a pharmacy that own or provides dangerous drugs that are dispensed through an automated drug delivery system to register that system and provide the location of each device within 30 days of installation and on an annual basis. Use of these delivery devices promotes security, accuracy and accountability while providing for quality, potency and purity of the medications.

The Board is requesting one supervising pharmacy Inspector and two pharmacy inspectors. Outsourcing inspections require at least three full working days using two inspectors. The supervising pharmacy inspector manages and oversees the inspectors to provide direction, monitoring, leadership and continuous training. Supervising inspectors are responsible to review the work product of the pharmacy inspector. The board's pharmacy inspectors work in the field conducting pre-licensure, post licensure and routine inspections in addition to inspections as a result of complaints received from consumers. Outsourcing facilities must renew licenses and undergo inspection annually.

The half-time office technician position is being requested to process registrations for automated drug delivery systems. It is estimated that data entry for approximately 3,000 automated drug delivery systems will be processed.

Issue 9: Bureau of Real Estate – Broker Relationships & Removal of Posted Discipline (AB 2330 & AB 1807)

Budget. The Bureau of Real Estate (BRE) requests position authority for one Program Technician II (PT II) and budget authority of \$79,000 in fiscal year 2017-18, and two Special Investigators and one full-time PT III and \$412,000 in 2018-19 and ongoing to support the Enforcement, Legal and Licensing divisions. The purpose of this request is to provide the necessary staffing levels to manage the increases in workload and phone calls in BRE's Licensing and Enforcement divisions that will result from the requirements imposed by Assembly Bill 2330 (Ridley-Thomas), Chapter 614, Statutes of 2016, and Assembly Bill 1807 (Bonta), Chapter 558, Statutes of 2016.

Background on AB 2330. AB 2330 requires the Real Estate Commissioner to identify on BRE's website associate licensees, if the associate licensee is a broker, and each responsible broker with whom the associate licensee is contractually associated. It requires a real estate broker to immediately notify the Real Estate Commissioner of the employment relationship between the broker and the associate broker.

As of June 30, 2016, the BRE had 134,947 licensed real estate brokers. In implementing AB 2330, it is estimated that approximately fifty percent of all brokers work in an associate broker capacity. These estimates reflect the minimum number of potential Broker Associate Change applications the bureau anticipates receiving.

The workload associated with AB 2330 will primarily impact the BRE's Licensing Section. Beginning in January 2018, real estate brokers will be required to begin notifying the BRE of employed broker-associates. The PT II position will process these employment changes into the bureau's database, review applications, and update employment records on the on-line public license record for both the broker and broker-associate.

Background on AB 1807. AB 1807 allows a licensee of the BRE to petition the Real Estate Commissioner to remove his or her notice of disciplinary action from the bureau's website. A licensee may petition the commissioner to remove the notice of discipline, if the disciplinary action has been posted for at least ten years and the licensee provides evidence of rehabilitation indicating the information is no longer necessary to prevent a credible risk to the public. "Posted" is defined as the date the disciplinary action was taken by the BRE.

The BRE currently has 411,653 licensees. Of this number, 19,000 license records display disciplinary action for the period from 1975 through September 1, 2016. The initial workload for implementing this bill could include licensees with disciplinary action on their record from 1975 through 2006, which may be approximately 14,174 licensees.

The workload associated with the petition process is primarily going to impact the Bureau's enforcement, legal, and licensing sections. The special investigator positions in the Enforcement section will be charged with reviewing petition applications accompanied by evidence of rehabilitation, conducting background investigations, and making recommendations as to whether or not the posted discipline should still be required. Once a recommendation has been made, the Legal section will be tasked with reviewing the enforcement section's recommendation and ensuring that the evidence submitted satisfies both the intent of the statute, as well as any subsequent regulations.

Once a decision has been made, legal staff will draft an order for the commissioner's signature, whereby the commissioner will either grant the removal or the disciplinary notice or deny the petitioner's request. If the petition is denied, the petitioner has the right to request reconsideration, which would involve additional legal staff time. Under either scenario, the order will be forwarded to the licensing program, and the unit will ensure that the licensee's on-line record is updated accordingly, and references to prior disciplinary action removed, if required. Furthermore, licensing, in collaboration with the Information Technology section, will maintain a list of all licensees whose disciplinary records are altered.

Issue 10: Bureau of Security and Investigative Services – Security Guard Firearm Assessment Program (SB 1196)
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Budget. The Bureau of Security and Investigative Services is requesting \$172,000 in fiscal year 2017-18 and \$215,000 in 2018-19 and ongoing to support the following positions to implement Senate Bill 1196 (Hill), Chapter 800, Statutes of 2016: two permanent Program Technician II positions in 2017-18, and ongoing, and one permanent Staff Services Analyst position in 2017-18 and ongoing.

Background. The bureau regulates seven professions: locksmiths, repossessioners, private investigators, proprietary security services, private security services, and alarm companies. The bureau licenses, registers and certifies the businesses and their employees related to the six chapters. There are 24

different license types. In addition, the bureau approves organizations and schools who provide security guard training.

SB 1196 requires that an applicant for an initial firearms permit, who is a registered security guard, to complete an assessment to demonstrate that he or she possesses appropriate judgment, restraint and self-control to carry a firearm while performing his or her security guard duties. Additionally, the bill requires the bureau to contract with a third-party vendor to administer the assessment with the cost of the assessment to be borne by the applicant or their designee. The bill requires the bureau to consult with a California licensed psychologist or other subject matter experts to assist in the establishment of the criteria for the scope of work to secure a third party vendor, as well as assist in the review of the contract bids. The bureau is required to consider the cost to the applicant, geographic accessibility, and compliance with established standards for the assessments.

The bureau's licensing unit strives to process initial, complete (no deficiencies) individual license applications within 60 days, initial and complete (no deficiencies) company applications within 90 days, and to process renewal applications within 60 days. However, due to various reasons including longer processing times, high workload-to-staff ratios, a high-rate of deficient applications, and a growing licensing population, these processing targets are challenging to maintain. The bureau utilizes overtime and permanent-intermittent positions to help sustain reasonable processing times.

The licensing workload related to the processing activities associated with these assessments for security guard applicants will be significant and will not be able to be absorbed by the bureau with current staff resources.

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)**Issue 1: Environmental Programs Increase**

Budget. The California Military Department (CMD) requests the establishment of one position and an increase of \$144,000 in Federal Trust Fund authority within the Army Guard Headquarters, Environmental Programs Directorate.

Background. In accordance with a Master Cooperative Agreement, the California National Guard Environmental Programs Directorate provides guidance, compliance and oversight to the CMD in an effort to protect the environment. Due to the large number of California Army National Guard (CA ARNG) facilities, the complexity of the environmental programs in California and the continuously-increasing scope of environmental laws and regulations, the National Guard Bureau (NGB) determined that the Environmental Programs Directorate requires 35 positions. Currently, the Environmental Programs Directorate has 33 state authorized positions, in addition to a single federal technician.

The positions are responsible for statewide environmental compliance within the CA ARNG. This directorate manages 17 programs that generate a variety of projects that require coordination with regulatory agencies, consultation with operating directorates, fieldwork, and acquiring permits. The requested position would help the directorate keep up with increasing environmental project demands and changing environmental laws and requirements, as well as meet the NGB required 35 positions. The Environmental Directorate may be subject to fines and penalties due to non-compliance if it does not meet the NGB required 35 positions.

Issue 2: San Diego Readiness Center Renovation (Phase 2)

Budget. The department seeks \$3,758,000 (\$1,879,000 General Fund and \$1,879,000 matching federal funds) for Phase 2 (of 3) of construction, for the continuing San Diego Readiness Center Renovation project.

Background. The San Diego Readiness Center houses the headquarters for Defense Support to Civil Authorities (DSCA) for Southern California and is, therefore, the most operationally critical armory in all of Southern California. Renovation of the San Diego Readiness Center will be completed over three phases and adds a 4,400 gross square foot addition to the existing facility. Phase 2 construction focuses on modernizing the main armory building by upgrading HVAC, electrical, and lighting; refurbishing the currently inoperable kitchen; updating plumbing and latrines; abating lead and asbestos; and installing energy efficient windows. This renovation also addresses ADA, security, and other regulatory-driven improvements.

ISSUES PROPOSED FOR DISCUSSION/VOTE**2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC)**

Overview. The Department of Alcoholic Beverage Control (ABC) licenses and regulates approximately 90,000 licensees engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in California. As of February 1, 2017, ABC had a vacancy rate of 5.6 percent. The vacancy rate for sworn personnel was 6.4 percent and 4.9 percent for non-sworn personnel. In 2015-16 ABC issued 11,056 licenses renewed 84,490 licenses. On average, it took 136 days to process a license application. During that same time period the department completed 3,761 investigations.

Budget. The balance of the Alcoholic Beverages Control Fund, which funds 98 percent of all activity (the other two percent is reimbursements from Office of Traffic Safety grants), is projected to be approximately \$25 million at the end of the current year, and \$19 million at the end of 2017-18.

Issue 1: Information Security Office

Budget. ABC requests \$278,000 in 2017-18 and \$274,000 in 2018-19 and ongoing from the Alcoholic Beverage Control Fund for two positions to establish the Information Security Office (ISO). The establishment of the ISO will provide the appropriate staffing to develop and implement security policy and practices to safeguard the department's information assets, maintaining confidentiality and integrity in accordance with State Administrative Manual (SAM) Section 5300.

Background. The ABC, like many of California's government departments, maintains an extensive range of confidential and sensitive data, including social security numbers and financial information.

In a report published in August of 2015, the state auditor found ABC was not fully compliant with information security and privacy requirements prescribed in SAM Section 5300. The results of the risk assessment resulted in the development of an Information Security Plan that established ABC's first permanent ISO, developed information security policies, and achieved compliance in ABC's security program to appropriately correct the items identified by the state auditor. The audit response team was made of temporary staff members and ABC requests resources to transition the initial efforts into a permanent office that could fully institutionalize the information security policies.

To accomplish this transition, pursuant to Control Section 31.00 (d) of the Budget Act of 2016, ABC administratively established one Data Processing Manager (DPM) III on November 1, 2016, to assume the roles and responsibilities of Information Security Officer. The creation of this position was the initial effort in the establishment of the ISO. This proposal addresses the additional resources needed to successfully implement an Information Security and Privacy Program at the ABC.

The requested positions to staff the ISO include one DPM III and one Staff Information Systems Analyst. Responsibilities of the DPM III position include directing and managing a complex security project; recommending and implementing policy; and creating processes and procedures using best practices and industry standards that protect the ABC employees, data assets, and stakeholders.

Although the ABC's initial efforts to address its information security challenges have been effective in terms of creating policy and procedure, the vast majority of the work related to achieving compliance is meeting the challenge of institutionalizing a large volume of new policy and procedure across 25

different physical locations. The ABC's temporary staff has facilitated the creation of an Information Security and Privacy Plan and a Policy Manual, which establishes new policy and procedures that need to be integrated into the ABC's operation. Successful implementation of these policies and programs will require extensive change management, project management, and communication between the ISO and all units in the department. Given many of the policies are completely new, it is anticipated that significant training and consideration of operational complications will be required. The ISO will have the responsibility of staying up to date with new policies, practices, and threats and be responsible for evaluating the operation of the ABC's IT operation.

Issue 2: Database Administration

Budget. ABC requests \$129,000 in 2017-18 and \$127,000 in 2018-19 and ongoing from the Alcoholic Beverage Control Fund for one position to improve the performance of ABC's systems, most notably the Alcoholic Beverage Information System (ABIS), the department's primary business application, through appropriate database administration.

Background. In May 2010, ABC launched the ABIS. The ABIS was developed by an external vendor using the company's proprietary commercial off-the-shelf (COTS) software. However, the COTS application was heavily modified to meet ABC's requirements. The primary function of ABIS is to register, manage, and maintain licenses for ABC.

There are four application developers that support the ABIS system. There is one senior programmer analyst that acts as the lead developer and three staff programmer analysts. The primary responsibility of the development team is to maintain the ABIS system. However, there is a lack of knowledge within ABC in the area of database administration.

There are functional gaps in ABC's Application Development team, as the team lacks knowledge and experience in database administration. Only minimal database management tasks are being completed and in a reactive manner. There is no analysis being done to identify ways to improve database performance. Thus, there is limited ability for ABC IT staff to engage in these aspects of troubleshooting the ABIS system, increasing the reliance on the vendor. There is no staff person for developers to consult with regarding how to efficiently extract data from the system or build new connections to the existing data. In addition to the impact on the support of ABIS, ABC is also limited in its ability to properly develop and support new solutions that would require database administration.

ABIS is currently experiencing performance issues which have been difficult to diagnose. From 2015-16 to the present ABIS has suffered eight outages, resulting in 21.4 hours of downtime. When an outage occurs ABC contacts the contracted database administrator and there can be lag time for the contractor to respond.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

Overview. The department seeks to protect Californians by establishing and enforcing licensing standards for approximately three million professionals across 250 business and professional categories. DCA oversees forty entities (26 boards, two committees, one commission, ten bureaus, and one certification program). The committees, commission, and boards are semi-autonomous bodies, whose members are appointed by the Governor and the Legislature. In general, the department's boards and bureaus provide exams and licensing, enforcement, complaint resolution, and education for consumers. License fees primarily fund DCA's operations.

Budget. The budget includes \$655.4 million total funds and 3,273 positions to support the department, its programs, and its services. Specifically, the budget includes:

Code	Program	Actual 2015-16*	Estimated 2016-17*	Proposed 2017-18*
1100	California Board of Accountancy	\$-	\$14,099	\$13,410
1105	California Architects Board	-	4,565	4,687
1110	State Athletic Commission	-	1,757	1,806
1115	Board of Behavioral Sciences	-	12,337	11,288
1120	Board of Chiropractic Examiners	-	3,994	4,126
1125	Board of Barbering and Cosmetology	-	22,106	22,022
1130	Contractors' State License Board	-	63,319	64,638
1132	CURES	-	1,612	1,612
1135	Dental Board of California	-	15,605	16,143
1140	State Dental Hygiene Committee	-	1,969	1,992
1145	State Board of Guide Dogs for the Blind	-	148	214
1150	Medical Board of California	-	62,237	60,725
1155	Acupuncture Board	-	3,714	3,261
1160	Physical Therapy Board of California	-	5,207	4,894
1165	Physician Assistant Board	-	1,653	1,693
1170	California Board of Podiatric Medicine	-	1,256	1,473
1175	Board of Psychology	-	4,815	5,019
1180	Respiratory Care Board of California	-	3,292	3,673
1185	Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board	-	1,962	1,966
1190	California Board of Occupational Therapy	-	2,299	2,241
1196	State Board of Optometry	-	2,119	2,593

1200	Osteopathic Medical Board of California	-		
1205	Naturopathic Medicine Committee	-	316	399
1210	California State Board of Pharmacy	-	19,715	21,925
1215	Board for Professional Engineers and Land Surveyors and Geologists	-	11,430	11,770
1220	Board of Registered Nursing	-	42,122	40,738
1225	Court Reporters Board of California	-	1,238	1,244
1230	Structural Pest Control Board	-	5,095	5,251
1235	Veterinary Medical Board	-	4,774	4,574
1236	Veterinary Medical Board Pet Lover's License Plate Program	-	150	150
1240	Board of Vocational Nursing and Psychiatric Technicians of the State of California	-	13,373	15,688
1400	Arbitration Certification Program	1,185	1,171	1,219
1405	Bureau of Security and Investigative Services	13,708	16,633	16,019
1410	Bureau for Private Postsecondary Education	13,959	17,181	18,738
1415	Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation	6,603	7,737	7,440
1420	Bureau of Automotive Repair	170,845	186,795	188,315
1425	Consumer Affairs Administration	111,638	128,441	132,984
1426	Distributed Consumer Affairs Administration	- 111,461	- 128,261	- 132,804
1430	Telephone Medical Advice Services Bureau	163	104	-
1435	Cemetery and Funeral Bureau	3,376	4,334	4,484
1440	Bureau of Real Estate Appraisers	5,303	-	-
1441	California Bureau of Real Estate Appraisers	-	5,667	5,682
1445	Bureau of Real Estate	51,238	-	-
1446	California Bureau of Real Estate	-	52,049	52,486
1450	Professional Fiduciaries Bureau	635	495	520
1455	Bureau of Medical Marijuana Regulation	3,122	14,812	26,786
Total Expenditures (All Programs)		\$270,314	\$637,740	\$655,408

*Dollars in thousands

Issue 1: Medical Board – Staff Augmentation: Enforcement

Budget. The Medical Board of California requests \$187,000 in fiscal year 2017-18 and \$161,000 in 2018-19 and ongoing to fund two permanent positions to address increased workload in the Enforcement Program resulting from an increase of insured consumers in the state and consumer complaints received by the board.

Background. The recent implementation of the Affordable Care Act and the expansion of the Medi-Cal program have resulted in an increase of approximately four million insured consumers in the state. During this time, the board also began receiving consumer complaints online, which increased the total number of complaints received each year.

Workload Measure	Previous Year - 4	Previous Year - 3	Previous Year - 2	Previous Year - 1	Previous Year	Current Year
Number of Complaints Received	7,122	6,923	7,459	8,329	8,267	8,674

In addition to the increase of complaints received, the enforcement processing timeframes have greatly increased over the years, as shown in the table below. Since 2014-15 there has been an increase in more complex complaints, which require more time to process, and has resulted in a significant increase in overall enforcement work hours to process complaints. Initial review and analysis of more complex complaints take five hours on average, while simpler complaints can be reviewed in about two hours.

Complaint Process	Previous Year - 1	Previous Year	Current Year
Average Processing Time (Days)	67	140	152

Although the launch of the online system simplified the complaint process for some consumers, it also impacted the average processing timeframes. Online complaints often take more time to process due to the limited information that is provided by the complainant. Online complaints can be anonymous, resulting in the analyst dedicating more time to obtain needed information.

To lower the average number of days it takes to process a complaint and either close or refer it for further investigation, the board is requesting two positions in the Enforcement Program's Central Complaint Unit. The positions will reduce the overall average caseload per CCU analyst.

Issue 2: Board of Registered Nursing – Licensing Program Staff

Budget. The Board of Registered Nursing is requesting an increase in the board’s limited-term expenditure authority of \$1,270,000 in fiscal year 2017-18 and \$1,142,000 in 2018-19 to fund 16.0 positions to address severe deficiencies within the board’s Licensing Unit. Specifically, the positions:

Licensing Program:

- Four Limited-term Program Technician (PT) I
- Five Limited-term PT II
- One Limited-term Staff Services Manager (SSM) I

Licensee Services:

- Four Limited-term PT II
- One Limited-term Office Technician (OT)
- One Limited-term Supervising PT II

Background. The board is the regulatory agency for registered nurses (RNs) within California. Its primary mission is public protection and customer services for consumers, licensees and applicants. The licensing program issues new licenses to approximately 24,000 RNs, certifies 6,300 advance practice nurses and receives over 42,000 RNs and advance practice applications to review and process each year.

Processing times with the current authorized positions within the licensing program increased from 4-6 weeks to 12 - 20 weeks for applicants. The launch of the BreEZe computer system brought the ability for more robust data collection and tracking which added steps in the licensure and renewal process, thus increasing processing times.

Currently the board has one United States evaluation unit that handles both exam and endorsement initial applications and all repeat/reapply applications. This unit is currently staffed with three permanent full-time OT positions, two permanent full-time PT II positions and one permanent intermittent OT. Duties within the unit include the evaluation of the application record, transcripts, fingerprint results and any supporting documents. Staff prepares deficiency letters to applicants, and evaluators determine eligibility to exam or for licensure based on all documents received as part of the application for licensure. Additionally, if reporting an arrest, conviction or out of state discipline, additional documentation is required of the applicant and additional steps must occur. The board is requesting five PT II positions in the US evaluation unit.

The Technical Services unit is responsible for the preparation of exam, endorsement and advance practice files. Technical staff duties include entering of application data into the BreEZe system, creating temporary license transactions, scanning, filing and attaching supporting documents into application files, processing incoming mail for both US and International applicants, and copying and certifying transcripts, among other duties. The board is requesting four PT I positions and one SSM I to address the workload associated with processing delays. The Board has redirected six staff positions from other units to assist with processing backlogs, and used DCA’s Organization Change Management Unit to map business processes in order to fully utilize current staff time.

These delays have also caused an increase in the number of telephone calls, complaints and e-mail correspondence received by the board. The board receives an average of 48,800 calls per month of

which only 13 percent are answered; 39 percent receive a system disconnect and 48 percent abandon calls for a total of 87 percent unanswered incoming calls. The board is requesting four limited-term PT II positions and one limited-term supervising PT II to address the call center workload.

The board has grown from 98 staff positions in 2008-09 to 157.1 in 2015-16, indicating a 60 percent increase. The Human Resource (HR) Unit consists of two staff to complete all HR related duties for the Board. The board is requesting one limited-term OT in this unit.

Issue 3: Board of Registered Nursing – Military Education and Experience

Budget. The Board of Registered Nursing is requesting three Nursing Education Consultant (NEC) positions and \$389,000 in fiscal year 2017-18 and \$365,000 ongoing to ensure all approved nursing programs have a method(s) to evaluate military education, experience, and training that may qualify to meet nursing education requirements; and evaluate military education, experience and training at the time of application to qualify to take the National Council Licensure Exam - Registered Nurse (NCLEX-RN) and obtain licensure in California.

Background. Senate Bill 466 (Hill), Chapter 489, Statutes of 2015, requires the board to review schools' clinical instruction to determine if it adheres to the regulations for granting educational credits for military education and experience, review applications from schools to determine if they are eligible to grant credit for military experience and education, revoke nursing program's approval if they do not give credit for military education and experience, and review applications from any person who has served on active duty to determine if their military education and experience qualifies them for licensure. Each nursing school would be reviewed for compliance every four years.

The board currently has 142 approved pre-licensure programs and over 20 advanced practice programs in California. The board's NECs ensure that nursing education programs meet regulatory requirements and that the curriculum content addresses contemporary political, technical, economic, healthcare and nursing practice developments. Upon completion of a program visit and the completion of their report, a NEC will present their findings to the Education Licensing Committee and to the Board. Currently, scheduled continuing approval visits are conducted every five years with findings reviewed by the ELC and full board. A routine program review normally takes between four to six days. NECs also approve new nursing schools and programs, a process that can take up to two years.

The board currently has 10 NECs split between Northern and Southern California to complete routine school visits as well as perform other daily duties such as, provide leadership in the development of new approaches to nursing education; ensure that reports and data sources related to nursing education in California are utilized in nursing program design; monitor and evaluate the NCLEX-RN examination construction, process and test-taker outcomes; maintain licensure and certification application processes in compliance with regulation; and provide ongoing monitoring of the Continuing Education (CE) Program and verify compliance with Board requirements by licensees and providers.

The board notes that a complete program review will require a school visit and staff dedicated specifically to that purpose. This past fiscal year, the Board's 10 NECs completed 28 program visits for continued approval. Currently, there are 142 approved nursing programs that would need to be reviewed for compliance.

LAO Comment and Recommendation. The LAO finds the “...estimate of workload associated with reviewing schools pursuant to Chapter 489 appears inflated.” Information provided by the Board indicates that each school review will take almost four weeks to complete, and require a site visit. There is uncertainty regarding whether review will take the stated amount of time, and if a school visit is necessary. It is anticipated that these reviews can be accomplished by reviewing school policies, instead of through school visits. LAO recommends reducing the proposal from \$389,000 to \$130,000 and one permanent position in 2017-18 (\$122,000 ongoing).

Issue 4: Bureau for Private Postsecondary Education – Private Postsecondary Education Act (SB 1192)

Budget. The Bureau for Private Postsecondary Education requests \$1,008,000 in fiscal year 2017-18 and \$928,000 annually thereafter to fund ten positions to implement the provisions of Senate Bill 1192 (Hill), Chapter 593, Statutes of 2016. The bureau also requests a one-time increase of \$1 million in 2017-18 to fund relocation costs and \$250,000 in 2017-18 and annually thereafter for increased rent costs.

This proposal requests funding and position authority as follows:

- \$180,000 in 2017-18 and \$164,000 annually thereafter to fund two Staff Services Analysts (SSA) to regulate out-of-state institutions offering distance education to California students.
- \$629,000 in 2017-18 and \$581,000 annually thereafter to fund one Office Technician (OT), two Associate Governmental Program Analysts (AGPA), one Associate Information Systems Analyst (AISA), one Research Program Specialist (RPS) I, and one Career Executive Assignment A (CEA A) to establish and maintain the Office of Student Assistance Relief (OSAR).
- \$199,000 in 2017-18 and \$183,000 in 2018-19 to fund one SSA and one AGPA to receive and process claims anticipated to be submitted by Corinthian students upon the Student Assistance Relief Fund (STRF).
- \$1 million one-time in 2017-18 for relocation costs and \$250,000 in 2017-18 and annually thereafter for increased rent costs.

Background. SB 1192 requires the bureau to: 1) regulate out-of-state institutions offering distance education to California students, 2) create the Office of Student Assistance Relief (OSAR) for the purpose of advancing and promoting the rights of private postsecondary students, and 3) expand economic recovery from the Student Tuition Recovery Fund (STRF) to all California students of Corinthian Colleges, Inc. The additional staffing will require the bureau to relocate from its current location.

Out-of-state institutions offering distance education to California students must register with the bureau and comply with the requirements of the STRF. Based on the number of inquiries received from out-of-state institutions seeking to provide distance education to California students, the bureau estimates approximately 250 institutions will register with the bureau each year beginning in 2017-18.

The bureau typically receives complaints from students on approximately 80 percent of its current licensee population each year. Assuming the same complaint rate of 80 percent applies to out-of-state institutions, the bureau will be required to investigate approximately 200 institutions per year.

The bureau is required to establish the OSAR for the purpose of advancing and promoting the rights of students of private postsecondary educational institutions. Workload associated with OSAR will include outreach to students and prospective students; facilitating resolution of student concerns; serving as a primary point of contact to address the needs of students; coordinating services for students; and researching and examining industry, student, and other relevant demographic trends.

Basing estimates on data related to Heald and Everest Online students, the bureau anticipates receiving 720 STRF claims over a two-year period beginning in 2017-18, of which 39 percent (or 281) STRF claims will be approved.

Issue 5: State Board of Optometry – Registered Dispensing Optician Augmentation

Budget. The California State Board of Optometry is requesting to increase the Registered Dispensing Optician Program's (RDO) appropriation by \$86,000 in fiscal year 2017-18 and ongoing and increase the board's reimbursement authority by \$86,000 to allow the RDO program to reimburse the board for services provided in the oversight of the program. A breakdown of these costs:

- Executive Officer (15 percent time) - \$12,000
- Staff Services Manager I (20 percent time) - \$14,000
- Associate Governmental Program Analyst (30 percent time) - \$19,000
- Staff Services Analyst (5 percent time) - \$3,000
- Benefits - \$26,000
- RDO portion of rent - \$10,000
- Other operating expenses and equipment - \$2,000

Background. The board's primary responsibility is to protect California consumers from negligent, incompetent, or fraudulent licensees and individuals in the practice of optometry.

As of January 1, 2016, the board acquired the RDO Program. The RDO Program staff consisted of one management services technician. Enforcement and clerical work (e.g., opening/distributing mail, phone calls, ordering supplies, etc.) were absorbed by the Medical Board of California (MBC) and billed to the RDO Program for services rendered. The board has a significantly smaller staff size than the MBC and was unable to absorb the work up front, consequently the board submitted a Budget Change Proposal (BCP) to reallocate funds allotted for the MBC shared services to a half-time Office Technician (OT) (for clerical work) and a 0.6 Special Investigator (for enforcement). The BCP was approved for 2016- 17.

However, the board is still providing additional services to the RDO Program. These services include oversight, preparation of regulations, review of policy related materials, addressing pending legislation, and rental costs.

The Board of Optometry's Executive Officer (EG) will spend an estimated 15 percent of her time providing oversight of the entire RDO Program. The EG will review and approve all administrative

and disciplinary matters, work directly with board and committee members, and provide updates at board and committee meetings. The EG will also work with stakeholders, Office of Administrative Law and members of the Legislature and their staff on rulemaking files and needed legislation. The Board's Assistant Executive Officer (AEO) will spend 20 percent of his time providing supervisory oversight of the RDO Program staff. The AEO is responsible for training, organizing and supervising the RDO staff work, and will develop annual enforcement goals and objectives in coordination with committee/board staff. It is estimated the board's policy analyst will devote at least 30 percent of her time to amending statutes and regulations for the RDO Program. The majority of RDO Program's statutes and regulations have not been revised in almost three decades.

<p>Issue 6: Consumer Affairs Administration – Workforce Development for Allied Health Professionals (AB 2105)</p>
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Budget. DCA requests \$114,000 in fiscal year 2017-18, \$106,000 in 2018-19, and FY 2019-20 to fund one Associate Governmental Program Analyst to implement the provisions of Assembly Bill 2105 (Rodriguez), Chapter 410, Statutes of 2016.

Background. AB 2105 builds on recommendations made in a December 2015 report by the California Workforce Development Board on establishing “earn and learn” opportunities within the healthcare industry. “Earn and learn” programs are those intended to offer participants a wage while completing the training and education necessary for a specific occupation. As part of the report's conclusion, a recommendation was made that a "focused and collaborative effort" be made by a variety of stakeholders to find ways to adapt the apprenticeship model for the health care industry.

AB 2105 requires DCA to create and conduct a stakeholder process to develop "earn and learn" training programs within the allied health professions. That process is required to be completed by January 1, 2020, and requires the leadership and inclusion of DCA, its relevant licensure boards, the Division of Apprenticeship Standards, representatives appointed by the Board of Governors from the California Community College system, the California Workforce Development Board, the State Department of Public Health, any other relevant, employer and worker representatives, and community-based organizations. DCA is further mandated to address specific issues as addressed by the California Workforce Development Board report of 2015, and share all identified statutory barriers in a report to the Legislature.

Relevant licensure boards to be included in the process:

Acupuncture Board	Board of Podiatric Medicine
Dental Board	Board of Psychology
Dental Hygiene Committee	Respiratory Care Board
Medical Board	Board of Occupational Therapy
Physician Assistant Board	Board of Chiropractic Examiners
Board of Registered Nursing	Physical Therapy Board
Board of Optometry	Speech Language Pathology and Audiology and Hearing Aid Dispensers Board
Osteopathic Medical Board	Veterinary Board
Board of Pharmacy	

The requested position will be a focal point for stakeholders and will be responsible for the coordination and execution of the stakeholder process. This position will be responsible for conducting research into each potential barrier for licensure, handling stakeholder inquiries, public inquiries, correspondence, conducting outreach in order to appropriately staff stakeholder meetings, create informational packets and meeting materials, conduct the stakeholder meetings, provide follow up reports to participants and the Legislature, and coordinate the creation of the programs that may result from the process.

Issue 7: Consumer Affairs Administration – Organizational Change Management (SOLID)

Budget. DCA is requesting \$1,327,000 in fiscal year 2017-18 and \$1,207,000 in 2018-19 and ongoing to fund ten permanent positions associated with conducting periodic business process reviews of the 40 boards, bureaus, committees, programs, and commission (Boards) under the department. Funding of this proposal will come from the special funds that support these department's 40 entities. The costs are proposed to be distributed across all of these special funds in proportion to each entity's share of authorized positions.

Background. The Strategic Organization, Leadership, and Individual Development (SOLID) unit handles all training and strategic planning services for the boards, and is dedicated to the continual improvement and organizational development of the department and its Boards. Additionally, SOLID provides meeting facilitation, organizational change management (OCM) consultation services, and teambuilding workshops to assist board members and staff in dealing with unique issues facing a Board. SOLID offers its services to all Boards under the department.

SOLID offers services to the boards in two formats – helping boards transition to new information technology systems and assisting Boards in identifying performance issues and developing solutions to those issues. These reviews are a proactive approach to identify performance issues and develop solutions that prevent minor problems from growing into larger ones. The reviews are a collaborative process with the boards, instead of an audit or oversight process. SOLID has provided support to various projects and Boards within DCA including BreEZe release 2 efforts, DCA FI\$Cal Project, State Board of Guide Dogs for the Blind, Board of Registered Nursing Complaint Intake and Investigations, Board of Registered Nursing Licensing, and the Professional Fiduciary Bureau.

The OCM process includes a number of steps that may be part of a scope of work for SOLID with a Board. Those steps include:

- **Discovery and Analysis:** SOLID educates staff on the OCM process, discusses roles and responsibilities, and creates a communications plan.
- **Planning and Preparation:** SOLID customizes a "toolkit" of activities and documents for the Board based on data it collects and schedules meetings with subject matter experts.
- **Business Process Mapping:** SOLID works collaboratively with board subject matter experts to identify current business processes ("As-is") and develops customized workflow diagrams.
- **Training and Acceptance:** SOLID provides training tools, job aids, reports and other documents to assist Board staff in understanding the change and how the new process works.

- Implementation and Evaluation: SOLID works with the Board staff to develop new metrics for the new process and provide support to the staff once the new process has been implemented.

There are currently three Associate Governmental Program Analysts in SOLID providing organizational change management services to the boards and the department. Recently the department redirected another two positions to SOLID.

The department plans to use the requested staff to provide these services to five to seven Boards annually, including review of department offices and divisions, with full departmental review in the next six to eight years. Additionally, the new staff in SOLID would be utilized to assist any Boards seeking to implement a new IT project or business process analysis or re-engineering.

LAO Comment and Recommendation. “While we find that the goal of improving the efficiency and effectiveness of the Board and bureau operations is worthwhile, DCA has not adequately justified that OCM (1) is needed at all Boards and bureaus, (2) has a proven track record at DCA or other state departments, or (3) will produce specific measurable outcomes.” LAO recommends rejection of this proposal and suggests that DCA return with a proposal once it is able to verify the merit of these reviews.

Issue 8: Consumer Affairs Administration – BreEZe System and Credit Card Funding

Budget. DCA’s Consumer and Client Services Division (CCSD), is requesting appropriation authority of \$16,762,000 in fiscal year 2017-18, \$19,450,000 in 2018-19 and \$4,619,000 ongoing for the continued support of BreEZe Maintenance & Operations (M&O). The total costs are based on system support costs and projected workload pertaining to the BreEZe M&O activities for 2017-18 and 2018-19 and 43.0 positions to support the system.

This request also includes \$3,033,000 in funding for 2017-18 and ongoing for all boards and bureaus to fund credit card processing fees on behalf of users of credit card payments through the BreEZe system.

The requested augmentation is as follows (dollars in thousands):

	<u>BreEZe System</u>	<u>Credit Card Convenience Fee</u>	<u>Total Augmentation</u>
2017-18	\$16,762	\$3,033	\$19,795
2018-19	\$19,450	\$3,033	\$22,483
Ongoing	\$4,619	\$3,033	\$7,652

Background. BreEZe is an integrated enterprise-wide licensing and enforcement system implemented to replace the aging legacy licensing and enforcement systems - Applicant Tracking System (ATS) and Consumer Affairs System (CAS) - and many work-around systems based on state-of-the-art technology for 18 of the department's boards and bureaus. The department's Office of Information Services (OIS) of the CCSD is responsible for maintaining and updating the primary licensing and enforcement information systems of the department: ATS, CAS, and now BreEZe.

The BreEZe project began with approval of a Feasibility Study Report (FSR) on November 30, 2009, and subsequent Special Project Report (SPR) 1 approved on July 20, 2011. The project had been planned to be rolled out in three separate releases (Release 1, 2 & 3). The first release was launched in October 2013. SPR 2, approved on October 31, 2013, updated the project status with updated milestone dates and total project costs due to project delays encountered during the implementation and deployment of Release 1. According to a report by the State Auditor, most Release 1 Executive Officers 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. 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 Release 3 boards and bureaus. In January 2016, DCA launched Release 2 and has since reported that the second release is proceeding successfully.

In 2015-16, the department was approved for limited funding for 34 new, permanent positions to complete the project and provide ongoing support for the BreEZe System. These 34 positions were supported with funding for three years. The department is requesting permanent funding for the previously authorized 34 positions, plus an additional nine permanent positions to be used for M&O support and cashiering.

BreEZe M&O involves the on-going licensing of the Versa: Regulation product suite, a commercially available integrated enforcement case management and licensing solution that can be configured for the department's needs. The department is continuing its efforts to fully transition routine system support responsibilities to the state. In the interim, Accenture Limited Liability Partnership continues to provide additional maintenance support and knowledge transfer following system implementation. In addition, the department continues to maintain and support the BreEZe System's vast technical architecture housed within the California Department of Technology's Tenant Managed Services Data Center.

This proposal also requests continued funding for credit card processing fees. BreEZe interfaces with a third-party payment processor which will provide the department with the ability to accept electronic payments, while meeting compliance with Payment Card Industry (PCI) Security Standards, via the third-party payment processor. The estimated amount needed is based on the assumption that the on-line usage will continue to grow and up to 80 percent of all (with some exclusions) revenue will be received via a credit card transaction and a two percent convenience fee will be charged by credit card companies. The revenue used to calculate the cost is from the last full year of revenue, which is 2015-16.

LAO Comment and Recommendation. The LAO recommends approving the proposal. However, since the department is adding five additional maintenance positions, it is recommended that the Legislature reduce DCA's Accenture contract by \$1 million in 2018-19—the equivalent of roughly five Accenture positions. This funding level would provide DCA with an opportunity to finish the modification projects that are currently planned. If DCA determines that this Accenture contract amount is insufficient to meet its maintenance needs after 2017-18, it can return in a future year to request additional funding. At that time, the department should have additional information on its maintenance workload and plan to transition from the Accenture maintenance contract.

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 \$164.6 million (\$49.6 million General Fund, \$108.6 million federal funds, \$4.6 million reimbursements, and \$1.8 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 for the Army – National Guard, Air – National Guard, and the Adjutant General.

Issue 1: Capital Outlay - Advanced Plans and Studies

Budget. The CMD seeks \$300,000 (\$150,000 General Fund and \$150,000 federal matching funds) for Architect-Engineering (A-E) services to conduct design studies and programming charrettes for future capital projects. These A-E services will allow the CMD to develop conceptual designs and validated costs estimates for future capital projects.

Background. The federal Army Corps of Engineers manages some department capital outlay projects. Instead of a budget package, the Army Corps uses a design charrette. To accurately estimate project costs for future construction, the CMD must obtain A-E design services and conduct programming charrettes at least a year in advance of a BCP submission. Charrettes include meetings between the CMD and the A-E design firm leading to the development of a conceptual design and detailed cost estimate for each project. The cost of each charrette includes a three-to-five day user input session, detailed space analysis, and validation of the project's federal programming documents. The funding requested in this proposal will fund conceptual designs and detailed cost estimates for armory renovation projects that will be proposed for funding in future years.

Studies scheduled for 2017-18 include Redding, Petaluma, and Oakdale. Approval of this funding will allow CMD to have six “shovel ready” projects.

LAO Comment and Recommendation. “The Legislature has already provided funding for the advance planning documents for the next round of renovation projects - originally anticipated to be proposed for funding in 2017-18, but now expected to be proposed for funding in 2018-19.” LAO recommends rejecting the proposal, as funding for planning was approved by the Legislature during last year's budget process.

Issue 2: Capital Outlay - Consolidated Headquarters Complex

Budget. The CMD requests \$146,549,000 lease revenue bond funds for the design-build phase of the continuing Consolidated Headquarters Complex project in Sacramento. The complex will provide CMD with a 238,000 square foot (sf) consolidated headquarters building, a 25,000 sf armory, and a 22,600 sf storage facility. Total project costs are estimated to be \$163,369,000 (\$9,931,000 for acquisition, \$6,889,000 for performance criteria and \$146,549,000 for design-build).

Background. In 2007-08 the Legislature approved \$1 million to be used for CMD to acquire a purchase option for 30 acres of land to be used as the site for the new headquarters facility. \$9 million was provided to purchase the site in 2015-16, and \$7 million was approved in 2016-17 to provide performance criteria for the project.

CMD staff is currently spread out between several leased buildings in the Sacramento area. These buildings do not meet the security criteria set forth by the U.S. Department of Defense. The proposed complex will consolidate personnel and provide a work environment for 850 soldiers, airmen, and state civil servants. The new facility will address the unique security requirements of CMD, such as Anti-Terrorism/Force Protection, physical security, sensitive item storage and management, essential services structural design, and both federal and state environmental and efficiency requirements.

CMD proposes to construct the complex to be zero net energy (ZNE). A building is considered to be ZNE if the total amount of energy used by the building annually is roughly equal to the amount of renewable energy created on site. The complex will achieve multiple elements mandated by Executive Order B-18-12, including: (1) Greenhouse gas emissions, (2) Zero Net Energy 2025 target footage, (3) grid based energy reduction, (4) on site generation, (5) commissioning, (6) LEED certification, (7) demand response participation, and (8) electric vehicle connectivity.

LAO Comment and Recommendation. The LAO exhibits concerns with the rising cost estimate for the project. In 2016-17 the total cost of the project was estimated at \$114 million but that cost has now risen to \$163.4 million, mostly due to constructing the building to be ZNE. There is also concern as to whether constructing the building to be ZNE is cost-effective for the state.

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 \$447.6 million (\$377.6 million General Fund, \$2.6 million federal funds, and \$67.3 million special funds) to support the department and its programs.

Issue 1: Reduce Funding for Veterans Services Division Support

Budget. The budget requests a reduction of \$1.701 million General Fund ongoing for the California Department of Veterans Affairs, Veteran Services Division. The reduction reverses the 2016-17 Spring Finance Letter that funded 16 existing, but unfunded, positions and reclassified four positions that assist in processing claims for federal veteran benefits and increase oversight of county veterans service officers. The funding supports positions in the district offices in Los Angeles, Oakland, and San Diego.

Background. The Veterans Services Division (VSD) within CalVet is tasked with connecting California veterans and their families with earned benefits and services. To perform this mission, the VSD provides advocacy, education, and service assistance to veterans as they attempt to access their state and federal benefits.

The CalVet manages three District Offices throughout the state, which are co-located within the United States Department of Veterans Affairs (USDVA) Regional Offices in Los Angeles, Oakland, and San Diego. The District offices assist veterans with claims. When a veteran or family member chooses to provide the CalVet with power of attorney (POA) over a claim, one of the three CalVet District Offices will represent the veteran or family member in the submission and appellate process for a USDVA benefit claim. The CalVet maintains POA for about 40 percent of USDVA claims in California, which amounted to approximately 59,000 claims in fiscal year 2014-15 filed by County Veteran Service Offices (CVSO) and the CalVet. The CalVet's role as the POA representative for the veteran claimants is to ensure the veterans and their families receive competent claims representation. In addition to these basic functions, the CalVet District Office staff provides a wide variety of support to California's veterans, their families, CVSOs, USDVA, and veteran service organizations.

The Budget Act of 2013 included a \$3.0 million General Fund allocation and 36 limited-term positions for three years to the CalVet to initiate the Joint Claims Initiative. The Joint Claims Initiative is a partnership between the USDVA and the CalVet, which formed a 12-person "Strike Team" in each of the three district offices, designed to reduce the backlog of pending initial entitlement claims. Strike teams have helped reduce the first initial entitlement claims backlog at USDVA from about 70,000 to 7,000. The Budget Act of 2015 made permanent the 36 limited-term positions. Funding for these positions was on a limited basis, thus continued funding for 16 of the 36 positions, as well as funding to reclassify four existing positions, was requested in a Spring Finance Letter and approved last year.

Please see table below for the average number of days to completion (as of March 4, 2017) for California veterans waiting for compensation claims, according to USDVA data:

Region	Average days to completion
Oakland	126.2
Los Angeles	131.1
San Diego	120.4