

# SUBCOMMITTEE NO. 4

# Agenda

Senator Richard D. Roth, Chair  
Senator Steven M. Glazer  
Senator Janet Nguyen  
Senator Richard Pan



**Thursday, March 10, 2016**  
**9:30 a.m. or upon adjournment of session**  
**State Capitol - Room 2040**

Consultant: Samantha Lui

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## ISSUES PROPOSED FOR VOTE-ONLY

### 2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL

#### Issue 1: Legislative – Senate Bill 796 Sunset Deletion

**Budget.** The budget proposes to convert one limited-term position to a permanent position to continue enforcement activities, resulting from Senate Bill 796 (Committee on Governmental Organization), Chapter 311, Statutes of 2015.

**Background.** “Tied-house laws” are federal and state laws that attempt to prohibit brewers, distillers, winegrowers and other alcohol beverage suppliers from exerting undue influence over retailers. Existing law provides several exceptions to the tied-house provisions, such as allowing licensees to sign autographs at off-sale retail locations under specified conditions. Bottle autographing at events has presented significant enforcement challenges to ABC, now that the bottle is determined to be a valued good.

SB 796 eliminates the January 1, 2016 sunset, now authorizing alcoholic beverage suppliers to participate in promotional events held at an off-sale retail licensed location, and to provide autographs on bottles or other items to consumers. Further, AB 636 (Hall), Chapter 329, Statutes of 2013, authorized, until January 1, 2016, autographs at an instructional event for consumers held at a retailer's licensed premise. As a result of the workload associated with AB 636, the Department of Alcoholic Beverage Control (ABC) received funding for one, two-year limited-term agent in the 2015 budget.

The deletion of the January 1, 2016 sunset makes these events and the added authorized autographed bottles, a permanent exception, creating a need to convert the limited-term position to permanent and extend funding for two additional years, at which time, ongoing resource needs will be reevaluated.

Between October 2015 and January 2016, ABC received 30 complaints related to these types of events. Of the seven investigations completed, five were found to have no material issues and two were found to have issues that warranted administrative action.

Workload Measure	2015-16
Number of Complaints Received	30
Number of Investigations Initiated	30
Number of Investigations Completed	7
Number of Accusations Filed	2

**Staff Recommendation.** Approve as requested, as no concerns have been raised.

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**1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)****Issue 1: Board of Accountancy – Cashiering Staff Augmentation**

**Budget.** The Board requests \$154,000 (Accountancy Fund, Professions and Vocations Fund) in the budget year and \$138,000 (Accountancy Fund, Professions and Vocations Fund) ongoing for two office technician positions to complete cashiering functions in compliance with the State Administrative Manual Guidelines and to process timely licensure and registration renewals.

**Background.** Over the last three fiscal years the CBA cashiering office processed approximately \$6 million annually in state funds. In October of 2014, \$20 was missing from a deposit transmitted from the CBA office to the Department of Consumer Affairs’ (DCA) Central Cashiering Unit. According to CBA, after an extensive search, the money was not located. The CBA’s Executive Officer requested the DCA’s Division of Investigation to conduct an internal investigation, and requested DCA’s Internal Audits to assess the CBA’s internal controls and transmission of monies. The on-site audit, which included a review of processes, procedures, cashiering manuals and duties, found several deficiencies, including the inadequate separation of duties and no secondary review or reconciliation of the cashiering function.

Currently, three staff (one reception staff and two staff from the Licensing Division) and a blanket position have been redirected to assist with the CBA’s cashiering and mailroom functions. In addition, the CBA noticed an increase in stakeholder inquiries, which “can be attributed to the increased inquiries and complaints associated with the delay of processing applications for examination or licensure.”

**Staff Recommendation.** Approve as requested.

**Issue 2: Court Reporters Board – Occupational Analysis**

**Budget.** The Board requests \$53,000 (Court Reporters Fund) in the budget year and \$47,000 (Court Reporters Fund) in 2017-18, for an occupational analysis for the Board’s English, Professional Practice, and Machine Skills licensing exams. The occupational analysis is needed to create a question bank, reflective of current court reporting knowledge and practices.

**Background.** The Court Reporters Board licenses shorthand reporters, known as court reporters, and administers a minimum-level competency test, regulating the minimum curriculum that court reporting schools and programs must offer.

To ensure the Board’s licensing exams were relevant to current court reporter practices, and legally defensible, the Board contracted with DCA’S Office of Professional Exam Services (OPES) to perform an occupational analysis. The results of this analysis were incorporated into the current exam in 2009. However, the current exams no longer reflect updated practices in the last six years. Specifically, there have been changes to the requirements for interpreters (must now be court-certified) and changes to the gift-giving regulations. In addition, laws related to the Transcript Reimbursement Fund have changed, as has a law requiring a contracting relationship between court reporters and attorneys to be included in deposition notices. These changes are not reflected in the current exam.

According to OPES, exams validation studies must be performed every three to seven years. An updated occupational analysis can help ensure that skills and knowledge being tested are reflective of the marketplace.

**Implementation.** The Board would enter into an interagency contract with OPES to facilitate and validate the occupational analysis. OPES convenes a two-day workshop with subject matter experts and sends a survey to a sampling of licensees. The survey data is gathered, and additional workshops with subject matter experts and focus groups review and evaluate the content. From there, OPES would prepare final reports regarding the outcome of the studies and would address the validity of the examinations for shorthand reporters. Additionally, OPES would develop an updated exam plan, which forms the basis of the license examinations.

**Staff Recommendation.** Approve as requested.

### **Issue 3: Medical Board – Medical Expert Reviewers**

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**Budget.** The Board requests \$206,000 (Contingent Fund of the Medical Board of California) ongoing to fund expert reviewers' enforcement costs.

**Background.** The Expert Reviewer Program was established as an impartial and professional means to support the investigation and enforcement functions of the Board, by reviewing the facts of medical cases and determine if the standard of care has been met. Experts also conduct professional competency, physical, and psychiatric examinations.

The Board sent 765 cases to 418 experts (of the 1,138 active experts) in fiscal year 2014-15. Although there are 1,138 active experts, they are dispersed through 26 medical specialties (cardiologist, family medicine, pediatrics). Because the Board sends cases to physicians in the same specialty, some areas receive a high volume of cases. For example, while there were 47 pediatric experts available, only eight cases needed to be reviewed. On the other hand, 141 cases were related to psychiatry, but the Board only has 69 experts.

In the last few years, the Board has exceeded its authorized expenditures because the number of cases, including complex cases, have increased; and some cases require two expert reports.

**Staff Recommendation.** Approve as requested.

**LEGISLATIVE IMPLEMENTATION**

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

**Issue 4: Acupuncture Board –Curriculum Review and Licensing (SB 1246)**

**Budget.** The budget requests \$512,000 (Acupuncture Fund) in the budget year, \$373,000 (Acupuncture Fund) in 2017-18 and ongoing, to fund four positions in the Licensing Curriculum Compliance Unit, as well as modifications to the Board’s IT system, Consumer Affairs System, to comply with Senate Bill 1246 (Lieu), Chapter 397, Statutes of 2014.

**Background.** Senate Bill 1246, one of the Senate Business and Professions Committee “sunset review” bills, extends the sunset date of the California Acupuncture Board (CAB) to January 1, 2017, revises acupuncture program approval requirements; and extends the sunset date of CAB’s authority to appoint an executive officer (EO) to January 1, 2017. Among other provisions, the bill requires the Board to establish standards for approving education training and clinical experiences received outside of the U.S. and Canada.

**LAO Comment and Recommendation.** We recommend the Legislature modify the Governor’s proposal by (1) approving \$179,000 for two positions to address additional licensing workload on a limited-term rather than permanent basis, because the ongoing level workload associated with licensing activities is highly uncertain; and (2) rejecting the remaining two positions (\$173,000) requested for curriculum review of non-Board-approved schools and development of standards for curriculum for foreign training programs. Third, the LAO recommends rejecting the \$160,000 for additional office space because the uncertainty related to workload and staff on an ongoing basis.

**Staff Comment and Recommendation. Reject proposal.** On February 29, 2016, the Department of Finance requested to withdraw the proposal. Staff recommends concurring with the Administration’s request at this time.

**Issue 5: Board of Registered Nursing – Enforcement Audit (SB 466)**

**Budget.** The Board of Registered Nursing (BRN) requests \$450,000 (Board of Registered Nursing Fund, Professions and Vocations Fund) to reimburse the State Auditor’s Office for conducting an enforcement audit, beginning February 1, 2016, to December 31, 2016.

**Background.** In 2015, the Senate Business, Professions and Economic Development Committee and Assembly Business and Professions Committee conducted joint oversight hearings to review 12 regulatory entities, including the Board. The committees identified a number of concerns related to the Board's enforcement efforts. SB 466 requires the State Auditor's Office to conduct a performance audit of the Board's enforcement program, to be funded by the Board. Senate Bill 466 (Hill), Chapter 489, Statutes of 2015, also requires the Board to review schools' clinical instruction to determine if it adheres to the regulations for granting educational credits for persons who received military education and experience as a registered nurse, 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.

In addition, SB 466 requires, by February 1, 2016, the State Auditor to begin a performance audit of the Board's enforcement program, and report the results of the audit, by January 1, 2017. The estimated cost of the audit is \$450,000, as provided by the State Auditor’s Office.

**Staff Comment.** The Board's fund condition has been declining for the past 3 years and is projected to continue this decline. The Office of Administrative Law approved an emergency fee increase regulation, effective August 2015. A fee study was conducted and is currently under review by the Board, which will support these fee increases. The Board's appropriation is not adequate to fund these costs. The subcommittee may wish to consider a larger oversight review of the fund status of certain boards, bureaus, and committees that request fee increases at a later hearing date.

**Staff Recommendation.** Approve as requested.

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**Issue 6: State Athletic Commission – Drug Testing (SB 469)**

**Budget.** The California State Athletic Commission (CSAC) requests \$115,000 (Athletic Commission Fund) in the budget year and \$107,000 ongoing to fund a 0.5 associate governmental program analyst (AGPA) and associated drug testing provisions, pursuant to Senate Bill 469 (Hill), Chapter 316, Statutes of 2015.

**Background.** Currently, the Commission budgets \$31,860 annually for drug testing approximately 70 athletes out of approximately 2,000 competing athletes. SB 469 authorizes the Commission to conduct drug testing at any time during a fighter's period of licensure. The Commission interprets this as an increase in a minimum of 50 drug tests per year. Currently, the Commission has a contract with UCLA to read the drug tests. The cost for each drug test panel is \$1,200. The Commission estimated having conducted 284 field tests and finding 35 positive drug tests. Specifically:

- In Fiscal Year 2014-15, there were 19 positive drug tests. Of those positive drug tests, 11 tested positive for marijuana, four for elevated levels of testosterone, and the remaining four tested positive for steroids. All of the licensees were suspended from one month to two years; and fined ranging from \$100 to \$10,000.
- In Fiscal Year 2015-16 to date, there were 16 positive drug tests. Of those positive drug tests, 13 tested positive for marijuana, one for elevated levels of testosterone, one for failure to disclose medications, and one for steroids. All of the licensees were suspended from one month to two years; and fined ranging from \$400 to \$2,500.

Tests are mostly randomly selected, however, on large fights, testing is scheduled the night of the fight. Additionally, according to the Commission, it “targets fighters who have previously failed drug tests or have reason to believe may have taken drugs in the past.”

**Staff Comment.** The subcommittee may wish to conduct oversight of this issue at next year’s hearings, for further discussion about the costs of each panel relative to the findings of positive drug tests.

**Staff Recommendation.** Approve as requested.

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**Issue 7: Department of Consumer Affairs/Bureau of Vocational Nursing and Psychiatric Technicians – Administrative and Enforcement Program Monitor (AB 179)**

**Budget.** The department requests \$150,000 in budget year, and \$150,000 in 2017-18, to contract with a consultant, effective March 1, 2016, to provide services as an Administrative and Enforcement Monitor, to monitor and evaluate the administrative process and disciplinary system and procedures of the Board of Vocational Nursing and Psychiatric Technicians (BVNPT).

DCA will absorb the current year costs of the contract (\$124,000). Additionally, this proposal requests the same budget augmentation for the BVNPT in budget year, and 2017-18, to reimburse the department for the costs of the contract.

**Background.** During DCA's Sunset Review process, policy committees raised serious concerns about the management and operations of the Board. Specifically, concerns included: board members did not participate in committees, the Board's fund condition, the moratorium of the school approval process, inadequate staffing levels, enforcement processing delays, inconsistencies in reported metrics, and the lack of concern about how the Board was managed and operated.

Assembly Bill 179 (Bonilla), Chapter 510, Statutes of 2015, requires the Director of DCA to appoint an Administrative and Enforcement Program Monitor (AEPM) to monitor and evaluate the administrative processes and disciplinary systems and procedures of the BVNPT. The bill requires the appointment be made no later than March 1, 2016, and the Director may retain a person for this position by a personal services contract. The AEPM will monitor and evaluate the BVNPT's administrative processes, with specific concentration on the management of staff, assistance of BVNPT board members, and the working relationship with the Legislature; and the BVNPT's disciplinary system and procedures, with specific concentration on improving the overall efficiency and consistency of the enforcement program.

AB 179 requires the AEPM to submit periodic reports of his or her findings and conclusions to the BVNPT, DCA, and the Legislature by July 1, 2016, and subsequent reports by November 1, 2016, and February 1, 2017, and a final report before January 1, 2018. This will ensure that the monitoring, evaluation, and recommendations and findings of the BVNPT's administration and enforcement processes are addressed, as required by AB 179.

**Staff Comment.** The department shares that the contract with the vendor is currently in process, is currently at DGS for review. The request appears consistent with recommendations made during last year's joint oversight hearings.

**Recommendation.** Approve as requested.

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**LICENSING, ENFORCEMENT, and OTHER STAFF AUGMENTATIONS**

The following DCA budget requests are proposals that augment the number of staff to achieve timely processing of licensing applications or renewals, or improved enforcement functions.

<b>Issue 8: Board of Behavioral Sciences – Increased Position Authority in Licensing and Examination Units</b>
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**Budget.** The budget proposes \$557,000 (Behavioral Science Examiners Fund, Professions and Vocations Fund) in the budget year, and \$533,000 (Behavioral Science Examiners Fund, Professions and Vocations Fund) ongoing for eight positions (3.5 management services technician, two office technicians; and two office assistants) in the Licensing and Examination Unit.

**Background.** The Board of Behavioral Sciences (BBS) licenses specified mental health professionals, including: licensed marriage and family therapists (LMFT); licensed clinical social workers (LCSW); licensed educational psychologists (LEP); licensed professional clinical counselors (LPCC); marriage and family therapist interns (IMF); associate clinical social workers (ASW); and professional clinical counselor interns (PCCI). As of June 30, 2015, the Board has over 102,000 licensees and registrants, a 16 percent increase since 2012-13. The increased number of licensees and registrants corresponds with higher volume of mail, applications, requests for address and name changes, database file entry and maintenance, certification of licensure requests, and inquiries for assistance.

As of January 1, 2016, the Board's examination was restructured, now requiring all registrants to take the Law and Ethics examination within one year of registering for the Board. According to the Board, "This new requirement creates a new workload in that a new population of individuals must enter the examination cycle upon registration. Previously, individuals entered the examination cycle only upon completion of their supervised work experience hours."

Currently, around 36,500 registrants must comply with this new requirement. The Board anticipates around 8,000 to 9,000 new applications for registration that will be required to take this exam. According to the Board, with only three vacancies (one as a limited-term position and the two in the Board's Enforcement Unit), existing staff cannot absorb this new workload.

**Staff Recommendation.** Approve as requested.

<b>Issue 9: Bureau of Real Estate – Subdivision Workload</b>
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**Budget.** The budget proposes \$313,000 (Real Estate Fund) in the budget year, and \$289,000 (Real Estate Fund) ongoing for three special investigators in the Bureau of Real Estate (BRE)'s Subdivisions Program.

**Background.** Before marketing new subdivisions in California, subdividers must apply for and receive a Public Report from the BRE. Applications for a Public Report include an analysis and verification of such specifics as schools, fire protection, water, sewer systems and costs and assessments for maintaining homeowners' associations and common areas. Prospective buyers must receive a copy of the Public Report upon request by a prospective purchaser, and always before a buyer becomes obligated to purchase a lot or unit within a subdivision. Following the improvement in California's economy, an increase in development and new home construction creates an increase in applications for a Public Report from developers.

<b>Subdivision Applications Received</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Public Report Applications	1484	1470	1563	2098	2796	3060
Year-Over-Year % Change	17.60%	-1.00%	6.30%	34.20%	33.30%	9.40%
Average Number of Days	46.2	49.5	45.2	46.4	51.8	50.6

The increase in applications has resulted in an additional 4.4 days on average for BRE staff to issue a Public Report. The current forecast is for the continued growth in the number of applications for a Public Report, with an increasing risk that the Bureau would be unable to achieve its statutory mandate of completing its reviews within 60 days.

According to the Bureau, the three positions will review an application for a public report in less than 16 hours, and reduce the current wait time, from 52 days to 45 days or less, to issue a public report.

The Bureau currently has 28.6 vacancies. According to the BRE, "All of the current vacant positions are either recently vacated, offers have been made and accepted, or they are in various stages of recruitment." Further, it appears that the vacancies (e.g., Assistant Deputy Commissioner in the Executive Office, IT position, and two counsel positions) are in units that cannot be redirected.

**Staff Comment and Recommendation.** Approve as requested.

**Issue 10: Bureau of Security and Investigative Services – Licensing and Enforcement Positions**

**Budget.** The Bureau requests \$245,000 (\$166,000 Private Security Services Fund and \$79,000 Private Investigator Fund); \$221,000 (\$150,000 Private Security Services Fund and \$71,000 Private Investigator Fund) in 2017-18; and \$143,000 (\$72,000 Private Security Services Fund and \$71,000 Private Investigator Fund) in 2018-19 and ongoing, for two program technicians to process license applications and other licensing documents timely, and one program technician to process private investigator (PI) initial and renewal applications for the Licensing Unit.

In addition, the Bureau requests \$241,000 (Private Security Services Fund); \$225,000 (Private Security Services Fund) in 2017-18; \$126,000 (Private Security Services Fund) in 2018-19 and ongoing, to support one staff services manager and one associate governmental program analyst. These positions will support the Private Security Services Program in the Enforcement Unit.

**Background on Licensing Unit.** The Bureau regulates seven professions involving over two dozen different license types: locksmiths, repossessioners, private investigators, proprietary security services, private security service and training facilities/instructions, and alarm companies. Currently, the Licensing Unit receives approximately 1,600 company license applications and 80,000 registrant license applications in a fiscal year (10,000 documents, on average, monthly). Complexities of the private security business have increased the unit's workload and processing times. Approximately 80 percent of guard applications received are submitted through the DCA's online professional licensing system; however, 15-20 percent of the applications must be manually processed by Licensing Unit staff, if there are data entry errors by the applicant. According to the Bureau, an average of 211 hours a month of staff time was required to resolve guard exceptions.

The Bureau has one of the largest licensee to staff ratios (8,000 licensees per employee). However, due to the growing number of applications received, some processing weeks have been around six to eight weeks, instead of four to six weeks. Currently, DCA Call Center fields the Bureau's calls two days a week and receives around 1,000 calls each day.

**Background on Enforcement Unit.** Enforcement staff carry out compliance inspections of licensees, firearm training facilities, baton training facilities, and provide security guard skills training. Unarmed security guards must complete eight hours Power to Arrest Training prior to licensure, which includes de-escalation techniques. According to the department, there are 45,000 active Bureau Firearms Permits, 80 percent of which are issued to a security guard. As a result of a 2012 pilot project, the Bureau conducted 15 inspections of firearms training facilities. Of the 15 facilities inspected, 60 percent had egregious violations needing disciplinary actions, including license revocation.

Because an enforcement analyst's caseload spans seven very different professions (e.g, investigating whether an alarm agent was authorized to perform locksmith work, if a private investigator carried out the terms of his/her contract with a client appropriately), the breadth of knowledge to enforce the multiple provisions of law takes a significant time to learn. With approximately 284,000 security guards (13 percent carry firearms), the department finds that it is critical for them to receive training.

**Staff Recommendation.** Approve as requested.

**Issue 11: Dental Board – Enforcement Support Staff**

**Budget.** The Dental Board of California requests \$128,000 (Consulting and Professional Services) from its operating expenses and equipment funding for two Office Technician Typing positions to provide clerical support with processing criminal, administrative, and probationary reports for investigative staff. The staff will replicate case documents for referral to the Attorney General or District Attorney for probation. In addition, staff will process contracts for subject matter experts, track return of materials, and process payment for services rendered.

**Background.** The Board regulates approximately 101,000 licensees – 46,418 Dentists (DDS), 53,111 Registered Dental Assistants (RDA), and 1,713 Registered Dental Assistants in Extended Functions (RDAEF). In addition, the Board is responsible for setting the duties and functions of approximately 50,000 dental assistants who work in dental offices. Currently, the Board's enforcement program is supported by two office technicians positions: one to support the Board's Northern California enforcement office, and one to support the Board's Southern California enforcement office.

The Board employs 18 sworn peace officer investigators to investigate criminal violations, as well as administrative complaints against licensed dentists and auxiliary personnel. The enforcement staff conducts an average of 800 investigations and 1,000 quarterly probation meetings per year. This casework results in an average of 98 criminal or administrative case closures, and 80 quarterly probation case closures per month, which must be processed by administrative support staff prior to distribution, closure and filing.

**Staff Recommendation.** Approve as requested.

<b>Issue 12: Board of Occupational Therapy – Licensing and Enforcement Staff Positions</b>
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**Budget.** The Board of Occupational Therapy proposes two items:

- **Enforcement.** \$596,000 (Occupational Therapy Fund) in the budget year and \$548,000 (Occupational Therapy Fund) ongoing for six positions (three associate governmental program analysts and three staff service analysts).
- **Licensing.** \$121,000 (Occupational Therapy Fund) in the budget year, and \$105,000 (Occupational Therapy Fund) ongoing for 1.5 positions to address the increase in licensing applications and to support continuing education audits that verify the self-certifications in license renewals.

**Background on Licensing Unit.** The Board licenses approximately 1,000 new practitioners each year. Currently, there are 12,110 occupational therapists and 2,470 occupational therapy assistants with active licenses. Over the past several years, the applications for licensure received by the Board and the number of licenses issued, has increased steadily. Application/license data for the past few fiscal years is as follows:

<b>Fiscal Year</b>	<b>OT Apps Received</b>	<b>OT Licenses Issued</b>	<b>OTA Apps Received</b>	<b>OTA Licenses Issued</b>	<b>TOTAL Apps Received</b>	<b>TOTAL Licenses Issued</b>
2008-09	627	601	128	124	755	725
2009-10	757	692	104	106	861	798
2010-11	746	647	129	137	875	784
2011-12	826	790	180	185	1,006	975
2012-13	849	860	262	256	1,111	1,116
2013-14	986	854	323	291	1,309	1,145
2014-15	979	960	331	322	1,310	1,282

Since 2004, the Board has had only one full-time office technician to review and evaluate all applications for licensure and applications for limited permits. In addition to the current increase in applicants, a number of new schools have opened or have added new occupational therapy education programs in California. In addition, existing law requires applicants be notified within 30 days of submission of the application, whether the application is complete or that it is deficient and what specific information or documentation is required to complete the application. According to the Board, it is unable to redirect resources to ensure compliance with the 30-day requirement.

**Background on Enforcement.** The Board receives a number of complaints, including supervision, billing and documentation, and scope of practice issues. According to the Board, since 2011-12, the number of open and pending cases has increased. If the violation does not warrant license revocation or denial, the license is placed on probation. However, Due to inadequate staffing levels, probationers are not met with in-person nor are quarterly Written Probation Reports (submitted by probationers) and Work Performance Evaluations (submitted by supervisors/employers) being reviewed in a timely manner to ascertain if terms and conditions are being met.

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Workload Measure	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Estimated
Complaints Received	541	557	749	738	760
Complaints Closed	565	493	629	737	680
Pending	135	206	326	327	407
Avg. Time to Close	70	70	97	133	178
Range of days to close (each qtr.)	50-79	50-79	73-158	97-162	143-213

According to the Board, “Unchanged staffing levels, coupled with an increasing complaint volume, have led to an increase in the pending/open complaints. In the last three years, the number of pending complaints has increased more than 140% (from 135 pending complaints in 2011-12 to 327 pending complaints in 2014-15) due to the fact that the volume of complaints exceeds staff capacity to investigate and process timely.”

**Staff Recommendation.** Approve as requested.

<b>Issue 13: Physical Therapy Board – Licensing Staff Augmentation</b>
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**Budget.** The Board requests \$268,000 (Physical Therapy Fund) in the budget year, \$244,000 (Physical Therapy Fund) ongoing, for three positions in the Application and Licensing Services Program.

**Background.** Since 1953, the Board regulates practice of physical therapy by evaluating physical therapists, physical therapist assistants, Analysis of Problem Electroneuromyography and Kinesiological Electromyography certifications.

Over the past several years, the Board's operating expenditures have exceeded its revenues, due to increased enforcement activities and temporary help costs to address the growing backlogs within the Board's Licensing and Enforcement Program. The Board has overspent its budget authority in these areas for the past four fiscal years, creating a structural fund imbalance.

<b>Program Budget</b>	<b>PY – 4</b>	<b>PY – 3</b>	<b>PY – 2</b>	<b>PY – 1</b>	<b>PY</b>
Authorized Expenditures	3,421	3,321	3,456	3,526	4,175
Actual Expenditures	3,325	3,321	3,303	3,506	4,079
Revenues	3,334	3,185	3,249	3,449	3,517
Authorized Positions	15.4	14.3	13.1	16.1	19.1
Filled Positions	15.0	14.3	12.1	16.1	19.1
Vacancies	0.4	1.0	1.0	0	0

\* Actual Expenditures data reflects FY2014-15 (FM12). The Board estimates an increase in revenue, assuming the implementation of its revised fee schedule, January 1, 2016.

In an effort to meet the increase in application workload, the Board redirected 2.3 existing staff positions, established two permanent intermittent positions and one AARP volunteer (7,973 additional work hours) to address its application workload. As a result, the Board decreased its backlog from 9,395 hours to 1,422 hours of workload. Since 2010, the Board's volume of applications has increased.

### Application Workload

<b>Fiscal Year</b>	<b>Applications Received</b>	<b>Licenses Issued</b>	<b>Applications Closed</b>	<b>Pending</b>
2010-11	1,711	1,406	363	305
2011-12	1,953	1,395	170	270
2012-13	1,900	1,431	0	453
2013-14	2,038	1,549	106	273
*2014-15	2,139	1,663	325	670
**2015-16	2,203	1,712	192	394

\*Data reflects current fiscal year 2014-15 (FM12). \*\*Data reflects projections based on 3.0% increase in applicants and licenses issued (FY 2014-15). In addition, applications closed and pending are based on annual average.

**Staff Comment.** The Board's last fee increase was in March 2009. The Board anticipates the new fees changes, from \$200 to \$300 for renewals and \$125 to \$225 for applications, to be in effect in the final quarter of the current fiscal year. Staff recommends the subcommittee consider a broader discussion of boards and bureaus' fund health and status at a later hearing.

**Staff Recommendation.** Approve as requested.

**Issue 14: Speech Language Pathology and Audiology and Hearing Aid Dispensers Board – Licensing Staff Augmentation**

**Budget.** The budget requests \$90,000 (Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund) in budget year and \$82,000 (Speech-Language Pathology and Audiology and Hearing Aid Dispensers Fund) in 2017-18 for one staff services analyst position to address increased Licensing Division workload.

**Background.** The Board regulates over 21,000 individuals and entities across ten license types, including speech-language pathologists (SLP), audiologists, dispensing audiologists, speech-language pathology assistant (SLPA), speech-language pathology aides, audiology aides, hearing aid dispensers, required professional experience temporary licenses, hearing aid dispenser trainees, and branch licenses. The Board issues over 3,000 licenses every year. The majority of these licenses are issued to SLPs and SLPAs who work in school districts and are pursuing a SLP Services Credential simultaneously. SLPs are utilized in California's public schools to Services to perform the following services: Conduct Language, Speech, and Hearing Assessments including the screening, evaluation, and interpretation of test results and referrals for further evaluation for treatment; provide Educational Services including the development of speech and language goals and objectives and the delivery of speech and language services; and provide specific learning disability area services related to speech and language; and special education services to individuals with language and speech impairments across the special education disability areas, to students from birth, through age 22, in services across the continuum of program options available.

In the 2012 sunset review of the Board, the Board reported license application processing delays of over eight weeks. The Board did not request additional positions, instead utilized temporary staff to address the backlogs. However, the delays continue to increase in time, reaching a peak of 12-14 weeks in FY 2014-15.

**Projected Outcomes**

<b>Licenses Issued Cycle Times</b>	<b>PY</b>	<b>CY</b>	<b>BY</b>
Speech-language pathologists and audiologists	<b>56 days</b>	<b>21 days</b>	<b>14 days</b>
RPEs	<b>54 days</b>	<b>14 days</b>	<b>14 days</b>
Speech-language pathology assistant	<b>62 days</b>	<b>24 days</b>	<b>14 days</b>

**Staff Recommendation.** Approve as requested.

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**Issue 15: Board of Professional Engineers, Land Surveyors, and Geologists – Exam Development Personnel Selection Consultant**

**Budget.** The Board request to redirect \$105,000 in budget year and ongoing for one consultant position, who will provide the Board with analytical and technical expertise in-house relative to the design, development, and verification of the Board's licensing examination and reduce contracting out for psychometrical services. Specifically, the positions would conduct pass point analysis, planning and selection research, formulate policies and priorities, and provide guidance to the Licensing Unit regarding the performance of the items for each licensing examination offered by the Board.

**Background.** The Board is mandated to administer licensing exams at least once each year, with some exams being offered biannually to advance licensing. National examinations for Professional Engineers and Land Surveyors are developed and administered by the National Council of Examiners for Engineering and Surveying (NCEES). National exams for Professional Geologists are developed by the Association of State Boards of Geology (ASBOG) and are administered by Board staff. State specific examinations are developed by the Board and administered through computer-based testing (CBT).

Currently, the Examination Development Program is staffed with three associate governmental program analysts, two special analysts, and one office technician. Workload is not absorbable, because the unit does not include a psychometrician, whose expertise is necessary to continue developing, interpreting, and validating the examinations. The Board does not have any vacancies at this time.

**Justification.** According to the Board, a staff Psychometrician would be able to interpret statistical exam data, determine the effectiveness of exam items, consult with and train staff and subject matter experts on proper exam development techniques and processes, review items for effectiveness; and develop plans for item improvement where needed.

**Staff Comment.** Currently, the Board contracts for the psychometric services associated with the development of state-specific examinations. The average annual cost to contract for psychometric services is \$230,273. The estimated cost to perform psychometric services in-house per year is \$118,000 the first year and \$110,000 on going.

**Staff Recommendation.** Approve as requested.

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**Issue 16: Dental Hygiene Committee (DHCC) – Probation Monitoring Staff Augmentation**

**Budget.** The committee requests \$90,000 (State Dental Hygiene Fund), \$82,000 (Dental Hygiene Fund) ongoing, for one staff services analyst to assist the enforcement program functions.

**Background.** As an independent committee, the DHCC represents the only self-regulating dental hygiene agency of its kind in the United States. The DHCC is responsible for overseeing three categories of dental hygienists: registered dental hygienist, registered dental hygienist in alternative practice (RDHAP), and registered dental hygienist in extended functions (RDHEF). In all, there are over 25,000 dental hygiene licensees that the DHCC oversees.

Existing law authorizes DHCC to discipline a licensee by placing him or her on probation under various required terms and conditions. Licensees are placed on probation due to some type of criminal activity (e.g., driving while intoxicated, petty theft, burglary, and spousal abuse) on their record, or unprofessional or unethical practice where they may have harmed a patient or performed a procedure outside their scope of practice.

Licensees who are ordered on probation may have more complex requirements to fulfill as a condition of their probation. Some must submit to bodily fluid testing, meet with enforcement staff face-to-face on a quarterly basis, and submit quarterly reports of compliance. Other probationers must complete remedial education, new or additional training, complete community service, or take a law and ethics examination. DHCC's minimum term for probation is three years, and can be higher depending on the infraction.

When a licensee is placed on probation, the DHCC incurs costs associated with investigation and disciplinary process. Cost-recovery may occur if the probationer/respondent reimburses DHCC for the cost of the investigation or disciplinary process; travel costs associated with traveling to meet the probationer/respondent; or restitution.

Currently, DHCC has one full-time analyst to run all of the enforcement program functions of probation, citation and fine, complaint intake, case investigation, writing investigative reports, case preparation for the Attorney General's Office, enforcement statistical tracking and reporting, and review of stipulated settlements and decisions as they are submitted.

**Staff Recommendation.** Approve as requested.

**CONVERSION OF LIMITED-TERM TO PERMANENT POSITIONS****Issue 17: Board of Psychology – Program Technician**

**Budget.** The Board requests making the one program technician position, from intermittent to full-time, in order to perform increased workload associated with new cashiering and mail processing responsibilities. The request will be funded by redirecting \$63,000 in budget year and ongoing from the Board's existing operating expenses and equipment budget to its personal services budget.

**Background.** The Board is authorized for 20.3 positions, and there are no vacancies at this time. In the 2015-16 year, the Board anticipates receiving 2,500 applications and 392 online applications for licensing. Staff must process online applications by building a physical file. As 50 percent of applicants per month utilize this method of application, this staff must spend more time processing applications. In addition, the program technician currently spends an estimated 90 percent of time distributing mail to staff, entering new applicant transactions into BreEZe, logging fee checks, and responding to inquiries.

**Staff Recommendation.** Approve as requested.

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**8940 CALIFORNIA MILITARY DEPARTMENT****Issue 1: Search and Rescue**

**Budget.** The department requests \$350,000 General Fund for search and rescue (SAR) missions.

**Background.** According to the department, CMD has seen an overall increase for National Guard SAR assets across the state within the past few years. Because local governments may not have sufficient aviation assets with specialized capabilities to support the day and night SAR missions, local and regional SAR agencies rely on the department's advanced capabilities, on an average of 16 times per year. Additionally, CMD has seen at least a 30 percent increase in requests to utilize the night capabilities of CMD helicopters that increase the Probability of Detection due to its specialized Infrared and Electro-Optical technologies.

As more requests have incorporated the "search" function of SAR, the overall number of flight hours spent during a SAR mission has increased. These flight hours, dedicated to search operations and the additional personnel days required for these SAR, consume federal funds originally programmed for training new pilots.

**Staff Comment and Recommendation.** Approve as requested.

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**Issue 2: Cadet Uniform**

**Budget.** The department requests \$827,000 General Fund in the budget year and \$369,000 General Fund ongoing to purchase and replace uniforms for the California Cadet Corps.

**Background.** The California Cadet Corps (CACC), established in 1911, is a statewide, middle school and high school-based leadership program conducted within a military framework. Currently, there are 6,388 cadets in the program, across 73 schools (one elementary school, 39 middle schools, and 42 high schools). CACC's current uniform budget is \$134,000 (\$21 per cadet), which outfits 432 cadets (6.7 percent of the total cadet population). Some schools purchase uniforms for cadets; and parents, if financially able, pay the commercial cost of the child's uniform. If a parent purchases the uniform, the cost of one uniform set is \$310; whereas the state's cost is \$57.

Many training events require a specific uniform, and without it, cadets are unable to participate. For example, Color Guard, graduation events, and military ceremonies require a coat and tie uniform. According to the department, only three (located in Oakland, Susanville, San Luis Obispo, and Los Alamitos) of the 73 schools have access to a coat and tie uniform. The department has dealt with the uniform shortage by reducing, or eliminating, CACC events; relying on schools to raise funds for uniforms; and reducing the size of the CACC.

**Staff Comment.** Staff notes that \$827,000 is an amount higher than the total current CACC budget of \$782,000 (personnel, bus contracts, summer camp, and facilities). The department acknowledges that this one-year increase is large in proportion to current funding because many cadet corps members do not currently have uniforms, so the increase will replenish uniform inventory for all currently enrolled students. The following years' increase of \$369,000 funds the replacement of worn-out uniforms, funding the program at \$1.1 million (52 percent of its pre-2001 budget).

**Staff Recommendation.** Approve as requested.

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**Issue 3: Facilities Operations and Maintenance Activities**

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**Budget.** The department requests \$507,000 (\$117,000 General Fund and \$390,000 Federal Trust Fund) and five positions to complete facility repair and maintenance for base infrastructure. The positions, by location, are listed below:

- **129<sup>th</sup> Rescue Wing, Moffett Federal Airfield.** One stationary engineer, one electrician, and one heavy equipment operator to manage air-conditioning and chiller systems; electrical and fire alarm systems; storm water drainage systems; and airfield mowing to meet bird/animal aircraft strike hazard prevention requirements. The department anticipates these positions will reduce the maintenance backlog to 755 hours or less.
- **146<sup>th</sup> Airlift Wing, Channel Islands Air National Guard Station.** One supervisor of building trades to provide a preventative maintenance program, increase the oversight of state resources, and improve work efficiency. Specifically, the deferred maintenance is anticipated to shrink within the first year, and is expected to be closed within 24 months.
- **163<sup>rd</sup> Attack Wing, March Air Reserve Base.** One material and stores specialist to enable more work requests to be completed in a given period of time, increase internal controls and physical control of the local storage warehouse, and ensure the accuracy of the material database and protection of existing assets.

**Background.** The Master Cooperative Agreement (MCA) between the CMD and National Guard Bureau (NGB) provides for federal reimbursement of state-supplied services and support to Air National Guard bases through California. California, through the MCA, is obligated to share 15 to 25 percent of the annual program cost for Air National Guard (ANG) facilities operations and maintenance (O&M) activities. Last year, the total annual program cost for ANG facilities O&M activities was \$7 million. Of the \$7 million, around \$4.7 million was for personnel, operations, and maintenance; the remainder (\$2.3 million) was for the sustainment, restoration, and modernization of facilities.

- **129<sup>th</sup> Rescue Wing, Moffett Federal Airfield.** The infrastructure maintenance at Moffett Federal Airfield within the established "cantonment area" and the Temporary Use Areas occupied by the 129th Rescue Wing was initially transferred to the Wing in 2009, as a result of the permit to United States Air Force from NASA Ames Research Center. The permitted property and infrastructure systems within the "cantonment area" and temporary use areas are no longer maintained or repaired by NASA Ames Research Center.

Last year, the 129th Rescue Wing, Civil Engineering Flight reported over 7,500 annual hours of unfulfilled preventative maintenance workload to include electrical, heating, ventilation, air conditioning, plumbing, and equipment operations.

- **146<sup>th</sup> Airlift Wing, Channel Islands Air National Guard Station.** The 146th Airlift Wing, Civil Engineering unit currently mitigates staffing deficiencies by directing Federal Employees to perform state jobs. The supervisor of building trades position requested was eliminated in 2008, when its previous incumbent retired during the state budget crisis.

- **163<sup>rd</sup> Attack Wing, March Air Reserve Base.** The 163rd Attack Wing, Civil Engineering unit has one federal technician working out of class to procure state equipment. According to the department, the lack of manpower to support the increased accountability impedes state workers' ability to access tools and equipment in a timely manner.

**Staff Comment.** Staff notes that according to the MCA, the state must pay for the operating costs of the National Guard facilities, and the National Guard Bureau will reimburse the state, usually between 75 to 100 percent of total state costs. Further, the ANG Readiness Center has appropriated sufficient funds each year to pay the federal share of the installation maintenance and repair costs.

**Staff Recommendation.** Approve as requested.

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**8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS****Issue 1: Northern California Veterans Cemetery Drought Mitigation**

**Budget.** The department requests \$300,000 General Fund in the budget year, \$180,000 General Fund in 2017-18, and \$145,00 General Fund to replace the Northern California Veterans Cemetery turf with drought tolerant landscape, renovate the existing irrigation system to re-establish burial areas, and re-establish burial areas. Specifically, the request will:

- Redesign the irrigation system and replace the pump/fire suppression system. During the initial phase of cemetery construction, wind and headstones were not taken into consideration. As a result, when sprinklers are running, spray is lifted into the air and blown opposite direction of the wind or are deflected by headstones. Also, many sprinklers have settled below ground level.
- Re-establish in-ground cremation burials for specified areas. Although there have been attempts to overseed the area, the areas are rocky and have unsuitable soil. Turf is necessary for burial in one of the sections, and the other section will need to be returfed with tile and topsoil.

**Background.** Due to the ongoing drought in the state, and Governor's Executive Order B-29-15, which mandates state agencies to collectively replace 50 million sq. ft. of lawns (this request would re-turf approximately 308,000 sq. ft.) and reduce by 25 percent the potable urban water usage through February 2016, the Northern California Veterans Cemetery has already eliminated irrigation to areas set-aside for future burials – a loss of more than half of the cemetery's existing turf. CalVet estimates it will exhaust all existing burial sites by 2017-18. In order to accommodate additional burials, and meet federal USDVA National Cemetery Administration Shrine Standards, the proposal seeks to sod two existing burial areas with drought-resistant turf.

**Staff Recommendation.** Approve as requested, as no concerns have been raised.

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**Issue 2: California Email System and Wide Area Network Fee Increase**

**Budget.** The department requests \$451,000 (\$433,000 General Fund and \$18,000 Farm and Home Building Fund of 1943) ongoing to cover the fee increases associated with Assembly Bill 2408 (Smyth), Chapter 404, Statutes of 2010.

**Background.** AB 2408 requires the department to migrate existing e-mail services to the California E-Mail System (CES), as managed by the Office of Technology Services (OTech) within the Department of Technology. The CES is a cloud environment, where e-mail hardware and software are housed at Microsoft data centers. According to the department, it has incurred an increase in the cost to provide e-mail services to staff.

Prior to AB 2408, the department spent \$50 million annually to maintain its own infrastructure for 2,700 mailboxes. As a result of the migration in 2013, the cost per mailbox increased from \$18 per user to \$91 per user. In addition to CES Mail, the CalVet WAN services are provided by OTech. In January 2014, OTech increased these costs. OTech rate increases and migration to CES Mail increase department costs by approximately \$451,000 (\$203,000 for CES Mail and \$248,000 for WAN connectivity).

**Staff Comment.** According to the department, one-time costs to migrate were absorbed. However, the department believes that it will be unable to absorb ongoing costs. Attempts to control and reduce e-mail costs have included an initiative to eliminate all Blackberry devices from CalVet inventory and delete employee mailboxes within 90 days of separation.

**Staff Recommendation.** Approve as requested.

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**Issue 3: Human Resources Division Staff**

**Budget.** The department requests \$334,000 (\$301,000 General Fund and \$33,000 Farm and Home Building Fund of 1943), \$317,000 (\$286,000 General Fund and \$31,000 Farm and Home Building Fund of 1943), for two positions in the Classification and Pay Unit and one position in the Transactions Unit at CalVet's Human Resources headquarters. This proposal also includes \$1,000 in additional travel funds for the analyst positions to provide training at the veterans homes.

**Background.** Since 2009, staffing at the department has increased from 2,096 employees to 3,268 employees, an increase of 56 percent. This increase is due in large part to the opening of five new veterans homes. However, staffing in the Human Resources' Classification and Pay Unit and Transactions Unit has not increased.

The Classification and Pay Unit provides continuous personnel/performance management training, particularly for staff, such as those in the newly opened Veterans Homes, who are new to state service. The unit also monitors the personnel process, such as recruitment for vacant positions, delays of appointments, and analyzing unit restricting, and guidance to managers and supervisors on discipline issues. Existing analysts in the unit worked a total of 179 hours in 2014-15, in response to demands of increase workload. Based on a July 2015 estimate (37.5 hours), the department projects overtime hours to reach 478 hours.

The Transactions Unit processes appointments, leave, retirement, benefits, workers compensation, and state disability insurance. In addition, the unit must comply with new mandates.

Currently, the department has not yet developed or implemented procedures to ensure errors are corrected on an ongoing basis. Instead, CalVet often puts off other assignments when quarterly reports are due to the Department of Human Resources.

**Justification.** According to the department, the two positions will help reduce the number of "grievances that are a result of untrained and inexperienced managers and supervisors." Specifically, the department reports, "Due to the lack of training for the new state service support staff and supervisory/management staff at the eight Veterans Homes, there have been merit issue complaints, nepotism issues, staff working out of class without HR approval, and hiring of unqualified staff. In addition, Headquarters HR staff has had to assist managers and supervisors with re-writing and editing probationary reports, Individual Development Plans, position justifications, Request for Personnel Actions, duty statements, and classification allocations."

**Staff Comment and Recommendation.** Approve as requested.

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

**Overview.** The Department of Alcoholic Beverage Control (ABC) licenses and regulates persons and businesses engaged in the manufacture, importation, distribution, and sale of alcoholic beverages in California. ABC currently has 45 vacancies and a vacancy rate of approximately 10 percent. Of these, 25 vacancies are for sworn positions, with 13 conditional offers of employment made.

Vacancy Rates at ABC as of 2/15/16			
	Sworn	Non-Sworn	Total
Authorized Positions	207	239	446
Vacancies	25*	16	45
Vacancy Rate	12%	7%	10%

\*13 Conditional Offers of Employment have been made for these vacancies – meaning that job offers are contingent upon successful completion of psychological and medical requirements.

ABC receives 3,000 to 6,000 complaints annually from concerned citizens, local law enforcement agencies, and the alcoholic beverage industry itself. Each complaint is analyzed by sworn management staff and evaluated for further investigation. For example, in FY 14/15, ABC received 3,685 complaints that sworn managers believed were serious enough, and provided sufficient information, to warrant an investigation. During 2014-15, ABC completed 3,671 investigations. Within the same time period, ABC made 3,457 arrests; filed 2,239 administrative enforcement actions; and issued 376 letters of warning to ABC licensed businesses for various prohibited activities. Of those cases that were adjudicated during this period, ABC suspended 729 licenses (including stayed suspensions), revoked 195 licenses (including stayed revocation) and collected fines from 1,150 ABC licensees, totaling \$3.2 million.

**Budget.** The balance of the Alcoholic Beverages Control Fund, which, according to ABC, funds 98 percent, of all activity (the other two percent is reimbursements from Office of Traffic Safety grants), is projected to be approximately \$30 million at the end of the current year, and \$25 million at the end of 2016-17.

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**Issue 1: Staff Resources for Information Technology**

**Budget.** The budget includes one position (System Software Specialist II) and an increase in \$117,000 in appropriation authority to provide information technology (IT) infrastructure support and security to the department and the public.

**Background.** Currently, two positions at ABC provide network and server support. To meet additional needs, as a result, the department has redirected staff from other functions to meet its needs. Specifically, one analyst from the Help Desk performs IT security officer duties on a part-time basis. According to the department, ABC “has implemented a variety of additional technologies with no increase in staffing.” For example, below is a list of technologies implemented without any increase in staffing.

- BMC TrackIT
- Juniper SSL VPN
- Wireless Pilot at Headquarters
- TMSP/Federated Data Center
- Blade/Virtualization
- Dell SAN Storage
- Riverbed WAN Optimization
- Unitrends Digital to Digital Backup
- Verizon/MAAS Fluke Network Probe
- SCCM 2012

In addition, the department notes “an internal need and public desire” for moving to mobile technology. As ABC enforcement and licensing staff use applications on mobile devices, it requires broader access through virtual private network (VPN), Wi-Fi and Bluetooth. Many ABC employees, such as sworn staff and licensing representatives, spend time away from the office. The department is seeking the staff to monitor this aspect of technology, as well.

Currently, the department has 16 vacant positions, 13 of which are conditional offers.

**Staff Comment.** Staff concurs with the department’s assessment about the importance of securing information technology and infrastructure. However, given the department’s historical vacancy rate, the committee may wish to reserve its right to conduct oversight regarding the implementation of this staffing request, as well as an update on all vacant positions, during next year’s subcommittee hearings.

**Staff Recommendation.** Approve as requested.

## 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. License fees primarily fund DCA's operations.

**Budget.** The budget includes \$648.9 million total funds and 3,109 positions to support the department, its programs, and its services. Specifically, the budget includes:

Code	Program	Actual 2014-15*	Estimated 2015-16*	Proposed 2016-17*
1100	California Board of Accountancy	\$-	\$-	\$14,833
1105	California Architects Board	-	-	4,800
1110	State Athletic Commission	-	-	1,846
1115	Board of Behavioral Sciences	-	-	11,373
1120	Board of Chiropractic Examiners	-	-	4,135
1125	Board of Barbering and Cosmetology	-	-	22,977
1130	Contractors' State License Board	-	-	65,426
1132	CURES	-	-	1,112
1135	Dental Board of California	-	-	16,427
1140	State Dental Hygiene Committee	-	-	2,042
1145	State Board of Guide Dogs for the Blind	-	-	208
1150	Medical Board of California	-	-	63,641
1155	Acupuncture Board	-	-	4,330
1160	Physical Therapy Board of California	-	-	5,323
1165	Physician Assistant Board	-	-	1,722
1170	California Board of Podiatric Medicine	-	-	1,515
1175	Board of Psychology	-	-	5,013
1180	Respiratory Care Board of California	-	-	3,799
1185	Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board	-	-	2,036
1190	California Board of Occupational Therapy	-	-	2,350
1196	State Board of Optometry	-	-	2,224
1200	Osteopathic Medical Board of California	-	-	2,344
1205	Naturopathic Medicine Committee	-	-	335
1210	California State Board of Pharmacy	-	-	20,903
1215	Board for Professional Engineers and Land Surveyors and Geologists	-	-	11,931
1220	Board of Registered Nursing	-	-	43,527
1225	Court Reporters Board of California	-	-	1,304
1230	Structural Pest Control Board	-	-	5,264
1235	Veterinary Medical Board	-	-	4,990
1236	Veterinary Medical Board Pet Lover's License Plate Program	-	-	150
1240	Board of Vocational Nursing and Psychiatric Technicians of the State of California	-	-	13,889
1400	Arbitration Certification Program	1,233	1,207	1,253
1405	Bureau of Security and Investigative Services	12,490	15,713	17,545
1410	Bureau for Private Postsecondary Education	11,845	17,515	18,047

1415	Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation	7,398	7,907	8,187
1420	Bureau of Automotive Repair	179,736	187,171	192,292
1425	Consumer Affairs Administration	99,793	120,028	120,023
1426	Distributed Consumer Affairs Administration	- 99,626	- 119,848	- 119,843
1430	Telephone Medical Advice Services Bureau	167	178	196
1435	Cemetery and Funeral Bureau	3,582	4,492	4,651
1440	Bureau of Real Estate Appraisers	5,472	5,850	-
1441	California Bureau of Real Estate Appraisers	-	-	6,068
1445	Bureau of Real Estate	47,352	52,730	-
1446	California Bureau of Real Estate	-	-	54,380
1450	Professional Fiduciaries Bureau	602	636	549
1455	Bureau of Medical Marijuana Regulation	-	10,000	3,781
<b>Total Expenditures (All Programs)</b>		<b>\$270,044</b>	<b>\$303,579</b>	<b>\$648,898</b>

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**Issue 1: Osteopathic Medical Board – Office Technicians and Rent Increase**

**Budget.** The Board requests a \$175,000 (Osteopathic Medical Board of California Contingent Funds) increase in expenditure authority to fund three previously established office technician positions. In addition, the Board requests \$50,000 (Osteopathic Medical Board of California Contingent Funds) in the budget year and ongoing to move to the larger office space in the future.

**Background.** The Board licenses and regulates osteopathic physicians and surgeons. The Budget Act of 2014 authorized three office technicians to help address the workload associated with significant growth in its licensing population (from 2002 to present, the population of licensed osteopathic physicians grew from 4,200 to 7,440) and to reduce the open complaints backlog. Since hiring the three licensing positions, nearly 399 complaints have been resolved. Currently, the number of open complaints is 252. In 2014, the Board did not request funding for these positions because, at the time, there was a sufficient amount of appropriation to absorb the costs of the additional positions within their existing resources.

According to the Board, the request for additional funding for a new space was an oversight in the original 2014 budget request. The Board has made internal tenant improvements to accommodate the staff increase, such as using a portion of a meeting room, an empty file room, and a front counter. Since the last lease was put in place, the program has grown from seven to 14 positions. The Board's current annual rent cost is \$70,996. The annual cost to move to an office suitable for staff will be approximately \$50,000 greater than the annual cost of their current office.

**Staff Comment.** Prior to hiring the three positions in fiscal year 2014-15, the Board's annual reversion was sufficient to absorb any additional costs within their existing resources. Specifically, at the time, the Board was absorbing two intermittent positions and was working to eliminate the licensing backlog. It was anticipated that the savings created by eliminating the temporary help and overtime expenditures associated with eliminating the licensing backlog would offset costs. However, due to an increased volume of cases referred to field investigations and the Attorney General's office for prosecution, enforcement costs have increased and become more complex. As of March 2015, there were 53 cases pending at the Attorney General's office.

**Staff Recommendation.** Approve as requested.

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**Issue 2: Veterinary Medical Board**

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**Budget.** The budget requests the conversion of four limited-term positions to four permanent positions (one staff services analyst and three program technicians), and \$256,000 (Veterinary Medical Board Contingent Fund) in two-year limited-term funding to support these positions. Specifically, the positions:

- Three program technicians will be responsible for the processing of initial and renewal license applications, which includes preliminary review and evaluation, processing and cashiering, and will be the main points of contact for the applicants. The Board indicates that these positions will also provide enforcement related support, which was not identified in the FY 2014-15 BCP.
- One staff services analyst will be responsible for the increased workload associated with processing complaints and desk investigations of veterinary assistants stemming from applicants with previous criminal history and or permit holders who are either convicted of crimes, or violate the Veterinary Medicine Practice Act subsequent to becoming permitted by the Board.

**Background.** The Board's mission is to protect consumers and animals through the development and maintenance of professional standards, the licensing of veterinarians and registered veterinary technicians, and through enforcement of the California Veterinary Medicine Practice Act. The Board's current total active licensee population is approximately 18,500 licensees and registrants. The enforcement unit investigates complaints on veterinarians, registered veterinary technicians and the unlicensed practice of veterinary medicine; takes formal disciplinary action when appropriate; and inspects animal hospitals to ensure that minimum standards are maintained and sanitary conditions are met.

The Board estimates that the registration of veterinary assistants would add approximately 13,600 new permit holders under the Board's oversight. The Board anticipates half of these prospective 13,600 (6,800) applicants will apply for VACSP permits in FY 2015-16 and the remaining 6,800 applicants will apply in FY 2016-17.

Currently, the Board has filled all 23.8 authorized positions.

**Staff Recommendation.** Approve as requested.

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**Issue 3: Medical Marijuana Regulation and Trailer Bill**

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**Overall Budget.** The budget includes an initial loan of \$5.4 million to the Medical Marijuana Regulation and Safety Act Fund, which will, in the future, be the repository for all fees collected by the licensing authority. In addition, the budget includes \$12.8 million General Fund, \$10.6 million Medical Marijuana Regulation and Safety Act Fund, \$1.2 million special funds, and a proposed 126 positions to implement the regulations. To comply with the new requirements and standards set forth by the act, the budget includes several proposals across different departments, including:

- **Department of Fish and Wildlife.** The budget includes \$7.7 million General Fund and 31 positions to make permanent the 2014 multi-agency task force.
- **State Water Resources Control Board.** The budget includes \$5.7 million (\$5.2 million General Fund and \$472,000 Waste Discharge Permit Fund) and 35 positions in the budget year for the Board to develop and implement a program that addresses environmental impacts of cultivation, as well as protecting fish from possible water diversions related to cultivation.
- **Department of Food and Agriculture (CDFA).** The budget proposes \$3.3 million in 2015- 16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund, and 18 positions in the budget year, to provide administrative oversight for the Medical Cannabis Cultivation Program, establish regulations, issue medical marijuana cultivation licenses, and perform an Environmental Impact Report. Also, the CDFa will establish a “seed-to-sale” program to report the movement of products throughout the distribution chain.
- **Department of Consumer Affairs.** The budget includes \$1.6 million in the current fiscal year and \$3.8 million from the Medical Marijuana Regulation and Safety Act Fund, as well as 25 positions in the budget year, to create the Bureau of Medical Marijuana Regulation within the Department of Consumer Affairs.
- **Department of Public Health.** For licensing and regulation of medical marijuana product manufacturers and testing laboratories, the budget includes \$457,000 in 2015-16 and \$3.4 million from the Medical Marijuana Regulation and Safety Act Fund, and 14 positions in the budget year.
- **Department of Pesticide Regulation.** To assist in the development of guidelines of pesticide use in medical marijuana cultivation, the budget proposes \$700,000 to the Department of Pesticide Regulation.

**DCA Budget.** The department requests 9.7 positions and \$10 million in the current year; \$3.8 million in the budget year and 25 positions ongoing; \$4.1 million in FY 2017-18; and \$492,000 in 2018-19 and 2019-20 to fund the development and initial start-up of the Bureau of Medical Marijuana Regulation (Bureau), and the study as required by the Medical Marijuana Regulation and Safety Act. For the budget year, the department requests staffing in the following areas:

- **Bureau staff (13 positions)**
  - One bureau chief and one deputy chief to formulate, implement, and interpret Bureau operations, so that program areas comply with statutes.

- One enforcement program manager (effective January 1, 2017) to oversee investigations and prosecutions, including developing policy recommendation related to the governance of medical marijuana.
- One licensing program manager to oversee the operations of licensing (effective January 1, 2017).
- One information officer to serve as a liaison between the Bureau and the media (effective July 1, 2016).
- Establish a Legal Affairs Division, comprised of one attorney III, two attorneys, one senior legal analyst, one legal analyst, and one legal assistant position. (The anticipated start date for the senior legal analyst, legal analyst, and legal assistant is April 1, 2016).
- One assistant chief of policy and legislation to develop regulatory packages )and coordinate stakeholder meetings.
- One data processing manager III to serve as the primary IT liaison with other licensing entities and state departments (effective July 1, 2016).
- One AGPA and one management service technician to assist and provide other support.
- **Division of Investigation (4 positions)**
  - One supervising investigator II to serve as visible outreach to local law enforcement.
  - Two investigators (one Northern California, one Southern California; effective April 1, 2016) to serve as liaisons to regional law enforcement, legal affairs, and city and county enforcement needs.
  - One AGPA (effective April 1, 2016) to develop reports of a not-yet-developed matrix and maps of existing medical marijuana dispensaries, cultivation locations, and transportation operations.
- **Legislative and Regulatory Review.** One AGPA to review, analyze, and facilitate regulatory packages of the Bureau, and respond to constituent inquiries.
- **Office of Information Services.** One Data Processing Manager III to direct multiple state project managers and business analysts within DCA and within stakeholder agencies in all phases of project planning, executing, and closing activities of contract management, and support the project's Executive Steering Committee in the development and implementation of inter-agency governance polices.
- **DCA's Office of Human Resources and Budget Office.** Two Associate Personnel Analysts to assist the Bureau with the hiring, recruitment, compensation and performance management of personnel. One AGPA to serve as the single-point-of-contact for fiscal and accounting issues with the Bureau.

- **Business Services Office.** One AGPA to secure a lease, prepare service contracts and procure equipment in order to run day-to-day operations
- **Consultant contract (one)** to provide subject-expertise related to the medical marijuana industry.
- **Study with the Center.** Dr. Igor Grant, Head of the Center at the University of California, San Diego, provided the following breakdown of costs associated with developing and conducting the study as required by AB 266:
  - Building retrofit to accommodate the requirements of this study (\$350,000)
  - Comprehensive study would be \$1.476 million over three fiscal years (\$492,000)

Total costs for this study are \$1.8 million over four fiscal years, assuming the building retrofit occurs in 2016-17, and the study is conducted in 2017-18 through 2019-20.

**Trailer Bill.** At the time of this agenda, the posted trailer bill language is currently intent language and does not provide additional detail or possible clean-up related to the provisions of the Act. The department notes that trailer bill language is intended to “provide the Bureau with the necessary authority to hire a Deputy Bureau Chief and Assistant Chief Counsel.”

**Background.** In June 2015, Governor Brown signed the Medical Marijuana Regulation and Safety Act, comprised of Assembly Bill 243 (Wood), Chapter 688, Statutes of 2015; Assembly Bill 266 (Bonta), Chapter 689, Statutes of 2015; and Senate Bill 643 (McGuire), Chapter 719, Statutes of 2015. Together, these bills established the oversight and regulatory framework for the cultivation, manufacture, transportation, storage, and distribution of medical marijuana in California.

**LAO Comment.** The LAO finds the “proposed approach [is] consistent with legislation, [and] ongoing oversight will be important.” Although no major concerns were raised, the scope and complexity of new state-level activities are significant. Undertaking such activities requires considerable coordination among agencies and affects multiple areas of statewide importance—including public health, public safety, and environmental protection. Moreover, there remains uncertainty regarding the ultimate size of the regulated medical marijuana industry and other unknown factors, such as whether voters will opt to legalize recreational marijuana in the coming years. Given these potential challenges and uncertainties, close monitoring over the status, pace, and effectiveness of Act’s implementation will be an important task for the Legislature in the coming years.

**Staff Comment.** The newly established Bureau of Medical Marijuana Regulations, along with other licensing entities, will be responsible for 17 different types of business licenses, including: cultivators, nurseries, processors, testing labs, dispensaries, and distributors. Regulations are required to be released by January 1, 2018. To meet this deadline, the department has already held meetings with other licensing entities, and has educated staff and the public about the new law, including: holding educational tours of cannabis businesses, and seeing demonstrations on the Track and Trace systems. DCA has also compiled a list of parties interested in participating in the regulatory process. However, as of January 2016, no formal stakeholder meetings have been held. Given the impending two-year deadline, and that there is no recent precedent for establishing an oversight and regulatory scheme of this magnitude, the Legislature may wish to consider: (1) how will DCA include and inform the

Legislature on the status of regulations; and, (2) how will DCA coordinate across the different licensing entities to ensure regulations are developed on-time, and with appropriate and adequate staffing levels?

Since 1970, the federal Control Substances Act defines Schedule 1 drugs as those that have a high potential for abuse; have no currently accepted medical use in treatment; and possess a lack of accepted safety under medical supervision. Marijuana is considered a Schedule 1 drug, along with heroin, ecstasy, and LSD. States maintain a similar classification list, with the possibility that state and federal lists may conflict; however, in California, there is no such conflict. Given that both federal and state classifications consider marijuana a Schedule 1 substance, the Legislature may wish to consider how these long-held policies may influence, and may create tension, in how local cities, counties, or law enforcement view and enforce medical marijuana enterprises under the new regulations.

**Staff Recommendation.** Hold open for further consideration.

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**Issue 4: Medical Board – Staff Augmentation**

**Budget.** The Board requests \$113,000 (Contingent Fund of the Medical Board of California) the budget year, \$105,000 (Contingent Fund of the Medical Board of California) ongoing, for one AGPA to address enforcement workload associated with legislative mandates related to the reporting of adverse events by accredited outpatient surgery settings and hospital reports of transfers by licensed midwives of planned out-of-hospital births.

**Background.** Senate Bill 304 (Lieu), Chapter 515, Statutes of 2013, requires an accredited outpatient surgery setting to report an adverse event to the Board no later than five days after the adverse event has been detected, or not later than 24 hours after the adverse event has been detected if the event is an ongoing urgent or emergent threat to the welfare, health, or safety of patients. Since January 2014, the Central Complaint Unit (CCU), an intake unit that handles complaints filed against physicians and certain allied health care professionals, has received 143 Adverse Event Reports from accredited outpatient surgery settings. Upon receipt of each report, CCU staff determines whether sufficient evidence reveals a violation of law by a physician.

The AGPA must also research and request additional information from the outpatient surgery setting reporting the adverse event to determine whether the outpatient surgery setting is accredited by the Board or licensed by the California Department of Public Health.

AB 1308 (Bonilla), Chapter 665, Statutes of 2013, requires hospitals to report to the Board each transfer to a hospital by a licensed midwife of a planned out-of-hospital birth. Since 2013, the CCU has received 171 reports of transfers of planned out-of-hospital births. Upon receipt of each, CCU staff seeks to determine whether the transfer resulted from negligent treatment provided by the midwife (e.g., requests summaries of treatment and patient medical records from midwives and facilities).

Currently, the Board has 160.1 authorized and currently six vacancies. 2013-14, there were 17.1 vacancies; and in 2014-15, there were 16 vacancies.

**Staff Comment.** Currently, it takes 144 days for one AGPA to process a complaint. In the current year, the enforcement program received 10,416 complaints and closed 5,820. The subcommittee may wish to ask the Board to explain the projected outcomes for how one additional position will assist in reducing the overall caseload per CCU analyst.

**Staff Recommendation.** Approve as requested.

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**Issue 5: State Board of Optometry and Trailer Bill**

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**Budget.** The Board requests 0.5 office technician - typing and a 0.6 special investigator (SI) to replace current services provided to the program by the Medical Board of California and Division of Investigation (DOI): Health Quality Investigation Unit (HQIU). The office technician will provide services, such as cashiering, receiving and mailing, and complaint processing. The special investigator will conducting desk investigations on complaints or other violations.

The Board is not requesting additional expenditure authority to support these positions.

This request includes an offsetting reduction in position authority of a 0.5 office technician and funding of \$39,000 for the Medical Board, and a 0.6 SI and \$62,000 for DOI: HQIU.

The budget also provides trailer bill language to implement the provision of transitioning the Registered Dispensing Optician (RDO) program from the Medical Board to the Board of Optometry.

**Background.** Assembly Bill (AB) 684 (Alejo, Chapter 405, Statutes of 2015) moves RDO from the Medical Board of California (MBC) to the State Board of Optometry (Board). AB 684 was a result of over a decade of litigation. In *National Association of Optometrists & Opticians v. Harris*, the plaintiffs argued that the laws restricting business arrangements between opticians and optometrists violate the dormant Commerce Clause of the United States Constitution, stating it was unfair that optometrists and ophthalmologists may set up a practice where patients may receive both eye examinations and prescription eyewear; but opticians may offer only the sale of eyewear. The Court upheld the California law as constitutional, stating the law did not place a burden on interstate commerce because it precludes a preferred, more profitable method of operating in a retail market.

The RDO program currently has a 0.9 Management Services Technician (MST) that serves as the programs licensing analyst. When the RDO moves, they will no longer receive these services from the Medical Board and will need to acquire the staffing resources to continue to carry out these duties. RDO's existing budget already includes appropriation for these services.

Additionally, AB 684 creates a Dispensing Optician Committee consisting of five members (two registered dispensing opticians, two public members, and one member from the Board). Costs associated with this committee will include daily per diem of \$100 per member and travel expenses (airfare, lodging, and food) for members travelling from Southern California. Travel costs for the southern California members would be \$665 per member, each meeting, for four meetings a year. This cost is estimated to be \$7,320 (\$1,830 x 4) annually. This cost will be absorbed by RDO.

**Staff Comment.** The Registered Dispensing Optician Fund is projected to become insolvent by fiscal year 2017-18, even without the additional costs created by AB 684. There is additional space in RDO's statutory fee caps to raise fees to \$100 (from \$75), but this will not be sufficient to address the current structural deficit of the RDO fund. The Board is in the process of contracting out for a fee analysis to determine the appropriate fee levels, as they were last raised in 1999. The subcommittee may wish to consider how the RDO program can support the committee's travel and additional expenses, given its fund status. Further, the subcommittee may wish to consider a broader discussion of boards and bureaus' fund health and status at a later hearing.

**Staff Recommendation.** Hold open to allow additional time for comments on trailer bill language.

**Issue 6: Oversight: Board of Pharmacy – Controlled Substance Utilization, Review, and Evaluation System (CURES) Program**

**Background.** CURES is California’s prescription drug monitoring program, and is considered a critical part of the state’s effort to stem prescription drug abuse by seeing patterns in prescription-shopping by patients and the over-prescription of pain medication by physicians. In 1998, CURES replaced the Triplicate Prescription Program (created in 1939 to capture Schedule II prescription information), and recorded Schedules II through IV. Senate Bill 809 (DeSaulnier and Steinberg), Chapter 400, Statutes of 2013, requires all California licensed prescribers authorized to prescribe scheduled drugs to register for access to CURES 2.0 by July 1, 2016, or upon issuance of a Drug Enforcement Administration Controlled Substance Registration Certificate, whichever occurs later, to register with the Department of Justice (DOJ) to be registered for CURES.

In July 2015, CURES 2.0 launched and requires Microsoft Internet Explorer version 11.0 or higher, or current versions of Mozilla Firefox, Google Chrome or Safari. Hospitals, such as Kaiser, Sutter and Dignity Health, reported the new database as incompatible with dated version of Internet Explorer, and in some circumstances, “the database will not work with their electronic health record systems.”

According to the DOJ, of the 43,819 pharmacists currently licensed by the Board, over 10,000 have registered for CURES 2.0. Between January and February 2016, pharmacists ran 344,647 patient activity reports.

The Board has collaborated with DOJ to educate licensees about the new CURES system, as well as the mandatory registration by July 1, 2016. The Board intends to do a mass mailing to all pharmacists on May 2016.

**Staff Comment.** The item is informational. It is included as part of the subcommittee’s oversight to determine how many more licensees need to be enrolled, and how the Board and DOJ are working with hospitals and providers for education and outreach.

**Issue 7: Board of Pharmacy – Sterile Compounding Facilities (SB 294)**

**Budget.** The Board of Pharmacy (Board) is requesting \$1.1 million (Pharmacy Board Contingent Fund, Professions and Vocations Fund) to transition 5.5 existing three-year limited-term positions to permanent in 2016-17, and ongoing, to execute statutorily mandated inspections, investigations, process license and renewal applications, handle enforcement related workload and provide support for the resident and non-resident sterile injectable compounding facilities.

**Background.** SB 294 (Emmerson), Chapter 565, Statutes of 2013, requires resident and nonresident sterile compounding pharmacies to be licensed. In addition, the Board must conduct a mandatory inspection of all resident and non-resident sterile compounding pharmacies prior to licensure and upon renewal annually. As a result of SB 294, the Board has an additional 666 new sterile compounding pharmacy licensees. To date, in 2015-16, the Board has conducted 48 inspections of non-resident facilities and identified a total of 51 violations in 23 facilities. In 2015-16, the Board conducted 1,133 resident facility inspections and issued 922 corrections and 44 violations notices at 405 facilities.

To address the workload associated with the implementation of SB 294, the 2014 Budget Act provided seven three-year limited term positions: four pharmacy inspectors, one AGPA, one staff services analyst, and one office technician, effective July 1, 2014. The Board filled these positions between August 2014 and December 2014.

SB 294 was a Board-sponsored bill, and anticipates ongoing program costs to be \$1.2 million (\$1 million for salary and benefit costs and \$242,000 for travel costs for in-state and out-of-state inspections). At the time of the original 2014 budget request, the investigation workload was not included; however the Board has seen an increase in the number of investigations of specialty pharmacies, which it is currently absorbing. The Board under-projected the impact of resident sterile compounding facilities. Specifically, it projected receiving only 700 applications and renewals; however, it received 991. In addition, the Board anticipated only conducting 700 resident inspections; however, it conducted 1,133 in 2014-15. The Board attributes this unanticipated impact of in-state facilities because any change, including a pharmacy remodel, requires an inspection.

The Board proposes to increase fees, in the 2017-18 year, from \$780 to \$1,645 for LSC applications; from \$780 to \$2,380 for NSC applications; from \$780 to \$1,325 for LSC renewals; and from \$780 to \$2,270 for NSC renewals.

**Staff Comment.** Historically, limited-term positions allow an individual to remain in a given position for up to two-years. In May 2015, the Administration submitted a letter to the Legislature, eliminating the use of limited-term positions to address short-term workload. Although the position authority is authorized until June 30, 2017, staff, under CalHR policy, would not be allowed to remain in the same position after two-years. As such, the Board is requesting to make permanent the positions to allow current staff to remain in their positions.

Given the Board's fee increase proposal, the subcommittee may wish to consider a broader discussion of boards and bureaus' fund health and status at a later hearing.

**Staff Recommendation.** Hold open.

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**Issue 8: Board of Pharmacy – Combatting Prescription Drug Abuse**

**Budget.** The Board requests \$1.3 million (Pharmacy Board Contingent Fund, Professions and Vocations Fund) to transition eight existing three-year limited-term positions to permanent in 2016-17, and ongoing, to address prescription drug abuse.

**Background.** All pharmacies and clinics must electronically report specified dispensing information to the CURES system on a weekly basis. Currently, more than 100 million prescriptions of controlled substances dispensed over a period of years are available from CURES. In the 2014 Budget Act, the Board was provided eight three-year limited term positions (1.0 Supervising Pharmacy Inspector, 5.0 Pharmacy Inspectors, 1.0 Research Program Specialist and 1.0 AGPA) in FY 2014/15 to create a specialized team focused on monitoring, initiating and investigating violations of existing statutes relating to Board licensees' failure to exercise corresponding responsibility.

Since they have been in their positions, the Research Program Specialist and the AGPA have focused their efforts on proactive data mining, compiling and analyzing the data received, reviewing CURES reports and reviewing Coroner's reports to identify trends in controlled substances dispensed in California. As a result of this data mining, the Board has identified 59 licensees that warrant additional investigation. Of the 90 inspections that the Prescription Drug Abuse team conducted, 62 sites were found to be violating pharmacy law, with a total of 201 violations and 62 corrections being ordered.

To date, the Board has spent 1,912 staff hours researching and analyzing data, for a cost of \$49,677. The Board has spent \$522,873 on enforcement activities through data mining. As a result of these efforts, the Board has opened an additional 115 cases from July 1, 2015, to February 22, 2016.

**Staff Comment.** In May 2015, the Administration submitted a letter to the Legislature, eliminating the use of limited-term positions to address short-term workload. Although the position authority is authorized until June 30, 2017, staff, under CalHR policy, would not be allowed to remain in the same position after two-years. As such, the Board is requesting to make the positions permanent, allowing current staff to remain in the position, once their limited-term appointment expires.

Although the Board does not have a legislative mandate to evaluate coroner's reports, it has done so proactively. The Board currently has focused its efforts in two counties to review 306 decedent's reports. Of the 16 citations the Board has issued, the Board has recovered only \$3,740 of the imposed \$15,400 amount in fines. In addition, the Board has 137 pending investigations.

**Staff Recommendation.** Hold open.

**Issue 9: Naturopathic Medicine Committee**

**Budget.** The committee requests \$101,000 (Naturopathic Doctors Fund) in 2016-17 and ongoing to convert one associate governmental program analyst (AGPA) position from three-year limited term to permanent.

**Background.** The committee, which consists of two positions and currently, has no vacancies, was established January 1, 2004, and is housed within the Osteopathic Medical Board of California. To address the increasing licensee population, renewal workload, and to manage the enforcement program, the committee was authorized one three-year limited-term AGPA position in the Budget Act of 2014.

In May 2015, the Administration submitted a letter to the Legislature, eliminating the use of limited-term positions to address short-term workload. Following the implementation of California Department of Human Resources (CalHR)'s policy, the committee is requesting to retain current staff in the position, once their limited-term appointment expires.

**Staff Recommendation.** Hold open.

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**8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS**

**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; two state cemeteries (Igo, near Redding, and in Younville) with 19,000 gravesites on 74 acres; and two office buildings. A third cemetery is under construction in Seaside, Monterey County, and will contain an additional 5,000 gravesites on 17 acres.

**Budget.** The budget provides \$454 million (\$382.5 million General Fund, \$2.6 million federal funds, and \$68.9 million special funds) to support the department and its programs.

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**Issue 1: Oversight – Claims Representation in County Veteran Service Offices**

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**Budget.** The budget includes \$5.6 million General Fund for local assistance to County Veteran Service Offices (CVSOs). CalVet provides funding to the CVSO, based on the number of workload units – a claim that has a reasonable chance of obtaining a monetary or medical benefit for a veteran, dependent, widow/widower, or survivor. Nearly all CVSOs receive \$20,000 General Fund for administration and \$12,000 for attending training programs three times a year.

**Overview of County Veteran Service Offices.** CVSOs serve as the “boots on the ground” access point, providing veterans the ability to access their benefits and services in counties where they reside. CVSO operations include: U.S. Department of Veterans Affairs (USDVA) benefit counseling, claims development, case management, outreach, and a variety of referrals and assistance with veteran services. CVSOs also regularly participate in outreach events to educate veterans on eligible benefits, provide assistance in obtaining these benefits and services, and coordinate referrals from agencies and organizations, such as the county’s Department of Public Social Services when veterans and their families may apply for public assistance programs, or are in need of other services.

CalVet provides accreditation training, training conferences, individual training, and ongoing support to CVSO staff filing claims. CVSOs filing claims with CalVet’s power of attorney are all sent to CalVet for an initial review prior to submission to the USDVA. CalVet will respond to the CVSO if anything is found to be missing, and provide additional training if there are consistent errors. If a veteran disagrees with the award or denial by the USDVA, CalVet also represents veterans in all appeal hearings to the Board of Veterans Appeals. CalVet’s CVSO Auditor provides additional feedback and training to each CVSO twice per year on the quality of College Fee Waivers and workload units submitted by CVSOs.

CalVet also partners with CVSOs on a variety of other programs, such as the “Honoring Veterans” license plate program through the California Department of Motor Vehicles (DMV). The revenue from the sales of the license plates are distributed to CVSOs through the Veterans Service Office Fund that CalVet administers. In November 12, 2015, CalVet and DMV launched the Veteran Driver License Initiative. This initiative allows California Veterans to obtain a “Veteran” designation on their California driver license or identification card (DL/ID). One of the primary objectives for this initiative

was to increase traffic through CVSOs, so while the veterans are in their offices, CVSOS staff can also make them aware of other benefits and services to which they may be entitled. As of February 15, 2016, 15,719 veteran designation forms have been completed by CVSOS; and 1,728 claims for USDVA benefits subsequently filed.

Based on estimates for the 2015-16 fiscal year, some CVSOS appear to serve a low percentage of eligible USDVA veterans, based on the workload unit divided by the population of USDVA veterans. For example, although the Los Angeles County CVSOS was provided \$251,205 General Fund, only 2.2 percent of its eligible USDVA population was served (6,918 of 314,667 veterans); whereas, Solano County, which received \$222,846 General Fund, reached nearly 18 percent (6,023 of 34,022 veterans) of its veteran population. In Riverside County, \$345,082 General Fund was provided and only 7.2 percent (9,879 of 136,466 veterans) were served. According to the department, regardless of the county size, reasons for why some CVSOS may have stagnated are the inherent structure of CVSOS being “under the jurisdiction of the Board of Supervisors,” turnover, or prolonged vacant positions. According to CalVet, “In an effort to mitigate CVSOS from stagnating, CalVet has proposed regulations to require CVSOS and their veterans service representatives to become accredited by CalVet for filing USDVA claims; this requirement establishes a baseline of knowledge for all CVSOS representatives filing claims.”

**Staff Comment and Recommendation.** This item is informational, and no action is needed at this time. In conversations and meetings with the department, staff notes the department’s commitment and continued efforts to improve training and its partnership with CVSOS, creating incentives (\$12,000 annually for attending trainings) and standardized training academy. The subcommittee may wish to consider, if not by the percentage of veterans served, what types of outcome measures are richer indicators to determine a CVSOS’s success in reaching veterans in the community.

### Question

1. How has the department worked to address gaps in the percentage of veterans served to the funding amount provided to the CVSOS?

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**Issue 2: Oversight: Strike Teams and U.S. Department of Veterans Affairs Claims**

**Budget.** The Governor’s budget does not provide additional funding for strike teams. The funding for strike teams is set to expire June 30, 2016, but the positions were made permanent in the 2015 Budget Act.

**Background.** The Budget Act of 2013 included \$3 million General Fund<sup>1</sup> and 36 limited-term positions, until 2015-16, to establish “strike teams” which would reduce the initial entitlement claims backlog at the USDVA, and ensure that claims from CVSOs are properly developed and had the documentation necessary for USDVA to rate. Strike teams consist of twelve staff and are co-located in each of USDVA’s three regional offices – San Diego, Los Angeles, and Oakland. When strike teams were deployed in Fall of 2013, the national average for a veteran to receive benefits was nearly 349.6 days. Before the state established the teams, in July 2013, the average number of days to completion that California veterans were waiting for entitlement claims were: 590 days in Oakland, 616 in Los Angeles, and 348 in San Diego. As of January 28, 2016, the average days pending for CalVet entitlement claims in the fully developed claims program is down to 83 in Oakland, 112 days in Los Angeles, and 82 in San Diego. Strike teams have also helped reduce the first initial entitlement claims backlog at USDVA from about 70,000 to 7,000.

According to the January 28, 2016, *Joint Claims Initiative Progress Report*, “Compensation awarded through these efforts from September 2013 through January 2016 is \$101,302,261 in lump sum payments (meaning retroactive payments based on the time the claim has been pending at the USDVA). Monthly award payments totaling \$13,897,518 have been awarded. Annualized, that is \$166,770,212 in payments going to California veterans every year for the rest of their lives.”

Please see table below for the average number of days to completion California veterans waiting for new entitlement claims:

Region	June 2013	October 2015
Oakland	590	113
Los Angeles	616	136
San Diego	348	116

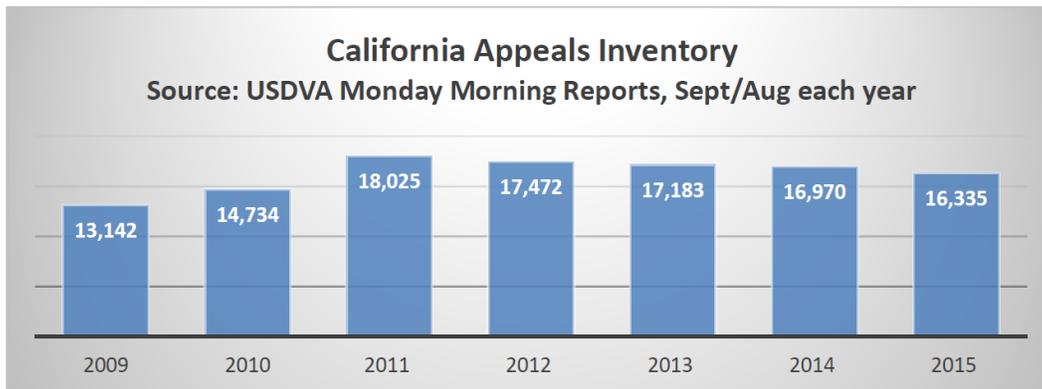
**Current Backlog.** As of January 23, 2016, the total number of claims older than 125 days (considered backlog) in California is 6,596.

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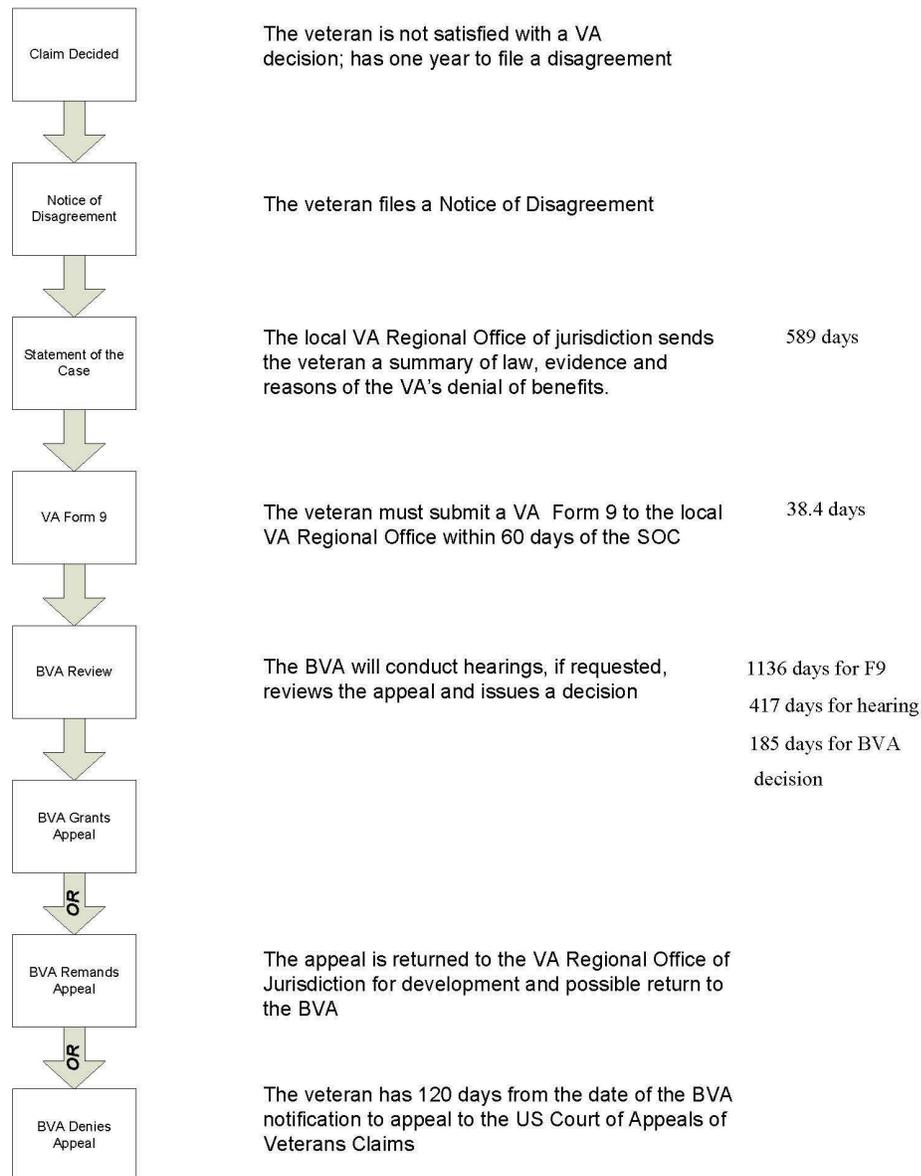
<sup>1</sup> CalVet notes that the \$3 million used to fund the strike teams (\$9 million over three years), is different than the \$3 million General Fund added to the local assistance budget for CVSOs in 2013-14 (bringing total General Fund for local assistance to CVSOs to \$5.6 million). The \$3 million for CVSOs was made permanent, beginning in 2015-16. This funding is for additional claims representatives and outreach at the CVSO district offices (different from the USDVA regional offices, where the strike teams are located).

**Fully developed claims.** Success as a result of the vast amount of training the CalVet District offices provide to CVSOs shows in the large increase in the number of Fully Developed Claims (FDC) submitted by CVSOs. The USDVA developed the FDC program in 2010 to reduce the wait time for receiving an award of federal benefits; but in order to do so, USDVA requires the veteran to submit all required documentation with their initial claim form in order to expedite the rating decision and award to the veteran. CalVet District Office staff provide training CVSOs to properly develop new incoming claims to leverage the FDC program and provide direct claims assistance to complete the claims to be ready for the USDVA to rate instead of resulting in a delayed claim.

**Appeals process and timelines.** If a veteran does not agree with the award the USDVA grants, they may appeal the decision. The CalVet staff represents and assists the veteran through the appeals process. The inventory for California veterans appeals has remained steady (see table below). According to the department, appeals currently take six to eight years, but range from 3-15 years from start to completion. CalVet anticipates the appeals inventory is expected to remain high and is projected to increase in the next few years.



### VA Appeals Process



source: 2014 BVA annual report; VA Appeals Monthly report

**Staff Comment.** This item is included for informational purposes. In the January 2016 *Joint Claims Initiative Progress Update*, the department notes, “In order to continue to minimize the backlog, the strike teams must keep up with the quality review of the approximately 59,000 new incoming claims each year from the CVSOs.” Although the positions were made permanent in the 2015 Budget, the funding expires in June 30, 2016. The budget does not currently provide funding for future strike teams. Further, although the strike teams were first implemented to assist in reducing the initial claims backlog, the timeframe to resolve appeals (from three to 15 years) is significant.

<b>Issue 3: Veterans Housing and Homeless Prevention Program</b>
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**Budget.** The department requests \$406,000 (Housing for Veterans Funds) in the budget year, and \$384,000 (Housing for Veterans Funds) ongoing, for four permanent positions to support the development, implementation, and monitoring of the Veterans Housing and Homeless Prevention Program.

**Background.** California is home to 1.8 million veterans, the largest veteran population in the nation. As of January 2015, 11,311 California veterans are homeless, representing nearly 24 percent of the nation's homeless veterans. Of California's extremely low-income veteran renter households, 79 percent have a severe cost burden, spending more than 50 percent of their income on housing.

In response to the high number of homeless veterans in California, AB 639 (Pérez), Chapter 727, Statutes of 2013, created the Veteran Housing and Homelessness Prevention Act of 2014 and authorized \$600 million in general obligation bonds to support the Act. The Act requires the CalVet and the Department of Housing and Community Development (HCD) to collaborate with the California Housing Finance Agency to design, develop, and administer a veteran multifamily housing program. California voters approved Proposition 41 on June 3, 2014, and the departments promulgated the first program guidelines for Program in February 2015. The first Notice of Financial Award (NOFA) for \$75 million was released that same month. 17 projects were awarded approximately \$63.2 million from the first award. These 17 projects will construct more than 1,200 housing units with almost 600 of the units restricted to housing veterans. The table below lists the Round 1 awards by city and county, of each award.

Area	Funding Targets	Awards	Total Projects	Funding Awarded
Bay Area	14%	8%	1	\$ 5.3 Million
Los Angeles County	31%	43%	8	\$27.3 Million
Orange County / Inland Empire	8%	29%	4	\$18.4 Million
San Diego County	7%	2%	1	\$ 1.0 Million
Other Areas	16%	18%	3	\$ 11.2 Million
<b>Total</b>			<b>17</b>	<b>\$63.2 Million</b>

**Staff Comment.** Because VHHP is funded by bonds, it does not pay for the cost of supportive services. However, each project must submit a plan that explains how services will be provided to veterans. Supportive services funding is being provided from a wide variety of sources, including other VA programs, project operating income, and LA County Department of Health Services. Service providers may also providing in-kind services. It is anticipated that Round 2 funding awards will be made by Spring 2016.

<b>Issue 4: Overview of Veterans Homes of California (VHC)</b>
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**Overview.** CalVet operates a system of long-term care, ranging from independent living to intermediate and skilled nursing care, through eight Veterans Homes – five of which have opened in the last six years. The VHCs provide comprehensive medical, dental, pharmacy, rehabilitation services, and social activities in a community environment. The VHCs are:

- **Yountville, Napa County.** Established in 1884, it is the largest geriatric facility in the nation. It has four levels of nursing and medical care, including a care unit for individuals diagnosed with Alzheimer’s or dementia. Physical capacity is 1,184 beds, and budgeted capacity is 1,021 beds.
- **Barstow, San Bernardino County.** Established in 1996, it is the first home in Southern California. It provides three levels of care, and although licensed for 344 beds, is budgeted for 220 beds.
- **Chula Vista, San Diego County.** Established in 2000, the Chula Vista home provides three levels of care. Physical and licensed capacity is 400 beds, and 305 beds are budgeted for the 2016-17 year.
- **West Los Angeles, Los Angeles County (main Greater Los Angeles and Ventura Counties, or GLAVC, home).** The home admitted its first resident in October 2010. It has physical capacity for 561 beds, is licensed for 402 beds, and budgeted for 490 beds.

The West L.A. home is the only one to offer a Transitional Housing Program (THP), a program that provides supportive services for veterans who have been chronically homeless or living in unstable housing. THP includes: room and board; meals; medical care and medications; limited transportation services to medical appointments and activities; limited banking services; resident activity programs; and housekeeping services. Below is additional information about THP.

Current census	60
Total discharges (since September 2013)	110
Received Veterans Affairs Supportive Housing/independent housing	74
Relapsed/Returned to VA Domiciliary	21
Current THP residents with jobs	20
Current THP residents receiving education/training	5

According to the department, “CalVet does not have plans to expand the THP to other homes at this time. However, we are reviewing future programmatic needs across all Homes.”

- **Ventura, Ventura County (satellite of the GLAVC home).** Established in January 2010, the Ventura satellite has physical and licensed capacity for 60 beds and is budgeted for all 60 beds.
- **Lancaster, Los Angeles County (satellite of GLAVC).** Established in February 2010, the Lancaster satellite has physical and licensed capacity for 60 beds and is budgeted for all 60 beds.

- **Fresno, Fresno County.** Admitted its first resident in May 2014. The Fresno home has physical capacity for 300 beds, is licensed for 306 beds, and is budgeted for 296 beds.
- **Redding, Shasta County.** Admitted its first resident in June 2014. The Redding home has physical capacity for 150 beds, is licensed for 153 beds, and is budgeted for all 150 beds.

Last fiscal year, more than 3,000 aged veterans or veterans with disabilities received care. In total, the homes have physical capacity of 2,950 beds, are licensed for 2,789 (94.5 percent) and budgeted for 2,482 (84 percent of physical capacity).

**Licensing and inspections.** U.S. Department of Veterans Affairs (USDVA) certifies the homes. The California Department of Public Health (CDPH) licenses Skilled Nursing Facility (SNF) or Intermediate Care Facility (ICF) beds, and the California Department of Social Services licenses Residential Care for the Elderly (RCFE) beds .

**Budget.** The proposed budget for Veterans Homes, including the following budget proposals, is \$308.8 million General Fund. The department estimates receiving \$112 million in revenue generated by member fees (\$24.8 million), federal per diem (\$63.4 million), aid and attendance (\$2.9 million), Medicare (\$9.3 million), and Medi-Cal (\$11 million).

<b>Issue 5: Residential Nursing Care</b>
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**Budget.** The budget requests \$2.9 million General Fund in the budget year, and \$2.7 million General Fund ongoing, for 32 positions to address nursing care shortages in the Yountville (\$1.8 million General Fund), Barstow (\$369,000 General Fund), and Chula Vista (\$686,000 General Fund) Veterans Homes. Specifically, the department would like to update its nursing relief factor from 1.7 to 1.77. The net impact of nursing staff by home is as follows:

Home	CNA	LVN	RN	Total
Yountville	11	3	5	19
Barstow	3	0	1	4
Chula Vista	7	2	0	9
Total	21	5	6	32

**Background.** Long-term care facilities use hours-per-patient-days to determine nursing staff ratios. However, due to fatigue and stress of the 24/7 operations on nursing staff, the department has high rates of medical-related leave under the Family and Medical Leave Act (FMLA) and worker's compensation claims. As a result, the department has mandated double-shifts to cover patients' needs. Further, the department cannot comply with the Department of Human Resources annual leave/vacation caps (640 hours/80 days) because there is insufficient staff to cover shifts. As a result, the average employee's vacation/annual leave balance have increased by 16 days between 2008 to 2012.

Nursing Staff Exceeding Cap								
	Barstow	Chula Vista	Fresno	Lancaster	Redding	Ventura	WLA	Yountville
<b>Nurses with Excess Leave</b>	8 CNAs 1 SRN 3 LVNs	2 DONs, 4 SRNs, 3 RNs, 4 LVNs, 17 CNAs	0	0	0	1 CNA	1 SRN, 1 RN	CNAs 18, LVNs 2, RNs 8

As of July 2015, CalVet has 76 nursing staff with approved FMLA, and 31 nursing staff on Worker's Compensation.

#### **Nursing Staff with Approved FMLA**

	Yountville	Barstow	Chula Vista
<b>Nurses with Approved FMLA</b>	35 CNAs, 4 LVNs, 13 RNs	3 CNAs, 2 RNs	11 CNAs, 2 LVNs

#### **Workers' Compensation**

	Yountville	Barstow	Chula Vista
<b>Total Nurse WC Cases</b>	6 CNAs, 1 LVN	2 CNAs	7 CNAs, 1 LVN, 1 RN

To address the staffing shortages, the Veterans Homes have used overtime or contracted for nurse registries. However, as CalVet mandates double shifts, overtime, and disapproves vacation requests, the department states, "Reliance on overtime on a regular basis for prolonged periods of time has resulted in medication errors, fatigue, injuries, and burnout to the point of refusal to work." In 2013, the Bureau of State Audits found the lack of budgeted nursing staff caused the Veterans Homes to fall below its standardized nurse to member ratio target.

**Staff Comment.** The proposal attempts to address three of the contributing factors to nursing staff issues – (1) eliminating use of overtime and nurse registries with additional staff; (2) ongoing challenges caused by FMLA or worker's compensation claims; and (3) the use of a more appropriate nursing relief factor.

There are ongoing conversations between the LAO and the Administration regarding the appropriate relief factor. Staff recommends holding open the proposal until more information is provided prior to the May Revision. Further, staff recommends the subcommittee consider requesting additional information during next year's hearing to determine if any other of the Veterans Homes staffing ratios need to be adjusted.

**Staff Recommendation.** Hold open.

**Issue 6: VHC: West Los Angeles Memory Care Unit**

**Budget.** The department requests \$3.3 million General Fund and 32 positions in the budget year (\$4 million General Fund ongoing and 40 positions in ongoing) to staff the last skilled nursing facility-memory care (SNF-MC) unit in the West Los Angeles home (VHC-WLA).

**Background.** The 2010 Budget Act provided funding for the VHC-West Los Angeles, including 84 RCFE beds, 252 SNF beds, and 30 SNF-MC beds. However, due to a miscalculation, funding for staffing the remaining 30 beds was omitted. Although this error was discovered after the 2010-11 appropriations, the department notes, “A decision was made not to commit further General Fund in advance of needing it to fill the unit.” Lack of funding for staffing this unit prevents the second SNF-MC unit from opening. In 2015-16, VHC-WLA received 122 applications to be admitted to the SNF-MC unit, and there is an 80-person waiting list.

**Staff Comment.** The proposal makes consistent the level of staff in this new SNF-MC unit to the 40 positions in the existing SNF-MC unit. CalVet anticipates filling the beds at eight veterans per month; and projects receiving nearly 172 applications in 2017-18 for the SNF-MC. Because the department has a related nursing relief factor proposal (see above) that impacts three of the eight homes, staff recommends holding this item open to ensure that the relief factor, whichever amount is determined, also applies to this proposal.

**Staff Recommendation.** Hold open.

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**Issue 7: VHC: Fresno and Redding Food Services**

**Budget.** The budget includes \$592,000 in the budget year, \$585,000 ongoing, for nine cook specialist positions to address food service delivery changes in the Redding and Fresno homes. Specifically, the department requests 3.1 cook specialists and 6.2 cook specialists in Redding and Fresno, respectively.

**Background.** In addition to a large main kitchen, VHC-Redding (150 beds) and VHC-Fresno (300 beds) have satellite kitchens for each neighborhood, so that food could be cooked in the main kitchen but staged and reheated in the satellite kitchen. On March 19, 2015, the California Department of Public Health (CDPH) surveyed the VHC-Redding kitchen and noted the SNF kitchen must function independently of the RCFE kitchen, a change to the original design of the home and staffing plan; because in case of emergency, the satellite kitchen must serve as a standalone kitchen. In addition, CDPH requires CalVet to have dedicated staff to the SNF kitchen, instead of the staffing model where cooks in the main kitchen can cover both SNF and RCFE kitchens.

**Staff Comment.** The VHC-Fresno has the same design (satellite kitchens) as VHC-Redding, but CDPH has not made the same request of VHC-Fresno. As such, the department anticipates similar staffing requirements for VHC-Fresno.

**Staff Recommendation.** Hold open.

**Question**

1. VHC-Redding and VHC-Fresno are recently built. Why were they constructed without consultation of CDPH survey requirements?

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**Issue 8: VHC: Yountville Kitchen Renovation**

**Budget.** The budget requests a one-time \$5.9 million General Fund in budget year to renovate Yountville's main kitchen. Specifically, the budget proposal would renovate:

- **Collapsed wood subfloors for walk-in refrigerators and freezers.** Because the refrigerators (33,600 sq. ft.) and freezers (1,000 sq. ft.) were built without any floor drains and with uneven ramps, the metal floor plates that sit on the wood framing, sag and make it difficult to maneuver the heavy food racks.
- **Condenser rack.** The 16-year-old rack is leaking freon, a hazardous material for kitchen staff and residents. Two large refrigerator units are currently non-operational.
- **Non-operational cook-chill kitchen.** The Home relies on prepared meals that are limited in selection, higher in salt content, and lower in nutritional value than fresh meals.
- **Poorly configured serving line and dessert area.** Currently, these areas do not allow for operational flow to provide food services, and equipment replacement parts are not available for repair.
- **HVAC systems.** The budget would include exhaust hoods for the grill, including exhaust duct and roof penetration repair.

- **Americans with Disabilities Act travel modifications.** The proposal would also resurface flooring with self-leveling resin flooring, and may include modifications to parking lots, sidewalk, and/or ramps to the building, entrances, and restrooms.

**Background.** VHC-Yountville's main kitchen equipment was last upgraded in 1998, making it approximately 17 years old. The average life expectancy of an industrial kitchen, but because VHC-Yountville produces over one million meals annually, it reduces equipment life to eight years. The replacement of current large kitchen pieces is not readily available for repair, because manufacturers shelf repair parts often for only ten year.

During periods of survey or review by CDPH, CMS, or federal VA, Yountville staff modifies their food preparation procedures, making immediate repairs to the building or providing short-term solutions to avoid licensing deficiencies or citations. For example, VHC-Yountville redirects food supervisor cooks and increases overtime for staff. Another short-term method the department employs is to rely on heat-and-serve items, which are not as healthy for residents.

**Implementation Timeline.** The department estimates kitchen renovation to take up to 24 months (four months for preliminary plans, five months for drawings, three to five months for bid and awards, and 10 months for construction). The construction includes a phase-in approach, so the kitchen will remain operational while renovations occur. The approach will comply with all licensing agency requirements and inspections by the State Fire Marshal and others. The Department of General Services will develop a formal project timeline if the request is approved.

**Staff Comment.** The Department of General Services (DGS) provided the department an itemized cost estimate for the project, including management and oversight activities. DGS estimates total construction costs at \$4.3 million (\$4 million for the contract, \$278,000 for construction contingency), assuming a 10-month construction period. With additional architectural and engineering services (\$847,200) and other project costs (\$796,000), the total estimate project costs is \$5.9 million – the amount requested in this proposal.

**Staff Recommendation. Approve.** Staff recommends approving the item as requested, and with the formal DGS project timeline to be submitted to the Legislature prior to the January 10, 2017, budget.

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**Issue 9: Cemetery Operations**

**Budget.** The department requests \$185,000 General Fund, \$181,000 General Fund ongoing, to fund 2.5 positions (0.5 staff services analyst and two groundskeepers) to support operational requirements at the Northern California Veterans Cemetery. Specifically, the staff services analyst would process interment applications and establish eligibility. The groundskeepers would provide grounds keeping, burials, headstone installation, cemetery maintenance, and facility maintenance.

In addition, the budget proposes \$15,000 General Fund to purchase a modular unit as a permanent office space, to replace an existing rental contract, at the Veterans Memorial Grove Cemetery.

**Background on Northern California Veterans Cemetery.** The Cemetery in Igo was dedicated on November 11, 2005, made possible through the USDVA State Cemetery Grant Program. California must meet National Cemetery Administration Shrine Standards and is responsible for maintenance and operations of the cemetery. The department has eight positions and current year budget of \$828,000.

To maintain the cemetery, the state entered a MOU with Shasta County to provide five workers, five days a week through the county's work-release program. However, grounds keeping staff currently work 15-25 hours of overtime per month to install headstones. Even with overtime, the cemetery reach a 36.4 percent success rate, from April to July 2015, in achieving NCA's standard in installing headstones within 60 days of burial; this ranks 58<sup>th</sup> in the nation out of 73 state veterans cemeteries.

**Background on Veterans Memorial Grove Cemetery.** The cemetery in Yountville was established in 1884. Currently, the department has 1.5 groundskeepers and is renting a modular unit to complete administrative requirements at a cost of \$252 per month.

**Staff Comment.** Although burials have increased from 442 per year in 2009-10, to 561 in 2014-15, the number of groundskeepers has not increased. Due to the lack of staff, many casketed burials are scheduled out for up to two weeks, and no burial services are provided on Wednesdays. Further, the department provides only an estimated five percent of workers sent to the cemetery stay more than one to two days. CalVet also reports, "On many occasions, equipment has been returned at the end of the day damaged, destroyed, or not returned at all." Given the perceived unpredictability of work hours provided by the work-release program, and additional supervision required of groundskeepers, the proposal appears appropriate. However, the lack of accountability with the work-release program appears problematic, given that the MOU is renewed annually, and given the state's investment in rehabilitation. The subcommittee may wish to consider how else the department will work with Shasta County to participate in the work-release program.

**Staff Recommendation.** Approve as requested.

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**8940 CALIFORNIA MILITARY DEPARTMENT**

**Overview.** The California Military Department (CMD) is composed of four pillars: the California Army National Guard, the California Air National Guard, the California State Military Reserve, and the California Youth and Community Programs. More than 23,000 soldiers, airmen, and state military reservists are prepared to respond to state and federal emergencies.

**Budget.** The budget includes \$177.8 million (\$49.5 million General Fund, \$121.7 million federal funds, \$4.6 million reimbursements, and \$2 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 \$760.4 million for the Army – National Guard, Air – National Guard, and the Adjutant General.

**Issue 1: Capital Outlay Proposals**

**Budget.** The department proposes six capital outlay proposals, totaling \$24.4 million (\$15.6 million General Fund, \$8.8 million federal funds). The proposals include:

- **Consolidated Headquarters Complex.** \$6.9 million General Fund to develop the performance criteria and request for proposal package for a project, which will consolidate several of the department’s facilities (the current Joint Force Headquarters in Sacramento, Old Placerville facility, the Mather Annex, the B Street Warehouse, and the San Luis Obispo offices) into one headquarters complex; provide a 25,000 square feet armory and 22,600 square feet in storage facilities; and house 1,189 employees. Last year, the budget included \$8.8 million for the acquisition piece of this project. Total project costs are estimated to be \$113.8 million.
- **San Diego Readiness Center Renovation.** \$3.4 million (\$1.7 million General Fund and \$1.7 million federal funds) for the first phase of construction to renovate the San Diego Readiness Center. The renovation will include adding 4,400 square feet to the existing facility and modernizing lighting, electrical, HVAC, and plumbing. The San Diego Readiness Center hosts over 400 soldiers every drill weekend. According to the department, the San Diego Readiness Center is the most operationally critical armory in Southern California and houses the Defense Support to Civil Authorities headquarters. Total project costs are estimated to be \$11.6 million (41.7 million for design; \$9.6 million for construction, and \$224,000 for equipment)
- **Santa Cruz Armory Renovation.** \$4 million (\$2 million General Fund, \$2 million matching federal funds) for the performance criteria and design-build phase for the Santa Cruz Armory renovation. The armory, which was built in 1955, sits on 1.3 acres. The renovation would allow 50 additional soldiers to train, and will include HVAC replacement and upgrades to electrical, energy, plumbing, and code-compliant doors. The department anticipates this renovation will alleviate pressure on Seaside and Gilroy armories. Total project costs are estimated to be \$4 million (\$302,000 for performance and \$3.7 million for the design-build phase).
- **Escondido Armory Renovation.** \$4.1 million (\$2 million General fund, \$2 million matching federal funds) for the performance criteria and design-build phase for the Santa Cruz Armory renovation. The armory, which was built in 1961, does not have the capacity to serve all the units currently assigned. Renovations would include upgrades to the HVAC, electrical, plumbing,

security fencing; and will repurpose 1,450 square feet of space, originally intended as an indoor rifle range, for administrative and classroom space. With the renovation, the existing 133 soldiers and an additional 25 soldiers will be accommodated. Total project costs are estimated to be \$4.1 million (\$326,000 for performance and \$3.8 million for the design-build phase).

- **Eureka Armory Renovation.** \$5.6 million (\$2.8 General Fund, \$2.8 million matching federal funds) for the performance criteria and design-build phase for the Santa Cruz Armory renovation. The armory, which was built in 1956, sits on 4.4 acres. It is the only facility within a 100 mile radius and is deemed, by the department, to be a “critical asset” for the Northwest California region. Because the department is unable to expand the armory (the surrounding areas hold the field maintenance shop and secure parking lot for military vehicles and equipment), interior design renovations could be repurposed and used for administrative, storage, and vault space. It is estimated that an additional 17 soldiers can train at the site, following the HVAC, electrical, plumbing, security fencing, among other renovations. Total project costs are estimated to be \$5.6 million (\$390,000 for performance and \$5.3 million for the design-build phase).
- **Advance Plan and Studies.** \$300,000 (\$150,000 General Fund, \$150,000 matching federal funds) for design studies and programming charrettes for three armory renovation projects that will be proposed for funding next year. The federal Army Corps of Engineers manages some department capital outlay projects. Instead of a budget package, the Army Corps uses a design charrette. 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.

**Background.** The department maintains over 100 armories, 30 maintenance shops, four logistical support facilities, and four aviation facilities that serve over 16,000 soldiers.

**Staff Recommendation.** Approve as requested.