

SUBCOMMITTEE NO. 4

Agenda

Senator Richard Roth, Chair
Senator Richard Pan
Senator Janet Nguyen



Thursday, March 19, 2015
9:30 AM or Upon Adjournment of Session
State Capitol – Rose Ann Vuich Hearing Room 2040
Consultant: Brady Van Engelen

Item Number and Title

0690	Office of Emergency Services
2240	Department of Housing and Community Development
7760	Department of General Services
7870	Victims Compensation and Government Claims Board
8940	California Military Department

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Issues Proposed for Vote Only – Issue Descriptions**0690 OFFICE OF EMERGENCY SERVICES****Issue 1 – American Red Cross, California Chapters Fund**

Governor's Budget Request: The Governor's budget includes a request to provide the Office of Emergency Services (OES) with \$400,000 in local assistance authority in fiscal year 2015-16, to pass through the American Red Cross, California Chapters Fund, for collections made pursuant to AB 511 (Pan) Chapter 451, Statutes of 2013.

Background: AB 511 created the "American Red Cross, California Chapters Fund" and added it to the state personal income tax return as a voluntary contribution fund. OES is charged with distributing the funds to the American Red Cross, California Chapters for disaster relief in California. AB 511 also created a requirement that a plan for the use of contributions be provided to OES within 60 days of allocation.

Staff Comment: Staff has no issues or concerns with this item.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Child Victims of Human Trafficking Fund

Governor's Budget Request: The Governor's budget includes a request to provide the Office of Emergency Services (OES) with \$451,000 in local assistance authority in fiscal year 2015-16, and \$251,000 in fiscal year 2016-17, to pass through the Child Victims of Human Trafficking Fund, for collections made pursuant to AB 764 (Swanson) Chapter 465, Statutes of 2011.

Background: AB 764 authorizes taxpayers to designate on their tax returns that a specified amount, in excess of their tax liability be transferred to the Child Victims of Human Trafficking Fund established in the State Treasury. All money contributed to the fund pursuant to provisions of AB 764 after the Franchise Tax Board's and State Controller's Office's costs, and upon appropriation by the Legislature, will be allocated to OES. OES administers the funds, which are granted to community-based organizations serving minor victims of human trafficking.

Staff Comment: Staff has no issues or concerns with this item.

Staff Recommendation: Approve as budgeted.

Issue 3 – Internet Crimes Against Children

Governor’s Budget Request: The Governor’s budget includes a request for a \$500,000 (restitution fund) ongoing augmentation to the Office of Emergency Services (OES) local assistance authority for the Internet Crimes Against Children (ICAC) grant program.

Background: The intent of the ICAC grant program is to provide local authorities with financial resources to investigate computer/technology crimes against children by offenders using Internet, on-line communication systems and other technologies. Additionally, the resources are made available to provide educational programs aimed at law enforcement officers, teachers, parents, and children. Currently, the state provides \$500,000 (restitution fund) in resources to the ICAC grant program, which supports five federally recognized ICAC task forces in the state; San Diego Police Department, Los Angeles Police Department, San Jose Police Department, Sacramento Sheriff’s Office, and the Fresno County Sheriff. The grant process is non-competitive, and each task force currently receives \$100,000. This request would double the grant allocation to each task force; each task force would receive \$200,000.

Staff Comment: According to OES, the five current task force members have reported the following performance statistics for fiscal year 2013-14:

- 6,890 proactive/reactive investigations conducted to computer/technology crimes perpetrated against children and youth.
- 4,931 computer forensic examinations were completed.
- 487 community/outreach law enforcement presentations were conducted.
- 25 nationally-coordinated investigations were conducted in which a task force participated.

Staff Recommendation: Approve as budgeted

Vote:

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Issue 1 – Enterprise Zone Program Elimination and Reduction**

Governor's Budget Request: The Governor's budget requests the reduction of six positions and \$987,000 from the Enterprise Zone (EZ) Fund for 2015-16, and a reduction of seven positions and \$1.2 million for 2016-17 through 2019-20, to phase out the EZ Program eliminated by AB 93 (Committee on Budget), Chapter 69, Statutes of 2013. As a result, two positions would remain at HCD in the budget year (\$387,000) and one position (\$193,000) through 2019-20.

Background: AB 93 eliminated the EZ Program. A new economic development program, the New Employment Credit (NEC), has been initiated which depends directly on the geographic location of applicants in order to qualify for the credit. These areas are known as designated geographic boundaries (DGAs). The Franchise Tax Board is the administrator of the program and lacks the expertise to determine the geographic boundaries. The DGAs are comprised of:

- Designated census tracts that have the highest unemployment and highest poverty in the State.
- Former Enterprise Zones (in existence on December 31, 2011, designated in 2012) and any revision to an EZ prior to June 30, 2013, except census tracts within those EZs with lowest unemployment and lowest poverty levels.
- Former Local Agency Military Base Recovery Areas (in existence on July 11, 2013.)

According to HCD, the staff being requested through 2020 would provide FTB audit support and geographic boundary expertise.

Staff Comment: These positions would provide expert verification for DGA boundaries and street ranges for the NEC and also verify eligibility for the FTB in its audits of businesses claiming the hiring tax credit.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Completion of Proposition 1C Local Assistance

Governor's Budget Request: The Governor's budget requests an extension of the liquidation period for new Infill Infrastructure Grant (IIG) awards until June 30, 2020, and new Transit Oriented Development (TOD) Program awards until June 30, 2019, to provide sufficient time for completion of projects. Budget bill language is proposed to allow for these extensions.

Background: In 2006, California voters approved Proposition 1C. In addition to providing continuously budgeted and appropriated funds for various programs, the bond provided funds for the following two competitive programs:

- **IIG program.** Uses competitive grants to fund infrastructure improvements to facilitate new housing development in residential or mixed-use infill projects and infill areas. Proposition 1C authorized \$850 million for the IIG program.
- **TOD program.** Uses competitive loans for development and construction of housing development projects or competitive grants for infrastructure necessary for the development of higher density housing in close proximity to transit stations. Proposition 1C authorized \$300 million for the TOD program.

These two programs fund projects such as the creation, development, or rehabilitation of parks or open space, facilities that support pedestrian or bicycle transit, and the development of owned and rental housing near rail stations. For both of these programs, in 2012, unused funds were re-appropriated along with any disencumbrances, with June 30, 2018 as the liquidation date.

Staff Comment: The extension of the liquidation period for TOD round 3 and IIG rounds 3 and 4 is requested to facilitate the securing of private construction financing by developers. Awards for both of these programs were made in 2014-15 (about \$41 million for the IIG program and \$16 million for TOD). There is a concern that if the liquidation deadline is not extended, private lenders may be more hesitant to close on construction loans with developers. The provisional budget bill language will help to ensure developers can obtain needed financing and complete the construction process.

Staff Recommendation: Adopt provisional budget bill language to extend the liquidation period for IIG and TOD programs.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES**Issue 1 – Statewide Travel Program**

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS) with \$273,000 (Service Revolving Fund) and 2.0 permanent positions to support the statewide travel program's implementation of a managed lodging program.

Background: On February 6, 2014, the Governor issued Management Memorandum (MM) 14-03, which requires state agencies to make all travel arrangements through the statewide travel program. The proposal would allow the state to capture hotel spend data and potentially allow the state to leverage buying power to a greater extent. According to DGS, the state has the potential to realize over \$2 million dollars in savings, on an annual basis, within five years of implementation.

Staff Comment: The requirement to move all hotel bookings to the statewide travel program will increase DGS' workload. DGS anticipates an additional 245,000 transactions over the next 12-48 months.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Statewide Disability Access and Education Program

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS) Division of the State Architect, with a three-year extension of one limited-term position and \$132,000 (Disability Access and Education Revolving Fund) to meet workload requirements associated with SB 1186 (Steinberg), Chapter 383, Statutes of 2012.

Background: SB 1186 made several changes to the state's accessibility laws, including several related to the certified access specialist program (CASp). Recognizing that this measure would require additional workload of CASps, SB 1186 also addressed the need for additional CASps. SB 1186 imposed a \$1 charge on all business licenses issued or renewed in the state from 2013 to 2018. Local governments will retain 70 percent of collections and the remainder goes to the Disability Access and Education Revolving Fund, to address the additional workload requirements.

Staff Comment: DGS was provided five positions and \$532,000 as part of the Budget Act of 2013, in order to address workload associated with this measure. Two of the limited-term positions that were provided as part of that budget package are set to expire on June 30, 2015. DGS has identified a need for one limited-term position to address workload requirements mandated as part of SB 1186.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – Office of Administrative Hearings

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS), Office of Administrative Hearings (OAH) with an augmentation of \$2.246 million (Service Revolving Fund) and 13.0 positions to address workload created by AB 215 (Buchanan), Chapter 55, Statutes of 2014.

Background: The OAH is responsible for conducting hearings and mediations regarding disputes for many different government agencies. Within OAH, the Special Education Division is responsible for providing adjudicatory and mediation services to school districts and parents. The OAH utilizes administrative law judges (ALJ) to serve as a neutral judicial officer at settlement, conferences, mediations, and hearings.

AB 215 modified the dismissal procedures for certificated employees who have attained permanent status and establishes a separate set of dismissal processes for employees charged only with egregious misconduct. Specifically, AB 215 focuses on cases in which a school district intends to dismiss a teacher who has permanent status (tenure). In certain circumstances, the school district can immediately suspend the teacher, without pay, while the dismissal proceeding is pending. The OAH estimates that pre-hearing related workload for ALJ's will increase by approximately four times current workload.

Staff Comment: AB 215 took effect on January 1, 2015, requiring DGS to request for additional current year funding, in addition to the requested resources that will support local school districts.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 4 – California Building and Standards Commission

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS), California Building Standards Commission (commission), with a one-time augmentation of \$305,000 (Building Standards Administration Revolving Fund) for fiscal year 2015-16, to carry out provisions associated with the passage of AB 2282 (Gatto), Chapter 606, Statutes of 2014

Additionally, the Governor's budget includes a request to provide the commission an augmentation of \$206,000 (Building Standards Administration Revolving Fund) and one two-year limited-term position beginning in fiscal year 2016-17, to address workload associated with the passage of AB 2282.

Background: Since the early 1980's, all building standards either adopted or proposed by state agencies are to be reviewed and approved by the commission before they are to go into effect. Additionally, all building standards were consolidated into a single code of regulations, Title 24, more commonly referred to as the California Building Standards Code. According to statute, the commission is required to update the California Building Standards Code in its entirety every three years; supplements are published on an annual basis. AB 2282 requires that the commission develop, and propose for adoption, mandatory building standards for recycled water systems during the 2016 intervening code adoption cycle for inclusion in the 2016 California Building Standards Code.

Staff Comment: This item will be discussed as part of the Department of Housing and Community Development's (HCD) budget proposals. It is likely that the CEQA study can be combined or coordinated with another CEQA study for which HCD is requesting funding, to ensure that efforts are not duplicated and costs are kept to a minimum. Staff has directed HCD, CBSC, and DGS to discuss which entity would be the most appropriate to be the lead agency for a CEQA study and come back at the time of May Revise hearings with a request for funding for only one of the entities to conduct a CEQA study.

Staff Recommendation: Hold this item open.

Vote:

7870 VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD**Issue 1 – Missing Children’s Reward Program**

Governor’s Budget Request: The Governor’s budget includes a request for trailer bill language to shift funding responsibility for the Missing Children’s Reward Program, which is managed by the Victims Compensation and Government Claims Board (board) from the Missing Children Reward Fund (MCR) to the Restitution Fund.

Background: The MCR fund, which was established in 1986, with a one-time transfer of \$24,000 from the Victim Witness Assistance Fund. The MCR fund was created to incentivize witnesses to come forward with pertinent information related to the whereabouts of missing children. Rewards, which are capped at \$500.00, are made upon recommendation of the Department of Justice. To date, there have not been any funds dispensed from this account, and due to administrative fees associated with managing the fund, it is likely to be depleted in fiscal year 2015-16. If a valid claim or reward were to be submitted for approval, the fund would not have the capacity to pay the reward. The requested trailer bill would shift funding responsibility to the Restitution Fund, which has the capacity to pay a reward or claim, if one is to be made.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve placeholder trailer bill language.

Vote:

8940 CALIFORNIA MILITARY DEPARTMENT**Issue 1 – Advance Plans and Studies**

Governor’s Budget Request: The Governor’s budget includes a request to provide the California Military Department (CMD) with \$260,000 (\$130,000 General Fund and \$130,000 Federal Fund) to conduct studies and develop more in-depth capital outlay planning documents.

Background: The requested funds will support CMD’s efforts to better estimate future funding required for projects. The CMD will utilize a collaborative process, often referred to as a charrette, which develops an extensive user input that requires multiple days to complete. The current process is reliant on forms and not as dependent on seeking face-to-face user input, and can be completed in much less time.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Air National Guard Security Positions

Governor's Budget Request: The Governor's budget includes a request to provide the California Military Department (CMD) with an increase of \$1.29 million Federal Trust Fund authority to provide fifteen state active duty security positions.

Background: The requested funds will address security vulnerabilities that have been identified by the California Air National Guard (ANG). Their assessment suggested adding security personnel to three squadrons located in California: 1) The 163rd Security Forces Squadron, located at March Air Reserve Base, is tasked with providing electronic surveillance and physical security at the California Logistics Airport. The mission, established in 2013, was created without additional resources being provided to the 163rd Security Forces Squadron. 2) The 129 Security Forces Squadron, located at Moffett Federal Airfield, shares an open campus with the National Aeronautics and Space Agency (NASA). NASA recently signed an agreement with Google, and there will be an increased presence of civilian personnel and increased commercial traffic, which will require additional security resources. 3) The 146th Security Forces Squadron, located at Channel Islands ANG station, has lacked sufficient staffing to conduct around-the-clock security activities. The 146th Security Forces Squadron has had to ask for deviations in established security regulations; the requested positions will allow the squadron to conduct security-related activities in accordance with established regulations.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – STARBASE

Governor's Budget Request: The Governor's budget includes a request to provide the California Military Department (CMD) a permanent \$400,000 (Federal Trust Fund) augmentation to support the staffing requirements associated with the STARBASE program.

Background: The STARBASE program is managed by the Assistant Secretary of Defense, Reserve Affairs, and is operated by the military services, including the CMD. The program was originally created in 1989 as a science and mathematics education improvement program and operates at active duty, Guard and Reserve facilities throughout the United States. Since 1993, the STARBASE program has been operational at Okinawa Armory, Sacramento, providing educational programs to fifth-grade students in Northern California. In 2012, the CMD added a program site at Joint Forces Training Base, Los Alamitos, to provide educational programs to fifth-grade students in Southern California.

The STARBASE program in Sacramento currently has authority for three staff members and serves over 2,400 students. The Los Alamitos STARBASE program currently has seven staff members and provides educational programs to over 3,600 students. The requested funds would provide the Sacramento STARBASE program with two additional teachers and one office manager, and would provide STARBASE Los Alamitos with one additional teacher.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 4 – Military Family Relief Fund Transfer

Governor’s Budget Request: The Governor’s budget includes a request to provide the California Military Department (CMD) with a \$250,000 increase in expenditure authority from the Military Support Fund to provide cash grants from the California National Guard Military Family Relief Fund in accordance with AB 2664 (Quirk-Silva) Chapter 653, Statutes of 2014.

Background: AB 2664 requires that on January 1, 2015, any and all monies remaining in the California Military Family Relief Fund shall be transferred to, and become part of, the California Military Department Support Fund. AB 2664 requires that the remaining monies continue to be dispersed in accordance with the original intent of the contributions made by taxpayers to the California Military Family Relief Fund, which was created to provide financial aid grants to members of the California National Guard who are California residents and have been called to active duty.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 5 – Program Consolidation

Governor’s Budget Request: The Governor’s budget includes a request to consolidate existing programs into two programs within the California Military Department (CMD).

Background: This proposal will consolidate multiple programs under CMD jurisdiction into two programs. The proposal would create program 6911 National Guard and program 6912 Youth and Community Programs; and would create subprograms for the Air National Guard, Army National Guard, Retirement, State Military Reserve, and the Adjutant General, Cadet Corps, and Youth Programs.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issues Proposed for Discussion / Vote**0690 - OFFICE OF EMERGENCY SERVICES**

Department Overview: The principal objective of the Office of Emergency Services (OES) is to reduce vulnerability to hazards and crimes through emergency management, homeland security, and criminal justice. OES coordinates emergency activities to save lives and reduce property loss during disasters, and to expedite recovery from the effects of disasters. On a day-to-day basis, the OES provides leadership, assistance, and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private sector resources in emergencies. This emergency planning is based upon a system of mutual aid whereby a jurisdiction relies first on its own resources, and then requests assistance from its neighbors. The OES's plans and programs are coordinated with those of the federal government, other states, and state and local agencies within California.

During an emergency, the OES functions as the Governor's immediate staff to coordinate the state's responsibilities under the Emergency Services Act and applicable federal statutes. It also acts as the conduit for federal assistance through natural disaster grants and federal agency support. Additionally, the OES is responsible for the development and coordination of a comprehensive state strategy related to all hazards that includes prevention, preparedness, and response and recovery.

Budget Overview: The January Governor's budget provides OES with 950.4 positions and \$1.44 billion (\$108.4 million General Fund).

Issue 1 – Relocation of Red Mountain Communications Site

Governor's Budget Request: The Governor's budget includes a request for \$1.26 million (General Fund) to fund the working drawings phase of the Red Mountain Communications relocation project, which is owned and operated by the Office of Emergency Services (OES).

Background: The Red Mountain Communications Site towers support twelve public safety agencies within Humboldt and Del Norte counties. The United States Forest Service's Six Rivers National Forest Plan requires that all communications facilities currently operating on Red Mountain be removed and the land cleared by December 31, 2022. The proposed project will establish three new facilities that will enhance radio coverage currently provided at the Red Mountain facility. The project will establish three new communications facilities at Rattlesnake Mountain, Alder Camp and Rodgers Peak.

Staff Comment: The requested funds will support the working drawings phase of this project. Project costs are currently estimated to total \$19.982 million. The next phase, which will include construction, is expected to cost approximately \$16.03 million, and will be requested in FY 2016-17. Additional costs, associated with maintenance, leasing, and power to the respective agencies will total \$25,000 annually.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Public Safety Communications Network Operations Center

Governor's Budget Request: The Governor's budget includes a request for \$1.53 million (General Fund) to fund the preliminary plans phase of the Public Safety Communications Network Center.

Background: The California Public Safety Microwave Network (CAPSNET) has been in service for over 50 years, and has become a communications asset to the state's public safety first responders. The Office of Emergency Services' (OES) Public Safety Communication Division is responsible for the state's microwave network through the Network Operations Center, which is located in Sacramento. OES has been working to modernize the state's radio network from analog to digital, which will allow OES to operate the NOC under a more decentralized model, and will also allow the network to become less susceptible to a natural or man-made disaster.

Currently, inspecting or repairing a microwave hub requires on-site work from a technician. Under the proposed plan, a technician would be capable of remotely accessing the hub. The remote access will allow for testing and diagnosis to be performed at remote sites during inclement weather.

OES intends on relocating the NOC to the same facility as their state operations facility, located in Rancho Cordova. Additionally, OES will need to construct a 120-foot communications tower. The projected overall cost of this project is \$4.3 million.

Staff Comment: According to OES, when the project is complete, the existing NOC will continue to act as a radio vault, much like others within the public safety microwave network, and will also serve as a secondary NOC.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – Drought Response Activities

Governor's Budget Request: The Governor's budget includes a request for \$4.4 million (General Fund) to support OES efforts to provide local agencies with technical assistance and drought response and recovery related activities.

Background: In January 2014 OES activated its state and regional operations centers to assist local government agencies with local assistance centers. The state and regional operations offices facilitate assistance to local jurisdictions and local assistance centers that provide local communities with technical guidance and disaster recovery support. For example, in East Porterville, a community severely affected by the drought, OES helped coordinate the delivery of potable water for drinking and sanitation purposes.

OES has projected that the coordination efforts will require twenty-five staff working full-time to support OES drought response related activities. Many of the employees that work at OES are supported by federal funds, but the drought has not been declared a federal disaster. Therefore, the state is required to fund workload associated with drought response and recovery related activities at OES. In fiscal year 2013-14 the state provided OES with \$1.8 million (General Fund) and the provided OES with \$4.4 million (General Fund) in fiscal year 2014-15.

LAO Comment: The LAO has noted the level of funding needed to respond to the drought will depend on future hydrologic conditions. Water conditions for 2015 are currently unknown since the state typically receives nearly all of its precipitation between December and April each year. Thus, the level of resources required by OES is uncertain at this time. While OES may still have some work to do to help communities recover even if hydrological conditions improve, the amount of workload necessary will likely be clearer by the May Revision when more information on water conditions will be available.

During the first half of 2014-15, OES spent an average of \$225,000 each month on drought-related activities. If this average spending rate continued for the remainder of the current year, OES would not fully utilize the \$4.4 million that was provided in the 2014-15 budget for such activities. While it is possible for OES to spend at a higher rate this spring on drought-related activities, monthly expenditures would have to more than double (and substantially exceed any month for which we have expenditure data) in order for all of the funding to be used. Thus, it is likely that all of the funding in the current year may not be fully needed.

Staff Comment: As noted by LAO, OES is not projected to utilize the full \$4.4 million appropriated as part of the 2014 budget act. Current drought-related expenditures total \$1.7 million, and OES would need to spend approximately \$550,000 per month throughout the remainder of the budget year in order to utilize all funding provided. The subcommittee may wish to wait until a clearer picture of the state's hydrologic conditions are available prior to approving this item.

Staff Questions:

1. *What was the amount spent on drought-related activities for the most recent month available?*
2. *How much of the \$4.4 million appropriation provided as part of the 2014 Budget Act is currently available?*

Staff Recommendation: Hold open.

Vote:

Issue 4 – Railroad Accident Prevention and Immediate Deployment Force (RAPID)

Governor’s Budget Request: The Governor’s budget includes a request via trailer bill to create the Regional Railroad Accident and Preparedness and Immediate Response Force in the Office of Emergency Services (OES).

Background: Oil production from the Bakken region of North Dakota, Montana, and Alberta, Canada has increased significantly in recent years. The remote nature of the region means that energy companies have become more reliant on moving the oil by rail to refineries throughout the country. The production of two types of hazardous materials, crude oil and ethanol, has seen rapid growth in the past few years. This increasing production has required a flexible mode of transport to match output, and has begun to increasingly rely on rail transport. In fact, railroads account for about 70 percent of all ethanol transport, according to the Association of American Railroads, and crude oil by rail is growing quickly, as pipelines become saturated and do not connect new oil boom regions (such as the Bakken in North Dakota and the Tar Sands in Canada) to major refining locations (such as California).

In 2011, California had the third highest amount of imported rail tons of ethanol in the country, with more than 45,000 carloads arriving in state. The same year, about 9,000 tank cars of crude oil were imported into California by rail, and this number is projected to increase to over 200,000 cars by rail by 2016, according to the CEC.

As a result of this increase in transport, there have been several fatal and devastating rail accidents involving large crude oil spills resulting in large fires and explosions in both the United States and Canada. One of the most serious of these recent accidents was the Lac-Mégantic derailment that occurred in the town of Lac-Mégantic in Canada on July 6, 2013. In this accident, a 74-car freight train carrying crude oil from the Bakken region derailed in the downtown area, killing 47 people and destroying more than 30 buildings when multiple tank cars exploded and burned. In addition, the Chaudière River was contaminated by 26,000 gallons of crude oil.

On November 25, 2014 a derailment occurred in the Feather River Canyon, and, according to the Director of OES, “the state dodged a bullet” due to the fact that the train was carrying corn rather than oil. However, according to OES, there is approximately one million gallons of oil from the Bakken region that travels down that canyon on a weekly basis.

According to the California Public Utilities Commission (CPUC) the traverse down the Feather River Canyon is not the only area in the state that there is an increased risk of derailment. The CPUC has noted that two percent of the state’s track, which has been identified as local safety hazard sites, were responsible for 18 percent of derailments. The list of local safety hazard sites is below:

Local Safety Hazards as identified by the CPUC September 1997

- 1) Site No. 1 - SP Coast Line, Milepost 235.0 to 249.0 (Now UPRR Coast Subdivision)
- 2) Site No. 3 – SP Yuma Line, Milepost 535.0 to 545.0 (Now UPRR Yuma Subdivision)
- 3) Site No. 4 – SP Yuma Line, Milepost 586.0 to 592.0 (Now UPRR Yuma Subdivision)
- 4) Site No. 6 - SP Yuma Line, Milepost 542.6 to 589.0
- 5) Site No. 7 – SP Siskiyou Line, Milepost 393.1 to 403.2 (Now Central Oregon and Pacific Railroad Siskiyou Subdivision)
- 6) Site No. 9 – Shasta Line (Black Butte District), Milepost 322.1 to 332.6 (Now UPRR Black Butte Subdivision)
- 7) Site No. 10 – SP Shasta Line, Milepost 322.1 to 338.5 (Incorporated into Site No. 9 – see above)

- 8) Site No. 12 – SP Roseville District, Milepost 150.0 to 160.0 (Now UPRR Roseville Subdivision)
- 9) Site No 16 – SP Bakersfield Line, Milepost 335.0 to 359.9 (Now UPRR Mojave Subdivision)
- 10) Site No. 19 – SP Bakersfield Line, Milepost 463.0 to 486
- 11) Site No. 22 – UP Feather River Division, Milepost 234.0 to 240.0 (Now UPRR Canyon Subdivision)
- 12) Site No. 23 – UP Feather River Division, Milepost 253.0 to 282.0 (Now UPRR Canyon Subdivision)
- 13) Site No. 25 - UP Feather River Division, Milepost 232.1 to 319.2
- 14) Site No. 26 – UP Bieber Line, Milepost 15.0 to 25.0 (Now BNSF Gateway Subdivision)
- 15) Site No. 27 – UP L.A. Subdivision Cima Grade, Milepost 236.5 to 254.6
- 16) Site No. 28 – ATSF Cajon, Milepost 53.0 to 68.0 (Now BNSF Cajon Subdivision)
- 17) Site No. 29 – ATSF Cajon, Milepost 81.0 to 81.5 (Now BNSF Cajon Subdivision)
- 18) Site No. 30 – ATSF Cajon, 55.9 to 81.5
- 19) Site No. 31 – ATSF San Diego, Milepost 249.0 to 253.0 (Now BNSF San Diego Subdivision)

Proposed Trailer Bill - To address the increased risk of hazardous materials transport, and enhance the response capacity of OES and local agency response teams in the event of a rail accident that includes the transport of hazardous materials, the Governor's budget includes a proposal that would:

- Create the Regional Railroad Accident Preparedness and Immediate Response Force within the Office of Emergency Services, and designate this force as being responsible for providing regional and onsite response capabilities in the event of a hazardous spill that involves its transport by rail.
- Amend the state's emergency response plan to include a state regional railroad accident preparedness and immediate response plan.
- The proposed language would require that the Director of OES establish a schedule of fees that are fair, and, in accordance with the federal Hazardous Materials Transportation Act, that would clearly determine the amount that is to be paid by an entity transporting materials by rail in California.
- The proposed language also includes the establishment of the Railroad Accident Preparedness and Immediate Response Fund, which is where collected fees would be appropriated.
- The proposed language also specifically limits the amount available for appropriation from the fund at \$10 million dollars during any calendar year.
- Additionally, it requires that funds available in the Railroad Accident Preparedness and Immediate Response Fund reimburse the California High-Cost Fund-B Administrative Committee Fund, which was a requirement of AB 1476.

Staff Comment: To address the increasing concern related to the risk of an accident caused by the derailment of train carrying hazardous materials, the Legislature included funding as part of AB 1476 (Committee on Budget), Chapter 663, Statutes of 2014, which provided OES with a loan from the High-Cost Fund-B Administrative Committee Fund. The loan, which is required to be repaid no later than July 1, 2017, is intended support the implementation of OES' railroad tank car hazardous materials emergency preparedness.

Staff Questions:

1. *OES recently prepared a gap-fit analysis for rail in California, could OES staff share the concerns that were raised in that analysis?*
2. *The LAO has noted that the funds available for this program would be restricted to rail safety, as opposed to all forms of transport – could OES staff address this concern?*

Staff Recommendation:

Vote:

Issue 5 – Homeless Youth and Exploitation Program

Background: The Homeless Youth and Exploitation Program (program), pursuant to the 1986 Welfare and Institutions Code §13703 and California Penal Code §13837, was designed to help homeless youth exit street life. A youth is considered homeless if; he/she is under the age of 24 and does not have a permanent residence, this includes: a youth who has run away from home, has been pushed out of his/her home by parents or guardians, has aged out of the foster care system and is now homeless, is living in shelters or other temporary housing arrangements, or is living on the streets.

Services provided under this program include: access to food; shelter; counseling; outreach services; referrals to other agencies; screening for basic health needs; and long-term stabilization planning. Projects are currently dealing with an increase in the number of youths seeking shelter space, affordable housing, dating violence, and human trafficking of youths. They are also trying to educate the public on the issues and dangers homeless youths in California and the nation face each day.

The Governor's budget includes \$1.07 million (\$721,000 State Victim Witness Assistance Fund and \$356,000 General Fund) for fiscal year 2015-16. This funding supports four organizations throughout the state that provide services to homeless youth. The organizations are located in Los Angeles, San Diego, San Francisco and Santa Clara.

Staff Comment: Currently, there are a wide variety of programs that provide services to the approximately 200,000 youth that experience homelessness each year. One of the primary objectives identified by the state to reduce, or end, youth homelessness was to provide at-risk youth with shelter, with the intent of identifying housing as soon as possible. Programs to support the state's effort to reduce homelessness among youth are dispersed throughout a number of state agencies, and providing a continuum of care, which stretches from emergency shelter to employment, can be difficult to navigate.

Staff Questions:

1. *Could the LAO highlight some of the programs that provide support to the homeless youth population? Does the current process seem to maximize the state's resources to reduce or end youth homelessness?*

Staff Recommendation: Informational item, no action necessary.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Budget Overview: The Governor's budget proposes expenditures of \$306.6 million for the Department of Housing and Community Development (HCD) and 529 positions. This is a decrease of roughly \$269.7 million from 2014-15, primarily due to the reductions of Proposition 46 and 1C awards and a one-time augmentation of \$100 million for the Multifamily General and Supportive Housing Program. With the exception of \$30 million for the Housing Related Parks Program, all funds from Propositions 46 and 1C will have been awarded by the end of 2014-15. In addition, there is an overall reduction of nine positions at HCD from the current year.

Issue 1 – Funding for Housing Element Reviews

Governor's Budget Request: The Governor's budget includes a request for \$871,000 General Fund for seven existing positions at HCD currently funded from Proposition 1C bond funds. The positions perform a variety of tasks including conducting housing element reviews and enforcement activities, as well as the implementation of AB 32 (Nunez/Pavley), Chapter 488, Statutes of 2006 and SB 375 (Steinberg), Chapter 728, Statutes of 2008, and the development of Sustainable Housing Outcomes.

Background: State law requires each city and county to adopt a general plan containing at least seven mandatory elements, including housing, which is the only component subject to detailed statutory requirements and a mandatory review by HCD. SB 375 amended the law so that local government housing elements were no longer updated over a staggered five-year schedule. Instead, the planning period for most local governments increased to eight years and the due date is 18 months from the date the Metropolitan Planning Organization updates and adopts its Regional Transportation Plan. This resulted in peaks and valleys in HCD's workload.

The department currently has 12 positions (of 21 total positions in the Housing Planning Division) that review local governments housing elements. At the end of the fiscal-year when five limited-term positions expire, seven positions that conduct housing element reviews will remain. These seven positions are currently funded from Proposition 1C bond funds (five positions from the Regional Planning, Housing, and Infill Incentive Account and two positions from the Housing Urban-Suburban-and-Rural Parks Account). The Governor's proposal would fund these seven positions with General Funds in 2015-16. The five positions that will expire currently receive funding from the Air Pollution Control Fund.

According to HCD, housing element workload has a statewide application and benefits, and as a result, has historically been funded by the General Fund. In 2011-12, all General Fund for housing element review workload was cut and the Legislature approved the use of Proposition 1C bond funds to temporarily fund this workload. The nexus for the use of bond funds to pay for these positions goes away when there are no more (or minimal) elements to review that would be tied to funding rounds of these programs.

Staff Comment: Until 2011-12, HCD's housing element review work was funded primarily by the General Fund. However, in 2011-12 all of the General Funds were eliminated.

Staff Questions:

1. *What funding sources other than the General Fund were considered for these positions?*

Staff Recommendation: Hold open.

Vote:

Issue 2 – Recycled Water Systems for Residential Structures

Governor's Budget Request: The Governor's budget requests funding from the Building Standards Administration Special Revolving Fund for one two-year limited term district representative II (\$95,000) and \$275,000 for a contract for a California Environmental Quality Act (CEQA) study to implement AB 2282 (Gatto), Chapter 606, Statutes of 2014.

Background: The state is committed to a 20 percent reduction in per capita water use by 2020 as required by SB X7-7 (Steinberg), Chapter 4, Statutes of 2009. AB 2282 provides for the development and adoption of mandatory building standards during the 2016 code adoption cycle for the installation of recycled water systems for newly constructed residential, commercial, and public buildings. As part of this law, HCD is required to conduct research, in consultation with the State Water Resource Control Board, the Department of Public Health, and other parties to develop and propose building standards for recycled water systems for adoption by the California Building Standards Commission (CBSC) in 2016. The State Housing Law Program prepares the adoption of National Model Codes with California-specific amendments on a triennial basis, as well as mid-cycle, and emergency code packages.

This proposal requests one staff person and funding for HCD to contract for a CEQA study. The development and installation of infrastructure for use of recycled water may include the use of new materials and water transportation methods that may pose environmental concerns and need to be evaluated through the CEQA process. Through the Department of General Services (DGS) the CBSC is also requesting funds for a CEQA study.

Staff Comment: The request for one position at HCD (and another at CBSC) to implement AB 2282 is consistent with what was anticipated in the legislation. In addition, there are adequate funds in the Building Standards Administration Special Revolving Fund to support this request. The combined cost of the CEA study between the funds requested at DGS and HCD is \$580,000 which is over twice what was anticipated in the fiscal analysis of AB 2282. It is likely that the CEQA study can be combined or coordinated with the CEQA study for which DGS is requesting funding, to ensure that efforts are not duplicated and costs are kept to a minimum. According to the request, HCD and CBSC/DGS anticipate reaching a decision on how to coordinate CEQA efforts by mid-October 2015, which may require an adjustment to one or both proposals.

Staff Questions:

- 1) *Why is the Administration requesting funding for both HCD (\$275,000) and the California Building Standards Commission (\$305,000) to conduct a CEQA study? Wouldn't one study make the most sense? Which entity is likely to be designated the lead CEQA agency?*
- 2) *What is HCD doing to coordinate the CEQA process with DGS and CBSC?*

Staff Recommendation: Hold open and direct CBSC, HCD, and DGS, if necessary, to discuss which entity would be the most appropriate to be the lead agency for a CEQA study and come back at the time of May Revise hearings with a request for funding for only one of the entities to conduct a CEQA study. Also, approve funding for the limited-term position at HCD to work on implementing AB 2282.

Vote:

7760 DEPARTMENT OF GENERAL SERVICES

Department Overview: The Department of General Services (DGS) is responsible for the management, review control and support of state agencies, as assigned by the Governor and specified by statute. The department's functions include: acquisition, development, leasing, disposal and management of state properties; architectural approval of local schools and other state buildings; printing services provided by the second largest government printing plant in the U.S; procurement of supplies needed by other state agencies; and maintenance of the vast fleet of state vehicles.

Budget Overview: The Governor's 2015-16 budget proposes \$1.05 billion dollars (\$17.15 million General Fund) and 3,596.6 personnel years.

Issue 1 – Mercury Cleaners Site Remediation

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS) with a one-time \$9.3 million (General Fund) augmentation to continue remediation efforts associated with the Mercury Cleaners building site, a state-owned property located at 1419 16th St., Sacramento.

Background: The Mercury Cleaners site, which is located in downtown Sacramento, has been used by a dry cleaning business since the 1940's. A preliminary environmental site assessment conducted by the state has determined that various containments, including dry cleaning solvents, were found in the soil. DGS was provided with \$3.7 million (General Fund) as part of the 2014 budget act, to conduct further evaluations of the site, and through the investigation DGS has determined that a significant amount of clean-up will be required. This budget proposal would provide DGS with funding to conduct a number of activities including: 1) \$7.2 million for the purchase of surrounding structures, abatement and demolition of surrounding structures, and relocation costs for tenants in nearby buildings; 2) approximately \$1 million for water treatment; 3) \$600,000 for administrative and oversight fees; and 4) \$415,000 for continued monitoring. According to DGS there will likely be a request for additional resources in fiscal year 2016-17, to address additional remediation. Remediation efforts may take several years to complete.

LAO Comment: According to LAO, there is substantial uncertainty regarding the extent to which contamination has spread from the Mercury Cleaners site to adjacent properties. The department reports that it will take between one and two years before it will have completed sufficient investigation work to know the extent to which it will need to proceed with the purchase and demolition of other structures and relocation of tenants. Therefore, the DGS is unsure whether all of the resources requested for this purpose will be needed in the budget year. However, DGS indicates that it is requesting this funding in 2015-16 because it would want to be able to begin these activities in 2015-16 if the investigations are completed in that timeframe and the investigations find that contamination has spread. The department indicates that it does not want to wait to complete these activities should health and human safety risks be identified that require immediate attention. These funds would be deposited into the Architectural Revolving Fund (ARF). Once placed in the ARF, the funding would be available to DGS for expenditure for up to three years.

LAO notes that the proposed remediation activities are reasonable. However, it is unclear at this time how much of the proposed funding for the purchase of other structures, relocation of tenants, and demolition and abatement will be needed in 2015-16. Therefore, LAO has recommended budget bill language that specifies that \$7.6 million—\$7.3 million for purchase and demolition of structures and relocation of tenants, as well as \$327,000 for the share of administrative fees associated with these activities—only be used for these purposes, and any of this amount unspent in 2015-16 be reverted to the General Fund. This language would allow DGS to complete work in the budget year but require it to return with a revised budget request for any additional work as part of next year's budget process. At that time, DGS should be able to provide the Legislature with additional information regarding the scope and costs of additional remediation work necessary at these sites.

Proposed budget bill language: *“Of the amount appropriated in this item, \$7.6 million shall only be available for (1) the purchase of other structures near the Mercury Cleaners site, (2) demolition and abatement of these structures, (3) relocation of tenants, and (4) administrative costs associated with these activities. Any unspent funds at the end of the 2015-16 fiscal year shall revert to the General Fund.”*

Staff Comment: Staff concurs with LAO; at this time it is unclear how much of the requested funding will be needed during fiscal year 2015-16. The suggested budget bill language provides a general framework that would allow DGS to continue site remediation related activities without creating an additional burden on the state's General Fund. As noted by DGS, there will be additional workload associated with site remediation, and requests for additional funding will be necessary in the near future. Providing resources as necessary would be the more fiscally prudent approach to what could be a costly endeavor.

Staff Recommendation: Direct the DOF, DGS, and LAO to coordinate in order further refine budget bill language proposed by LAO.

Vote:

Issue 2 – Dharma Realm Ukiah – Hazardous Materials Investigation

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS) with a one-time \$1.115 million (General Fund) augmentation to investigate and characterize the Dharma Realm site, which was previously owned by the state.

Background: From 1893 to 1972 the State of California owned and operated the Mendocino State Hospital in Ukiah. The state hospital property was sold in 1974 to a private real-estate firm who in turn, sold 273 acres of the site to the Sino-American Buddhist Association in 1976. A settlement was reached between the state and the Sino-American Buddhist Association, now known as the Dharma Realm Buddhist Association (DRBA), in 1993. Under the agreement, the investigation, characterization, and remediation are to meet the requirements of the North Coast Regional Water Quality Control Board, State Integrated Waste Management Board, and Mendocino County Department of Public Health.

There has been limited development-related activity on the site since the settlement was reached. Now that resources are more readily available, and DRBA has expressed an interest in developing the site, DGS will need to meet the expectations that were established in the settlement, which include an investigation and characterization of the site. Non-compliance with the settlement could possibly trigger a violation of the Porter-Cologne Water Quality Control Act and the state could potentially be fined \$15,000 daily for non-compliance.

Staff Comment: Staff does not have any issues with this request. The requested resources will fulfill the state's obligations per the settlement reached in 1993.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – Real Estate Services Division – High-Speed Rail Project

Governor's Budget Request: The Governor's budget includes a request to provide the Department of General Services (DGS), Real Estate Services Division, with 5.0 permanent positions and \$841,000 (Service Revolving Fund) to address workload associated with the High Speed Rail Authority (HSRA).

Background: On July 6, 2012, the Legislature approved construction financing for the initial stage of the California High Speed Rail project. The Real Estate Services Division within the DGS has been tasked with assisting the California High Speed Rail Authority with the transaction review, appraisal review, setting of just compensation, property acquisition review, relocation assistance plan review, state-owned leasing services, staff support for the State Public Works Board approval process, escrow closing process, resolution of title process, transfers of jurisdiction, easement, acquisition and granting, facilitating utility relocations, project consultation/coordination, Statewide Property Inventory reporting, disposition of excess property and legal consultation support from the DGS Office of Legal Services. Previously, the Legislature approved a \$684,000 augmentation from the service revolving fund and 5.0 two-year limited-term positions for support of the HSRA's workload associated with property acquisition.

Staff Comment: Staff continues to view this workload as temporary and would recommend the requested positions be provided as two-year limited-term.

Staff Recommendation: Approve requested positions as two-year limited-term, and approve augmentation necessary to support the requested positions.

Vote:

Issue 4 – State Property Inventory

Governor's Budget Request: The Governor's budget includes proposed trailer bill to require agricultural district associations to report their real property information to the Department of General Services.

Background: Within DGS, the Real Estate Services Division is responsible for managing statewide real estate functions for the state. The Real Estate Services Division is comprised of five branches: Asset Management, Business Operations, Policy and Planning, Building and Property Management, Professional Services, and Project Management. The Asset Management branch often serves as the first point of contact for agencies or departments seeking new services. One of the primary functions of the Asset Management branch is to assess proposed projects and determine whether or not they are consistent with regional facility plans. Additionally, the branch is responsible for making tenant/property improvements to underutilized state-owned properties.

In accordance with statute, state agencies, departments, boards and commissions, are required to submit their property holdings to DGS on an annual basis. The Surplus Property Inventory (SPI) serves as the state's main record keeping system for tracking statewide surplus assets. The SPI contains information related to the state's real property assets, including land, structures, improvements and leased space, as well as state-owned leased space to other tenants.

Staff Comment: AB 2490 (Eggman), Chapter 342, Statutes of 2014, realigned certain responsibilities associated with district agricultural associations. Including the requirement that district agricultural associations annually report property holdings to DGS, which DGS contends was an oversight, and should not have been removed from statute. The requested language would reinsert the requirement that agricultural associations report their land holdings to DGS.

There is merit to ensuring the state has a clear picture of what the state's property assets are at any given time. However, there are some larger questions that may be worth discussing during consideration of this proposal. For example, during the 1990's, the Office of Planning and Research (OPR) was charged with proactively managing the state's assets. That task has now been removed from OPR's responsibility, and since then, the state has lacked a centralized asset approach. Additionally, DGS could further align their efforts with private sector best practices by coordinating with the Department of Technology's Geospatial Information Systems (GIS) mapping capacity. GIS is a computer system designed to capture, store, and manipulate spatial or geographical data.

Staff Questions:

- 1. Can DGS describe how they have worked to provide a centralized asset management plan for the state? If so, are there measurable outcomes that the Legislature could review?*

Staff Recommendation: Hold this item open.

Vote:

7870 – VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD

Department Overview: The Victim Compensation and Government Claims Board (VCGCB) was first established in 1911 known as the Board of Control. It was responsible for supervising the business affairs of all state departments, hospitals, prisons, reformatories, boards, commissions, bureaus, and the Department of Public Accounting. In 1927, its oversight role ended. Thereafter, its duties included the adoptions of rules and regulations governing the presentation and audit of contract or tort claims. Its duties were expanded in 1963, with the enactment of the Torts Claims Act, which the VCGCB administers on behalf of the State.

In 1965, California created the nation's first Victim Compensation Program. Responsibility for this program was transferred to the VCGCB in 1967, and has since become its largest program. The VCGCB's responsibilities have increased over the years and in 2001, its name was changed to more accurately reflect its roles and responsibilities. Today the VCGCB administers the State's Government Claims Program, Victim Compensation Program and Revenue Recovery Program. Its responsibilities extend to a number of other matters including the handling of bid protests, handling claims of erroneously convicted felons, administering the California State Employees Charitable Campaign, setting rates for travel expenses for elected state officials and the judiciary, establishing per diem rates for members of the Legislature, and administering both the Good Samaritan Act and the Missing Children Reward Program.

Budget Overview: The Governor's budget provides VCGCB with 267.0 positions and \$121.70 (\$95.56 million restitution fund, \$24.81 million federal funds, and \$1.33 million reimbursements).

Issue 1 – Government Claims Program

Governor's Budget Request: The Governor's budget includes a request to begin the process of transitioning the Government Claims Program (GCP) from the Victims Compensation and Government Claims Board (VCGCB) to the Department of General Services (DGS). The Governor's budget includes a request to reduce reimbursement authority of the VCGCB by \$168,000 and 3.0 positions for fiscal year 2015-16 to begin the transition of the GCP to DGS.

Background: The Tort Claims Act of 1963 established the manner in which claims against the state are handled and what role the GCP plays administratively. In accordance with Government Code, those that wish to file a lawsuit against the state, or its employees, must first pursue an administrative remedy through the GCP. The GCP process provides the state an opportunity to investigate and possibly settle claims without incurring litigation expenses.

GCP processes two types of claims: (1) tort claims, which the state's liability is established in law, and (2) equity claims for which the claimants have no legal remedy, but principles of equity dictate that the state should provide compensation. Prior to fiscal year 2004-05, the GCP was supported by the General Fund, and was classified as a central service, which allowed for statewide prorate from various special funds to offset General Fund costs. The Budget Act of 2004 made changes to the funding model, authorizing the collection of a \$25 claim filing fee and a surcharge of up to fifteen percent on approved claims. The funding model was adopted to reduce General Fund expenditures in the midst of a challenging fiscal environment and to require that the departments that most frequently used the GCP process shoulder the bulk of the costs.

The number of claims received by GCP has reduced significantly, and the current funding model no longer supports the total costs associated with the administration of the GCP. In fact, revenues

have declined so significantly that the VCGCB had a deficiency that required General Fund support during fiscal year 2013-14 through a supplemental appropriations bill.

Staff Comment: Under this proposal, the GCP transition to DGS is a multi-year process. Included in this proposal is a budget request to increase DGS service revolving fund authority by \$638,000 for fiscal year 2015-16. The GCP will transition to DGS, applicable statutory changes, including eliminating existing fees and surcharge collections by the program will be a component of the proposal for fiscal year 2016-17.

Staff Recommendation: Hold this item open.

Issue 2 – Wrongful Convictions

Background: Pursuant to Penal Code Section §4900, an exonoree may present a claim against the state to the California Victim Compensation and Government Claims Board (board) for the pecuniary injury sustained by him or her through erroneous conviction and imprisonment. The current statute is being interpreted to only allow for “pecuniary” damages, and a claim was denied recently of an indigent individual on these grounds.

Staff Comment: The damages of a wrongful conviction are unique and not limited simply to lost earnings during incarceration. It’s a one-of-a-kind harm, and there currently is no precedent to an interpretation based on only lost earnings. Additional clarity may be required to ensure that a claimant can seek recompense for harm suffered for a wrongful conviction, rather than the current interpretation, which may only take lost earnings during incarceration into consideration.

Per statute, the type of evidence required by the claimant to be presented to the board includes that a claimant was gainfully employed at the time of the wrongful conviction, and that a certain amount of income had been lost due to the wrongful conviction. However, current statute does not take into account certain circumstances that may impact a claimants request for pecuniary damages. For example, an individual that is seventeen at the time of conviction, and not gainfully employed, could be limited in their ability to show that pecuniary injury. Making it difficult, if not impossible, to prove that due to a wrongful conviction. The Legislature appropriates funds on an annual basis to claimants against the state, including wrongful convictions. Since 2002, ten claims have been paid, averaging approximately \$350,000 per claim. Clarifying the parameters for the board to recommend an appropriation by the Legislature could benefit the board and the claimant.

Staff Recommendation: Adopt placeholder trailer bill clarifying that a claimant can seek recompense for harm suffered for a wrongful conviction, rather than the current interpretation which may only take lost earnings during incarceration into consideration.

Vote:

8940 CALIFORNIA MILITARY DEPARTMENT
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Department Overview: The California Military Department is responsible for the command, leadership, and management of the California Army and Air National Guard and five other related programs. The purpose of the California National Guard is to provide military service supporting the state and the nation. The three missions of the California National Guard are to provide: 1) mission ready forces to the federal government, as directed by the President; 2) emergency public safety to civilian authorities, as directed by the Governor; and, 3) support to the community, as approved by a proper authority. The California Military Department is organized in accordance with federal departments of the Army and the Air Force staffing procedures.

Budget Overview: The Governor's budget proposes \$159.97 million (\$48.14 million General Fund) and 886.7 personnel years. This reflects a decrease of \$3.02 million and an increase of 51 positions, as compared to the 2014-15 budget.

California Military Department Resources and Expenditures

Fund Source	2013-14	2014-15	2015-16 (proposed)
General Fund	\$44,547	\$47,341	\$48,147
Federal Trust Fund	\$92,406	\$102,547	\$105,805
Reimbursements	\$9,884	\$4,847	\$4,002
Mental Health Services Fund	\$1,138	\$1,387	\$1,590
Other Funds	\$84	\$422	\$423
Total Expenditures	\$148,059	\$156,544	\$159,567
Personnel Years	769.7	835.7	886.7

*Dollars in thousands

The Military Department also receives federal fund support. These funds are not allocated by the state or deposited in the State Treasury and are not included in program or statewide totals. All of the federal funds that are received from the Federal Government are for the support of the federal component of the California National Guard.

Federal Funds – California Military Department

	2013-14	2014-15	2015-16
Expenditures	\$1,045.750	\$1,004,160	\$1,025,080
Personnel Years	4,450.0	4,184.0	4,184.0

Issue 1 – Consolidated Headquarters Complex

Governor’s Budget Request: The Governor’s budget includes a request to provide the California Military Department (CMD) with \$8.88 million (General Fund) to acquire property for a 238,000 square foot consolidated headquarters complex, 20,000 square foot armory, and a 22,600 square foot storage complex.

Background: Currently, the CMD’s main headquarters facility is a leased building in Sacramento, and the United States Property and Fiscal Office headquarters is located at Camp Roberts and Camp San Luis Obispo. According to CMD, the leased facilities do not afford the level of security that is required by the Department of Defense (DOD). Due to this requirement, the CMD cannot extend their current lease beyond the lease agreement’s expiration date of 2017. To address this, the CMD has proposed acquiring thirty acres of land to construct a new headquarters complex, which will be located at Mather Airfield, in the Sacramento area.

CMD estimates that total project costs will be \$113.14 million. The preliminary plans, working drawings, and construction phase of the project will be funded through lease-revenue bonds, which at \$99.2 million, represent the majority of the costs associated with this project.

LAO Comment: The Governor’s proposal is generally aligned with the Legislature’s prior action to begin the process for CMD to have a consolidated headquarters that will meet federal security requirements and streamline operations. Moreover, owning its own headquarters will insulate CMD from potential future increases in lease prices. The land that has been selected for purchase is ideal for CMD needs as it is next to a military air force base and the Office of Emergency Services, an office with whom CMD collaborates extensively. In addition, finding another similar plot of land in Sacramento County could be difficult in the future.

While no federal funds are currently available for the project, federal funds could become available in the future if the federal budget outlook or federal priorities change. The availability of such funds could significantly reduce the cost of the project to the state. For example, if the federal government were to contribute 65 percent of project costs in the future—equivalent to the portion originally assumed—it would reduce state lease-revenue debt payments by \$114 million.

LAO Recommendation: Given that the site proposed for the consolidated CMD headquarters is ideal and the land purchase option is set to expire, the LAO recommends the Legislature approve the Governor’s proposal to purchase the land. However, before approving future phases of the project, the LAO recommends that the Legislature direct CMD to report at hearings on the prospects of receiving federal funds for this project and what the department is doing to secure such funds.

Staff Comment: Staff concurs with the LAO, regular reporting associated with efforts to secure federal funds for this project should be provided. Staff recommends that the CMD, in coordination with the DOF, include efforts to secure federal funds in Budget Change Proposals associated with this project.

Staff Recommendation: Approve as budgeted, request that CMD, in coordination with DOF, report annually on efforts to secure federal funds related to this project.

Vote:

Issue 2 – Stockton Youth ChalleNGe Academy

Governor’s Budget Request: The Governor’s budget includes a request to provide the California Military Department (CMD) \$4.5 million (Federal Trust Fund) and 32 permanent positions to support the Stockton Youth ChalleNGe Academy.

Background: The Youth ChalleNGe Program (program) was created in 1993 and tasked the National Guard Bureau with assisting in efforts to address the needs of the thousands of youth that were at-risk of dropping out of high school. The program consists of a 22-week in-residence phase, followed by a one-year mentoring and placement phase in which students either seek job placement or receive additional education. The first Youth ChalleNGe program in California was established in 1998 at Camp San Luis Obispo, where the CMD and the San Luis Obispo County Office of Education have partnered to operate a charter public high school. The second Youth ChalleNGe program was established in 2007 at Los Alamitos as a partnership between the CMD and the Orange County Department of Education, to operate as a public high school.

According to the CMD, an average of twenty-five percent of the program’s graduates earn their diploma and/or GED, and the remaining seventy-five percent of program graduates are directed towards the high school graduation path. The Stockton Youth ChalleNGe program is expected to graduate 300 students per year, and the program has already received over 350 applications for budget year 2015-16, when it is expected to be operational.

Staff Comment: The CMD received a \$1.5 million (General Fund) ongoing appropriation as part of the 2014 Budget Act to support the Stockton Youth ChalleNGe Academy. The appropriated funds represent the required 25 percent match from the state. The remaining 75 percent match is provided through federal trust funds. The federal funds will support the 32 positions needed to fully staff the facility.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 3 – Special Olympics

Governor's Budget Request: The Governor's budget includes a request to provide the California Military Department (CMD) a one-time increase of \$779,000 in General Fund expenditure authority to support the Special Olympics World Games, Los Angeles 2015.

Background: Los Angeles has been selected to host the 2015 Special Olympics World Games. The event will consist of over 7,000 athletes and 3,000 coaches representing 177 countries. The 9-day event (July 25 – August 2) will consist of 25 different competitive events at 27 venues throughout the Los Angeles area. The requested funds will allow the CMD to activate members on Emergency State Active Duty (EASD) status, which allows for greater leeway with federal law related to the use of military services. Additionally, utilizing EASD will allow the CMD to track more closely the expenses associated with this event.

Staff Comment: According to CMD, there will be approximately 250 CMD employees called up on EASD to support this effort. CMD intends on targeting the Los Angeles area to the greatest possible extent to identify eligible employees in order to reduce travel costs associated with supporting the event.

Staff Recommendation: Approve as budgeted.

Vote: