Senate Budget and Fiscal Review—Holly Mitchell, Chair

SUBCOMMITTEE NO. 4 Agenda

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

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

Consultant: Renita Polk

PART A

PROPOSED FOR VOTE-ONLY

PROPOSED FOR DISCUSSION AND VOTE

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ITEMS PROPOSED FOR VOTE-ONLY

0511 GOVERNMENT OPERATIONS AGENCY

Overview. The Government Operations Agency (GovOps) is responsible for coordinating state operations, including procurement, information technology, and human resources. The mission of GovOps is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operations decisions. GovOps oversees the Department of General Services, Department of Human Resources, Department of Technology, Office of Administrative Law, Franchise Tax Board, State Personnel Board, Victim Compensation Board, California Public Employees' Retirement System, and California State Teachers' Retirement System.

Budget. The budget includes $3.5 million ($1.3 million General Fund and $2.2 million in reimbursements) and 12.6 positions to support the agency.

Issue 1: Data Driven Management Initiative

Budget. The Government Operations Agency (GovOps) requests $160,000 (reimbursements) in 2017-18 and 2018-19, and one position to develop and implement a data-driven management initiative (DDMI).

Background. The mission of GovOps is to improve management and accountability of government programs, increase efficiency, and promote better and more coordinated operation decisions. Traditionally, departments have focused on processes and practices that emphasize compliance, rather than those that emphasized desired outcomes. This leads to inefficiency, less than optimal results, and higher than necessary operating costs. GovOps has implemented several different programs to address this inefficiency. GovOps has developed an open data pilot portal that is increasing department-level awareness about program-level data, making it easier to share and analyze data. A pilot supervisor training program was also started to make it easier for departments to recruit, hire, train, and develop qualified people. In 2014, a "Lean" training program to identify process improvements that would streamline operations was begun. To date, 18 different departments and agencies have participated in almost 60 Lean projects. Highlights of these programs include:

- The Department of Food and Agriculture reduced the time required to perform a job analysis prior to offering an examination to 24 days from an average of 90 days.

- The Department of Toxic Substances Control was able to reduce the number of steps to process a permit application to seven from 33, as well as reducing the average time to process applications.

- The Department of Transportation reduced the time required to investigate and resolve workplace violence allegations from an average of 150 days to where 60 percent of cases are resolved in five days.

This proposal requests one position to create a DDMI that will integrate and enhance the efforts mentioned above into a coordinated framework that departments can use to improve management and produce better results. The requested position will be used to develop a strategy for implementing a data-driven performance management framework that integrates various tools including strategic, workforce, and budget planning; risk management; data management and analysis; Lean process re-engineering; and leadership development.

Implementation. The goals of the DDMI will be pursued in three phases. Phase one will concentrate on implementation through training, change management, and improving results through the Lean models. In addition, GovOps will develop a strategy and introduce methods for organizing and standardizing operational data for analysis. Phase two will concentrate on implementation of the strategy and continue to provide guidance to agency staff on improving results measurement and achievement with the alignment of strategic plans at the organizational level. Phase three will assess results of the DDMI approach, continue the work of the first two phases, and begin to publish results to create transparency.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)

Issue 1: Capital Outlay - Fortuna Residential Center

Budget. DGS requests the authority to exercise the lease-purchase option to acquire the facility located at 1546 Alamar Way in Humboldt County, which is currently occupied by the California Conservation Corps (CCC) Fortuna Residential Center, for $1 (General Fund).

Background. DGS on behalf of CCC, entered into a 25-year lease-purchase with the City of Fortuna in October 1991, with payments starting in July 1992. The center is roughly 40,000 square feet situated on about six acres, and consists of an administration building, dormitories, recreation and educational facilities, and a warehouse. The facility has been the CCC's home base in the Pacific Northwest for the last 25 years, and the facility location continues to meet the programmatic needs of the CCC.

This request will allow DGS to acquire the facility pursuant to the terms of the existing property lease, which is set to expire on June 30, 2018. It is anticipated that various site and structure evaluations and real estate due diligence activities will also be completed with existing funds.

Issue 2: Office of Legal Services Workload

Budget. DGS requests a permanent budget augmentation of $451,000 (Special Funds) and two permanent, full-time attorney III positions in fiscal year 2017-18.

Background. The Office of Legal Services (OLS) within DGS provides contract review services and provides legal advice to the Governor's Office, DGS programs, and other state agencies. OLS also hears and decides bid protests involving challenges to state procurements. This workload continually expands and the legal issues are becoming more complex, necessitating additional attorney time.

OLS currently has fourteen line attorneys, two assistant chief counsels, and a chief counsel. Current staffing levels are not sufficient to meet current needs and do not allow for expedient, proactive, in depth legal review and strategic advice, thereby reducing the state's opportunities for obtaining significant fiscal benefits and implementing the Administration's policies. The state's contracting rules and processes are complex and external clients have raised concerns about not having legal advice until after problems occur, which is more costly and inefficient than receiving proactive advice. Bid protest decisions are, by regulation, required to be issued within 30 days from when the protest hearing is completed. The established timeframe for completing contract review is 10 business days (five business days for public works contracts). For fiscal year 2015-16 there were backlogs of 41 percent and 25 percent in bid protest decisions and contract review services, respectively. A decision or review is considered backlogged when it is not completed within the above established timeframes.

The number of contracts reviewed by OLS has consistently remained at approximately 6,000 per year, however, the increasingly more sensitive and complex areas of legal advice have placed additional workload demands on OLS. This puts OLS in the position of struggling to maintain current workload but also results in the inability to provide proactive advice, training for staff, and mentoring for newer attorneys. Therefore, two new experienced attorney III positions will be required to handle sensitive and significant matters with little oversight.

Staff Comment. OLS is also experiencing significant delays in their ability to provide advice to internal and external clients (e.g., advice regarding efficient contracting mechanisms for the services being sought, input into draft solicitations/contracts), as well as delays in providing custom-tailored training for departments based on the particular areas in which the department has experienced contracting difficulties. The requested positions will be assigned to either assist in program areas experiencing significant backlogs or provide services in program areas handled by current attorneys to allow the other current attorneys to concentrate on the backlog. DGS also notes that this backlog is composed of billable work. Reducing this backlog will help to reduce administration costs for DGS.

PROPOSED FOR VOTE/DISCUSSION

0855 CALIFORNIA GAMBLING CONTROL COMMISSION

Overview. The mission of the California Gambling Control Commission is to ensure integrity in California's gaming environment. The commission has jurisdiction over gambling establishments (cardrooms), third-party providers of proposition player services, and certain aspects of Tribal casinos. The commission also has jurisdiction over gaming policies, regulations, criteria, and standards. There are 89 licensed cardrooms in California over which the commission has broad regulatory and adjudicatory authority. This authority extends to the operation, concentration, and supervision of the cardrooms and all persons and things related to each licensed establishment.

Budget. The budget includes $103.3 million ($96.5 million Indian Gaming Revenue Sharing Trust Fund, $4.1 million Gambling Control Fund, and $2.7 million Indian Gaming Special Distribution Fund) and 35.7 positions to support the commission.

Issue 1: Workload Increase

Budget. The California Gambling Control Commission requests three positions and $300,000 (Gambling Control Fund) per year, for three years, to support an increase in workload associated with reviewing cardroom applications received from the Bureau of Gambling Control (bureau).

Background. The commission has jurisdiction over operation, concentration, and supervision of gambling enterprises and over all persons or things (i.e. card tables, gaming equipment) related to the operations of gambling establishments. As it relates to the cardroom industry, the commission is the regulatory body over gambling establishments and third party providers of proposition player services - businesses that provide services in, and to, a gambling establishment under an agreement for services that is approved by the bureau.

The bureau is the state law enforcement authority with special jurisdiction over gambling activities within California, and is the entity that conducts background investigations for the commission on gambling license and work permit applications. Once the bureau completes its background investigation into the qualification of the applicants who apply for consideration of a state gambling license or suitability, the bureau compiles their findings into a bureau report submitted to the commission for consideration by the commissioners. As of July 2016, the bureau had a backlog of approximately 3,100 applications for background investigations associated with gambling enterprises and third-party providers. Applications and reports that are not sent to the commission within 180 days are considered as part of the backlog.

The bureau received 12 limited-term positions in 2015-16 and another 20 limited-term positions in 2016-17 to address this backlog. As the backlog is reduced, there will be an increase in the applications and background investigations that are completed and sent to the commission for review and consideration by the commissioners. The commission has already seen an increase in the number of applications received. For example, the commission received 512 total third party applications in fiscal year 2015-16, and since December 2016, has already received 489 applications for fiscal year 2016-17.

Relevant Workload History

Workload Measure	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17*
Cardroom applications received	794	834	818	627	803	361
Third party applications received	409	429	478	269	512	489

*As of December 2016

Staff Comment. The commission is requesting three additional positions to deal with a backlog from the bureau – which has received an additional 32 positions to address this backlog. The subcommittee may wish to ask if three positions will be enough to adequately process these additional applications.

7502 CALIFORNIA DEPARTMENT OF TECHNOLOGY (CDT)

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

Budget. The budget includes $327 million ($319 million Technology Services Revolving Fund, $4.5 million General Fund, $3.5 million Central Service Cost Recovery Fund, and $10,000 reimbursements) and 914 positions to support the department.

Issue 1: CDT's Oversight Role and New Project Approval and Funding Process

The following issue is an informational item to provide the subcommittee with more detailed information about CDT's new project approval process and the department's oversight role. The state has had significant IT project failures in the past which has led to increased legislative attention to IT projects in state government. The Legislature has looked to CDT to ensure that these projects are successfully completed.

Role of CDT. As mentioned above, CDT is the state's central IT organization and has broad authority over all aspects of technology in California government. Currently, there are around 30 IT projects in various stages of development that are under the oversight of CDT. CDT's specific responsibilities include:

- Approval and oversight of IT projects. CDT evaluates department proposals to ensure that proposed projects: (1) are based on well-defined programmatic needs, (2) consider feasible alternatives to address the identified needs, (3) identify a sound technical solution, (4) implement project management best practices, and (5) comply with state policies and procedures, among other CDT considerations. CDT routinely reports to sponsoring departments on issues of concern that it has identified, shares lessons learned from other projects, and recommends risk mitigation and issue resolution strategies.

- Review of revised project plans as necessary. Any significant changes to a project plan are documented and justified in Special Project Reports (SPRs). This process resets the scope, schedule, and cost from which the project's progress and performance are assessed. Once CDT approves the SPR and the Legislature approves the associated funding, the department can move forward with the project based on the revised plan.

- Suspend, terminate, and reinstate IT projects. CDT has the authority to suspend, terminate, or reinstate an IT project based on its performance. CDT also has the authority to hold departments accountable for poor performance, including by restricting future project approvals pending demonstration of successful correction of the identified performance failure.

Not all projects are under the oversight authority of CDT. Only projects that exceed estimated projects costs (a range from $200,000 to $2 million) set by CDT, are not absorbable by the sponsoring department and require appropriation by the Legislature, or are specifically mandated by the Legislature are subject to CDT oversight.

Previous project approval process. With the previous process departments prepared and submitted feasibility study reports (FSRs) when proposing IT projects. The FSR identified the problem, evaluated alternatives, and identified a technical solution. Once a department completed an FSR, it would submit it to CDT for approval. Once CDT approved the project, the FSR and budget-related requests would be submitted to the Legislature for approval and funding. There were several challenges that arose out of this process:

- Unmet needs of system users. Analysis of the programmatic needs of the department was done rather superficially during this process. As a result, some of the system user's needs were unmet by the implemented system.

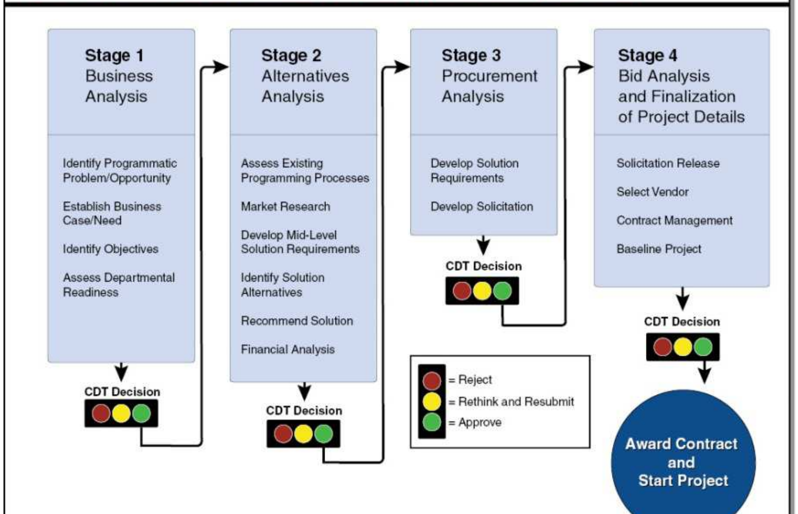
- Poor planning. CDT was not involved in the departmental planning process or development of the FSR. Because departments largely planned projects without guidance from CDT, it was possible for a department to make an early erroneous assumption that jeopardized the quality of the entire planning effort.

- Unanticipated cost increases and schedule extension. Under this former project approval process, planning with potential project vendors occurred after CDT approved a department's FSR and the Legislature approved initial project funding. This interaction with potential vendors would allow departments to learn more about the actual cost of achieving their objectives, resulting in the submission of a revised project plan soon after a vendor was selected.

Project Approval Lifecycle. In response to the issues with the FSR approval process CDT implement a new IT project approval process – the Project Approval Lifecycle (PAL). The process consists of four stages that each provide a decision point where CDT can approve or reject projects, or require departments to rethink and resubmit their proposals. Stage one (business analysis) requires departments to describe the issue to be solved. All departments are required to submit stage one planning documents whether the project will be subject to CDT oversight or not. Projects not subject to CDT with an approved stage one document are not required to submit to subsequent PAL stages. Stage two (alternatives analysis) requires departments to evaluate various alternatives for accomplishing the project objectives, develop a procurement strategy, and submit a financial analysis. Stage three (procurement analysis) requires departments to identify the detailed requirements for the project and develop a request for information from vendors. Stage four (bid analysis and finalization of project details) requires departments to release the solicitation developed in the previous stage and outline the final project details, including the project scope, schedule, cost, and resource needs.

Figure 1

New Project Approval Process: Project Approval Lifecycle (PAL)



CDT = California Department of Technology.

The PAL process attempts to address the challenges created with the previous approval process by requiring collaboration between CDT and departments during planning, emphasizing business analysis, and incorporating vendor knowledge. All of these changes increase the likelihood that the final project will align with the original objectives and will save time and money. However, there are some tradeoffs associated with this new approval process. The PAL process will likely take longer upfront as the planning stages are more detailed and departments may leverage the expertise of contractors for specific planning-related activities. This may also lead to an increase in departments seeking budget augmentation for planning efforts.

PAL process and the budget cycle. It is uncertain how long it will take departments to move through the entire PAL process. It is possible that the stages of the PAL process will not align with the state's traditional budget process. For example, a department may receive approval from CDT for Stage 4 midway through a state fiscal year. The sponsoring department may not want to delay the project start for several months until a budget request could be secured for the following fiscal year. If a department anticipates that development activities could occur in the same fiscal year that Stage 4 is anticipated to be complete, the department could request funding to support development activities before the Stage 4 analysis is approved by CDT. In this scenario, however, the Legislature could be asked to approve funding for project design, development, and implementation without the benefit of a complete project plan. This could compromise the Legislature's effective budgetary oversight of the project.

Staff Recommendation. This item is informational and no action is required at this time.

Issue 2: Microsoft Office 365 Enterprise Agreement

Budget. The California Department of Technology (CDT) is requesting $10,500,000 (Technology Services Revolving Fund) in fiscal year 2017-18; $17,625,000 in 2018-19; and $28,500,000 in 2019-20 to continue implementing a Microsoft Office 365 Enterprise Agreement (O365) by onboarding additional state entities. Additionally, the department is requesting to redirect four positions from within the Office of Technology Services to address current and future workload.

Background. Currently, there are two email services used by the state. CA Mail, which is provided by the CDT, and California Email Services (CES), which is a vendor managed and hosted email service. The contract for CES expires in 2017 and all CES mailboxes must be migrated to a new email platform by October 2017. O365 was selected as the replacement for CA Mail and CES through a competitive bidding process, and provides many commonly used Microsoft products in addition to email.

This request will help to consolidate current efforts to procure emails and Microsoft Office products as opposed to new expenditures. The four requested positions will be redirected from CDT's CES operation. The following table displays the amount of funding needed to subscribe 50 departments to O365 annually through 2019-20. The budget authority currently reserved for CES will be shifted to support O365 as CES is phased out.

Fiscal Year	Office 365 Request	Less the CES Authority	Total Funding Requested by Fiscal Year
FY 2017-18	$21,750,000	$11,250,000*	$10,500,000
FY 2018-19	$32,625,000	$15,000,000	$17,625,000
FY 2019-20	$43,500,000	$15,000,000	$28,500,000
FY 2020-21	$43,500,000	$15,000,000	$28,500,000
FY 2021-22	$43,500,000	$15,000,000	$28,500,000
Total	**$184,875,000**		**$113,625,000**

*Represents nine months of budget authority due to CES' contract expiration date of October, 2017.

8790 CALIFORNIA COMMISSION ON DISABILITY ACCESS
7760 DEPARTMENT OF GENERAL SERVICES

California Commission on Disability Access. The Commission on Disability Access (CCDA) was established to study existing disability access requirements and compliance, and to promote better compliance with existing laws and regulations, such as the Americans with Disabilities Act and the California Unruh Civil Rights Act. The commission also acts as an information center on disability access compliance statutes and regulations, coordinates with state agencies and local building departments, and prevents or minimizes compliance problems by California businesses. Lastly, the commission develops recommendations that enable persons with disabilities to exercise their right to full and equal access to public facilities, and facilitate business compliance with laws and regulations to avoid unnecessary litigation.

Department of General Services. The Department of General Services (DGS) provides centralized services to state agencies in the areas of: management of state-owned and leased real estate, including design and construction of state infrastructure projects; approval of architectural designs for local schools and other state-owned building; printing services; procurement of commodities, services, and equipment for state agencies; and management of the state's vehicle fleet. Furthermore, the Department of General Services employs practices that support initiatives to reduce energy consumption and help preserve California resources.

DGS Budget. The budget includes $1 billion and 3,585.6 positions to support the department.

Issue 1: Transfer of the California Commission on Disability Access to the Department of General Services and Trailer Bill

Budget. The administration proposes for the CCDA to consolidate into the DGS effective July 1, 2017. General Fund expenditure authority in the CCDA budget will be transferred to the DGS in the amount $650,000 and five program positions.

The budget also provides trailer bill language to implement the provision of transitioning CCDA to DGS.

Background. The CCDA is a 17-member independent commission consisting of 11 public members and six ex-officio nonvoting members. The Legislature created the CCDA with a vision of developing recommendations that will enable persons with disabilities to exercise their right to full and equal access to public facilities, and that will facilitate business compliance with the applicable laws, building standards and regulations to avoid unnecessary litigation.

DGS requests to establish the CCDA within the Statewide Support Services Administration.

Staff Comment. This proposal will transfer all statutory code sections and program activities of CCDA to DGS. Disability Rights California has expressed concern about CCDA retaining its autonomy and independence once the transfer to DGS is complete.

7760 DEPARTMENT OF GENERAL SERVICES

Issue 1: Capital Outlay – State Printing Plant Demolition

Budget. DGS requests $909,000 (General Fund) to fund the preliminary plans phase of the state printing plant demolition project. The project will begin the process to demolish and clear the 17-acre property of any hazardous materials to prepare it for new office space development in a future year.

Background. The existing printing plant facility has significant structural deficiencies, in addition to health and safety concerns related to the deteriorating facility, including asbestos-containing insulation, paint, caulking, and tile. Heavy metal contaminants exist in many areas of the plant, most likely originating from pigments present in inks used in the past. Lead from smelting operations to support linotype operations from the building's inception has further contaminated not just the composing area but has migrated to other areas of the plant, and potentially the surrounding land. The Office of State Publishing (OSP) is in the process of programming replacement space with the intention of using leased facilities for the new printing plant.

The proposed project will demolish 479,737 GSF of existing State Printing Plant buildings, several greenhouse buildings, and other miscellaneous structures and related foundations; remove asphalt paving and trees, exterior lighting poles and utility lines within property boundaries; install chain link fence around perimeter of site; and remove contaminated soil and replace with imported fill, and level site. Site clean-up will be consistent with accepted professional practices for hazardous materials removal, and design guidelines and outline specifications established during the design development for the project. A Phase I and II environmental site assessment will occur in 2016-17 with separate funding, and the results will provide a better understanding of the level of hazards existing on-site.

Staff Comment. In addition to the known and significant deficiencies with the existing printing plant, and the need to eliminate the various risks through demolition and hazardous materials mitigation, the current configuration of structures underutilizes the site's development potential. At the same time, recent projections reveal that the state is facing a shortfall of suitable office space in Sacramento within the five-year timeframe. This proposal will create a future opportunity to move departments out of leased space.

Issue 2: Fairview Developmental Center Consultant Services

Budget. DGS is requesting a one-time Property Acquisition Law (PAL) Money Account expenditure authority augmentation and commensurate General Fund loan of $2,168,000 to contract for the services of external consultants to identify alternative reuses for the Fairview Development Center (FDC) campus. A breakdown of the budget for this project is below:

Project Management		$160,000
Civil Engineering and Site Related		$210,000
Environmental Assessments		$740,000
Market and Economic Analyses		$210,000
Traffic Analysis		$75,000
Structural Engineering		$30,000
Architectural & Planning Services		$485,000
Cost Estimating		$60,000
Disposition Costs		$130,000
Distributed Admin		$68,000
	Total Estimated Costs	$2,168,000

Background. On April 1, 2016, the Department of Developmental Services (DDS) submitted a closure plan for the Fairview Developmental Center (FDC) that was approved by the Legislature. The Asset Management Branch (AMB) within DGS is responsible for identifying alternative reuses for the approximately 110-acre FDC campus. AMB's Asset Enhancement & Surplus Sales Unit identifies and implements value enhancement solutions for unused or underutilized state-owned properties. The Asset Enhancement Unit utilizes specialized and experienced consultants to provide independent and cost effective due diligence that reduces risks to buyers purchasing surplus property and as a result allows the state to realize higher sales proceeds from urban and infill development sites than if properties were sold "as-is".

For a project of this size and complexity, AMB needs to contract for external consultants with expertise in stakeholder outreach, biological and cultural resource assessment, property condition and infrastructure capacity assessments, traffic studies, phase I and II (if required) environmental site assessments, hydrology and water resource studies, master planning studies and collaboration, alternatives analysis and adaptive repurposing studies, market studies, economic modeling, cost estimating and financial analysis, appraisal, and contract negotiations that are not available within existing staff.

Typically the Department of General Services' costs for AMB's efforts are appropriated through the PAL with the support of a General Fund loan. The General Fund loan is reimbursed from the proceeds of a sale or lease of state surplus property.

Issue 3: Mercury Cleaners Site Monitoring

Budget. DGS requests one-time authority of $580,000 (General Fund) in fiscal year 2017-18 to continue the monitoring/remediation efforts of the former Mercury Cleaners site, a state-owned property located at 1419 16th Street, Sacramento. Below are projected cost estimates for monitoring and testing activities for fiscal year 2017-18.

Fiscal Year 2017-18

Groundwater Monitoring and Reporting	$500,000
Supplemental Air Quality Studies	$60,000
Distributed Admin	$20,000
TOTAL	**$580,000**

Background. The State of California owns the real property site known as Mercury Cleaners at 1419 16th Street, Sacramento. DGS acts as the state's real estate manager for the site. The site has been owned by the state since 1967, and has been used by commercial dry cleaning businesses from 1947-2015. High concentrations of hazardous materials exist on the site due to the former dry cleaning operations, primarily high concentrations of dry cleaning solvents in the soil and groundwater. The Central Valley Regional Water Quality Control Board (RWQCB) is the lead agency for the investigation, remediation, and ongoing monitoring of this site. Under direction of RWQCB, remediation is underway for cleanup of the hazardous materials.

DGS is undertaking the cleanup in a "voluntary" compliance mode, which includes implementation of a proactive remediation project plan. Regardless of the availability of funds, if the state does not meet the expectations of the RWQCB as it relates to abatement of the condition of the site, the state could be found in violation of the Porter-Cologne Water Quality Control Act and multiple Water Code provisions resulting in citations and fines.

In January and February 2014, DGS' initial site investigation work for the Mercury Cleaners building site was completed and a Data Gap Completion Report was submitted in May 2014, which included findings, conclusions, and recommendations for interior mitigation measures, interim remediation, and various additional site investigation and studies. The results of the report indicated a significant level of contamination in the Mercury Cleaners building site. DGS submitted a Remedial Investigation Work Plan (RIWP) for the Mercury Cleaners site to the RWQCB on December 12, 2014, outlining further proposed investigation and testing regarding the extent of soil and groundwater pollution and to collect data to evaluate remedial options for the site source area pollution. DGS has been proactively involved with RWQCB to conduct extensive tests and planning and began remediation in fiscal year 2015-16. Remediation efforts will continue through fiscal year 2016-17. Funding will be required for 2017-18 and future years for continued testing and monitoring activities as directed by the RWQCB.

DGS received $3.7 million one-time General Fund authority in 2014-15, $9.3 million one-time General Fund authority in 2015-16 and $2.14 million one-time General Fund authority in 2016-17 for remediation of the Mercury Cleaners building site, including site investigation and assessment work. The department receives no revenue from the operation of the site, and has no other revenue source outside of its rate structure to fund the remediation.

Staff Comment. DGS has consulted with the RWQCB regarding availability of funds, and they have no funding sources available. The Department of Toxic Substances Control has no fund sources available either. Grants were previously available but they typically go to small entities and small parties who do not have any funding sources.

The major cleanup of the soil and groundwater on the site should be completed in fiscal year 2017-18 using previously allocated funds. Ongoing activities beyond that include monitoring the effectiveness of groundwater treatment and reporting results to the RWRCB for the next 10-20 years. The department indicated that they would like to include monitoring into their base budget after remediation is complete.

Issue 4: Building Standards Commission Workload Increases

Budget. The Department of General Services, California Building Standards Commission (CBSC) requests an augmentation of $154,000 (Building Standards Administration Special Revolving Fund), and one permanent position in fiscal year 2017-18, with an additional $145,000 and one permanent position beginning in fiscal year 2018-19, to continue meeting various legislative mandates associated with green building standards.

Background. All building standards adopted or proposed by state agencies are required to be reviewed and approved by the CBSC before having any force or effect. All building standards are placed into a single title therein known as Title 24 or the California Building Standards Code—comprised of 13 parts. California Building Standards Law requires the CBSC to publish editions of the California Building Standards Code in its entirety once every three years (following the publication of national model codes, upon which California's codes are based), and supplements in the intervening period. In addition to administering the triennial and intervening code adoption cycles, the CBSC develops, proposes, and adopts state amendments to the national model codes for inclusion in the California Building Standards Code.

In the years following the creation of the California Green Building Standards Code (CALGreen), and in the midst of a current drought state of emergency, the CBSC has seen a consistent increase in technical and administrative staff workload resulting from the implementation of legislative mandates, executive orders, and the required coordination amongst multiple state agencies involved in the code adoption process of green building standards. Respectively, CBSC staff has experienced an increase in technical calls and inquiries from stakeholders, local enforcement agencies, and the regulated community. Legislative mandates and executive directives associated with these standards include:

- AB 32 (Núñez), Chapter 488, Statutes of 2006
- AB 341 (Dickinson), Chapter 585, Statutes of 2013
- AB 1092 (Levine), Chapter 410, Statutes of 2013
- SB 401 (Hueso), Chapter 212, Statutes of 2013
- AB 2282 (Gatto), Chapter 606, Statutes of 2014
- Executive order B-16-12
- Executive order B-29-15

The requirements of AB 341, AB 2282 and Executive order B-29-15 have necessitated ongoing attention and resources much greater than initially anticipated which have left an unfunded burden on existing CBSC technical staff. Until now, the CBSC has absorbed the initial workload and fiscal impacts of SB 401 and AB 1092. However, the incremental increase in ongoing workload to the CBSC caused by these and the other requirements described are no longer absorbable.

Due to the distinct nature of rulemaking for the California Building Standards Code, the success of the CBSC is heavily weighted on retaining veteran staff with their indispensable knowledge of the CBSC's program and policies, the code adoption cycles, related proposing and adopting state agencies, associated provisions in statute and regulation, building standards rulemaking, the building industry, local enforcement agencies, and the regulated community. Securing permanent positions is absolutely critical due to the specialized technical knowledge required for the development, maintenance, and publication of the California Building Standards Code.

Staff Comment. In previous years the commission received one limited-term position to address this workload. There is also a retired annuitant who is performing this work. The limited-term position will expire on June 30, 2018, and the retired annuitant will be leaving the position at the end of the fiscal year. The permanent positions requested serve to backfill those positions.

Issue 5: Building Standards Commission – Model Water-Efficient Landscaping Ordinance (AB 2515)

Budget. The Department of General Services, California Building Standards Commission (CBSC), requests an augmentation in expenditure authority of $208,000 (Building Standards Administration Special Revolving Fund) and one permanent position to meet the ongoing workload associated with Assembly Bill 2515 (Weber), Chapter 576, Statutes of 2016.

Background. AB 1420 (Laird), Chapter 628, Statutes of 2007, directed the Department of Water Resources (DWR) to form an independent technical panel (ITP) for providing information and recommendations to the DWR and the Legislature on new demand management measures, technologies, and approaches to water use efficiency. The DWR has solicited comments from CBSC and other appropriate state agencies with subject matter expertise on the Model Water-Efficient Landscaping Ordinance (MWELO) portion of the draft report to assist in its review and determination prior to submitting a finalized report to the Legislature. AB 2515 requires DWR on or before January 1, 2020, and every three years thereafter, to either update the MWELO or make a finding that an update is not useful or necessary. The bill also requires DWR to submit updates, if any, to the CBSC during the Title 24 triennial update process.

The requested permanent position will be used to meet the new requirements enacted by AB 2515 as well as the foreseeable ongoing workload. According to DGS, AB 2515 requires the CBSC to do the following:

• Study and become well-versed in existing MWELO regulations and the regular rulemaking processes for adopting such regulations into Title 23 of the California Code or Regulations.

• Continuously monitor current MWELO regulations and associated rulemakings.

• Provide ongoing coordination and assistance to DWR in synchronizing a standardized MWELO revision process with the triennial code adoption cycle.

• When MWELO updates are submitted by DWR, CBSC shall carry out the required administrative duties associated with publicly vetting and further developing and proposing for adoption MWELO updates into the California Building Standards Code, subject to the triennial code adoption cycle schedule.

• Routinely review and maintain any MWELO updates adopted into the California Green Building Standards Code Indirectly obliges CBSC's regular participation in providing technical comments concerning MWELO to DWR on all future ITP reports.

Legislative Analyst's Office. The LAO points out that the bill language does not require CBSC to conduct any specific monitoring activities. It is uncertain whether DWR will update the MWELO. If DWR does update then there may be additional workload for CBSC. However, it is premature to provide staff when it is not clear whether DWR will even propose an update to MWELO. The LAO recommends rejecting the proposal.

Staff Comment. The proposed workload is not consistent with the language in statute. The language does not require specific duties be performed by the commission, but requires DWR to submit updates to CBSC for consideration during its triennial revision process. Staff also notes that DWR has not submitted a proposal requesting additional resources to meet the requirements of AB 2515. Currently, it is unknown whether DWR will submit a MWELO update, thus it is uncertain whether CBSC will require the requested position.

Issue 6: Building Standards Commission - Exterior Elevated Elements (SB 465)

Budget. The Department of General Services, California Building Standards Commission (CBSC) requests an augmentation of $208,000 (Service Revolving Fund) and one permanent position to meet the legislative mandates enacted by Senate Bill 465 (Hill), Chapter 372, Statutes of 2016.

Background. SB 465 requires a working group formed by the CBSC to study recent exterior elevated element failures in the state, solicit technical expertise as appropriate, develop and submit a report to the Legislature containing any findings and possible recommendations by January 1, 2018, and submit any recommended changes to the California Building Standards Code. In April 2016, CBSC convened the required working group. In December 2016, the working group provided CBSC with an update of its work and in January 2017, CBSC voted to approve emergency regulations for exterior elevated elements.

Once adopted, building standard regulations demand ongoing review, analysis, and maintenance to account for the continuous advancements in building construction technology as well as changes in the needs and priorities of the state. The adoption of new building standards often necessitates the development of additional training, educational materials and subsequent amendments. Additional workload for the requested position after submission of the required report includes:

- Certification of compliance for exterior elevated element emergency building standards.

- Technical support to local enforcement agencies and the regulated community.

- Develop and issue Title 24 errata to address editorial and publication errors.

- Increased local building standard ordinance filing and review associated with the publication of additional or amended building standards.

- Increased education and outreach efforts necessitated by new changes to building standard adopted into the California Building Standards Code.

- Legislative bill tracking, analyses, and potential legislative proposals.

This current year request will include $150,000 to contract with a forensic engineering firm to investigate exterior elevated element related building materials, systems and components that fail or do not function as intended.

Legislative Analyst's Office. The LAO deems the workload associated with developing new standards under the emergency regulations as largely temporary and to most likely be completed within a couple of years. The LAO acknowledges that there may be future workload associated with Title 24 updates, but the level of that workload is uncertain and not likely to be sufficient to justify a permanent position. It is recommended that the Legislature modify the proposal to approve one position and $208,000 on a two-year limited-term rather than an ongoing basis.

Staff Comment. While there is certainly evidence that the workload for the requested position may be ongoing, there is no certainty. The subcommittee may wish to inquire about the workload associated with updating Title 24.

Issue 7: Electric Vehicle Charging Infrastructure and Budget Bill Language

Budget. The Office of Sustainability, within DGS, requests an ongoing augmentation of $6.7 million ($3.4 million from the Service Revolving Fund and $3.3 million General Fund) and three permanent positions to begin the installation of Electric Vehicle Service Equipment (EVSE) in state facilities. Funding will be used to assess, design, and install electric vehicle charging infrastructure to address the Governor's Executive Order B-16-12, Executive Order B-18-12, and the California Global Warming Solutions Act of 2006.

Electric Vehicle Service Equipment - Breakdown of Costs

	Unit cost	Contractor Costs	DGS Staff Costs	Contract Fee	Design/Soft Costs	Totals
Facility Assessments*						
Level 1 (2,448)	$ 550	$ 1,346,400	$ 147,966	$ 13,462	$ -	**$ 1,507,828**
Level 2 (1,493)	$ 650	$ 970,450	$ 106,672	$ 9,705	$ -	**$ 1,086,827**
Total Facility Assessments		**$ 2,316,850**	**$ 254,638**	**$ 23,167**	**$ -**	**$ 2,594,655**
*Total Contractor Assessment Costs Include the Following: Developing regional approach, conducting site visits, completing assessments and reviewing with client agencies, developing schedules and cost budgets.						
Fleet Infrastructure*						
Level 1 (57)	$ 5,250	$ 299,250	$ 44,011	$ 3,411	$ 101,745	**$ 448,417**
Level 2 (170)	$ 14,700	$ 2,499,000	$ 354,784	$ 27,329	$ 733,706	**$ 3,614,819**
Total Fleet Infrastructure	**$ 19,950**	**$ 2,798,250**	**$ 398,795**	**$ 30,740**	**$ 835,451**	**$ 4,063,236**
** Total Contractor Infrastructure Hard Costs Include the Following: Evaluate site conditions and constructability of plans and specs, submittals and RFIs, construction (including utility service infrastructure, hardware, and equipment costs) and system testing and activation.						
		Contractor Cost	**DGS Staff Costs**	**Contract Fee**	**Design/Soft Costs**	**Totals**
Grand Total		**$5,115,100**	**$ 653,433**	**$ 53,907**	**$ 835,451**	**$6,657,891**

The budget also proposes budget bill language (BBL) that requires DGS to certify that it has maximized non-state sources of funding prior to expending state funds.

Background. The Zero Emission Vehicle (ZEV) Action Plan, released by the Governor's Office in 2016, commits the state fleet to increase the percentage of zero emission vehicles purchased by state agencies by five percent each year, starting with 15 percent in 2017-18, and ending at 50 percent by 2024-25. DGS provides a variety of green and sustainable services to state agencies and serves as the "business manager" for the departments and entities under the executive Branch. As such, several statewide energy efficiency and greenhouse gas (GHG) reduction programs have been developed to facilitate emission goals for state facilities. Through existing programs, DGS has developed significant expertise in EVSE installation work.

The objective of this proposal is to provide funding for EVSE assessment, design, installation, and program oversight to support ZEV purchases in the state fleet, with a secondary goal of installing EVSE at workplace parking spaces in cases where it is especially cost effective to do so. When state agencies need to add or replace vehicles within its fleet, each agency is required to submit a fleet acquisition plan to DGS' Office of Fleet and Asset Management. State agencies must be able to demonstrate sufficient ZEV infrastructure to support an agency's existing and projected ZEV purchases in order to receive acquisition approval. Beginning in FY 2017-18, state agencies will be subject to a "ZEV/hybrid first" policy requiring state agencies to procure battery electric, hydrogen fuel cell, plug-in hybrid, and/or hybrid vehicles, in lieu of fossil fuel consuming, internal combustion vehicles and other specified vehicles when available in a comparable vehicle class on state contract.

This plan addresses the projected EVSE need in future years and has two phases. Phase one requires state agencies to conduct a five-year ZEV infrastructure readiness survey that evaluates and identifies current state fleet, parking facilities, and charging stations. Concurrently, DGS will assist departments in determining total need for EV infrastructure and in prioritizing sites needing assessment. Surveys were due to be submitted to DGS by February 15, 2017. As of March 17, 2017, DGS has received more than 50 percent of expected responses, and was in the process of contacting departments to gather the outstanding data. Additionally, agencies with 25 or more facilities were given the option to submit their survey results in two parts if they need additional time. Agencies choosing this option would still be required to submit all fleet data by February 15th, but would have until June 1, 2017, to submit non-fleet data. Once surveys are completed, DGS reviews them for completeness and advises agencies as they prepare their full five-year ZEV infrastructure readiness plans. The readiness surveys will form the foundation for each agency's phase two ZEV infrastructure plan.

In phase two of the five-year ZEV infrastructure plan, DGS will evaluate each agency's survey to ensure that both fleet and ZEV infrastructure planning is adequately addressed and prioritized. DGS will also work with agencies to identify multi-departmental and regional opportunities that make use of economies of scale for related ZEV infrastructure contracts and grants. At the conclusion of DGS' review, each agency shall begin conducting phase two site assessments; these assessments are detailed analyses of a facility's ability to support EVSE units and identify limitations. Prioritization should be given to state-owned facilities identified as being in need of EVSE improvements in order to support the agency's ZEV fleet procurements through FY 2020-21.

Implementation. The following table outlines the timeline for implementation.

Estimated timeline for work plan:	
Hire Staff	07/01/2017 – 10/31/2017
Survey Data Analysis and Funding	07/01/2017 – 08/31/2017
Assessments	11/01/2017 – 02/28/2018
Design and Engineering	03/01/2018 – 05/31/2018
Bid, Construction, and Activation	06/01/2018 – 12/15/2018
Program Oversight and Support	07/01/2017 – 04/01/2021

Legislative Analyst's Office. The LAO has several concerns with this proposal:

- The proposal provides only partial funding toward implementing the ZEV action plan. The current plan identifies a total cost of $110 million over the next five years through 2021-22, and would install roughly 6,100 electric charging stations. However, this proposal would fund only about one-third of those estimated costs—$34 million—over this same five-year period.

- It is unclear how requested funds will be spent in future years. The department has not specified how much of the funding in future years will go towards assessments, workplace charging stations for employees, and fleet charging stations.

- Other funding sources may be available. The Governor's proposal would provide $6.7 million annually towards ZEVs, with about half coming from the General Fund and half coming from various special funds. However, there are other funding sources that potentially could fund this program. Given other demands on the General Fund, it is worth fully exploring the feasibility of these and other funding sources before committing General Fund. The department indicates that it has been exploring the use of other funding sources, and its proposed budget bill language is intended to ensure that non-state funding sources have been maximized prior to expending state funds. However, some alternative state funding sources might only be available if the Legislature makes the necessary appropriation in the budget.

The LAO recommends limiting any funding provided to 2017-18 given uncertainties about the future plan for state government ZEVs. The LAO also recommends directing the department to report at budget hearings on other funding sources that could be available and its efforts to secure these sources.

Issue 8: School Construction Filing Fees Trailer Bill Language

Budget. The budget provides trailer bill language (TBL) that would allow DGS to adjust filing fees that accompany applications to construct or alter any school building (when costs exceed $100,000) in order to maintain a reasonable balance in the associated fund (Public School Planning, Design, and Construction Review Revolving Fund).

Background. Plans for the construction or alteration of any public elementary or secondary school building, as well as community colleges are required to be submitted to DGS for approval. A filing fee is also submitted to DGS with those plans. Currently, DGS has the authority to adjust the filing fee amounts within the below specified limits:

- For the first $1 million, the fee should not be more than 0.7 percent of the estimated cost.
- For project costs larger than $1 million, the fee should not be more than 0.6 percent of the estimated cost.
- In any case the minimum fee is $250.

The filing fees are used to pay the salaries of architects and engineers that review the plans submitted by school districts and community colleges. In recent years there have been several salary increases that have led to a request to increase fees. Increased sophistication of buildings leading to longer review times, and new building requirements has also necessitated this fee increase. Fees are generally collected at the time of plan submission and are then adjusted at the end of construction, if needed, due to any cost adjustments that were not predicted at the beginning of the project. The fee rate has not been adjusted since the 1990s.

The proposed TBL would adjust the fees as seen below:

- For the first $1 million, the fee should not be more than 1.25 percent of the estimated cost.
- For costs larger than $1 million, the fee should not be more than one percent of the estimated cost.

The TBL would also require DGS to reduce fees if the fund balance exceeds six months of expenditures.

In fiscal year 2016-17 the Public School Planning, Design, and Construction Review Revolving Fund received a loan from DGS' Service Revolving Fund. Proposed budget bill language would require this loan, and other similar loans, to be repaid as soon as there are sufficient funds in the recipient fund to repay the amount loaned and no later than 18 months after the date of the loan. The loan is expected to be repaid in 2017-18.

Staff Recommendation. Approve proposed trailer bill language.