

SUBCOMMITTEE NO. 4

Agenda

Senator Richard Roth, Chair
Senator Lois Wolk
Senator Tom Berryhill



Thursday, April 25, 2013
9:30 a.m. or Upon Adjournment of Session
Room 112

Consultant: Brady Van Engelen

Agenda Part B

Item Number and Title

0845	Department of Insurance
2240	Department of Housing and Community Development
7760	Department of General Services

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible.

AGENDA – VOTE ONLY ITEMS

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Issues Proposed for Vote Only:

	Issue	2013-14 Amount	Fund Source	Staff Recommendation
Department of Insurance (0845)				
1	Amendment to Budget Bill	\$218,000	Special Fund	APPROVE
2	Health Care Coverage	\$113,000	Special Fund	APPROVE
3	Reinsurance	\$119,000	Special Fund	APPROVE
Department of Housing and Community Development (2240)				
4	Emergency Solutions Grants Program	\$7.925 million	Federal Trust Fund	APPROVE
5	HOME Program Funding Reduction	-\$27.02 million	Federal Trust Fund	APPROVE
6	Headquarters Relocation	\$2.02 million (\$36,000 General Fund)	Special Fund/General Fund	APPROVE
Department of General Services (7760)				
7	Technical Adjustments	-\$3.6 million	Special Fund	APPROVE
8	Program Reductions	-\$5.6 million	Special Fund	APPROVE
9	Contracted Fiscal Services	\$610,000	Special Fund	APPROVE
10	Central Plant Renovation		Re-appropriation	APPROVE

Issues Proposed for Vote Only – Issue Descriptions**Department of Insurance****Issue 1 – Amendment to Budget Bill Item 0845-001-0217**

Spring Finance Letter: The 2013-14 Governor's budget includes a request for an increase of \$218,000 (Insurance Fund) in 2013-14 to address workload associated with AB 1083 (Chapter 852, Statutes of 2012) and SB 951 (Chapter 866, Statutes of 2012).

Background: AB 1083 gives the Department of Insurance (CDI) broad authority for emergency rulemaking in the small group market, for both grandfathered and non-grandfathered health insurance products. According to the Department of Insurance, the resources are necessary because the Department of Insurance currently has no additional capacity to absorb rulemaking procedures. To address the need for additional rulemaking capacity, the Department of Insurance is requesting \$79,000 and one six-month limited-term position.

SB 951 has added a need for additional policy form review responsibilities and a necessity to promulgate emergency rulemaking regulations. To address the additional workload, the Department of Insurance has requested an additional \$139,000 in expenditure authority from the Insurance Fund to promulgate regulations related to essential health benefit coverage, which was a requirement of SB 951.

Issue 2 – Health Care Coverage (AB 2470)

Governor's Budget Request: The Governor's 2013-14 budget includes a request for an increase in special fund authority of \$113,000 (Insurance Fund) for Fiscal Year 2013-14 and Fiscal Year 2014-15 to extend one two-year limited-term attorney position to address workload associated with AB 2470 (Chapter 658, Statutes of 2010).

Background: AB 2470 added a new provision to the Insurance Code, which provides a mechanism for the policyholder, certificate holder, or other insured, who alleges a policy has or will be cancelled, to request review by the Insurance Commissioner. Prior to AB 2470, there had been no formal process for a policyholder to obtain recourse. The measure calls for a review process, followed by a hearing, if necessary. Due to the administrative nature of the review process and the hearing process, CDI contends that the position is best suited for an attorney.

Issue 3 – Reinsurance (SB 1216)

Governor's Budget Request: The Governor's 2013-14 budget includes a request for an increase in special fund authority of \$119,000 (Insurance Fund) for Fiscal Year 2013-14 and one one-year limited-term position to address workload requirements from SB 1216 (Chapter 277, Statutes of 2012).

Background: SB 1216 provided for different categories of regulated insurers. While the measure brought the state into conformance with National Association of Insurance Commissioner's (NAIC) model laws and regulations, it will create additional workload for the CDI.

Department of Housing and Community Development

Issue 4 – Emergency Solutions Grant Program

Governor's Budget Request: The Governor's 2013-14 budget requests increased federal budget authority for the Emergency Solutions Grant Program. The request includes an increase of \$425,000 and 4.0 personnel years for state operations and \$7.5 million in local assistance.

Background: This request is in response to the U.S. Department of Housing and Urban Development (HUD) combining and expanding previous homeless assistance programs. Federal guidelines dictate much of the workload associated with the four requested permanent positions that will support state operations.

Issue 5 – HOME Program Funding Adjustment

Governor's Budget Request: The Governor's 2013-14 budget includes a request for a reduction in expenditure federal expenditure authority of \$1.02 million and 7.0 personnel years for state operations and \$26.0 million reduction in federal expenditure authority for local assistance.

Background: This request is in response to a decrease in federal funding for the Home Investment Partnership Program (HOME). The HOME program is the largest federal block grant program to state and local governments and was developed exclusively for the creation and preservation of affordable housing. California receives an annual formula-based allocation of funds, through a contractual agreement with HUD to provide several forms of assistance to build or rehabilitate single family homes or rental apartments for both low and very low-income households. In 2012 Congress authorized a total of \$1.0 billion in HOME funds nationally. The funding is provided by HCD to cities and counties not receiving direct HOME assistance from HUD and/or community housing development organizations in those cities and counties. Due to the decrease in available funding, HCD will be managing a smaller workload and has asked for a reduction in position authority, as well. This request includes a request for a negative adjustment in 2014-15, as well; reduction in federal expenditure authority of \$877,000 and 6.0 personnel years for state operations, and a reduction of \$9.0 million in local assistance.

Issue 6 – Headquarters Relocation

Governor's Budget Request: The Governor's budget includes a request for \$2.02 million (\$36,000 General Fund) to relocate the Department of Housing and Community Development headquarters.

Background: The Department of Housing and Community Development's (HCD) current headquarters will be required to relocate due to the current landlord exercising its option to not enter into a new lease with HCD. Subsequent to learning HCD headquarters would not be able to remain at the same location, HCD began the process of identifying a new location.

The total amount for this request is \$3.13 million. However, HCD has made a deposit into the Architectural Revolving Fund and will only be required to contribute the \$2.02 million included in this request. It is estimated that there will be \$274,000 in ongoing facility costs associated with the move. HCD has signed a lease for the new headquarters location and is expected to complete the move by August 2013.

Department of General Services

Issue 7 – Technical Adjustments

Spring Finance Letter: The Governor's budget requests technical adjustments to be made to the following items:

- 7760-001-0666 – increased by \$4.387 million
- Increase the Office of Administrative Hearings by \$961,000. The 2012 Budget Act includes funding to support a contract between the Office of Administrative Hearings and the Department of State Hospitals. The funding was inadvertently scheduled for reimbursements and a technical change will need to be made to restore the funding to its proper fund source.
- Increase item 7760-001-6057 by \$68,000 to correct a posting error related to the Office of Public Construction.

The Administration has requested that the following items be adjusted to accurately reflect the distribution of administrative costs associated with the Department of General Services.

- Increase item 7760-001-0002 by \$111,000
- Increase item 7760-001-0003 by \$27,000
- Decrease item 7760-001-0006 by \$50,000
- Increase item 7760-001-0026 by \$165,000
- Decrease item 7760-001-0328 by \$527,000
- Increase item 7760-001-0465 by \$39,000
- Increase item 7760-001-0602 by \$3.5 million
- Decrease item 7760-001-0666 by \$3.36 million
- Decrease item 7760-001-3091 by \$8,000
- Increase item 7760-001-3144 by \$31,000
- Increase item 7760-001-3245 by \$72,000

Background: This request will adjust funding distribution for administration to more accurately reflect the level of services being provided by various programs within the Department of General Services. The net impact results in a decrease of \$3.6 million contributed to the Service

Revolving Fund, which is the fund utilized for the payment of rent the cost of maintaining, operating, and insuring building space the purchase and sale of materials, supplies, and equipment; the rendering of services to state and other public agencies and, in connection for the employment and compensation of personnel and expenses.

Issue 8 – Program Reductions

Governor’s Budget Request: The Governor’s 2013-14 budget includes a request for a reduction of \$5.6 million and 22.5 positions in Fiscal Year 2013-14. This request includes trailer bill that will increase the requirement for review exemption by DGS to which contracts by state agencies can be awarded from the current \$75,000 to \$150,000.

Background: The Governor’s 2012-13 Budget included an unallocated reduction of \$59.08 million. However, the Department of General Services achieved a total of \$33.39 million and 45.5 positions in reductions in the 2012-13 fiscal year. DGS has identified additional positions and services that can be reduced in the budget year in order to achieve a greater level of savings:

- \$2.4 million and 15 positions reduction through implementation of a streamlined administrative process.
- \$1.2 million reduction to the Service Revolving Fund.
- \$1 million reduction to the Division of State Architects.
- \$656,000 and 6 positions from the elimination of the California Meeting Management Program.
- \$154,000 reduction associated with shifting defensive driver training courses to an online format.
- \$150,000 and 1.5 positions from raising threshold over what the DGS Office of Legal Services must review contracts for \$75,000 or more. This change will require trailer bill language to be adopted.

Issue 9 – Contracted Fiscal Services

Governor’s Budget Request: The Governor’s 2013-14 budget includes a request 6.0 positions and \$610,000 to perform fiscal functions for three new state agency clients.

Spring Finance Letter: The Administration has modified the original request and has asked that the request for \$660,000 be reduced by \$220,000. The workload and funding associated with those positions will be assumed by the California High Speed Rail Authority.

Background: The Governor’s Office of Business Development (Go-Biz) and the San Diego River Conservancy became clients of the Department of General Services Contract Fiscal Services (CFS) on July 1, 2012. The Fair Political Practices Commission, in an attempt to achieve cost savings, has requested to become a client of CFS on July 1, 2013. Additional workload requirements have also been generated by existing clients including: Office of System Integration and the Financial Information System for California. The requested positions will be funded through the Service Revolving Fund.

Issue 10 – Central Plant Renovation

Spring Finance Letter: The Governor's budget requests a reappropriation of the remaining balance of supplemental construction funds for renovation of a Central Plant located in Sacramento.

Background: The 2012 Budget Act extended the liquidation period for the Central Plant Renovation project's construction funds to June 30, 2013. However, three unresolved issues have extended the original project timeline and an extension of the liquidation period will be required to ensure that the project is complete by June 2014.

Issues Proposed for Discussion / Vote**0845 DEPARTMENT OF INSURANCE**

Department and Budget Overview. The California Department of Insurance (CDI) regulates the California insurance market and enforces the California Insurance Code, including conducting examinations and investigations of insurance companies and producers and responding to consumer inquiries. CDI reviews and approves insurance rates to enforce the statutory requirement that rates are not excessive or unfair. CDI also administers the conservation and liquidation of insolvent and delinquent insurance companies and fights insurance fraud, in conjunction with local and state law enforcement agencies. The January Budget provides CDI with 1,326.3 authorized positions and \$237.44 million (Insurance Fund, federal funds, and reimbursements).

Issue 1 – Health Benefit Exchange

Governor’s Budget Request: The California Department of Insurance (CDI) is requesting an increase of special fund authority of \$834,000 to fund seven attorney positions (six limited-term, one permanent) to support implementation activities, policy form review, and enforcement actions related to the California Health Benefit Exchange (Exchange).

Background: SB 900 (Chapter 659, Statutes of 2010) created the Health Benefit Exchange, which is an independent public entity. The measure required that the Insurance Commissioner, in coordination with the Director of the Department of Managed Health Care, review the federal Health and Human Services internet portal, prior to January 1, 2015, to determine whether it provides sufficient information to facilitate fair and affirmative marketing of all individual and small employer health insurance, particularly outside of the Exchange.

AB 1602 (Chapter 655, Statutes of 2010) enacted the California Patient Protection and Affordable Care Act (PPACA), and provided the Exchange with the operation authority, as well as the authority to implement the Exchange and navigator provisions of the Patient Protection Act by 2014.

Staff Comment: According to the request submitted by CDI, workload associated with the Exchange will only necessitate 3.5 positions in 2014-15. CDI has forecasted that it will only require one attorney position beyond the 2014-15 budget year.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Health Insurance Reform

Governor’s Budget Request: The California Department of Insurance (CDI) is requesting an increase in special fund expenditure authority of \$865,000 in Fiscal Year 2013-14 and 2014-15 to address the ongoing workload associated with health insurance reform.

Background: The Patient Protection Act and Affordable Care Act (PPACA) was enacted in 2010. Many of the provisions in federal law have already come into effect, while most of the components including health insurance exchange, will become operation on January 1, 2014. PPACA will have a significant impact on the regulatory requirements of CDI as well as changes to the health insurance marketplace in California.

Staff Comment: Limited-term resources were original approved in 2011-12 and this request reflects an extension of the same request for an additional two years.

Staff Recommendation: Approve as budgeted.

Issue 3 – Health Insurance Fraud

Governor’s Budget Request: The CDI is requesting an increase in special fund expenditure authority of \$6.2 million for Local Assistance for Fiscal Year 2013-14 and \$5.1 million ongoing, for increased workload for the local district attorneys to investigate and prosecute health and disability fraud. Also included is a request for an increase of \$1.1 million for state operations in 2013-14, and \$835,000 ongoing, to fund eight positions within the Fraud Division that support investigations related to the work on health and disability cases with the local district attorneys. This request also includes budget bill language to allow for current year expenditure authority adjustments to the Fraud Local Assistance Programs to align with available revenue designated for the programs.

Background: Prior to the passage of AB 2138 (Chapter 444, Statutes of 2012), revenue for the Fraud Health and Disability Program was derived from a special purpose assessment of up to \$0.10 annually for each insured under an individual or group insurance policy issued in California. AB 2138 provided CDI with additional revenue for local assistance and the Fraud Division by increasing the assessment amount to \$0.20 per insured. The assessment will be allocated 70 percent to local district attorneys and 30 percent to Fraud Division operations. The following is the proposed budget bill language.

0845-101-0217

Provisions:

1. *Notwithstanding any other provision of law, to the extent that the Department of Insurance determines by September 1 that additional revenue from fraud assessments is available for distribution, the Department of Finance may augment this item in Schedule (2) 20 – Fraud Control by up to 10 percent not sooner than 30 days after notification in writing is provided to the chairpersons of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee.*

Staff Comment: Staff has no issue with the requested funding or language.

Staff Recommendation: Approve as budgeted.

Issue 4 – Health Insurance Premium Rate Review

Governor’s Budget Request: The CDI is requesting a special fund expenditure authority increase of \$1.2 million (Insurance Fund) in Fiscal Year 2013-14, and ongoing, and to convert nine limited-term positions to permanent to address workload associated with health insurance rate filings.

Background: SB 1163 (Chapter 661, Statutes of 2010) began the process of aligning California’s laws with the federal health care reform. The passage of SB 1163 defined many of the roles that the CDI would have to take to implement health care reform. In Fiscal Year 2011-12, the Legislature approved nine two-year limited-term positions and one one-year limited-term position to address the workload associated with the review of health insurance rate filings and one-time rulemaking, as required by SB 1163.

The CDI has also utilized approximately \$2.5 million in federal funding to assist with the implementation of health care reform. However, the use of the federal funds is limited to carrying out specific requirements required by per each federal grant, and funding is limited to four years.

Staff Comment: Upon review of available federal moneys CDI has brought to staff’s attention that CDI’s expenditure authority could be reduced by \$576,000 in 2013-14. This will require an increase in federal fund authority of \$136,000 in Fiscal Year 2013-14. The second grant provided to CDI does not expire until September 30, 2014.

Staff Recommendation: Augment Federal Trust Fund Authority by an additional \$136,000 in Fiscal Year 2013-14. Decrease Insurance Fund expenditure authority by \$576,000 in Fiscal Year 2013-14.

Issue 5 – Rate Review – Predictive Model Analysis

Governor’s Budget Request: The CDI is requesting a special fund expenditure authority increase of \$350,000 in Fiscal Year 2013-14 and 2014-15, to engage outside consultants to assist in the technical analysis and additional workload involved in the review of predictive models.

Background: Insurers are increasingly using predictive modeling in development of their rates, particularly related to property and casualty catastrophes (e.g., fires, earthquakes). Due to the complex, technical nature of these filings, the Department currently does not have the expertise necessary to sufficiently review these rates and ensure they are not inadequate, excessive, or unfairly discriminatory, as required by Proposition 103 and California Insurance Code Section 1861.05(a).

Predictive models are computer programs that analyze past losses to identify additional risk attributes that are predictive of future claims. The requested funds would allow the Department to engage outside consultants to assist in the technical analysis and additional workload involved in the review of predictive models. The funding will also assist in training activities of Department staff. The Department contends that in two years they expect to hire and train staff with the necessary knowledge and ability to address the increasingly complex nature of predictive models.

Staff Recommendation: Approve as budgeted.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Department Overview: The mission of the Department of Housing and Community Development (HCD) is to preserve and expand safe and affordable housing opportunities and promote strong communities for all Californians. The HCD: (1) administers housing finance, economic development and community development programs; (2) develops housing policy and advocates for an adequate housing supply; and (3) develops building codes and regulates manufactured homes and mobile-home parks. The HCD also provides technical and financial assistance to local agencies to support housing development.

Budget Overview: The Governor's 2013-14 Budget proposes total spending of \$368.64 million (\$7.12 million General Fund) for HCD in 2013-14. The General Fund contribution for 2013-14 is slightly greater than the 2012-13 General Fund contribution. The large increase in personnel is the Governor's Reorganization Plan Number 2 (GRP2), the 2013-14 information for the California Housing Finance Agency is merging with this department.

Fund Source	2011-12	2012-13	2013-14
General Fund	\$7.32	\$7.04	\$7.12
Federal Trust Fund	\$137.21	\$150.65	\$131.51
Other Funds	\$367.77	\$180.88	\$230.01
Total Expenditures	\$512.30	\$338.57	\$368.64
Personnel Years	497.6	538.1	863.9

Issue 1 – Housing-Related Parks Program

Spring Finance Letter: The Governor's budget proposes a permanent baseline Local Assistance appropriation of \$25 million for new awards, pursuant to Proposition 1C Housing Related Parks Program (HRPP).

Background: In 2006, voters approved Proposition 1C, authorizing the largest housing bond in the nation. The new bond measure authorized an additional \$2.85 billion, most of which was used to support affordable housing efforts. The Housing-Related Parks Program, funded through Proposition 1C, was designed to encourage the construction of low-income housing units by providing funding to cities and counties that can be used for the development and renovation of parks for each qualified housing permit they issue. As of December 31, 2012 there is an estimated \$166 million available for award.

Staff Comment: While voters approved Proposition 1C in November 2006, the bond required the Legislature to adopt subsequent legislation to implement the Housing-Related Parks Program. AB 2494 (Chapter 641, Statutes of 2008) established the Housing-Related Parks Program, under the Administration of the Department of Housing and Community Development. It was originally anticipated that HCD would make roughly \$25 million in awards per year starting with awards for the 2009 calendar year. However, local governments only qualified for \$8.8 million in awards in 2010. HCD issued a Notice of Funding Availability (NOFA) again for the 2011 calendar year, and local governments qualified for only \$11.3 million. More recently, the Legislature has made an attempt to streamline the awards process of the Housing-Related Parks Program.

Staff Recommendation: Approve spring finance letter.

Vote:

Issue 2 – Housing Element Review

Governor's Budget Request: The Governor's 2013-14 budget includes a request for \$649,000 to fund five two-year limited-term positions from the Air Pollution Control Fund. This request is necessary to implement the state's only oversight role in reviewing and approving regional and local governments' housing land-use.

Background: State law requires each city and county to adopt a general plan containing at least seven mandatory elements including housing. Unlike the other general plan elements, the housing element is subject to detailed statutory requirements and mandatory review by a State agency, the HCD. Housing elements have been mandatory portions of local general plans since 1969. This reflects the statutory recognition that housing is a matter of statewide importance and cooperation between government and that the private sector is critical to attainment of the state's housing goals.

In 2007, the Legislature enacted SB 375 (Chapter 728, Statutes of 2007), which sought to help the state achieve greenhouse gas emission goals, outlined in AB 32 (Chapter 488, Statutes of 2006), by reducing vehicle emissions. SB 375 requires regional greenhouse gas reduction

targets, requires regional agencies to prepare land use plans that will help achieve the greenhouse gas reduction targets (known as a Sustainable Communities Strategy), and provides incentives for high-density, transit-oriented housing projects.

SB 375 links, for the first time, regional planning efforts for transportation and housing. Under the bill, all transportation and housing planning processes are put on the same eight-year schedule; housing plans must be updated once every eight years, which will now align with two four-year Regional Transportation Plan planning cycles. The single largest sector of greenhouse gas emitters are cars and light trucks. While greenhouse gas emissions can be reduced by creating more fuel efficient vehicles, it is also a necessity to reduce the number of miles traveled to achieve the state's standards. Specifically, SB 375 integrated and aligned planning for housing, land use, transportation and greenhouse gas emissions.

This change in timing will have dramatic impact on HCD. Instead of receiving housing elements on a staggered schedule, SB 375's changes require that 85 percent of the state's 539 cities and counties will be submitting housing elements in calendar years 2013 and 2014. According to HCD, most jurisdictions submit a draft nine months prior to their due date. HCD spends, on average, 120 hours of staff time per element review. Further compounding time requirements spent on each jurisdictional review is the fact that most local governments submit at least four drafts prior to final submission of an element review.

Staff Comment: HCD serves as the only state entity with the capacity to ensure that local governments are conforming to land-use strategies that will locate their higher density and infill housing closer to jobs, services and transportation modes. A reduction in overall vehicle trips and vehicle miles travelled are critical components of achieving Greenhouse Gas emission reduction targets. Furthermore, HCD's element review process supports removal of regulatory barriers to implementing the streamlining intended by SB 375.

Staff Recommendation: Approve as budgeted.

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.

Effective July 1, 2013, the Governor's Reorganization Proposal Plan Number 2 (GRP2) moves the Department of General Services to the newly created Government Operations Agency.

Budget Overview: The Governor's 2013-14 budget proposes \$1.01 billion dollars (\$7.08 million General Fund) and 3,592.4 Personnel Years. The Governor's 2013-14 budget request reflects an increase of \$7.2 million dollars (\$4.38 General Fund increase) were approved in the Fiscal Year 2012-13 Governor's budget.

Issue 1 – Agnews Developmental Center

Spring Finance Letter: The Governor's Budget request a one-time \$993,000 increase in Property Acquisition Law Money Account expenditure authority to support the surplus disposition of the Agnews Developmental Center.

Background: SB 136 (Chapter 166, Statutes of 2009) provides that the Department of General Services may dispose of any portion of approximately 85 acres of property located at the East Campus of the Agnews Developmental Center in San Jose. Pursuant to an agreement between the Department of General Services (DGS), Department of Developmental Services (DDS), and the Department of Finance (DOF), jurisdiction of the Agnews Developmental Center was transferred to DGS effective July 1, 2011. The Asset Management Branch of the Real Estate Services Division has requested the one-time \$933,000 increase in Property Acquisition Law Money Account expenditure authority to provide for property management services, security, fire protection, grounds keeping, repair costs and utilities at the Agnews Developmental Center.

Staff Comment: The Property Acquisition Law Money Account will receive a one-time loan from the General Fund, and the loan amount will be recouped upon completion of the sales transaction of the property.

Staff Recommendation: Approve the Spring Finance Letter request.

Issue 2 – Statewide Parking Repairs and Deferred Maintenance

Governor's Budget Request: The Governor's 2013-14 budget includes a request for a permanent augmentation of \$1.07 million to the Motor Vehicle Parking Facilities Account to address a number of structural and mechanical deficiencies in the Sacramento State Garage.

Background: The Motor Vehicle Parking Facilities Fund is a continuously appropriated account that is used for the development and management of state-owned parking facilities. The DGS operates the statewide parking program (program). The program supports the 21 state-owned parking facilities and provides monthly and daily parking to nearly 10,000 users each month.

The program generates revenue of approximately \$3.4 million annually. Approximately \$2.3 million pays for operating costs and general maintenance of the state garages and lots. Prior to 2012, the remaining \$1.1 million was used to pay for debt service on lease-revenue bonds. As of December 2012, the lease-revenue bonds have been paid in full. Therefore, the \$1.1 million requested by the Department of General Services can be redirected to pay for deferred maintenance of the state's parking-related assets.

Staff Comment: The Legislative Analysts Office (LAO) previously raised concern with the scope of the maintenance plan detailed by the DGS. DGS has subsequently modified their plan to address the scoping issues raised by LAO, and have expanded the use of the funds to all 21 state-owned parking garages.

Staff Recommendation: Approve as budgeted.

Issue 3 – Statewide Disability Access and Education Program

Governor’s Budget Request: The Governor’s 2013-14 Budget includes a request for a permanent augmentation of 5.0 positions and expenditure authority of \$532,000 (Disability Access and Education Revolving Fund) in 2013-14 to provide the necessary support to implement SB 1186 (Chapter 383, Statutes of 2012).

Background: The Division of State Architects (DSA), within the DGS operates the Certified Access Specialist Program (CASp). A CASp is an individual licensed by the state to evaluate accessibility of buildings. Since 2009, state law provides special protections to businesses inspected and certified by a CASp. DSA also performs regular audits of work performed by CASps.

SB 1186 made several changes to the state’s accessibility laws, including several related to the CASp program. Recognizing that this measure would require additional workload of CASps, the measure also addressed the need for additional CASps. To fund the workload the measure imposed a \$1 charge on all business licenses issued or renewed in the state from 2013 to 2018. Local government will retain 70 percent of collections and the remainder would go to the Disability Access and Education Revolving Fund to address the additional workload requirements. DGS estimates the fee to provide \$900,000 to the Disability Access and Education Revolving Fund annually.

Staff Recommendation: Approve as budgeted.

Issue 4 – Special Repairs: Americans with Disabilities Act Compliance

Governor’s Budget: The Governor’s budget requests an augmentation of \$11 million in Service Revolving Fund authority for special repair projects associated with Americans with Disability Act (ADA) compliance.

Background: Total repairs are projected to cost approximately \$110 million and will be conducted over the next ten years. The augmentation will require an increase in the Building Rental Account and the Individual Rental Rate, which are managed by the DGS. In 2009 DGS conducted a survey of all of the buildings with ADA deficiencies, and the study found deficiencies in nearly every building in the DGS portfolio. DGS has calculated that the repairs will require \$82 million and there is approximately \$28 million in deferred maintenance that will need to be addressed, as well. DGS has identified a ten-year timeline to complete the work identified in the deficiencies study.

LAO Recommendation: The LAO recommends that the Legislature reject the proposal because a temporary, across-the-board \$0.10 rate increase is an inappropriate way to fund special repairs across multiple facilities. The rental rates should be set at amounts sufficient to cover debt service, ongoing operations, and maintenance costs as well as build up a reserve for the repair or replacement of building systems and equipment.

Accordingly, the LAO recommends that the Legislature direct DGS to adjust existing rates to meet each facility’s individual needs over time. While more complex, such individual adjustments would result in rental rates that more accurately reflect the cost of operating and

maintaining each building. For buildings with significant ADA compliance issues and deferred maintenance, the new building rate may need to include a temporary multi-year increase to cover these one-time costs as well as an increase in the base rental rate to prevent the accumulation of additional deferred maintenance. For newer buildings, DGS also may determine that minor rate increases are needed to establish a sufficient reserve for future scheduled maintenance and special repairs.

Staff Comment: The Administration has noted that occupants, state entities, have little control over the condition of the building upon occupancy, which seems to be a more compelling case. The Assembly has approved this item as budgeted.

Staff Recommendation: Approve as budgeted.

Issue 5 – Real Estate Services: High Speed Rail

Governor’s Budget: The Governor’s Budget includes a request for a permanent augmentation of \$648,000 and five personnel year’s in order to assist California High Speed Rail Authority with real estate and legal services workload associated with property acquisition.

Background: On July 6, 2012 the Legislature approved construction financing for the initial stage of the California High Speed Rail project. The segment is to be completed by 2018 and completion of all four phases will be done by 2028. 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.

LAO Recommendation: The LAO has noted that the workload associated with this project is temporary. The process of acquiring Right-of-Way began in the current year and will continue through the 2015-16 Budget Year. LAO recommend that the workload associated with these positions be adjusted to two-year limited-term.

Staff Recommendation: Adopt LAO recommendation, to provide Real Estate Services with five two-year limited-term positions to the support California High-Speed Rail.