SUBCOMMITTEE NO. 4 Agenda

Senator Richard Roth, Chair
Senator Richard Pan
Senator Janet Nguyen

Agenda Part B

Thursday, May 7, 2015
9:30 a.m. or Upon Adjournment of Session
State Capitol - Rose Ann Vuich Hearing Room 2040

Consultant: Brady Van Engelen

Item Number and Title

0690	Office of Emergency Services
2240	Department of Housing and Community Development
7502	Department of Technology
7760	Department of General Services
7870	Victims Compensation and Government Claims Board
8940	California Military Department
8955	California Department of Veterans Affairs

(See Table of Contents on page 2 for a More Specific Listing of Issues)

AGENDA – VOTE ONLY ITEMS

AGENDA – DISCUSSION / VOTE ITEMS

Issues Proposed for Vote Only – Issue Descriptions

Department of Housing and Community Development (HCD)

Issue 1 – Funding for Housing Element Reviews

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

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 SB 375 amended the law so that local government housing elements were no longer updated over a staggered five-year schedule.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

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

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

Staff Comment: Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Recycled Water Systems for Residential Structures

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

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

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

Staff Comment: This item was first heard on March 26th. At that time, the action was to hold the item open and direct CBSC, HCD, and DGS, to discuss which entity would be the most appropriate to be the lead agency for a CEQA study and come back at the time of May Revision hearings with a request for funding for only one of the entities to conduct the study. The Administration has since come back and states that DGS will be the lead agency on the CEQA study and that the Administration will process a Control Section 1.50 next year to increase DGS reimbursement authority to receive funds from HCD for the study.

Staff Recommendation: Approved as budgeted, Department of Finance (DOF) will process a Control Section 1.50 to increase DGS reimbursement authority in order to receive the funds from HCD included in the BCP for the study.

Vote:

Issue 3 – California Public Utilities Commission (CPUC) Mobile Home Utility Conversion Program

Governor's Proposal. The Governor requests expenditure authority of $952,000 in 2015-16, $928,000 in 2016-17, and 464,000 in 2017-18 and eight permanent positions for a three-year pilot project.

Background. In February 2011, following a petition filed by the Western Manufactured Housing Communities Association (WMA), the CPUC opened a rulemaking proceeding to examine what could be done to encourage owners of mobilehome parks and manufactured housing communities (both referred herein as MHPs) to upgrade aging gas and electric distribution systems in an effort to enhance both public safety and service reliability for MHP residents.

On March 13, 2014, the CPUC issued a decision establishing a voluntary three-year pilot program authorizing each California investor-owned utility to convert 10 percent of master-metered gas and/or electric MHP spaces within its operating territory to direct utility service. Due to overlap in operating territories, the utilities have jointly worked to develop processes and procedures that will allow the implementation of the pilot program to be, generally, uniform and consistent throughout California.

The Mobilehome Park Utility Upgrade Program will begin January 1, 2015, and continue through to December 31, 2017. There was a 90-day open enrollment period, between January 1 and March 31, 2015, in which the CPUC's Safety and Enforcement Division accepted an initial application from MHP property owners interested in volunteering to participate in the program. The construction work related to upgrading the MHPs, requires building permits and associated inspections to ensure completed work meets code and is safe prior to moving over to the new system. The HCD serves as the building department for 80 percent of mobilehome parks and all mobile homes. As a result, HCD is requesting a staffing increase and related funding.

Staff Comments. This pilot project will help to address health and safety risks associated with aging gas and electric infrastructure in mobilehome parks. The request is for permanent staff for a program that ends December 31, 2017. It is reasonable that limited-term staff be used for a project that will only last three years. However, according to the DOF they are unable to request three-year limited term positions. Therefore, it is more reasonable that these positions be approved as two-year limited term, rather than permanent. In two years, the justification for permanent staff, based on initial results from the pilot project, can be revisited.

Staff Recommendation. Approve as budgeted; however, approve the eight positions as two-year limited term, rather than permanent.

Vote:

Department of Technology

Issue 1 – Gold Camp Data Center

Spring Finance Letter: The Department of Technology (CalTech) has requested to withdraw funding included in the Governor's budget for fiscal year 2015-16 totaling $206,000.

Background: The item is in reference to a capital outlay project located at Gold Camp Data Center. The $206,000 included in the Governor's budget represented funding to support preliminary plans for a new cooling tower and chiller at the Gold Camp Data Center. The need for the project was based on historical data usage. However, CalTech was able to refresh some of their older equipment with more energy efficient units and has lessened the need for the new cooling tower and chiller. Therefore, the requested resources will not be necessary for fiscal year 2015-16.

Staff Comment: Staff has no issues with this request.

Staff Recommendation: Approve spring finance letter requesting to eliminate item 7502-301-9730 from the Governor's budget.

Department of General Services

Issue 1 – Building Standards Commission

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

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

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

Staff Comment: This item was first heard on March 19th. At that time, the action was to hold the item open and direct CBSC, HCD, and DGS, to discuss which entity would be the most appropriate to be the lead agency for a CEQA study and come back at the time of May Revise hearings with a request for funding for only one of the entities to conduct the study. The Administration has since come back and states that DGS will be the lead agency on the CEQA study and that the Administration will process a Control Section 1.50 next year to increase DGS reimbursement authority to receive funds from HCD for the study.

Staff Recommendation: Approved as budgeted, DOF will process a Control Section 1.50 to increase DGS reimbursement authority in order to receive the funds from HCD included in the BCP for the study.

Vote:

California Department of Veterans Affairs

Issue 1 – Chilled Water Distribution System Renovation

Governor's Budget Proposal: The Governor's budget includes a request for the re-appropriation of $3.5 million ($1.7 million lease revenue bonds and $1.8 million federal trust fund), to renovate the chilled water distribution system located at Veterans Home California – Yountville (VHC- Yountville).

Background: The intent of the chilled water distribution system renovation is to address a number of system deficiencies, and to ensure that the Yountville home has the capacity to maintain a temperature within the Department of Public Health Service's standards. The Budget Act of 2011 provided CDVA with expenditure authority to address chilled water distribution system deficiencies at the VHC-Yountville facility. The total estimated project cost is $6.398 million and will be funded by the: 1) Veterans' Home Bond $497,000; 2) lease-revenue bonds $2.23 million; and, 3) Federal Trust Fund $3.66 million.

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

Staff Recommendation: Approve as budgeted.

Vote:

Issue 2 – Steam Distribution System Renovation

Governor's Budget Request: The Governor's budget includes a request for the re-appropriation of $3.38 million (lease revenue bonds) for the preliminary plans, working drawings, and the construction phase of the Veterans Home of California – Yountville (VHC-Yountville) steam distribution system renovation.

Background: The steam distribution system provides hot water to all 120 buildings located within the VHC-Yountville premise. It has been determined that the current steam lines have deteriorated beyond repair. Additionally, the steam lines are insulated with asbestos, which creates an unsafe working condition when repairs are needed on the current steam lines. Total project costs are anticipated to require $7.5 million, and will use a combination of both lease-revenue bonds and federal funds.

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

Staff Recommendation: Approve as budgeted.

Vote

Issue 3 – Igo Cemetery Water System Upgrade

Governor's Budget Request: The Governor's budget includes a request for $525,000 (General Fund) to construct a water pressure system at the Veterans Memorial Building – Igo, which is managed by the California Department of Veterans Affairs (CDVA).

Background: In 2010, CDVA entered into an agreement with the California Veterans Assistance Group for the purpose of building a veterans memorial building on the grounds of the Northern California Veterans Cemetery in Igo, which is located in Shasta County. According to terms in the lease agreement, a 2,200 square foot, faith-neutral veterans memorial building is to be donated to CDVA, upon completion. Construction of the memorial building was completed in 2011. Shortly thereafter, CDVA was notified by the Shasta County Fire Marshall that water system upgrades would be required in order to comply with state and local safety standards. CDVA has proposed to install underground piping that will connect to the city's water district and expand the capacity of the fire sprinklers to meet the minimum required coverage of 1,500 square feet.

Staff Comment: Staff does not have any concerns with this request.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 4 – Central Coast Veterans Cemetery Operations

Governor's Budget Request: The Governor's budget includes a request for $254,000 ($217,000 California Central Coast State Veterans' Cemetery at Fort Ord Operations Fund [Operations Fund], $37,000 Federal Trust Fund) and 2.6 positions for fiscal year 2015-16, and $452,000 ($17,000 Operations Fund, $435,000 Federal Trust Fund) and five positions ongoing to operate the California Central Coast Veterans Cemetery.

Background: AB 3035 (Laird), Chapter 291, Statutes of 2006, authorized the construction of a cemetery to be located at the former site of Fort Ord. The Central Coast Cemetery is designed to support the burial needs of approximately 177,000 veterans living within six surrounding counties; Alameda, Monterey, San Mateo, Santa Cruz, San Benito, and Santa Clara. Additionally, the Central Coast Cemetery includes 5,000 columbaria sites; an administration building with public information and restrooms; a maintenance yard and building; a committal shelter; and, a memorial area.

Staff Comment: Construction of the Central Coast Cemetery is scheduled to begin in January 2015, and is scheduled for completion in July 2016. The requested funds support partial operation costs, which include an administrator, one office technician, and three additional support staff. The Central Coast Cemetery is expected to be fully operational by fiscal year 2016-17.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 5 – Residential Care and Clinical Training

Governor's Budget Request: The Governor's budget includes a request for $3.599 million (General Fund) and 45 permanent positions to further support the care of veterans residing in the veterans homes operated by the California Department of Veterans Affairs (CDVA). Additionally, the Governor's budget includes a one-time request for $796,000 (General Fund) in order to train clinical staff. The total amount of support requested for fiscal year 2015-16 is $4.395 million.

Background: The California Department of Veterans Affairs (CDVA) has requested an additional 45 residential care unit leaders (RCULs) in order to comply with U.S. Department of Veterans Affairs care standards, which mandates that care be provided 24 hours a day, seven days a week. CDVA assessed a number of factors at each campus; including capacity of the facility, distance between buildings, and number of residents per building. From this, CDVA was able to determine that a total of 61 RCUL's were required. CDVA currently has sixteen RCUL's on staff, and would require an additional 45 to become compliant. The additional staff will be placed at Yountville (30), Barstow (9), and Chula Vista (6) homes within the CDVA veterans homes network. The requested staff is intended to ensure that 24 hour care can be provided to residents in the domiciliary care and the residential care units. The RCULs are responsible for assisting residents with daily living skills and ensuring that residents are provided with a clean and safe living environment. Many of the tasks performed by the RCULs were previously performed by member helpers, who were also residents that were tasked with additional duties.

In addition to the $4.599 million requested to provide additional staff to residents of the CDVA network of veterans homes, CDVA has requested that an additional $796,000 (General Fund) be provided to train clinical staff in accordance with updated standards per the International Classification of Disease (ICD-10). The training will be provided in a just-in-time fashion, beginning on July 1, 2015, and is intended to ensure that electronic health records and business processes are ready to go on October 1, 2015. The training will vary from free basic overview courses to more in-depth specialized long-term training, which can cost up to $2,000 per individual. CDVA has requested enough funding to cover an average of $500 dollars per individual.

Staff Comment: Staff has no issue with the requested resources related to the RCUL's. However, the subcommittee may want to determine what other state entities are seeking resources to train for compliance with ICD-10 during fiscal year 2015-16. If additional state entities are seeking resources to train staff, it may be worth considering if there are opportunities to partner with other state entities to coordinate staff-related training efforts.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 6 – West Los Angeles Food Service

Governor's Budget Request: The Governor's budget includes a request to augment the California Department of Veterans Affairs (CDVA) budget by $1.608 million (General Fund) and 65.5 positions in fiscal year 2015-16, and $3.165 million (General Fund) and 106 positions, ongoing, in order to convert contracted food service operations at the Veterans Home – West Los Angeles (VHC- WLA) to civil service.

Background: The VHC-WLA campus was designed and constructed without a fully functioning kitchen. During the design phase of the VHC-WLA, an agreement between the U.S. Department of Veterans Affairs and CDVA was reached that would allow for the U.S Department of Veterans Affairs facility to provide food services to the residents of the VHC-WLA campus. The close proximity to the U.S. Department of Veterans Affairs facility made the arrangement economical for the operation of the VHC-WLA campus. In 2011, the U.S. Department of Veterans Affairs chose not to continue with the agreement and CDVA had to contract with a private food vendor in order to accommodate the residents of the facility. In accordance with Government Code §19130, the CDVA is now required to convert the personal service contracts to civil service positions.

Staff Comment: CDVA began the process of converting 5,000 square feet of storage space to a full-service kitchen in March 2013. The Budget Act of 2014 appropriated $770,000 (Lease Revenue Bond) in order to expedite the construction of the kitchen at the VHC-WLA facility. The kitchen is expected to be fully operational in the fall of 2015.

Staff Recommendation: Approve as budgeted.

Vote:

Issues Proposed for Discussion / Vote

0690 OFFICE OF EMERGENCY SERVICES

Issue 1 – Southern Region Emergency Operations Center

Spring Finance Letter: The Office of Emergency Services (OES) has submitted a spring finance letter requesting $613,000 (General Fund) to provide acquisition and preliminary plans authority for a capital outlay project that will build a new emergency operations center at the Joint Forces Training Base, Los Alamitos.

Background: Currently, the OES Southern Region Emergency Operations Center, which is located at the California Military Department's Joint Forces Training Base, Los Alamitos, is housed in two modular buildings that total 7,200 square feet. The modular buildings were designed and constructed with the intent of providing a temporary shelter for the Operations Center, and have exceeded their ten-year life expectancy. In 2005, the Department of General Services' (DGS) Real Estate Division performed a study to determine the amount of space that needed for a new facility. The study, which took into account a number of factors; including the need for space and infrastructure to house the State Warning Center function as an alternate location, adequate space for state, local, and federal entities to collocate in the event of a disaster, and offer a self-sufficient phone system that would be immune from repeated failures of the base telephone switch. The DGS study found that approximately 30,000 square feet of office space should be utilized for the operations center. In 2014 an independent architect verified the findings made by DGS in 2005.

The project would require a construction cost of approximately $22.6 million to build a facility with the requirements identified by OES. This includes $5.5 million for a server room, VOIP technology, Wi-Fi access, phone and radio capabilities, and furniture and office warehouse equipment. The total cost for this project, including the requested funds for preliminary plans, working drawings, and construction is $24.59 million. According to the project schedule included in the spring finance letter, the project is expected to be complete by January 1, 2019.

LAO Comment: The LAO found that the proposal merits consideration. However, the LAO has recommended modifying the proposal to add provisional language that would allow OES to use the proposed funding only if the negotiated lease allows for the project to be funded through lease-revenue bonds. Funding through lease-revenue bonds has the benefit of spreading out the substantial construction costs over the useful life of the project and will create significant short-term savings for the state. Assuming a 25-year repayment period, the annual debt service on the lease-revenue bonds would be about $1.7 million annually. In contrast, if the project proceeds as proposed, it would require $24 million in General Fund costs in 2016-17.

Staff Comment: According to the proposal, this project would be financed entirely with the General Fund. However, the DOF has informed staff that they are attempting to secure lease terms for the land, which would allow for the project to be funded with lease-revenue bonds. It is worth noting that the overall cost of utilizing lease-revenue for this project may cost more in the long run. Annual debt service associated with this project would cost approximately $1.7 million per year. When payments are made over a 25-year term, the total debt service-related costs associated with this project would amount to approximately $40 million.

As part of the spring finance letter, OES included a set of requirements that would need to be met in order to facilitate a fully functional operations center. However, the spring finance letter did not identify which requirements spelled out in the spring finance letter are not being met by the current facility. A better understanding of what requirements are currently not being met would benefit this subcommittee in determining which alternative solution best fits OES needs.

Staff Recommendation: Hold this item open.

Vote:

Issue 2 – Railroad Accident Prevention and Immediate Deployment Force (RAPID)

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

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

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

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

Staff Comment: This item was heard in this subcommittee on March 19th. At the time there were a number of questions related to the Administration's proposed trailer bill. While this subcommittee appreciates the need for an immediate response force designed to address increasing hazardous materials traveling through the state, there appears to be a significant number of questions that remain. Addressing the proposed fee structure, ensuring continued oversight of the program by the Legislature, and maximizing the use of the new response force are just a few of the larger questions that will need to be addressed. Discussions of this nature are more suitable in a policy committee. Furthermore, the U.S. Department of Transportation has recently announced that it has revised the safety standards guidelines for the rail industry. The new regulations include several components; new tank-car standards, updated braking protocols, and possibly further revisions to energy products transported by rail.

Staff Recommendation: Reject proposed trailer bill, direct to appropriate policy committee.

7502– DEPARTMENT OF TECHNOLOGY

Issue 1 – Statewide Project Management Office (PMO)

Governor's Budget Request: The California Department of Technology (CalTech) requests an augmentation of $1.499 million (Technology Services Revolving Fund) in fiscal year 2015-16, and 11.0 permanent positions, to develop a new project management framework. $1.067 million of the increase is proposed as a loan from the General Fund to the Technology Services Revolving Fund, and is to be repaid by June 30, 2021.

Background: Historically, the state has relied on a decentralized approach to project management, tasking individuals within a department to manage IT project implementation. Under the decentralized approach, project management staff is expected to learn project methodologies and create a team to support the project implementation process. This approach often relies heavily on vendor support to assist with the project implementation process.

One of the primary challenges of utilizing a decentralized project management approach is the lack of experienced project management staff at the department level. Many project managers are starting from scratch; they lack experienced team members, structure, and have a limited understanding of project methodologies. Lessons learned from one project to the next are infrequently shared, and training is applied at varying levels.

To address the problems inherent in a decentralized approach, CalTech proposed moving to a centralized approach through the creation of a statewide project management office. This office would be responsible for the management of an IT project from the beginning to final deployment. CalTech eventually intends to consolidate much of the state's project management effort to one centralized location, where information sharing is more feasible, training can be applied in a more uniform fashion, and the personnel utilized for project management are experienced professionals, capable of managing more complex projects. The Budget Act of 2014 included 2.0 positions and $208,000 (General Fund) to begin the process of creating a statewide project management office at CalTech.

The CalTech budget is structured so that departments pay for services they receive directly from CalTech and the General Fund pays for the "statewide" activities of CalTech. As CalTech primarily provides services, most of the department is funded through the Technology Services Revolving Fund, which collects fees paid by customer departments for services provided by CalTech. As noted earlier, the Legislature approved a General Fund appropriation that would allow CalTech to create the foundation of the Project Management Office (PMO). CalTech's proposal includes a loan of $1.067 million from the General Fund in fiscal year 2015-16, that will support 8.0 positions within the project standards and support unit. The General Fund loan will bridge start-up costs until all staff expenses can be recovered through PMO fees to customers. The General Fund loan will be repaid by building the cost of the loan into future PMO rates.

CalTech is in the process of developing rates that are intended to be competitive with private sector rates.

Staff Comment: This item was originally heard on April 16th. At that time, concerns related to a potential conflict between CalTech's oversight role and project management role were raised. According to CalTech staff, this proposal includes a "firewall" that would place these two functions in different units within CalTech. Each unit would have a deputy director who would report to the director.

Another concern raised at the initial hearing on this topic was that the high-level schedule provided by CalTech does not specify when reportable outcomes will be established. On April 21st, the Assembly Budget Subcommittee No. 4 heard this issue and chose to adopt Supplemental Reporting Language (SRL). The SRL adopted by the Assembly would provide greater detail on many of the issues raised by the LAO, and would afford the Legislature to revisit the progress of the PMO during the next budget cycle. The SRL, would require that CalTech provide quarterly updates on the status of the pilots and a report to the Legislature within six months of completing the pilots. The final report should include (1) challenges that the pilot projects experienced, (2) lessons learned from the pilots, and (3) what revisions will be made in light of the lessons learned.

Staff Recommendation: Approve spring finance letter that provides the Department of Technology with an augmentation of $1.499 million (Technology Services Revolving Fund) in fiscal year 2015-16, and 11.0 permanent positions, to develop a new project management framework. $1.067 million of the increase is proposed as a loan from the General Fund to the Technology Services Revolving Fund, and is to be repaid by June 30, 2021. Adopt SRL described in staff comment, conforming to Assembly action.

Vote:

7760 – DEPARTMENT OF GENERAL SERVICES

Issue 1 – Mercury Cleaners Site Remediation

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

Background: A majority of the preliminary site investigation work for the Mercury Cleaners building site was completed in January and February 2014, and a Data Gap Completion Report was completed in May 2014, including findings, conclusions, and recommendations for additional site investigations, monitoring, and remediation work. The results indicate a significant level of contamination at the Mercury Cleaners building site.

The preliminary results of the report indicate a significant level of contamination in the Mercury Cleaners building site and confirms that releases of both tetrachlorethene or perchloroethene (PCE) and petroleum hydrocarbon based solvents (such as Stoddard Solvent) coincide with the locations of historic dry cleaning activities within the site building, thus strongly suggesting that the impacts to soil, soil vapor, groundwater, and indoor air quality at the Mercury Cleaners site are predominately the result of onsite releases. DGS received $3.7 million in one-time General Funding for 2014-15 for remediation of the Mercury Cleaners building site, including site investigation and assessment work.

To address the concern that it was unclear how much of the requested funding will be needed during 2015-16, staff has worked to draft budget bill language that provides DGS with the flexibility to address any issues at the Mercury Cleaners site and surrounding area, but also ensures that any unspent funding would revert back to the General Fund.

Proposed budget bill language: *Of the amount appropriated in this item, $7.6 million shall only be available for (1) the purchase of other structures near the Mercury Cleaners site, (2) demolition and abatement of these structures, and continued environmental remediation efforts on and off the Mercury Cleaners site related to the Mercury source contamination, (3) relocation of tenants, (4) administrative costs associated with these activities, and (5) abatement on the Mercury Cleaners site. Any unspent funds at the end of the 2015-16 fiscal year shall not be available to deposit into the Architectural Revolving Fund and shall revert to the General Fund.*

Staff Comment: This item was heard by this subcommittee on March 19th. At that time, staff noted that the work included in the description as part of the budget change proposal would likely not be completed by the end of fiscal year 2015-16. Staff believes the more prudent approach would be to provide funding for the project in a pay-as-you-go model, with which this budget bill language more closely aligns.

Staff Recommendation: Approve as budgeted and adopt placeholder budget bill language.

Vote:

7870 – VICTIMS COMPENSATION AND GOVERNMENT CLAIMS BOARD

Issue 1 – Government Claims Program

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

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

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

The number of claims received by GCP has reduced significantly, and the current funding model no longer supports the total costs associated with the administration of the GCP. In fact, revenues have declined so significantly that the VCGCB sought deficiency funding that required General Fund support during fiscal year 2013-14 through a supplemental appropriations bill.

LAO Comment: The LAO, in its review of the state's victim programs, found that the state lacks a comprehensive strategy for assisting crime victims, primarily because the state lacks a lead agency that is responsible for coordinating the state's efforts to assist victims. Specifically, the LAO noted that (1) victim programs lack coordination, (2) the state is likely missing opportunities for certain federal grants, (3) many programs are small and appear duplicative, (4) narrowly targeted grant programs undermine prioritization, and (5) limiting victim advocates to victim witness assistance centers hinders access to the California Victim Compensation Program (CalVCP).

According to the LAO, the Administration's proposal represents a start, however, the LAO notes that there are some additional changes that should be made to align the state's victim programs to better assist crime victims. Most notably, the LAO recommends identifying one agency to develop a comprehensive strategy for assisting victims, and to serve as the lead for the state's victim programs. In the LAO report, they note that for fiscal year 2015-16 there are 47 programs managed by four different state entities (VCGCB, OES, Department of Justice, and California Department of Corrections and Rehabilitation) that support a variety of assistance programs for victims of crime. The majority of the programs identified by the LAO provide grants to local agencies and community-based organizations to provide assistance to victims of crime. The table below provides additional detail on the different victim assistance programs provided by the state:

State Victim Programs

1. **Victim Compensation and Government Claims Board**
   a. California victim compensation program (CalVCP).
   b. Trauma recovery center grants.
   c. Good Samaritan program.
   d. Missing children reward program.

2. **Governor's Office of Emergency Services**
   a. Victim witness assistance program
   b. 39 other grant programs.
   c. Victim-related task forces.

3. **California Department of Corrections and Rehabilitation**
   a. Restitution collection and notification.

4. **Department of Justice**
   a. Victim assistance and information services

Staff Comment: Under this proposal, the GCP transition to DGS is a multi-year process. Included in this proposal is a budget request to increase DGS service revolving fund authority by $638,000 for fiscal year 2015-16. During consideration of fiscal year 2016-17 the GCP will transition to DGS, including making applicable statutory changes, for fiscal year 2016-17. Upon completing the transition, the VCGCB, beginning in 2016-17, would primarily focus on the administration of victims programs. Staff concurs with the LAO that the state should utilize this transition as an opportunity to develop a more comprehensive strategy to address the state's efforts with crime victim assistance. Staff would recommend adopting this proposal with supplemental reporting language (SRL) to address the consolidation of the state victim assistance programs under one agency, which should provide for a more comprehensive victim assistance program.

Staff Recommendation: Approve as budgeted, adopt supplemental reporting language requiring that an evaluation of the state's victim services be conducted. The SRL should, at a minimum: (1) evaluate and recommend changes to the number, scope and priority of state victim programs, and (2) ensure the state receives all eligible federal funds for victim programs.

Vote:

8940– CALIFORNIA MILITARY DEPARTMENT

Issue 1 – Work for Warriors

Background: Each year, over 30,000 troops complete their military service and return to California. Between the often difficult transition to civilian life and the still-recovering economy, these new veterans are facing an uncertain economic future. Many Iraq and Afghanistan veterans leave the active-duty military only to find that their skills are not understood by civilian employers. As of March 2015, the unemployment rate of veterans under the age of 35 was nearly double the state's overall unemployment rate of 6.9 percent.

To address this, the state has access to a number of programs that specifically assist veterans' reentry into the job market. Through its workforce services branch, the Employment Development Department (EDD) receives federal funding from the U.S. Department of Labor via the Workforce Investment Act of 1998 (WIA), the Wagner-Peyser Act of 1993, and the Jobs for Veterans State Grant. While WIA funds and Wagner-Peyser funds do offer some additional accommodations, the Jobs for Veterans State Grant is designed to provide funding for specialized staff to assist veterans in finding work and conducting outreach to employers on behalf of veterans. The three programs are summarized below:

- **Wagner-Peyser Act of 1993** – Provides EDD staff with resources for employment services for employers and job seekers, including veterans. Services are provided at job centers locations throughout the state, annual funding for this program totals $80 million.

- **Workforce Investment Act of 1998 (WIA)** – Provides a variety of employment and training services with funding categorized for youth, adult, and dislocated worker. Funding is disbursed at the local level to 49 workforce development boards that offer these services at job centers located throughout the state. Annual program funding for WIA totals $380 million.

- **Jobs For Veterans State Grants** – This program was created to provide veterans who face barriers to reentry into the job market with employment opportunities. Funding supports approximately 200 EDD staff throughout the state that provide case management through the Disabled Veterans' Outreach Program and job development services through the Local Veterans' Employment Representatives (LVER). Staff members are located throughout the state. Annual funding for this program totals $19 million.

Many of the programs described above have failed to meet program goals. Unfortunately, the unemployment/underemployment rate of veterans within the 25-34 year age group remains higher than the national average; in fact, according to the U.S. Department of Labor, California is one of the lowest performing states in the nation. In October 2013, the Bureau of State Audits (BSA) reviewed EDD's efforts to assist veterans gain entry to the job market and found that there were a number of issues with EDD's performance. Particularly, the BSA found that the EDD was using data that may not validate their performance statistics, did not review data to ensure that sensitive information wasn't being used inappropriately, and was not meeting goals as prescribed by the U.S. Department of Labor.

In addition to the programs managed by EDD, there are a number of federal programs that are designed to assist veterans with reentry into the job market. The U.S. Department of Veterans Affairs provides veterans with educational opportunities through the Post 9/11 G.I. Bill and the Montgomery G.I. Bill. Both G.I. bills pay for education, training, apprenticeship, licensing and certification for veterans. The Department of Defense, in coordination with several other federal entities provides employment assistance to separating and retiring military personnel through a program called the Transitional Assistance Program (TAP). In addition to both programs described above, the Internal Revenue Service (IRS) has offered tax credits to employers who employ veterans. The size of the credit has been contingent on how long the veteran has been unemployed prior to being hired and whether the veteran has a service-connected disability.

There are other programs that are more directly controlled at the state level which benefit veterans seeking reentry to the job market. The California Military Department has created the Work for Warrior (WFW) program, which was established in 2012 pursuant an interagency agreement with the Assembly. Prior to its establishment, members of the California National Guard and Reserves suffered from high unemployment rates. In 2012, the unemployment rate for the California National Guard and Reserves was approximately 14 percent, significantly higher than the national unemployment rate and California's overall unemployment rate. In response to the higher than average unemployment rate among service members, the California Military Department partnered with hundreds of companies within the state to directly place service members and their spouses in 4,000 jobs throughout the state. At the time, the Military Department was able to survey the California National Guard to determine the unemployment rate; however, the pool of eligibility for the WFW program has expanded substantially and now includes member of the Reserves and members of the active duty who are separating from the military. The eligibility pool has increased from 28,000 to over 65,000. Other states (South Carolina, Florida, and Michigan) have developed a model similar to the WFW, and the program has received recognition from the National Guard Bureau as a successful model for other states to follow.

Staff Comment: Given that California has historically failed to meet veterans-related performance goals set forth by the U.S. Department of Labor, it may benefit the state, and EDD, to collaborate with the CMD to expand the WFW program. Current year funding for the WFW totals $670,000 and 5.0 PY's. However, as noted above the program was funded for fiscal year 2014-15 via an interagency agreement with the Assembly. The interagency agreement, and funds that support the program, will expire on July 1. To address funding for future years the Legislature may want to consider utilizing discretionary WIA funds. The discretionary portion of WIA funds can be allocated on an annual basis to support target populations. In the past, some discretionary funds have been directed to support veterans reemployment efforts, unfortunately there were limited reportable requirements to determine the effectiveness of that investment. Connecting the WFW program, which does have reportable outcomes, with the discretionary funding could boost California's overall performance measures. While this subcommittee does not have jurisdiction over the use of discretionary WIA funds, steps can be made to ensure continued funding of the WFW program. Staff would recommend increasing the reimbursment authority of the Military Department by $670,000 to ensure that if discretionary WIA funds are made available, the Military Department has the budgetary authority to utilize those funds.

Staff Recommendation: Increase California Military Department reimbursment authority by $670,000.