

SUBCOMMITTEE NO. 4

Agenda

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



Thursday, May 18, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 2040

Consultants: James Hacker and Renita Polk

PART A

PROPOSED FOR VOTE-ONLY

<u>Item</u>	<u>Department</u>	<u>Page</u>
0690	Office of Emergency Services (OES)	3
	Issue 1: Nonprofit Security Grant Program – May Revision BCP	3
1111	Department of Consumer Affairs (DCA)	4
	Issue 1: Bureau for Private Postsecondary Education – Private Postsecondary Education Act (SB 1192)	4
	Issue 2: Board of Registered Nursing – Military Education and Experience	4
	Issue 3: Consumer Affairs Administration – BreZE System and Credit Card Funding	5
2240	Department of Housing and Community Development	6
	Issue 1: Community Development Block Grant Program	6
7760	Department of General Services (DGS)	7
	Issue 1: Electric Vehicle Charging Infrastructure – BCP and BBL.....	7
	Issue 2: State Office Infrastructure Plan (TBL).....	7
8940	California Military Department (CMD)	8
	Issue 1: Special Fund for Federally Funded Workers’ Compensation Claims – TBL	8

PROPOSED FOR DISCUSSION AND VOTE

Various Departments – Advocate Proposals	9
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Issue 1: OES Comprehensive Services for Trafficking Victims	9
Issue 2: OES Nonprofit Security Grant Program – Request for Additional Funding.....	10
Issue 3: California Humanities.....	10
Issue 4: Armenian-American Museum Funding.....	11
0651 Office of Planning and Research	12
Issue 1: Precision Medicine	12
Issue 2: State Board of Education Accountability System Support.....	13
0690 Office of Emergency Services (OES).....	14
Issue 1: Reduction in California Disaster Assistance Act Funding and State Operations Center Funding – May Revision.....	14
Issue 2: Emergency Water Tank Program Continuation – May Revision.....	15
0850 California Lottery Commission	17
Issue 1: Payments to Lottery Winners – May Revision TBL	17
1111 Department of Consumer Affairs (DCA).....	18
Issue 1: Consumer Affairs Administration – Organizational Change Management (SOLID). 18	
2240 Department of Housing and Community Development	19
Issue 1: No Place Like Home Program.....	19
7760 Department of General Services (DGS)	20
Issue 1: Stale Dated Warrants – May Revision TBL	20
Issue 2: R Street Parking Structure Acquisition – May Revision BCP and TBL	20
8260 California Arts Council	22
Issue 1: Restoration of 2016-17 Funding.....	22
Issue 2: Arts Council Director – May Revision TBL	22
8940 California Military Department	23
Issue 1: Work for Warriors	23
Issue 2: Revision of Provisional Loan Language – May Revision.....	23
8955 Department of Veterans Affairs (CalVet).....	26
Issue 1: Veterans Homes Greater Los Angeles and Ventura County Bed Conversion – May Revision BCP.....	26

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ITEMS PROPOSED FOR VOTE-ONLY**0690 OFFICE OF EMERGENCY SERVICES (OES)****Issue 1: Nonprofit Security Grant Program – May Revision BCP**

Governor’s Proposal. The Governor’s May Revision includes a \$500,000 appropriation (Anti-Terrorism Fund) for the Nonprofit Security Grant Program (NSGP).

Background. The U.S. Department of Homeland Security’s Federal Emergency Management Agency (FEMA) administers the NSGP. The program provides support for target hardening and other physical security enhancements to nonprofit organizations that are at high risk of terrorist attack and located within one of the specific Urban Area Security Initiative (UASI)-eligible urban areas. The program seeks to integrate the preparedness activities of nonprofit organizations that are at high risk of a terrorist attack with broader state and local preparedness efforts. The NSGP also serves to promote coordination and collaboration in emergency preparedness activities among public and private community representatives, as well as state and local government agencies.

The 2015-16 budget act provided \$2 million to supplement and enhance the federally-funded NSGP. OES established the NSGP with the \$2 million appropriation. NSGP grant funding is awarded on a competitive basis. Scoring criteria was established and grants were awarded for the top-scoring applications until all allocated funding was awarded. Scoring criteria was based on threat, vulnerability, and consequence faced by a specific facility/location. Allowable costs are focused on target hardening activities.

Staff Comment. The subcommittee will hear an advocate proposal that requests \$1.5 million for the Nonprofit Security Grant program in addition to the \$500,000 requested in the Governor’s May Revision proposal.

Staff Recommendation. Approve Governor’s May Revision proposal for a \$500,000 appropriation for the NSGP.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)

Issue 1: Bureau for Private Postsecondary Education – Private Postsecondary Education Act (SB 1192)

Governor’s Proposal. The Bureau for Private Postsecondary Education requests \$1,008,000 in fiscal year 2017-18, and \$928,000 annually thereafter, to fund ten positions to implement the provisions of Senate Bill 1192 (Hill), Chapter 593, Statutes of 2016. The bureau also requests a one-time increase of \$1 million in 2017-18 to fund relocation costs and \$250,000 in 2017-18 and annually thereafter for increased rent costs.

This proposal requests funding and position authority as follows:

- \$180,000 in 2017-18, and \$164,000 annually thereafter, to fund two Staff Services Analysts (SSA) to regulate out-of-state institutions offering distance education to California students.
- \$629,000 in 2017-18, and \$581,000 annually thereafter, to fund one Office Technician (OT), two Associate Governmental Program Analysts (AGPA), one Associate Information Systems Analyst (AISA), one Research Program Specialist (RPS) I, and one Career Executive Assignment A (CEA A) to establish and maintain the Office of Student Assistant Relief (OSAR).
- \$199,000 in 2017-18, and \$183,000 in 2018-19, to fund one SSA and one AGPA to receive and process claims anticipated to be submitted by Corinthian students upon the Student Assistance Relief Fund (STRF).
- \$1 million one-time in 2017-18 for relocation costs, and \$250,000 in 2017-18 and annually thereafter, for increased rent costs.

Staff Comment. The subcommittee considered this proposal at its March 9, 2017 hearing.

Staff Recommendation. Modify proposal to approve the ten positions for three years.

Issue 2: Board of Registered Nursing – Military Education and Experience

Governor’s Proposal. The Board of Registered Nursing is requesting three Nursing Education Consultant (NEC) positions, and \$389,000 in fiscal year 2017-18, and \$365,000 ongoing, to ensure all approved nursing programs have a method(s) to evaluate military education, experience, and training that may qualify to meet nursing education requirements; and evaluate military education, experience and training at the time of application to qualify to take the National Council Licensure Exam - Registered Nurse (NCLEX-RN) and obtain licensure in California.

Staff Comment. The subcommittee considered this proposal at its March 9, 2017 hearing.

Staff Recommendation. Modify proposal to provide \$130,000 in fiscal year 2017-18 (\$122,000 ongoing), and one permanent position.

Issue 3: Consumer Affairs Administration – BreEZe System and Credit Card Funding

Governor’s Proposal. DCA’s Consumer and Client Services Division (CCSD), is requesting appropriation authority of \$16,762,000 in fiscal year 2017-18, \$19,450,000 in 2018-19, and \$4,619,000 ongoing, for the continued support of BreEZe Maintenance & Operations (M&O). The total costs are based on system support costs and projected workload pertaining to the BreEZe M&O activities for 2017-18 and 2018-19 and 43 positions to support the system.

This request also includes \$3,033,000 in 2017-18 and ongoing for all boards and bureaus to fund credit card processing fees on behalf of users of credit card payments through the BreEZe system.

Staff Comment. The subcommittee considered this proposal at its March 9, 2017 hearing.

Staff Recommendation. Approve as requested, but reduce DCA’s Accenture contract by \$1 million in 2018-19.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Issue 1: Community Development Block Grant Program**

Governor's Proposal. The Governor's January budget requested one position and \$157,000 (General Fund) ongoing, to meet the federal match requirement for California's Community Development Block Grant (CDBG) program and streamline the CDBG program in response to reduced federal funding levels. This proposal includes trailer bill language.

This item was first heard in Budget Subcommittee No. 4 on April 27th.

Background. CDBG has proposed trailer bill language to streamline the program to address some of these issues. Specifically, HCD proposes changes including reducing the set-aside for economic development projects (which are often undersubscribed), speeding the redistribution of unused funds, and clarifying the uses of program income (income generated and returned to local governments after initial project award), as well as reducing the number of activities eligible for funding. The requested position is intended to implement the changes resulting from this trailer bill and to meet the required state match for federal CDBG funds.

Staff Comments. HCD's proposal to streamline the CDBG program is not without merit. However, the proposed trailer bill language was drafted without significant input from local governments and other involved stakeholders, and would likely negatively impact rural and low-income communities that rely on the program. The department should work with those impacted stakeholders to determine ways to streamline the program without negatively impacting those communities. In the meantime, the department should continue to operate the program as it has for the last several years.

Staff Recommendation: Approve the requested permanent position. Reject the proposed trailer bill language and adopt placeholder trailer bill language for CDBG to work with impacted stakeholders to develop a workable approach to streamlining the program.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)**Issue 1: Electric Vehicle Charging Infrastructure – BCP and BBL**

Governor’s Proposal. The DGS Office of Sustainability 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.

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.

Staff Comment. The subcommittee considered this item at its March 30, 2017, hearing.

Staff Recommendation. Approve budget bill language and funding for 2017-18, but reject funding for the out years.

Issue 2: State Office Infrastructure Plan (TBL)

Governor’s Proposal. The budget includes a proposal to eliminate the \$300 million deposit to the State Building Infrastructure Fund (SPIF) that was planned for 2017-18, through trailer bill language. The funding was to be used to partially fund new state buildings, consisting of the O Street Building, Resources Building and Capitol Annex. As a result of the reduction and other factors, the Administration has also notified the Joint Legislative Budget Committee (JLBC) regarding the building projects, which could have an impact on the financing plans.

Background. The 2016-17 budget established the SPIF and provided \$1.3 billion from the General Fund to the SPIF over two years. The \$1.3 billion is intended to provide pay-as-you-go funding to replace three state buildings the Food and Agriculture Annex (O Street Building), Natural Resources Building, and State Capitol Annex. The fund is continuously appropriated for the renovation and construction of state buildings. The statutory language governing the fund allows the Administration to establish and move forward with projects funded by the SPIF without having to receive legislative approval through the traditional state budget process, as is typically required for capital outlay projects. Instead, the language requires the Administration to provide certain notifications and quarterly reports to the Legislature related to SPIF-funded projects. Since the passage of the 2016-17 budget, the Administration has been moving forward with the O Street Building and the new Natural Resources Building, including providing a notification of its intent to spend a total of \$14.9 million from the fund on the development of the cost, scope, and delivery method for these buildings in a notice to the JLBC in February 2017.

Staff Comment. The Administration state project plans continue to be somewhat in flux, but given the slight tightening of state finances, the proposed cancellation of the \$300 million deposit to the SPIF is fiscally prudent.

Staff Recommendation. Adopt proposed trailer bill language.

Vote:

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)

Issue 1: Special Fund for Federally Funded Workers' Compensation Claims – TBL

Governor's Proposal. The CMD requests that a special fund be established for the one-time deposit of \$4.5 million in federal funds, ongoing authority to receive federal monies into the special fund for workers' compensation premiums that are charged to federal cooperative agreements, and ongoing expenditure authority from the special fund to pay workers' compensation claims filed by employees who are funded through federal cooperative agreements. Trailer bill language is proposed to establish this fund.

Staff Comment. The committee considered this item at its May 11, 2017 hearing.

Staff Recommendation. Approve as requested and adopt proposed TBL.

PROPOSED FOR DISCUSSION AND VOTE**VARIOUS DEPARTMENTS – ADVOCATE PROPOSALS****Issue 1: OES Comprehensive Services for Trafficking Victims**

Proposal. The subcommittee received a proposal requesting \$15 million (General Fund) in ongoing funding to support victims of human trafficking and conduct the first comprehensive study on the prevalence of human trafficking in California. The funds would be distributed by OES through a grant program to service providers.

Background. According to the National Human Trafficking Resource Center (NHTRC), California ranks at the top of the NHTRC hotline calls. In 2015, 3,609 calls were received from California, with a total of 979 human trafficking cases reported. California is particularly vulnerable to human trafficking because of factors such as large runaway and homeless youth populations, proximity to international borders, the number of ports and airports, a significant immigrant population, and a large economy including industries that attract forced labor. Service providers in California currently report wait lists for trafficking victim services and law enforcement partners struggle to find shelter for victims they have identified.

In 2014, the Legislature approved a \$10 million one-time funding request for organizations providing comprehensive direct services to victims of trafficking. The next year, in 2015, the Legislature again approved a request for \$10 million in one-time funding for the same purpose. OES solicited funding proposals from service providers for an allocation of funds over a 24-month grant period, which ends December 31, 2017.

This request consists of six components:

1. Case management resources. Survivors who have been long-term victims of abuse and trauma, often since childhood, are in need of comprehensive case management services in order to access specific recovery programs. Existing systems often struggle with addressing the specialized needs of trafficking victims. Having specialized case managers to help with life skills, transportation, employment, education, access to medical and mental health services and other basic necessities is essential to any trafficking survivor's recovery. This consistent trusted advocate is important to ensure stability during a survivors' journey to stability in a new life.
2. Legal resources. Trafficking victims have some of the most complex legal needs, spanning all court systems, including claims for immigration, criminal, and civil relief. Trafficking victims' legal needs are often more complex than other victim groups because too often they have been arrested and criminally charged with crimes their trafficker forced them to commit. Specialized attorneys are needed to interface with all the complex legal system trafficking survivors must face.
3. Shelter resources. Trafficking victims are often vulnerable to exploitation because they do not have traditional safety nets of support and often have no place to go. Service

provider experience shows that victims may return to their trafficker if they are not provided with appropriate housing. Providers report that law enforcement partners often arrest trafficking victims to get them shelter and other services as there are no other local options for them. “Safe, long-term shelter is particularly scarce for male and underage sex trafficking victims,” as many programs restrict beds to female victims of trafficking.

4. Training and technical consultation resources. Training and technical consult for existing programs and other first responders such as medical & mental health providers is critical to ensure appropriate services for trafficking victims when referred to these essential services. Additionally, increased awareness and education will ensure early identification and prevention of trafficking in California by giving the tools and knowledge to those individuals in California best situated to identify and prevent potential cases of human trafficking.
5. Prevalence study. While California is estimated to have the highest rates of trafficking in the United States, there is no comprehensive, robust statewide research on the annual number of victims, the nature of the trafficking (sexual exploitation vs. labor exploitation), demographic breakdowns of victims, or concentrations of victims in particular geographic areas within California. This study will involve data mining of reported cases, accessing intake records from victim service providers, and selected locations for primary data collection. Collecting robust data will assist both law enforcement and service providers in understanding the scope and severity of human trafficking in California.
6. Evaluation of service providers. While there are dozens of service providers offering assistance to trafficking victims in California, the effectiveness and quality of these services has not been rigorously studied. An evaluative study is crucial to ensure that California’s funds are being well-spent in the most targeted and strategic way possible, in order to provide the greatest number of victims with the highest quality of care.

Issue 2: OES Nonprofit Security Grant Program – Request for Additional Funding

Proposal. The subcommittee received a proposal requesting a \$1.5 million appropriation to expand the Nonprofit Security Grant program (NSGP) in OES.

For background information on the NSGP please see page 3 of this agenda.

Issue 3: California Humanities

Proposal. The subcommittee received a proposal requesting a \$500,000 appropriation for the nonprofit organization California Humanities.

Background. The California Humanities was founded in 1975 as a granting and programmatic organization that promotes the humanities as relevant, meaningful ways to connect Californians

in order to become a better California. The organization produces, funds, creates, and supports accessible humanities-based projects and programs across the state.

Issue 4: Armenian-American Museum Funding
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Proposal. The subcommittee received a proposal requesting a \$1 million appropriation for the next three fiscal years to fund the Armenian-American Museum.

Background. The Governor's May Revision included \$1 million in funding for the Armenian-American Museum. This request would increase that to a total of \$2 million for 2017-18, and provide \$1 million in 2018-19 and 2019-20.

0651 OFFICE OF PLANNING AND RESEARCH**Issue 1: Precision Medicine**

Governor's Proposal. The Governor's Office of Planning and Research (OPR) requests for funding of \$10 million in General Fund in Fiscal Year (FY) 2017-18 for continued administration and investment in the California Initiative to Advance Precision Medicine (CIAPM).

Background. In April 2015, the OPR launched the California Initiative to Advance Precision Medicine, with an appropriation of \$3 million in FY 2014-15. The University of California, San Francisco (UCSF), was selected as the lead partner to OPR, in collaboration with UC Health, which represents UC's academic medical centers and health professional schools.

The initial \$3 million appropriation was used to support two precision medicine demonstration projects (awarded through a competitive, peer-reviewed process similar to the National Institutes of Health), an initial phase of an asset inventory database, one administrative position, and professional convenings related to grant making and policy development. In FY 2016-17, an additional \$10 million was appropriated to OPR to build on the initiative through additional grant making, which resulted in six new demonstration projects receiving awards following a second statewide competitive, peer-reviewed process, and funding of other related activities, including contract and grant oversight, economic analysis of precision medicine, and next phase of asset inventory. Follow-on funding for previously awarded projects is also allowed under this appropriation.

LAO Comments. The LAO has not provided comments on this proposal. However, the proposal is very similar to a request made last year. The LAO provided the following comments on that proposal:

What Is the State's Role in Funding Research? California's academic and research institutions conduct a wide variety of research with the potential to improve Californians' health and wellbeing. Most of the state's research institutions, including UC, receive a majority of their direct funding for research from federal, private, and other non-state sources. The state currently does not have a framework for prioritizing the allocation of General Fund monies across various research topics. Without such a framework, it is difficult to evaluate the Governor's proposal. Factors that may be reasonable to consider include:

- Are federal resources for the research inadequate?
- Are economic incentives insufficient to spur privately funded research?
- Could the research yield benefits that are particularly important for California?

Based on these criteria, we find it difficult to justify allocating state funding for precision medicine research over other research areas.

We also note that, in addition to previous federal allocations, Congress recently appropriated \$190 million in federal funds for precision medicine research in 2017 (H.R. 244).

Staff Comments. Precision medicine aims to use advanced computing tools to aggregate, integrate, and analyze large amounts of data from research, clinical, personal, environmental, and population health settings to better understand diseases and develop and deliver more precise diagnostics, therapeutics, and prevention measures.

While precision medicine has a great deal of promise, staff shares some of the LAO's concerns. Specifically, staff notes that OPR has not fully explained why the state is the appropriate funding source for this activity, nor does the proposal seem consistent with previously-passed trailer bill language directing OPR to manage the program in a competitive manner. However, this request is consistent with previous legislative decisions.

Staff Recommendation: Hold open.

Issue 2: State Board of Education Accountability System Support

Governor's Proposal. The Governor's May Revision requests \$280,000 in non-Proposition 98 General Fund for Fiscal Year (FY) 2018-19, and \$572,000 annually for FY 2019-20, 2020-21, and 2021-22 to support three limited-term positions for the State Board of Education's implementation of the Local Control Funding Formula (LCFF) as authorized by Assembly Bill 97 (Committee on Budget), Section 115 of Chapter 47, Statutes of 2013, as amended by Section 56, Chapter 357, Statutes of 2013.

Background. On July 1, 2013, the Governor signed Assembly Bill (AB) 97 (Chapter 47, Statutes of 2013) to enact the Local Control Funding Formula (LCFF). The LCFF is designed to enhance the allocation of resources, integrating the budgets with locally approved goals, services, and actions for local educational agencies (LEAs) to improve student outcomes.

The 2013 Budget Act provided \$2 million non-Proposition 98 General Fund to the OPR to support the Board's implementation of the LCFF by funding two full-time limited term positions and contracted services through FY 2015-16. The 2016 Budget Act appropriated additional limited-term funding to extend these two full-time limited-term positions, and to add a third position through December 30, 2018. This proposal would allow the Board to maintain these three positions through FY 2021-22.

Staff Comments. This funding will continue to support limited-term positions for the SBE to continue workload related to developing and supporting components of the LCAP, the California School Dashboard and the accountability system for K-12 education. The tools provided through the SBE in collaboration with the CDE, county offices of education, and the CCEE are critical in providing the guidance and support structure to ensure schools and districts are meeting the needs of students.

Staff Recommendation: Approve as budgeted.

0690	OFFICE OF EMERGENCY SERVICES (OES)
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Issue 1: Reduction in California Disaster Assistance Act Funding and State Operations Center Funding – May Revision
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Governor’s Proposal. The Governor’s May Revision includes a decrease of \$18.8 million (General Fund) in California Disaster Assistance Act (CDAA) to reflect updated CDAA projections.

The Governor’s May Revision also includes a decrease of \$3.5 million (General Fund) to reflect the removal of funding for the State Operations Center (SOC) drought response activities.

Background. The Governor’s January budget proposed \$56.7 million (General Fund) for the CDAA to support activities primarily related to drought. Executive Order B-40-17 lifted the Governor’s previous drought declaration in all but four counties. This action eliminated the need for OES to provide response support for the drought in the SOC.

Updated CDAA projections reflect the elimination of \$22.2 million requested for drinking water and a reduction of \$28 million for tree mortality. Details on the proposed changes compared to the January budget is below.

California Disaster Assistance Act (CDAA) Funding (in millions)

	Governor's Budget	May Revision	Difference
CDAA Base Budget	39.1	39.1	0
Proposed Changes to CDAA			
Tree Mortality	30	2	-28
Emergency Drinking Water ¹	22.2	0	-22.2
2016-17 Storms		20.5	20.5
Other	1	11.9	10.9
Subtotal of Proposed Changes	53.2	34.4	-18.8
Total Proposed CDAA Funding	92.3	73.5	-18.8

¹The May Revision also includes an increase of \$6.5 million in emergency drinking water assistance provided outside the CDAA program.

Legislative Analyst’s Office (LAO). Consistent with the recommendation on the CDAA funding proposed in January, the LAO recommends that the Legislature direct OES to make requests for changes to CDAA funding through budget proposals rather than as adjustments to the department’s base funding amount.

Staff Comment. OES will shift the focus of CDAA efforts to provide disaster assistance associated with three severe winter 2016-17 storms, as well as closing out older disasters in the neediest counties.

Issue 2: Emergency Water Tank Program Continuation – May Revision

Governor’s Proposal. The Governor’s May Revision includes \$6.5 million (General Fund) local assistance funding for OES to continue the emergency water tank program for eligible local governments and non-profit organizations.

The proposed allocation of the \$6.5 million funding request will be distributed to the impacted counties, and/or nonprofits within the counties, based on the percentage of existing water tanks as outlined below.

County	Water Tanks	Percent	Dollars
Fresno	55	6%	363,000
Kern	43	4%	283,000
Kings	29	3%	191,000
Madera	136	14%	897,000
Mariposa	59	6%	389,000
Merced	50	5%	330,000
Stanislaus	29	3%	191,000
Tulare	471	48%	3,104,000
Tuolumne	114	12%	752,000
Total	986		6,500,000

Background. OES currently uses California Disaster Assistance Act (CDAA) funding for the 2014 California drought to finance the provision of emergency water supplies to households without water for drinking and/or sanitation purposes. To date, eligible applicants have used CDAA funding to purchase and install household and community water tanks, periodic water refill of tanks, bottled water, provision of portable toilets, showers and laundry services, tank storage and sanitation, and administrative costs associated with operating the program. As a part of the emergency response to the state's historic drought disaster, California has provided more than \$27.8 million in special emergency funding to support local government's unprecedented efforts in delivering more than 66,344,584 gallons of water to 1,157 emergency water tanks at homes where no other water source was available.

On April 7, 2017, the Governor issued Executive Order B-40-17 ending the drought state of emergency in most of California. As part of the Governor's order, emergency response funds allocated through the CDAA for the emergency water tank program will end on June 30, 2017. Some local government jurisdictions have identified households that continue to depend solely on the emergency water supply through their emergency water tank. This proposal will provide those jurisdictions with households that have not yet secured an alternative potable water source

by the June 30, 2017, deadline with temporary funds for the delivery of potable water until June 30, 2018.

Staff Comment. This funding will give local government additional time to work on permanent solutions for the impacted households. OES will be responsible for distributing funds to the local jurisdictions through a grant process. Funding will permanently end on June 30, 2018.

0850 CALIFORNIA LOTTERY COMMISSION**Issue 1: Payments to Lottery Winners – May Revision TBL**

Governor’s Proposal. The Governor’s May Revision includes trailer bill language (TBL) that provides authority for the California Lottery to use its Office Revolving Fund (ORF) to pay prizes of \$1,000 or less.

Background. The vast majority of purchases made by a state department are processed by the State Controller’s Office (SCO) after the SCO receives a claim schedule and supporting information from the department to support the given purchase. Current law authorizes departments to use an ORF to pay for certain items directly without first submitting a claim for payment to the SCO. Departments provide all of the supporting documentation pertaining to ORF purchases to the SCO after the fact, and the SCO verifies that the purchases were valid and subsequently replenishes the department’s ORF.

While winners of lottery prizes of \$599 or less may cash in their winning tickets immediately at lottery retail locations, all winners of \$600 or more must claim their prizes directly from the lottery. Currently, winners mail their winning tickets and claim forms to Lottery headquarters in Sacramento or submit their claims in person at one of the lottery’s nine district offices (which in turn forward the claims to HQ for processing). After validating winning tickets and determining appropriate federal tax withholding rates, the Lottery forwards claims to SCO for payment.

The lottery is seeking statutory authority to use its ORF to pay prizes to winners of \$600 through \$1,000, rather than by state warrant. These prizes would be paid from agency checks drawn upon the lottery’s ORF (prizes of less than \$600 would remain to be claimable for cash at all lottery retail locations and prizes above \$1,000 would continue to be processed at headquarters, with payment being issued by the SCO). Approval of this language would allow prizewinners of \$1000 or less to retrieve their winnings in a matter of minutes or hours, instead of the current wait time of eight to ten weeks.

Staff Comment. Before this process can be enacted the Lottery Commission must adopt regulations allowing the ORF to be used to pay these prizewinners. Currently, SCO pays the prizes via state warrant after deducting offsets, if any, against the prize winner for taxes due, child support, or other debts. Under this proposal, any claimant flagged as having an offset would be required to submit their claim to headquarters for processing and ultimately receive a check from the SCO rather than be issued a check from the Lottery’s ORF.

1111 DEPARTMENT OF CONSUMER AFFAIRS (DCA)**Issue 1: Consumer Affairs Administration – Organizational Change Management (SOLID)**

Governor’s Proposal. DCA is requesting \$1,327,000 in 2017-18, and \$1,207,000 in 2018-19 and ongoing to fund ten permanent positions associated with conducting periodic business process reviews of the 40 boards, bureaus, committees, programs, and commission under the department. Funding for this proposal will come from the special funds that support the department’s 40 entities. The costs are proposed to be distributed across all of these special funds in proportion to each entity’s share of authorized positions.

Background. The Strategic Organization, Leadership, and Individual Development (SOLID) unit handles all training and strategic planning services for the boards, and is dedicated to the continual improvement and organizational development of the department and its Boards. Additionally, SOLID provides meeting facilitation, organizational change management (OCM) consultation services, and teambuilding workshops to assist board members and staff in dealing with unique issues facing a Board. SOLID offers its services to all Boards under the department.

Staff Comment. The subcommittee considered this proposal at its March 9, 2017 hearing. Since that hearing DCA has indicated that the 18 boards and bureaus that would have been a part of Release 3 for BreEZe will be assessed by the OCM unit within SOLID. The assessments will help prepare these remaining boards and bureaus for movement to a new information technology system. The subcommittee may want to ask the following questions of DCA.

Questions.

1. How does this proposal relate to the implementation of BreEZe?
2. Will DCA ensure that the Release 3 boards and bureaus are a priority for these assessments? If so, how?

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**Issue 1: No Place Like Home Program**

Governor's Proposal. The Governor's May Revision requests a General Fund loan of \$1,576,000 to address an administrative funding shortfall during completion of a legally required bond validation process. The General Fund loan will be repaid from bond proceeds upon issuance of the bonds. This request includes \$500,000 for the State Treasurer's Office and \$25,000 for the California Health Facilities Financing Authority for activities related to the bond validation and issuance process.

Background. Chapter 43, Statutes of 2016, and Chapter 322, Statutes of 2016, established the No Place Like Home (NPLH) program, which develops permanent supportive housing for individuals who are in need of mental health services and are experiencing homelessness or are at risk of chronic homelessness. The program is financed with up to \$2 billion in bond proceeds secured from Proposition 63 Mental Health Services Act revenue.

The Administration is working to validate bonds secured by Mental Health Services Act revenue for these purposes. In order to begin program development activities before bonds are issued, the enacting legislation authorized a General Fund loan of up to \$2 million to develop the program and issue the bonds. The department has indicated that an additional General Fund loan is necessary to continue program implementation in 2017-18 until bonds are issued.

The department expects to complete program design in August 2017, at which time the validation action will commence. A decision from the court is anticipated no later than the spring of 2018, and a Notice of Funding Availability (NOFA) is expected to be released in the summer of 2018 following successful court validation.

Staff Comments. The department initially intended to perform bond validation in parallel with the development of the No Place Like Home Program. However, to mitigate risks in court validation, the Administration has worked to develop the program before beginning the validation process. HCD has developed a program framework, gathered feedback in stakeholder workshops, drafted program guidelines, and established the NPLH Advisory Committee. Additionally, the State Treasurer's office and the Attorney General's office have entered into contracts with outside bond counsel and drafted a services contract for implementing agencies.

This has resulted in a delay in the bond validation process, for which the department did not adequately plan. This loan will allow the department to complete perform necessary administrative functions while completing the bond validation process to provide necessary program funding.

Staff Recommendation: Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES (DGS)**Issue 1: Stale Dated Warrants – May Revision TBL**

Governor’s Proposal. The Governor’s May Revision provides trailer bill language (TBL) that authorizes departments to pay expired warrants from any funds that are legally available to the department for that purpose. The TBL also allows departments to submit a request to include a claim for reimbursement of a warrant in a claims bill if it is unable to issue a replacement warrant from its current appropriation or other available funds.

Staff Comment. This TBL is a technical change to clean up previously approved language. The proposed language corrects an incorrect reference to the Department of General Services with the Public Employment Relations Board.

Issue 2: R Street Parking Structure Acquisition – May Revision BCP and TBL

Governor’s Proposal. DGS requests \$1,660,000 (Service Revolving Fund) for the acquisition phase of the Sacramento Region R Street Parking Structure project. This request will authorize DGS, in partnership with the Capitol Area Development Authority (CADA), to acquire two parcels of land, located between Q, R, 8th, and 9th Streets, to allow for the construction of a new parking structure.

Trailer Bill Language. The request also includes TBL to: (1) authorize DGS to enter into an agreement with CADA to construct the parking garage at a cost not to exceed \$30 million, (2) authorize DGS to enter into lease agreements necessary for the financing of the facility, (3) authorize the use of the California Infrastructure and Economic Development Bank Infrastructure Program to allow CADA to secure project financing, and (4) allow demolition of existing improvements. The TBL would authorize the department to charge state employees and the public for use of the structure, and would require the department to deposit parking revenues into the Motor Vehicle Parking Facilities Money Account. Funds in that account, upon appropriation by the Legislature, would be available to the department to make specified lease payments.

Background. The 2016-17 budget appropriated \$1 billion to be used for the long-deferred renovation or replacement of state office buildings in the Sacramento. As the state begins to replace and renovate state buildings, the transportation needs of state employees must also be considered. While the state encourages employees to use public transportation, DGS also recognizes the need for adequate parking.

Currently, more than 3,000 state employees are on the DGS Office of Fleet and Asset Management (OFAM) wait list for a parking spot in a Sacramento area state parking structure. This is independent of parking lists managed by individual departments. In addition to the state employees on a wait list, the new office building on P Street will be located on Block 204, which currently provides 269 surface parking spaces. Once the Natural Resources Headquarters

Building on P Street is under construction in 2018, employees who park in this lot will be displaced. The new parking structure would provide approximately 800 parking spaces, would be approximately the same height as the existing state parking facility directly to the north and would provide an opportunity for additional electric vehicle charging stations.

Legislative Analyst's Office (LAO). The LAO recommends rejecting this proposal without prejudice. The LAO recognizes that there may be a legitimate need for additional parking in the downtown area. However, this proposal should be considered as a January budget proposal rather than in the May Revision for a few reasons. First, this is a major new proposal that involves complex issues such as construction, financing, and operating agreements. Absent a compelling reason otherwise, this type of major proposal is more appropriately proposed in January in order to provide the Legislature time to adequately review and consider it. Second, there are a number of outstanding questions about this proposal, such as (1) whether the project will generate sufficient revenue to pay for the costs of its financing and operations, (2) how DGS would cover any such difference between revenues and costs, (3) whether the Service Revolving Fund is the appropriate source of funding for the property acquisition, and (4) whether the proposed approach is the best alternative to fund and manage this project. Finally, it is unclear why this project was not reflected in the Administration's recent planning documents, such as the 2017 California Five-Year Infrastructure Plan and the Sacramento Long-Range Planning Study. To facilitate legislative planning, those planning documents should provide the Legislature with information on projects—such as this one—that it should expect to see in the future.

8260 CALIFORNIA ARTS COUNCIL**Issue 1: Restoration of 2016-17 Funding**

The subcommittee heard an informational item concerning the California Arts Council on April 27, 2017.

Proposal. The subcommittee received a proposal requesting an ongoing appropriation of \$6.8 million to the California Art Council's budget to return the council to its 2016-17 funding level.

Background. In the 2016-17 budget the California Arts Council received \$6.8 million in one-time funding to support arts programs in underserved communities and a reentry grant program. Support for these programs was not included in the Governor's 2017-18 proposed budget.

Issue 2: Arts Council Director – May Revision TBL

Governor's Proposal. The May Revision includes language that would authorize the Governor to appoint the director of the Arts Council.

Background. Currently, the eleven members of the Arts Council select a director, and delegate specific responsibilities to the director. In the past the director was appointed by the Governor, but this changed in 2010. AB 2610 (Niello), Chapter 100, Statutes of 2010, amended the authority of the Governor to appoint the Arts Council Director and delegated this responsibility to the Arts Council. This TBL would put the authority to appoint the Director back to the Governor.

The analysis of AB 2610 in 2010 states the following as the reason for the change in 2010:

"Most state arts councils in the U.S. select their Directors; only three - California, Virginia and Georgia - have Directors who are appointed solely by the Governor, not in concert with their Council Members. Members of California's Arts Council would like to have the ability to select the Arts Council Director, a protocol that is working successfully across the nation. Nine of California's 11 Council Members are appointed by the Governor, one by the Senate, and one by the Assembly, so a connection between the Governor, the Legislature and the Council is assured. Having the Council select the Director strengthens the council/staff working relationship."

Legislative Analyst's Office. The LAO has no specific policy concerns with this language but questions the relationship between the language and the budget. Accordingly, the LAO is not clear as to why this policy change should be made through the budget process rather than the policy process.

8940 CALIFORNIA MILITARY DEPARTMENT**Issue 1: Work for Warriors**

Proposal. The proposal provides \$670,000 (General Fund) to support the Work for Warriors (WFW) Program.

Background. Unemployment and underemployment are among the most critical issues facing our service members, including National Guard members, and their families. Personnel returning from deployments face a particularly high unemployment rate. The WFW uses a direct placement model, which walks service members through each step of the hiring process, includes resume preparation, and interviews. To date, WFW has assisted in placing over 5,700 service members and veterans, an average of just over three per day. The program is also remarkably cost effective, with a cost per placement ratio of under \$1,200, representing a significant savings to the government when factoring in unemployment compensation costs. Currently, the program has 17 team members who help match military personnel, veterans and military family members into employment commensurate with their education and experience.

From 2012 to 2015 the program was funded by a grant from the Speaker of the Assembly. In 2015-16 the program was funded with a \$670,000 Workforce Innovation and Opportunity grant from the Employment Development Department. Currently, the program is funded with \$670,000 (General Fund). Although the department has successfully applied and received funding in the last three years, it remains uncertain whether additional funding for the staffing will be available.

Staff Comment. The WFW program has a direct, measurable, positive impact on the California economy. Assisting veterans and spouses to find meaningful long-term careers provides savings to the state that far exceeds the \$670,000 annual cost to the state to maintain the program.

Issue 2: Revision of Provisional Loan Language – May Revision

Proposal. The Governor's May Revision includes provisional language to specify that the short-term cash flow loan provided to CMD in 2016-17 shall be repaid upon order of the Director of Finance. It is also requested that Provision 4 of Item 8940-001-0002 be amended to provide that any loan provided to CMD pursuant to the provisions of Item 8940-001-0001 shall be repaid upon order of the Director of Finance.

Background. In order to carry out its missions the CMD receives both state and federal funding through a master cooperative agreement (MCA). Areas that are supported in the CMD's MCA include: personnel costs, construction, minor construction, maintenance, repair or operation of facilities, and other mission operational support. Appropriation funding may also support other programs authorized by Congress or the Department of Defense. Expenditures incurred through the MCA are initially paid from the CMD's General Fund and then reimbursed by the NGB. Many of the expenditures incurred under the MCA span more than one fiscal year and require

that the CMD reserve cash to be available to pay for services. Prior to October 1, 2015, both the Army National Guard and Air National Guard were able to advance funds for MCA expenditures. However, after October 1, 2015, the Army National Guard and the Air National Guard no longer had the ability to advance the state of California for those federal costs within the MCA due to the implementation of new accounting systems that are not able to obligate and disburse funds prior to the receipt of services.

The CMD experiences temporary cash flow shortages due to the delay in reimbursements from the federal government. As part of the master cooperative agreements with the federal government, the CMD must pay all of its costs up front and then seek reimbursement for the federal government's share of the cost, which generally takes 60 to 120 days. Based on historic cash flow patterns, it is unlikely that any loan authorized pursuant to the provisions of Item 8940-001-0001 could be paid off by the existing December 31 repayment date.

The text of the proposed language is below.

Item 8940-401 be added:

“8940-401 – Notwithstanding Provision 4(b) of Item 8940-001-0001, Budget Act of 2016 (Ch. 23, Stats. 2016), the loan to the General Fund will be repaid upon order of the Director of Finance.”

Provision 4 of Item 8940-001-0001 be amended as follows:

“4. Notwithstanding any other provision of law, the Director of Finance may authorize a loan from the General Fund to the Military Department for cashflow purposes in an amount not to exceed \$30,000,000 subject to the following conditions:

- (a) The loan is to meet cash needs resulting from a delay in reimbursements.
- (b) The loan is for a short term and shall be repaid ~~by December 31 of the fiscal year following that in which the loan was authorized~~ upon order of the Director of Finance.
- (c) Interest charges may be waived pursuant to subdivision (e) of Section 16314 of the Government Code.
- (d) The Director of Finance shall not approve the loan unless the approval is made in writing and filed with the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations not later than 30 days prior to the effective date of the approval, or not later than whatever lesser time prior to that date the chairperson of the joint committee, or his or her designee, may determine.”

Staff Comment. Because many of the encumbrances within the MCA will not be expended until the fiscal year following that in which the loan was authorized, the repayment date of October 31 is unrealistic. It has taken the CMD until April 2017 to repay the loan that was due to be repaid on October 31, 2016. The CMD has been in a cash shortage since February and has not been able to request a new loan to meet its current obligations. As of February 2017, the CMD has been holding vendor payments to ensure that the department will meet its upcoming payroll

obligations and expects to continue to delay vendor payments to meet payroll for the remainder of the fiscal year. The CMD foresees holding vendor payments as its mitigation strategy when experiencing a cash flow crisis if the amended provisional loan language is not approved.

8955 DEPARTMENT OF VETERANS AFFAIRS (CALVET)**Issue 1: Veterans Homes Greater Los Angeles and Ventura County Bed Conversion – May Revision BCP**

Governor’s Proposal. CalVet requests an augmentation of 12.1 positions in 2017-18, and 20.5 positions and \$868,000 (General Fund) annually thereafter, for the Veterans Home of California - Greater Los Angeles and Ventura County to convert 84 transitional housing program beds back to the skilled nursing facility level of care. This proposal also includes the redirection of 46.5 existing positions and \$4.7 million (General Fund) in the CalVet budget for the Adult Day Health Care programs, also known as Community Based Adult Services (CBAS), in Lancaster and Ventura.

Background. The budget currently contains funding and positions for both the transitional housing program at the West Los Angeles location and adult day health care (ADHC) programs at the Ventura and Lancaster locations. The United States Department of Veterans Affairs (USDVA) has indicated it will no longer participate in the transitional housing program or require the state to operate the adult day health care programs.

Currently, the USDVA provides wraparound psychiatric and social services and meals for participants in the transitional housing program, while CalVet offers living accommodations and reimburses the USDVA for food costs. Since the opening of the transitional housing program the USDVA opened a number of on-campus beds for homeless veterans, worked with community partners for additional placement and services, qualified more veterans for Veterans Affairs Supportive Housing (VASH) vouchers, and expects to build hundreds (possibly several thousand) more supportive housing units. For these reason CalVet believes that the need for the transitional housing program has decreased significantly. In December 2016, the USDVA notified the CalVet that it would no longer refer veterans to the VHC-WLA transitional housing program and that the last residents in the program will be transitioned out to the community by June 30, 2017.

The VHC-Lancaster and VHC-Ventura were originally designed and constructed with space for an ADHC program. The ADHC is a federal day program of health services, therapeutic activities, and social services for frail elders or adults with chronic, disabling medical, cognitive or mental health conditions who are at risk for institutional placement. The funding for the ADHCs was provided in the 2010-11 GLAVC multi-year Budget Change Proposal for activation in fiscal year 2014-15. The openings of the ADHCs were delayed to prioritize recruitment and licensing efforts towards other new facilities offering skilled nursing facilities (SNF) and memory care which have had significant waitlists throughout the system. The CalVet and USDVA believe that the need for ADHC services in the Lancaster and Ventura communities no longer exists, as local organizations in both regions provide more than adequate community based adult services for veterans and many also contract with the USDVA. Thus, the USDVA recently waived the CalVet’s original grant requirement mandating ADHCs in the facilities.

The CalVet is proposing to offset the cost of the transition from THP to SNF in the VHC-WLA with a redirection of the resources originally intended for ADHC in VHC-Lancaster and VHC-Ventura.

Legislative Analyst's Office (LAO). The LAO has identified several issues for legislative consideration that are listed below.

- In the recent LAO report regarding veterans services the high demand for skilled nursing care at state veterans homes was noted. The LAO is unclear if the proposal reflects CalVet's interest in addressing the wait list for skilled nursing beds or if the proposal is in response to the USDVA decision to no longer refer veterans to the West Los Angeles transitional housing program and provide wraparound support services.
- The LAO also is unclear on how many transitional housing beds are currently occupied and how CalVet will ensure the veterans are adequately served following the closure of the transitional housing program.
- The closure of the West Los Angeles THP eliminates 84 beds for homeless veterans seeking stable housing. The Legislature could ask CalVet about the potential alternative services available to veterans in need of assistance securing housing.
- It is unclear if modifications to the THP rooms and facilities or if new equipment is required to relicense the THP beds as SNF beds.
- It is unclear how long it will take to hire the necessary staff to fill the additional SNF beds and at what rate the SNF beds will be filled.
- While the state has funded the CBAS Program at the Lancaster and Ventura veterans homes since 2010-11, the program was never operational. Funds allocated for the program have reverted to the General Fund annually, resulting in General Fund savings. Redirecting funds allocated for the CBAS program towards bed conversion would eliminate the General Fund savings that have materialized previously.

The subcommittee may wish to ask the questions listed below.

Questions.

1. Beds in skilled nursing units will likely require more resources and funding than those in the transitional housing program. How will this proposed change affect the budget of the veterans homes? Will the conversion require additional equipment or modifications to rooms?
2. How will this proposal affect those veterans that are currently enrolled in the transitional housing program? Are there alternatives available to those residents?

3. Why was this proposal not brought forth in January or April when there would have been more time to analyze and address potential concerns of the Legislature?
4. What is driving this proposal to convert the existing transitional housing beds to the skilled nursing facility level of care?
5. How long before the beds are staffed and operational?