

# **SUBCOMMITTEE NO. 4**

# **Agenda**

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**Senator Richard Roth, Chair**  
**Senator Richard Pan**  
**Senator Janet Nguyen**



**Thursday, March 12, 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**

1110/1111	Department of Consumer Affairs Boards and Bureaus
1701	Department of Business Oversight
2100	Department of Alcohol and Beverage Control

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

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<b>AGENDA – VOTE ONLY ITEMS</b>
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<u>Item</u>	<u>Department</u>	<u>Page</u>
<b>1110</b>	<b>Department of Consumer Affairs.....</b>	<b>2</b>
	Issue 1 – Board of Behavioral Sciences.....	2
	Issue 2 – Dental Hygiene Committee .....	2
	Issue 3 – Court Reporters Board.....	3
	Issue 4 – Dental Board of California.....	3
	Issue 5 – Bureau of Real Estate Appraisers.....	4
	Issue 6 – Bureau of Security and Investigative Services.....	4
	Issue 7 – Veterinary Medical Board.....	5

<b>AGENDA – DISCUSSION / VOTE ITEMS</b>
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<u>Item</u>	<u>Department</u>	<u>Page</u>
<b>1110</b>	<b>Department of Consumer Affairs.....</b>	<b>6</b>
	Issue 1 – Bureau of Private Postsecondary Education .....	8
	Issue 2 – BreZE .....	8
<b>1701</b>	<b>Department of Business Oversight .....</b>	<b>13</b>
	Issue 1 – Consumer Services Office .....	14
<b>2100</b>	<b>Alcohol and Beverage Control .....</b>	<b>15</b>
	Issue 1 – Personnel Year Adjustment .....	16

**Issues Proposed for Vote Only – Issue Descriptions****1110/1111 - Department of Consumer Affairs****Issue 1 – Board of Behavioral Sciences**

**Governor's Budget Request:** The Governor's budget includes a request to augment the Board of Behavioral Sciences (board) budget by \$148,000 (Behavioral Science Examiners Fund) in fiscal year 2015-16 and \$132,000 (Behavioral Science Examiners Fund) in fiscal year 2016-17 for 2.0 full time positions. Additionally, the board is requesting an increase in time base for two half-time positions in order to address the backlog within the licensing unit.

**Background:** The board is responsible for the regulation of four different types of mental health professionals, including Licensed Marriage and Family Therapists (LMFTs), Licensed Clinical Social Workers (LCSWs), Licensed Educational Psychologists (LEPs), and Licensed Professional Clinical Counselors (LPCCs). Currently, the board has oversight over 90,000 licensees within the state. The board continues to see an increase in the number of registrants seeking licensure in the mental health field. This aligns with statistics provided by the Bureau of Labor Statistics, which found that the mental health profession field is expected to grow by 29 percent over the next decade.

The requested positions will support the examination unit (2.0 positions) and two part-time positions to support the licensing unit's efforts to address increased workload. The two part-time positions will be funded through an internal redirection of resources.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 2 – Dental Hygiene Committee**

**Governor's Budget Request:** The Governor's budget includes a request for 1.0 position and \$86,000 (State Dental Hygiene Fund) in fiscal year 2015-16, and \$78,000 (State Dental Hygiene Fund) ongoing for the Dental Hygiene Committee (committee). The requested position will support the implementation of AB 1174 (Bocanegra), Chapter 682, Statutes of 2014, which authorizes the Committee to approve courses in specific functions for dental hygienists and collect fees for the review and approval of the courses for those functions.

**Background:** The committee, which was created during fiscal year 2009-10, was established to set forth its own set of mandates, regulations, and procedures specific to the dental hygiene profession. Currently, the committee is responsible for the licensure of over 30,000 dental hygiene professionals. The passage of AB 1174 authorizes the committee to approve courses in specific functions for dental hygienists and collect fees for the review and approval of the courses for those functions.

**LAO Comment:** The LAO has noted that course providers would likely seek approval for courses related to new activities within the first couple of years after the passage of AB 1174 is implemented. Therefore, the LAO believes the positions temporary in order to align with the declining workload that will occur within a couple of years.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

### **Issue 3 – Court Reporters Board**

**Governor’s Budget Request:** The Governor’s budget includes a request to provide the Court Reporters Board (Board) with an additional \$82,000 (Court Reporters Fund) in 2015-16, and ongoing to support the development of workshops in association with the board’s English and Professional Practice license examinations.

**Background:** The board is responsible for the licensure of shorthand reporters. In addition to administering the competency test, the board is also responsible for the regulation of curriculum provided by court reporting schools and programs, and engaging in enforcement-related activities when necessary. Currently, there are approximately 7,300 licensed shorthand reporters within the state. The board intends on entering into an interagency agreement with the Department of Consumer Affairs (DCA’s) Office of Professional Examination Services (OPES) to update exam content.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

### **Issue 4 – Dental Board of California**

**Governor’s Budget Request:** The Governor’s budget includes a request to provide the Dental Board of California (board) with an additional 2.0 permanent full-time positions and to increase expenditure authority of the board by an additional \$180,000 in fiscal year 2015-16 and \$164,000 ongoing.

**Background:** The board, which operates under the umbrella of the Department of Consumer Affairs (DCA), is charged with regulating the practice of dentistry and dental assisting. This includes licensing, regulatory functions, and disciplinary functions. AB 1174 (Bocanegra), Chapter 682, Statutes of 2014 expands the duties of registered dental assistants (RDAs) and registered dental assistants in extended functions (RDAEF) and also requires that additional educational requirements be met during the training curriculum. The modifications made in AB 1174 would require that new regulations be adopted by the board and also establish course provider application requirements. The 2.0 requested permanent positions will be utilized to verify that applicants are in compliance with the provisions of AB 1174 and also ensure that course providers are approved in compliance with the provisions of AB 1174.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 5 – Bureau of Real Estate Appraisers**

**Governor's Budget Request:** The Governor's budget includes a request to establish one permanent position at the Bureau of Real Estate Appraisers (BREA) which will be funded by an internal redirection and a budget reduction of \$66,000 (Real Estate Appraisers Regulation Fund) in fiscal year 2015-16, and ongoing, to reflect the savings achieved from an information technology (IT) consultant contract.

**Background:** The Office of Real Estate Appraisers, which as part of the Governor's Reorganization Plan #2 was realigned as the Bureau of Real Estate Appraisers (BREA), is charged with developing and implementing a real estate appraiser licensing program that complies with federal mandates.

Since 2010, BREA has contracted with an IT consultant for the replacement and modernization of an enterprise system that manages the licensing and regulatory activities that are core components of BREA's daily activities. The updates to the automated regulatory and licensing system were complete in January 2013, and the updates have significantly reduced the licensing turn-around time for renewals. Upon completion of the project implementation, BREA hired a limited-term programmer to provide support and maintenance as needed, however, the limited-term programmer position is set to expire on October 30, 2015.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 6 – Bureau of Security and Investigative Services**

**Governor's Budget Request:** The Governor's budget includes a request to provide the Bureau of Security and Investigative Services with \$140,000 in fiscal year 2015-16 (Private Security Services Fund), \$235,000 in fiscal year 2016-17 (Private Security Services Fund), and \$132,000 in fiscal year 2017-18 (Private Security Services Fund), and ongoing, to support the positions required to implement AB 2220 (Daly), Chapter 423, Statutes of 2014.

**Background:** The Bureau of Security and Investigative Services (Bureau) is responsible for the regulatory oversight of six professions; Locksmiths, Repossessors, Private Investigators, Proprietary Security Services, Private Security Services, and Alarm Companies. The Bureau licenses, registers, and certifies businesses and their employees that are associated with the six professions, as defined by statute in Business and Professions Code.

Among other things, AB 2220 imposes new licensure requirements on private patrol operators (PPO), and exempts duly appointed peace officers who are employed by a PPO, from firearms requalification requirements and from having to pass a specified written examination in order to renew a firearms qualification card.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 7 – Veterinary Medical Board**

**Governor's Budget Request:** The Governor's budget includes a request to provide the Veterinary Medical Board (board) with an ongoing appropriation of \$150,000 (Veterinary Medical Board Pet Lover's License Plate Program) in the specialized license plate fund within the Department of Motor Vehicles (DMV) for the purpose of funding grants to providers of no-cost or low-cost animal sterilization services.

**Background:** Existing law establishes a specialized license plate program administered by the DMV. DMV currently administers 12 specialized license plate programs, including the Pet Lover's specialized license plate program. AB 610 (Solorio), Chapter 9, Statutes of 2012, provided the board an additional 12-month period to meet the 7,500 application threshold as required by existing law. The board obtained the necessary applications over the additional 12 months and began issuing Pet Lover's specialized license plates in September of 2013. As of September 9, 2014, DMV has issued 14,106 Pet Lover's specialized license plates and generated approximately \$145,000.

SB 1323 (Lieu), Chapter 375, Statutes of 2014, requires that any revenue in the Specialized License Plate Fund generated from a specialized license plate issued under the Pet Lover's License Plate Program be appropriated to the Veterinary Medical Board.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted, adopt proposed budget bill language.

***Issues Proposed for Discussion / Vote*****1110/1111 CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS**

**Department Overview:** The Department of Consumer Affairs (DCA) boards and bureaus provide exams and licensing, enforcement, complaint mediation, education for consumers, and information on privacy concerns. DCA boards and bureaus establish minimal competency standards for more than 250 professions involving 3.0 million professionals. DCA consists of 36 regulatory boards, bureaus, committees, commissions, and programs, all of which regulate more than 100 businesses and 200 industries and professions, including doctors, contractors, private security companies, and beauty salons.

The boards and commissions are semi-autonomous regulatory bodies with the authority to set their own priorities and policies. Members of the boards and commission are appointed by the Governor and the Legislature.

**Budget Overview:** The department's boards are budgeted under organizational code 1110, and the total proposed budget for the boards is \$307.28 million (non-General Fund) and 1,537.3 Personnel Years for Fiscal Year 2015-16.

The bureaus are budgeted under organizational code 1111, and the total proposed budget is \$286.4 million (non-General Fund) and 1,901.4 Personnel Years for Fiscal Year 2015-16.

**DCA Boards and Bureaus***(dollars in thousands)*

		<b>Positions</b>		<b>Expenditures</b>	
		<b>2014-15</b>	<b>2015-16</b>	<b>2014-15</b>	<b>2015-16</b>
1	Board of Accountancy	84.8	80.8	\$ 14,071	\$ 14,161
2	Architects Board	30.4	30.4	\$ 5,190	\$ 4,588
3	Athletic Commission	13.7	9.1	\$ 1,666	\$ 1,615
4	Board of Behavioral Science	42.6	43.4	\$ 9,332	\$ 9,039
5	Chiropractic Examiners	--	19.4	\$ 3,882	\$ 3,847
6	Barbering and Cosmetology	96.2	92.2	\$ 21,406	\$ 19,227
7	Contractors State Licensing	401.6	401.6	\$ 63,528	\$ 63,221
8	Dental Board	74.5	74.1	\$ 15,036	\$ 14,642
9	Dental Hygiene Committee	7.2	8.2	\$ 1,621	\$ 1,638
10	Guide Dogs for the Blind	1.5	1.5	\$ 208	\$ 203
11	Medical Board	282.3	282.3	\$ 61,094	\$ 59,209
12	Acupuncture Board	8.0	8.0	\$ 3,336	\$ 3,444
13	Physical Therapy Board	14.3	16.4	\$ 3,999	\$ 3,902
14	Physician Assistant Board	4.6	4.5	\$ 1,554	\$ 1,455
15	Podiatric Medicine	5.2	5.2	\$ 1,261	\$ 1,423
16	Psychology	17.5	17.3	\$ 4,708	\$ 4,611
17	Respiratory Care Board	16.4	16.4	\$ 3,558	\$ 3,522
18	Speech-Language Hearing Aid	8.6	8.6	\$ 2,017	\$ 2,045
19	Occupational Therapy	8.3	7.7	\$ 1,348	\$ 1,259
20	Board of Optometry	10.5	10.4	\$ 1,891	\$ 1,661
21	Osteopathic Medical Board	8.5	8.4	\$ 1,937	\$ 1,883
22	Naturopathic Medicine Committee	1.0	1.0	\$ 318	\$ 362
22	Board of Pharmacy	80.2	81.1	\$ 20,131	\$ 19,573
23	Engineers and Land Surveyors	63.7	64.7	\$ 11,293	\$ 11,034
24	Registered Nursing	132.0	130.8	\$ 38,644	\$ 37,285
25	Court Reporters Board	4.5	5.0	\$ 1,324	\$ 1,373
26	Structural Pest Control Board	--	29.9	\$ 4,924	\$ 5,363
27	Veterinary Medical Board	12.8	12.8	\$ 4,602	\$ 4,387
28	Vocational Nursing	68.7	67.9	\$ 11,372	\$ 11,159
29	Arbitration Certification Program	8.0	8.0	\$ 1,238	\$ 1,180
30	Security and Investigative	49.9	51.4	\$ 13,884	\$ 12,214
31	Private Postsecondary Education	60.0	76.0	\$ 13,440	\$ 15,140
32	Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation	43.4	44.2	\$ 8,049	\$ 7,579
33	Automotive Repair	590.4	590.4	\$ 196,548	\$ 187,559
34	Telephone Medical Advice Services Bureau	1.0	1.0	\$ 182	\$ 174
35	Cemetery and Funeral	21.5	21.5	\$ 4,550	\$ 4,345
36	Real Estate Appraisers	33.8	33.8	\$ 5,760	\$ 5,731
37	Department of Real Estate	329.7	329.7	\$ 50,264	\$ 51,707
38	Professional Fiduciaries	2.7	3.0	\$ 610	\$ 622



**Issue 1 – Bureau of Private Postsecondary Education**

**Governor’s Budget Request:** The Governor’s budget includes a request to augment the Bureau of Private Postsecondary (bureau) budget by \$1.915 million (Private Postsecondary Education and Administration Fund) in FY 2015-16, \$1.718 million (Private Postsecondary Education and Administration Fund) in FY 2016-17, and \$1.077 million (Private Postsecondary Education and Administration Fund) ongoing to support the addition of ten permanent positions and five two-year limited-term positions.

**Background:** The bureau is responsible for the oversight of California’s private postsecondary educational institutions. Currently, there are approximately 1,500 institutions regulated by the bureau. Many of the institutions governed by the bureau are vocational institutions offering skills training for entry-level positions in a variety of industries and trades.

The requested resources are in response to SB 1247 (Lieu), Chapter 840, Statutes of 2014, which amended the bureau’s existing mandates and added additional regulatory guidelines. SB 1247 was a sunset review bill. During the sunset review process, the Legislature determined that California’s public institutions have reduced enrollments due to major budget cuts, and private postsecondary education institutions for some are in a position to play a role in providing access and education that may otherwise be inaccessible. Increasing enrollment at private postsecondary institutions has brought forth a greater level of scrutiny from both the federal and state regulatory entities.

The majority of the new workload created as part of SB 1247 will be split between two new functions. The bureau will now be required to process applications for previously exempt for-profit institutions that participate in Title 38 (veterans) funding; beginning in fiscal year 2015-16. Additionally, the bureau will be required to approve degree-granting institutions according to new standards that will require a review of approximately 150 institutions that have already been approved by the bureau, but will need to be reviewed to ensure compliance with new accreditation standards.

**LAO Comment:** The LAO notes that much of the workload associated with processing applications from institutions that are newly subject to the bureau oversight because they participate in the veteran’s financial aid programs would likely be temporary in nature. The LAO notes that the requested positions required to review the new workload is reasonable, but the approval related workload associated with these positions should decline significantly in a short period of time. The LAO recommends modifying the proposal to make two of the three requested positions proposed for processing applications limited-term.

**Staff Comment:** Staff does not have any issues with this request.

**Staff Recommendation:** Approve as budgeted.

**Issue 2 – BreEZe**

**Background:** As noted earlier, DCA is comprised of 37 regulatory boards, bureaus, committees, commissions, and programs, all of which regulate more than 100 businesses and 200 industries and professions. While these entities are responsible for the day-to-day regulatory activities related to their specific professions and do have some autonomy, DCA is responsible for establishing general administrative policies and provides administrative support, when needed. In order to conduct many of the day-to-day regulatory functions, each board, commission or bureau has utilized a computer system that met the needs of their regulatory functions. The DCA regulatory entities use of multiple computer systems has created a large network of legacy computer systems, under the DCA umbrella, that weren't compatible with one another, and lacked some basic case management functionality that could assist staff with licensing and enforcement efforts.

Historically, the regulatory entities housed under DCA have utilized either one, or both, of the Applicant Tracking System (ATS) and Consumer Affairs System (CAS) to perform many of the day-to-day duties that they are required to perform. The ATS was created to track and monitor cashiering-related activities and accept license applications. The ATS was originally developed in the early 1990's, and has not been upgraded for over a decade. The CAS was designed to track license-related activities, such as complaints, investigations, and enforcement. According to the November 2009 Feasibility Study Report (FSR) the legacy computer systems have led to excessive turnaround times for licensing and enforcement-related activities, which is one of the primary objectives of the regulatory entities housed within DCA.

***Increased interest in enforcement accelerated need for BreEZe.*** Efforts to modernize the licensing and enforcement process had been attempted on a number of occasions prior to the BreEZe project; most recently with iLicensing, which was abandoned in 2009. DCA's interest in revisiting the concept of automating its licensing process can be attributed to the Consumer Protection Enforcement Initiative (CPEI), which DCA noted would enhance the enforcement capacity of the DCA's healing arts boards. In 2008 a series of investigations conducted by the Los Angeles Times found that the Board of Registered Nursing had been allowing nurses to continue to practice even though there were pending enforcement related activities, and that the enforcement backlog had grown to over three years. DCA responded by proposing the CPEI, which would overhaul the enforcement process. This new enforcement initiative was largely dependent on the implementation of BreEZe into the healing arts boards, and DCA has noted that the targeted turnaround time for enforcement related activities would be reduced from over three years, as noted by the investigation, to eighteen months.

The November 2009 Feasibility Study Report (FSR) proposed not just to transition the healing arts boards, but all 37 boards and bureaus, to the BreEZe platform. According to the FSR, the 37 boards and bureaus were scheduled for implementation over five phases, which would be complete by fiscal year 2014-15. The FSR noted that DCA chose a modifiable commercial off-the-shelf (COTS) system that was to provide DCA organizations with applicant tracking, monitoring, licensing, enforcement, renewal, cashiering, and data management capabilities. DCA envisioned the BreEZe system to be web-enabled, which would allow the public to file complaints and review licensee information through the internet. The 2009 FSR projected that the BreEZe project would cost approximately \$27.5 million. The procurement model proposed in the FSR would have included a two-stage procurement process that would have awarded up to \$250,000 to multiple bid winners so the bid winners could better understand the business requirements of the entities housed within DCA. The second stage would have involved the submission of final proposals that might more accurately reflect the business needs of DCA's

boards and bureaus, followed by selection of a single vendor to complete the implementation of BreEZe.

After consulting with the Technology Agency and the Department of General Services (DGS), DCA chose a slightly different procurement approach than what was proposed in the FSR. The modified approach eliminated the first stage of the bid process, and instead relied on “working sessions” for the vendor to better understand business requirements of the DCA entities. Through this process, DCA selected Accenture as the vendor for BreEZe implementation, and submit a Special Project Report (SPR) that reflected the costs associated with the selected bid. According to SPR 1, which was submitted June 22, 2011, costs for the BreEZe project had grown to \$45.8 million, an \$18 million increase. Additionally, according to SPR 1, DCA chose to accept the vendor’s proposed timeline, which reduced the schedule to three releases, rather than the five that had been a part of the November 2009 FSR.

***Testing required longer time frame than originally forecasted.*** In July 2013, DCA submitted SPR 2, which increased the overall project cost to \$77.9 million. The need for an amended project report was due to the system testing taking much longer than originally anticipated. According to SPR 1, system testing was anticipated to take approximately 30 business days, rather than the 138 business days that it actually took. SPR 2 realigned the schedule to allow for a greater level of testing, which in turn increased the project’s timeline by approximately two years, and increased cost by \$50.4 million from the November 2009 FSR.

DCA was required to further adjust the cost and scope of the BreEZe project, first proposing SPR 3, which increased the cost to \$118 million, and further revised the approach under SPR 3.1, which increased the project cost to \$96.1 million. According to SPR 3.1, the project was not moving in the timeframe that had been originally forecast, nor was it achieving the results that had been originally assumed. In SPR 3.1 project staff proposed re-scoping the project due to significant cost increases and staffing needs. The revised SPR proposed release two, which consists of eight boards and bureaus, for March 2016. Nineteen regulatory entities would be a part of release three, which CalTech and DCA had negotiated with Accenture to exclude from the current design contract. DCA has noted that after implementation of release two boards and bureaus, it will reassess how best to approach the remaining nineteen entities that are not part of the BreEZe system at this time.

**Department of Consumer Affairs' BreEZE SPR 3.1 Release Schedule**

<b>Implemented</b>		<b>Partially Implemented</b>		<b>No Implementation Plan</b>	
<b>Phase 1 – Release Date: October 2013</b>	<b>Number of Licensees</b>	<b>Phase 2 – Release Date: March 2016 (tentative)</b>	<b>Number of Licensees</b>	<b>Phase 3 – Release Date: Unknown</b>	<b>Number of Licensees</b>
Board of Barbering and Cosmetology	484,420	Board of Optometry	26,500	Acupuncture Board	15,490
Board of Behavioral Sciences	90,600	Board of Vocational Nursing and Psychiatric Technicians	141,800	Board of Accountancy	134,670
Board of Psychology	2,650	Bureau of Security and Investigative Services	1,290,960	Board of Chiropractic Examiners	46,430
Board of Registered Nursing	514,640	California Board of Occupational Therapy	17,680	Board of Guide Dogs for the Blind	110
Medical Board of California	153,820	Dental Board of California	178,420	Board of Pharmacy	257,810
Naturopathic Medicine Committee	540	Dental Hygiene Committee of California	28,970	Board for Professional Engineers	236,050
Osteopathic Committee	7,890	Physical Therapy Board of California	46,200	Bureau of Automotive Repair	149,530
Physician Assistant Board	9,900	Veterinary Medical Board	33,800	Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation	137,710
Respiratory Care Board	20,340			Bureau for Private Postsecondary Education	2,150
				California Architects Board	47,540
				California Athletic Commission	2,780
				Cemetery and Funeral Bureau	35,330
				Contractors State Licensure Board	286,620
				Court Reporters Board	13,030
				Landscape Architects Technical Committee	5,270
				Professional Fiduciaries Bureau	800
				Speech-Language Pathology and Audiology and Hearing Aid Dispensers Board	32,720
				Structural Pest Control Board	118,240
				Telephone Medical Advice Services Bureau	60
<b>Totals</b>	<b>1,305,840</b>	<b>Totals</b>	<b>1,764,330</b>	<b>Totals</b>	<b>1,522,340</b>

**State Auditor raises concerns.** The Joint Legislative Audit Committee (JLAC) directed the California State Auditor (state auditor) to conduct an audit of DCA's planning, development, and implementation of its online system for licensing and enforcement – BreEZe – in order to determine if the chosen solution was justified and whether the solution is meeting the needs of DCA's regulatory entities. The review by the state auditor led to a number of findings including the following:

- When developing the requirements for the BreEZe project DCA relied on dated information that was a part of since abandoned iLicensing project.
- When negotiating with the vendor, Accenture, DCA and DGS did not adequately protect the state's interests.
- Concerns raised by the Independent Project Oversight (IPO) and Independent Validation and Verification (IV&V) were not properly addressed by both CalTech and DCA.

**Control Section 11.00 notification sent to Joint Legislative Budget Committee.** Due to the timing of the contract agreement, DCA was required to submit a notification to the Department of Finance (DOF) who submits a notification that they intend on approving the request to the Joint Legislative Budget Committee (JLBC) that DCA had entered into a contract that had either increased by \$5 million or twenty percent, whichever is less. SPR 3.1 had increased project costs from the previously approved SPR 2 by \$17.5 million, which clearly exceeded the notification threshold. Furthermore, the scope of the project reduced significantly; according to SPR 3.1, nineteen boards and bureaus originally planned to be a part of the BreEZe project are excluded from the implementation plan. In reviewing the request, the JLBC chose not to concur with the request for additional resources until further legislative review in a more transparent setting could occur. This hearing provides such a review as well as the upcoming joint hearing of the Senate and Assembly Business and Professions Committees.

The JLBC letter duly noted that there might be some project delays due to not concurring with the request. Specifically, the running cost of the vendor (\$1.3 million) and the costs associated with state staff that support the project (\$400,000). In discussions with DCA, they stated that every effort would be made to reduce the cost to the greatest extent possible, but in the interest of ensuring that the Legislature is able to address its concerns with the long-term plan for the project it would be most prudent to review the merits of the project in a more transparent environment.

**Staff Comment:** Staff recognizes that efforts have been made to reduce the state's financial exposure that was originally agreed to in the 2011 contract. However, as noted by the JLBC response letter, the respective fiscal and policy committees should also have an opportunity to review what alternatives were considered, and may be available, to move this project forward; how this project revision will impact the boards and bureaus under the DCA, and seek assurances that departments can achieve its goal of an integrated system that will meet the needs of all its boards and bureaus. Additionally, stakeholders and the broader public should be afforded the opportunity to provide their input.

***Questions for the DCA BreEZe project staff:***

1. Can you please describe some of the events that led to the need for SPR 3.1?
2. The most recent SPR does not include any plan for implementation of BreEZe into the boards and bureaus that are part of Release 3, can you please elaborate on the long-term plan to incorporate the nineteen boards and bureaus that are not part of the current plan?
3. Could you please describe how project costs are currently allocated to the boards and bureaus? Will the increase in project costs impact any of the licensing fees for the boards and bureaus?
4. Can you elaborate on how the state's financial interests are better protected under the new contract agreement?

***Questions for the LAO:***

1. Could you please describe how IT-related project costs are allocated to state entities in other agencies?
2. Is there a more transparent method of allocating project costs for this project that could be utilized?

<b>1701 DEPARTMENT OF BUSINESS OVERSIGHT</b>
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**Department Overview:** The Department of Business Oversight (department) regulates state-licensed financial institutions, products and professionals to provide accessibility to a fair and secure financial services marketplace. The department serves California by enforcing the state's financial services laws and providing resources to Californians to make informed financial decisions.

Effective July 1, 2013, the Department of Corporations (DOC) and the Department of Financial Institutions (DFI) merged to form the Department of Business Oversight reporting to a newly formed Business, Consumer Services and Housing Agency. This change was part of the Governor's Reorganization Plan No. 2 to increase the efficiency and cost-effectiveness of state government.

**Department of Business Oversight Budget Overview**

<b>Funding</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
State Corporations Fund	\$41,151	\$49,499	\$52,199
Local Agency Deposit Security Fund	\$412	\$433	\$441
Financial Institutions Fund	\$26,283	\$27,332	\$27,789
Credit Union Fund	\$7,580	\$7,914	\$8,060
Reimbursements	\$604	\$1,100	\$1,100
<b>Total Expenditures</b>	\$76,030	\$86,278	\$89,589
<b>Personnel Years</b>	<b>562.3</b>	<b>601.0</b>	<b>618.0</b>

**Issue 1 – Consumer Services Office**

**Governor's Budget Request:** The Governor's budget includes a request for \$401,000 (\$281,000 Financial Institutions Fund and \$120,000 Credit Union Fund) in order to convert three limited-term positions to permanent within the Department of Business Oversight's Consumer Services Office (CSO).

**Background:** The CSO receives complaints ranging from simple – overdraft fees, interest calculations, and car loans – to more complicated issues dealing with mortgage loans and modifications, missing funds, stocks, foreclosures, fraud, theft, and regulatory non-compliance. According to the DBO, the CSO has experienced a 97.4 percent increase in the number of consumer complaints submitted since 2010. The limited-term positions were approved as part of the 2012 budget act, and set to expire on June 30, 2015. The DBO anticipates a continued growth in the number of complaints to increase annually by 15 percent through 2017.

Workload for the CSO's has increased significantly. Post-merger analysis conducted by the DBO shows that the average processing time for complaints has increased significantly, as well. From the period between July 2013 and November 2013; the average processing time for complaints was 11.44 days; from December 2013 to April 2014, the average processing time for a complaint had increased to 40.44 days, an increase of over 28 days.

**Staff Comment:** The requested funding reflects a workload analysis conducted by DBO that determined the proper funding split between the banks (Financial Institutions Fund) and credit unions (Credit Union Fund).

**Staff Recommendation:** Approve as Budgeted.

**Vote:**

**2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**

**Department Overview:** The Department of Alcoholic Beverage Control is vested with the exclusive power to license and regulate persons and businesses engaged in the manufacture, importation, distribution and sale of alcoholic beverages in the State of California. The department's mission is to administer the provisions of the Alcoholic Beverage Control Act in a manner that fosters and protects the health, safety, welfare, and economic well-being of the people of California.

The Governor's budget proposes total spending of \$60.6 million (Special Fund) for the Department of Alcoholic Beverage Control in 2015-16. Proposed staffing totals 448.9 personnel for the budget year, which is an increase of ten personnel over the current year.



**Issue 1 – Personnel Year Adjustment**

**Governor's Budget Request:** The Governor's budget includes a request transfer nine positions within the Department of Alcohol and Beverage Control's (Department) blanket authority to permanent positions. This request is a technical adjustment that will not require an appropriation.

**Background:** During the recent economic downturn, the department was required to eliminate a significant number of positions as part of a statewide salary savings effort. The department chose to eliminate a total of 18.8 non-sworn peace officer positions that provide administrative and licensing support to the department. However, the department identified a total of nine administrative and licensing positions that were critical to the day-to-day operations of the department, and chose to use administrative flexibility to fill the positions through the temporary help blanket. The department is currently funding the nine positions through existing budget authority, and has requested that the positions established on a permanent basis.

**Staff Comment:** The Department of Alcohol and Beverage Control is a FI\$Cal Wave 1 department, which means that they will be transitioning to the state's new financial management platform during 2015. Aligning positional authority will provide the department with the opportunity to prepare a more accurate reflection of expenditures and budgetary authority to the FI\$Cal transition team.

**Staff Recommendation:** Approve as budgeted.

**Vote:**