

SUBCOMMITTEE NO. 4

Agenda

Senator Michael J. Rubio, Chair
Senator Noreen Evans
Senator Doug LaMalfa



Thursday, January 27, 2011
9:30 a.m. or Upon Adjournment of Session
Room 112

Consultant: Kris Kuzmich

OUTCOMES

Item Number and Title

1700	Department of Fair Employment and Housing
1760	Department of General Services
2240	Department of Housing and Community Development
8860	Department of Finance, California Recovery Task Force
8940	Military Department

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

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

AGENDA – VOTE ONLY ITEMS

(Please see summary chart on Page 3)

<u>Item</u>	<u>Department</u>	<u>Page</u>
8940	Military Department	4
	Issue 1 – Custodian for Dublin Readiness Center and Field Maintenance Shop	4
	Issue 2 – State Active Duty Employee Compensation Increase.....	4
	Issue 3 – Military Department Environmental Programs Increase To Meet Federal Requirements	4
	Issue 4 – Military Department Civil Support Planning Positions and Interoperable Communications Equipment	5
	Issue 5 – CalEMA Homeland Security Training and Exercise Program	5
	Issue 6 – Quality Assurance Representatives	6

AGENDA – DISCUSSION / VOTE ITEMS

<u>Item</u>	<u>Department</u>	<u>Page</u>
8860	Department of Finance, California Recovery Task Force	7
	Issue 1 – ARRA Funds Oversight.....	7
1700	Department of Fair Employment and Housing	9
<i>1760</i>	<i>Department of General Services</i>	<i>9</i>
	Issue 1 – Information Technology Transfer to Department of General Services; Retain Two Positions for Enforcement	9
1760	Department of General Services	11
	Issue 1 – Office of Public School Construction, Emergency Repair Program	11
2240	Department of Housing and Community Development	12
	Issue 1 – Community Development Block Grant Service Funding Adjustment.....	12
	Issue 2 – 2011-12 Housing Bond Appropriation Authority	13
8940	Military Department	15
	Issue 1 – California National Guard Behavioral Health Outreach Liaison Program	15

Issues Proposed for Vote Only:

	Issue	2011-12 Amount	Fund Source	Staff Recommendation
8940 Military Department				
1	Custodian for Dublin Readiness Center and Field Maintenance Shop	\$67,000 total and one position*	\$17,000 GF \$50,000 Federal Funds	APPROVE
2	State Active Duty Employee Compensation Increase	\$1.363 million	\$705,000 GF \$658,000 Federal Funds	APPROVE
3	Military Department Environmental Programs Increase to Meet Federal Requirements	\$413,000 and four positions*	Federal Funds	APPROVE
4	Military Department Civil Support Planning Positions and Interoperable Communications Equipment	\$1.0 million and four positions*	Reimbursements	APPROVE
5	CalEMA Homeland Security Training and Exercise Program	\$5.1 million and 33 three-year limited-term positions	Reimbursements	APPROVE
6	Quality Assurance Representatives	\$393,000 and four positions*	Federal Funds	APPROVE

**All positions are absorbed from within the Military Department's existing budget; therefore, no net increase in positions will result from these requests.*

Vote: All vote-only items approved by a 3-0 vote.

The Administration requested to withdraw BCP No. 9 in the Military's Budget; the Subcommittee voted 2-0 (Senator La Malfa absent) to deny the request and allow it to be withdrawn per the Administration's request.

Issues Proposed for Vote Only – Issue Descriptions

8940 MILITARY DEPARTMENT

For overview and budget information regarding this department, please see page 15 of this agenda.

Issue 1 – Custodian for Dublin Readiness Center and Field Maintenance Shop

Governor’s Budget Request. The Governor requests increased expenditure authority of \$67,000 (\$17,000 GF and \$50,000 federal funds) for a custodian to support the new Dublin Readiness Center and Field Maintenance Shop located at Parks Reserve Forces Training Area.

Background. The Military Department’s state and federal mission require fully functional armories and maintenance facilities to meet readiness, support its full-time workforce, and provide emergency community support. The Dublin Readiness Center is scheduled for completion by May 2011; the Field Maintenance Shop was completed in December 2008. The federal government provided 100 percent of the construction funds for the Dublin facilities. The state’s responsibility is to ensure the facilities are operational and maintained to meet mission requirements. The one custodian position required for this request will be absorbed from within the Military Department. The \$17,000 GF used for this position will come from the armory maintenance program, which currently funds a combination of maintenance personnel and maintenance work.

Issue 2 – State Active Duty Employee Compensation Increase

Governor’s Budget Request. The Governor requests a baseline augmentation of \$1.363 million (\$705,000 GF and \$658,000 Federal Trust Fund) to cover the State Active Duty (SAD) compensation increases to be granted effective January 1, 2011, and estimated to be granted January 2, 2012.

Staff Comment. Per state statute, pay for SAD employees must be based upon military pay increases granted by Congress; additional compensation adjustments are also mandated due to a congressionally-approved increase in the military allowance for housing and subsistence. The 2011-12 estimates are 1.9 percent for salary and 1.5 percent basic allocation for housing.

Issue 3 – Military Department Environmental Programs Increase to Meet Federal Requirements

Governor’s Budget Request. The Governor requests increased expenditure authority of \$413,000 (federal funds) and four positions to support increasing environmental requirements within the Environmental Program Directorate.

Background. The California Army National Guard has numerous facilities throughout the state, including three major training bases covering over 50,000 acres; an aviation repair depot servicing military helicopters from 13 western states; three aviation support facilities; two equipment storage sites for armored combat vehicles; two major vehicle and weapons maintenance centers; 34 smaller vehicle maintenance shops; supply depots; and forward operating bases. For these units to be effective, they must be in compliance with all federal, state, and local environmental laws, as well as Department of Defense Instructions and Army regulations. The four positions would come at no cost to the state as they are 100 percent federally funded by the National Guard Bureau through a Master Cooperative Agreement with the state. The four positions required for this augmentation will be absorbed from within the Department and will be responsible for making sure federal construction projects can be executed in California.

Issue 4 – Military Department Civil Support Planning Positions and Interoperable Communications Equipment

Governor’s Budget Request. The Governor requests increased expenditure authority of \$1.0 million (reimbursements) in support of State Homeland Security Grant Program funds for emergency planning, immediate emergency response and exercise Homeland Security planning, and procurement of emergency equipment to support the Governor’s Office and the California Emergency Management Agency.

Background. This request provides the Military Department with functional staff to cover the full spectrum of Homeland Security emergency planning, exercises, and operations and is critical to executing a coordinated and rapid emergency response while maintaining Continuity of Operations and Continuity of Government plans. Of the expenditure authority requested, \$635,000 will enable the Department to hire four personnel to fill required assignments in operations and plans, training and exercises, operational law, and operational logistics. These positions will be absorbed from within the Department. The remaining \$383,000 will be used to purchase communications equipment to allow California National Guard forces/assets a greatly increased capability to conduct interoperable communications with civilian emergency responders.

Issue 5 – CalEMA Homeland Security Training and Exercise Program

Governor’s Budget Request. The Governor requests continuation of reimbursement authority in 2011-12 of \$5.1 million (reimbursements) and the re-establishment of 33 three-year limited-term positions to execute an interagency agreement between the Military Department and the California Emergency Management Agency (CalEMA) for staffing support and operating expenses. The source of funds is the federally-funded Homeland Security Grant Program (HSGP).

Background. In 2003, the Military Department was assigned the responsibility of “Executive Agent” by CalEMA for all homeland security terrorism training and exercise activities funded from the various initiatives that constitute the federal HSGP. In this capacity, the CalEMA Homeland Security Training and Exercise Program (HSTEP), consisting of the Military Department and various federal, state, and local agency staff, was charged with providing statewide oversight for the training and exercise needs of California’s first responder community to respond to terrorist attacks involving weapons of mass destruction. The 33 positions were originally established on a limited-term basis for

purposes of the interagency agreement between the Military Department and CalEMA and all expire on June 30, 2011. These positions provide the necessary Military Department personnel to CalEMA to manage its statewide terrorism training and exercise programs for Weapons of Mass Destruction. These funds also allow for operating expenses related to the HSTEP. The proposed funding level in 2011-12 represents a reduced reimbursement level from the previous five years (from \$7.5 million to \$5.1 million); this is a result of a reduction in contracts for loaned executives from other governmental agencies that have been assigned to the HSTEP.

Issue 6 – Quality Assurance Representatives

Governor’s Budget Request. The Governor requests increased expenditure authority of \$393,000 (federal funds) for four Quality Assurance Representatives to provide on-site quality assurance and observation support to the Facilities Directorate project managers on renovation and construction projects statewide, and to help ensure that construction projects at Military Department facilities are executed in compliance with relevant building codes, specifications, and plans.

Background. The Military Department’s Directorate of Facilities currently employs 14 Quality Assurance Representatives (e.g., inspectors) who provide on-site construction observation support to new construction and renovation projects at departmental readiness centers, maintenance shops, and training bases statewide. At present, a Quality Assurance Representative is typically responsible for between two and four concurrent projects, requiring each Representative to split his time between work sites. As a result, at least some work at each project site is completed un-observed by a Representative. Federal Corps of Engineers standards require that a Quality Assurance Representative be on site whenever work is being performed. The resources in this request, which are 100 percent federally-funded, will ensure federal inspection standards are met. These four positions will be absorbed from within the Department.

8860 DEPARTMENT OF FINANCE, CALIFORNIA RECOVERY TASK FORCE

Overview. On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), a \$787 billion federally-funded economic stimulus plan for a wide range of federal, state, and local programs as well as tax relief for qualified businesses and individuals. ARRA also created new requirements for state-level oversight and reporting of stimulus dollars provided to state entities.

Both the 2009-10 and 2010-11 budgets provided funding for California's ARRA accountability framework, comprised of four organizational components: the California Recovery Task Force (CRTF); the ARRA Inspector General (ARRA IG); the Bureau of State Audits (BSA); and, the State Controller's Office (SCO). Both the BSA and SCO were pre-existing entities, while the CRTF and ARRA IG were established via Executive Order by the Governor in Spring 2009.

In January 2011, Governor Brown announced he was eliminating the ARRA IG's Office six months early (funding for that office in the 2010-11 budget was provided on a one-year limited-term basis). Any outstanding audit activities of that office were transferred to the SCO or BSA.

Issue Proposed for Discussion / Vote:

Issue 1 – California Recovery Task Force – ARRA Funds Oversight

Governor's Budget Request. The Governor requests one-time funds totaling \$1.6 million (\$928,000 GF and \$700,000 Central Service Cost Recovery Fund) to support oversight and reporting for remaining ARRA funds in 2011-12. In addition to supporting the California Recovery Task Force (CRTF), the resources in this request will also provide funding for the California Technology Agency (CaTA) and support staff at Department of Finance [Office of State Audits and Evaluations (OSAE) and Fiscal Systems Consulting Unit (FSCU)], providing information technology activities related to federally-required quarterly reports and continued audit support, respectively. Figure 1 below illustrates funding levels for the three entities comprising the CRTF generally:

Figure 1

	2010-11	2011-12 Funding
California Recovery Task Force	\$1,700,000	\$578,000
California Technology Agency	\$1,400,000	\$600,000
Department of Finance: (1) Office of State Audits and Evaluations; and, (2) Fiscal Systems Consulting Unit	\$905,000	\$450,000
TOTAL	\$4,005,000	\$1,628,000

**Note, the fund split is 57 percent GF and 43 percent Central Service Cost Recovery Fund.*

Background. The primary functions that remain in 2011-12 will be quarterly reporting, compliance monitoring, and ensuring that all deadlines related to retaining ARRA funds are met to avoid losing any money awarded due to failure to spend funds within the required timeframes or for other non-compliance issues. CRTF responsibilities diminish as funds are expended; therefore, this proposal significantly reduces the staffing of the CRTF to oversee the remaining ARRA funds and to provide continued quarterly reports. In September 2010, 1,121 ARRA grants remained; in 2011-12, that number will drop to 568 grants.

The CaTA is responsible for ongoing maintenance of the California ARRA and Accountability Tool (CAAT), the state's centralized reporting database. The CAAT tool provides a vehicle for departments to submit and report the data, but is only one component of the information technology (IT) required to report the information to the federal government and citizens of the state. In 2011-12, the CaTA will transition from contract/consultant staff on the CAAT system to utilization of state staff. The State IT staff will fully support and maintain the IT infrastructure (hardware, software, and connectivity), the multitude of user accounts, and provide end-user support for the ongoing reporting. Currently, there are over 300 registered users uploading over 1,100 reports consisting of thousands of records to the system in multiple formats. There will be savings realized in 2011-12 as the maintenance and support is transitioned from contractor resources to state staff, however CAAT requires continuous support and maintenance due to the complexity of the system and the continued reporting to the federal government. The funding for position support will be absorbed within the CaTA.

Staff Comment. The proposed resources for the CRTF in 2011-12 have been reduced from the level provided in 2010-11 reflective of the declining workload. However, staff notes that this request includes 5.1 positions for the CRTF itself and 4.9 borrowed staff from the Department of Finance. This level of staffing is still potentially excessive given that the workload now consists primarily of recipient reporting to the CAAT which is administered by the CaTA. Additionally, given that 57 percent of this request is funded by the GF, close scrutiny is warranted to ensure that the staffing resources provided match the workload.

Staff Recommendation: Hold open pending receipt of additional workload information.

Vote: Request held open.

1700
1760

DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING
DEPARTMENT OF GENERAL SERVICES

Department Overview. The Department of Fair Employment and Housing (DFEH) is responsible for protecting the people of California from unlawful discrimination in employment, housing, and public accommodations, and from the perpetration of acts of hate violence. The Department's jurisdiction extends to individuals, private or public entities, housing providers, and business establishments within the State of California.

Budget Overview. The January Governor's Budget provides the DFEH with 197 authorized positions and \$21.7 million (\$16.2 million GF).

In 2010-11, the DFEH consisted of 207 authorized positions, including ten positions (eight positions in headquarters including the Chief Information Officer, one position in southern California, and one position in the Bay Area) which were used to provide information technology (IT) services for the department and 150 positions in the department's enforcement division. Three of the IT positions were eliminated as part of the DFEH's workforce cap reduction, leaving seven remaining authorized positions to support IT workload.

Issue Proposed for Discussion / Vote:

Issue 1 – Information Technology Transfer to Department of General Services; Retain Two Positions for Enforcement

Governor's Budget Request. The Governor requests to permanently transfer DFEH's Information Technology (IT) function and five positions to the Department of General Services (DGS) and proposes budget provisional language that sets aside \$507,000 GF from DFEH to pay for the transferred functions. In addition, the Governor proposes to redirect the two remaining IT positions to DFEH's enforcement division on a two-year limited-term basis to process claims resulting from the settlement of a class-action lawsuit.

Background. The DFEH entered into an agreement with the DGS effective July 2010 which transferred DFEH's entire IT function and five positions to DGS's IT unit and provided \$465,000 to DGS for the cost of providing these services in 2010-11. One objective of this agreement was to achieve efficiency and cost savings.

In September 2010, DFEH reached its first multi-million dollar discrimination settlement, totaling more than \$6.9 million. According to the DFEH, the settlement will result in a significant increase in workload. The DFEH, therefore, is proposing to retain the two remaining IT positions and convert them into two-year limited-term positions in its Special Investigations Unit to address expected new workload stemming from the settlement of 1,500 family leave claims. All claims are required to be submitted by February 15, 2011. Shortly thereafter, the designated third-party administrator will submit all timely and valid claim forms to DFEH and DFEH staff will then conduct an independent evaluation of each claim to determine whether, on a case-by-case basis, the claimant experienced a California Family Rights Act violation and, if so the type of violation and the appropriate level of damages.

LAO Comment. Centralizing the DFEH's IT function within DGS is reasonable. However, transferring the five positions from DFEH to DGS without having DGS justify the need for these additional staff reduces transparency may not accurately reflect the new workload. If DGS is unable to absorb the increased workload, then it can request the appropriate level of additional staff and provide workload justification.

The DFEH is also requesting to redirect two positions from its former IT unit to its enforcement division to handle the workload related to the settlement of the class-action lawsuit. At the time this request was prepared, the volume of claims that would need to be processed was unknown. The DFEH indicates that it will know the total number of settlement claims filed by mid-February and be able to better describe its workload needs then. In addition, given that pursuing large class action settlements, rather than individual claims, is a relatively new effort for the DFEH, the LAO continues to examine this request. The LAO has also raised questions to DFEH about which party should be responsible for paying the related administrative costs when administering a large settlement.

LAO Recommendation. We recommend the Legislature adopt the Governor's 2011-12 January budget proposal to transfer the DFEH's IT workload to the DGS. However, the Legislature should reject the transfer of five positions to DGS and \$507,000 GF to pay for these staff. Instead, the LAO recommends elimination of the five positions at DFEH and that the Legislature require DGS to justify the need for additional staff on a workload basis. Should DGS incur additional costs, DFEH should provide the appropriate level of reimbursements to fund this workload. In addition, the LAO recommends the Legislature withhold approval of redirecting two positions from DFEH's IT unit to its enforcement division until the volume of the new workload is better known. The LAO continues to examine what would be the most appropriate source of funding for this workload.

Staff Comment. Staff concurs with the LAO assessment that workload justifications are necessary before the Legislature can approve the request for: (1) DFEH to retain two positions for enforcement; and (2) DFEH to provide reimbursement to DGS for the cost of DGS providing IT functions to DFEH. Otherwise, the resources provided, particularly with regard to the reimbursement between DFEH and DGS, could be greater than is warranted. This is particularly important if the Administration is considering transferring IT workload from other small departments to DGS. Establishing a precedent here where inefficiencies are imbedded in the reimbursement level should be avoided. Additionally, it is worth noting that DFEH is 75 percent funded by the GF.

Staff Recommendation. Staff recommends the following:

1. Approve the transfer of the DFEH IT function and workload to DGS;
2. Sweep the excess five positions at DGS that could be redirected to the transferred DFEH function as well as the \$300,000 Service Revolving Fund; and,
3. Hold open the: (a) DFEH request to retain the two positions, and (b) DFEH providing reimbursement to DGS for the transferred IT function; consider both of these aspects of the request at the Subcommittee's February 10, 2011, "open issues" hearing, after both DGS and DFEH submit workload justifications supporting the transferred IT function and additional enforcement activities, respectively.

Vote: Staff recommendation approved on a 3-0 vote.

Department Overview. The Department of General Services (DGS) provides management review and support services to state departments. The DGS is responsible for the planning, acquisition, design, construction, maintenance, and operation of the state's office space and properties. It is also responsible for the procurement of materials, data processing services, communication, transportation, printing, and security.

Budget Overview. The January Governor's Budget provides the DGS with 3,923.8 authorized positions and \$1.1 billion (\$5.5 million GF). This is a decrease of eight positions and \$18.5 million. As a central service agency, the vast majority of DGS' budget is comprised of special fund and reimbursement revenue, received for services performed for other state departments and agencies.

Issue Proposed for Discussion / Vote:

Issue 1 – Office of Public School Construction, Emergency Repair Program

Governor's Budget Request. The Governor proposes a state operations reduction of \$247,000 GF and 1.9 positions for the Office of Public School Construction (OPSC) administration of the Emergency Repair Program (ERP) in 2011-12. This request will conform OPSC budget resources to the remaining workload needs of the ERP.

Background. As a part of the *Williams vs. State of California* settlement [Chapter 899, Statutes of 2004 (SB 6)], the ERP was established to provide a total of \$800 million for the purpose of addressing emergency facilities needs at school sites in deciles 1 through 3. To date, the OPSC has processed approximately \$510 million in applications, of which approximately \$338 million Proposition 98 GF has received funding. The OPSC has received applications from eligible school districts at a level that, once processed and funded, will fulfill the State's obligations pursuant to the terms of the *Williams* settlement. More specifically, the OPSC will require 2.9 PYs and \$280,000 in 2010-11, and 1.0 PYs and \$93,000 in 2011-12, to process the approximately \$290 million remaining applications. No workload will remain for the ERP once applications are processed up to the \$800 million funding level specified in the *Williams* settlement.

Staff Comment. Staff notes no issue with the content of this request; it is consistent with a recent vote of the State Allocation Board (SAB), which directs the work of the OPSC, to stop accepting ERP applications due to the program reaching its expenditure level. However, staff notes that on process this request fails to meet a clear directive provided by this Subcommittee last year when, considering several OPSC requests, it clearly stated that future OPSC budget requests needed to be reviewed by the SAB per Education Code Section 17070.65 and prior to their being included in the Governor's budget. In approving this state operations reduction, the Subcommittee may wish to again restate its concern that the Administration is not consulting with the SAB regarding the OPSC's budget.

Staff Recommendation: Approve the state operations budget reduction.

Vote: State operations budget reduction approved on a 3-0 vote.

Department Overview. A primary objective of the Department of Housing and Community Development (HCD) is to expand housing opportunities for all Californians. The Department administers housing finance, economic development, and rehabilitation programs with emphasis on meeting the shelter needs of low-income persons and families, and other special needs groups. It also administers and implements building codes, manages mobilehome registration and titling, and enforces construction standards for mobilehomes.

Budget Overview. The January Governor's Budget provides the HCD 598.6 authorized positions and \$256.0 million (\$8.8 million GF). This is a decrease of 6.5 positions and \$490.0 million.

The majority of the HCD's expenditures are supported by general obligation bond revenue. The budget includes no bond appropriation authority in 2011-12 (discussed as Issue 2 below). Even without this appropriation, HCD's budget has been steadily decreasing in recent years due to the pending exhaustion of housing bond funds.

Issues Proposed for Discussion / Vote:

Issue 1 – Community Development Block Grant Service Funding Adjustment

Governor's Budget Request. The Governor requests a shift of \$1.1 million in federal budget authority from State Operations to Local Assistance and a reduction of ten positions for the Community Development Block Grant (CDBG) program to reflect a correction in federally allowable administrative costs. To accommodate the reduced level of program administration funding, HCD plans to: (1) reduce the number of awards for the Planning and Technical Assistance and Enterprise Fund Categories of the CDBG program; and, (2) decrease the number of awards in the CDBG General portion of the program by increasing the average award.

Background. HCD's CDBG program was created over twenty-eight years ago to address the fact that California's non-entitlement jurisdictions, which are smaller communities (many of which are rural and economically distressed), lack the resources and/or economies of scale to receive, award, and monitor these federal grants in an efficient and effective manner that allocates the funds to the most pressing needs, meets all federal requirements, and protects against fraud. Presently, HCD's CDBG program serves 168 non-entitlement jurisdictions. By consolidating the administration of the CDBG program for these communities into HCD, the state gains substantial economies of scale and program effectiveness, reducing the number of staff that need to be trained, and gaining the ability to target the most pressing needs across all of the eligible communities.

Although HCD has authority for 28 positions, the federal funds available to the department is only sufficient to support 18 of those positions. The source of the current problem is a combination of short- and long-term factors and some recent issues regarding the funding for the HCD administration of the CDBG program, including: (1) the complexity and scope of the Program makes it labor intensive to administer; (2) the federal allowance for State

administration costs for the Program is minimal; and, (3) the \$1.1 million increase in the Program budget in 2007-08, which included a shift of \$697,000 CDBG program administration funding from GF to federal funds, cannot be sustained due to federal restrictions.

In order to absorb the 30 percent decrease in support dollars, HCD developed the following solution to maintain a viable program at the new program administration funding level:

Workload Driver	Historical Program Level	Proposed Program Level 2011-12	% Change in Activity
Notices of Funding Ability (NOFAs) Offered	6	1	(-) 83.3%
Eligible Activities Offered	81	1	0%
Volume of Awards	112	39	(-) 65.2%
Volume of Activities Requiring Field Monitoring	158	59	(-) 62.7%
Actual Monitoring Site Visits to be Completed	44	20	(-) 54.5%
Jurisdictions Served	66	39	(-) 40.9%

Staff Comment. While the amount of dollars represented in this request are insignificant in comparison to the total funding awarded to non-entitlement communities annually (\$1.1 million against an average annual award total of \$37 million), it could be argued that the program administration changes the HCD proposes are significant. Administering these funds in one NOFA instead of six per year, restricting eligibility to those jurisdictions that do not have an open grant or have an open grant and have met a 50 percent expenditure requirement, and increasing the award size (which will reduce the overall number of awards) will impact the rural communities that rely on HCD for their CDBG funds. As such, the Subcommittee may wish to defer action on this request to allow time for the impacts of these proposed changes to be fully analyzed and determine if there are other approaches that could be developed that would have less programmatic impact on recipient communities.

Staff Recommendation: Deny the budget request without prejudice; consider during the Spring 2011 budget process.

Vote: Request denied without prejudice on a 3-0 vote; Subcommittee will consider during the 2011 budget process.

Issue 2 – 2011-12 Housing Bond Appropriation Authority

Governor’s Budget Request. The Governor proposes a one-time pause in the issuance of state bonds for new loans and grants for general obligation bond funded projects. This proposal would not affect projects that are already underway, but would impact new loans and grants by potentially delaying them for four to five months. The Administration is proposing this pause to allow time for further analysis of bond sales, the state’s overall bonding capacity and debt service obligations, as well as to prioritize allocation of bond resources. This pause will also save an estimated \$248 million in GF interest costs.

With regard to HCD, the Governor further proposes that \$99 million in new loans and grants for housing projects, which would otherwise be administered by HCD in 2011-12, be suspended independent of any bond sale in 2011-12.

2010-11 Budget. The 2010-11 Budget included several appropriations of Proposition 1C Housing and Emergency Shelter Trust Fund Act of 2006 funds, including: (1) \$25 million for the Housing Related Parks Program; (2) \$5 million for the Building Equity and Growth in Neighborhoods Program; and (3) \$9.275 million in remaining Infill Incentive Grant Program funds.

Background. The Department of Finance indicates that the current General Obligation bond cash balance is sufficient to fund: (1) ongoing projects through December 2011; and (2) new allocations through June 2011 and subsequent cash needs through December 2011. This ensures that no existing bond-funded project will be delayed by the proposed pause in the spring bond sale.

For every other department except HCD, new project allocations in the July through September 2011 period may be delayed for four to five months until the fall bond sale is complete. In the case of HCD, the administration has instead proposed to suspend new loans and grants for housing projects in 2011-12. This would affect programs such as Transit Oriented Development and Housing Related Parks, both of which have a remaining fund balance awaiting appropriation.

Staff Comment. While the pause in the spring bond sale could cause a delay in the jobs/economic development benefit of bond-funded projects being green-lighted, most departments have more bond proceeds than they can spend. As of December 2010, the State Treasurer estimated that the state had about \$13 billion in bond proceeds that still had not been spent. So the state would still be spending down that balance and contributing to the economy over the next year even without the spring sale.

Staff notes that the Administration's proposal to suspend HCD housing bond grants in 2011-12 presents a policy question for the Legislature. The net effect of the Administration's proposal is to say that, when the bond sales resume in the fall of 2011, housing grants present no priority for new bond proceeds in 2011-12. Given this, the Subcommittee may wish to act to ensure that housing bonds are given an equal ability to be prioritized and allocated in 2011-12.

Staff Recommendation: Remove Item 2240-401 from the budget bill and adopt placeholder replacement language to authorize HCD to award housing bond funds in 2011-12.

Vote: Staff recommendation approved 2-1; Senator La Malfa voting no.

Department Overview. The California Military Department (CMD) is responsible for the command, leadership, and management of the California Army and Air National Guard and five other related programs. The purpose of the California National Guard (CNG) is to provide military service supporting this state and the nation. The three missions of the CNG are to provide: (1) mission ready forces to the federal government as directed by the President; (2) emergency public safety support to civil authorities as directed by the Governor; and (3) support to the community as approved by proper authorities. The CMD is organized in accordance with federal Departments of the Army and Air Force staffing patterns. In addition to the funding that flows through the State Treasury, the CMD also receives Federal Funding directly from the Department of Defense.

Budget Overview. The January Governor's Budget provides the CMD with 854.5 authorized positions and \$144.3 million (\$46.0 million GF). This is a decrease of 11.0 positions and an increase of \$3.8 million (\$1.1 million GF).

Issue Proposed for Discussion / Vote:

Issue 1 – California National Guard Behavioral Health Outreach Liaison Program

Governor's Budget Request. The Governor requests continuation of the California National Guard Behavioral Health Outreach Liaison (BHOL) Program and the three existing positions, funded by \$451,000 in Proposition 63 funds.

Background. The BHOL program was authorized in 2009-10 as a pilot program. The BHOL program consists of two licensed clinical staff members and one agency coordinator. These personnel ensure that appropriate mental health information is available for all California National Guard members returning from military deployment. Program staff are responsible for providing training for county and other mental health agency entities throughout California. In addition, BHOL teams coordinate directly with county veteran service officers and mental health officers and continue to integrate the behavioral health programs with the state's Operation Welcome Home program.

Staff Comment. Staff concurs that BHOL is a meritorious program, serving a unique population of National Guard members returning from deployment. These citizen-soldiers are immediately reintegrated back into their communities and families after experiencing posttraumatic events that often have affected the servicemembers' mental health needs. The BHOL program has been operating on a pilot basis; approval of this request would make the program and its staffing permanent within existing funding and staffing levels. Should the Subcommittee approve this request, staff recommends that reporting language be added to collect baseline program data, such as specific program offerings and number of servicemembers served.

Staff Recommendation: Approve the budget request, including reporting language.

Vote: Budget request with reporting language approved 3-0.