Senate Budget and Fiscal Review—Scott Wiener, Chair

SUBCOMMITTEE NO. 4 Agenda

Senator Stephen C. Padilla, Chair
Senator Roger W. Niello
Senator Lola Smallwood-Cuevas

Thursday, March 7, 2024
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 113

Consultants: Timothy Griffiths and Diego Emilio J. Lopez

ITEMS FOR VOTE ONLY

ITEMS FOR DISCUSSION

Public Comment

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ITEMS FOR VOTE ONLY

0511 GOVERNMENT OPERATIONS AGENCY (GOVOPS)

Issue 1: Cradle-to-Career Data System Chief Information Security Officer Position Authority

Request. The GovOps, Office of Cradle-to-Career Data System (C2C) is requesting one position – Information Technology Manager II – in 2024-25, and ongoing, to manage workload related to the C2C system and to sustain the necessary information security capacity for the Office and the Data System.

Background. AB 132 (Committee on Budget), Chapter 144, Statutes of 2021, established the C2C to provide expansive public access to one of the most comprehensive data systems in the nation, linking existing public and private education data, as well as workforce, financial aid, and social service information to address disparities in opportunities and improve outcomes for all communities throughout California. A 21-person Governing Board overseeing the office and two 16-person Advisory Boards with public members provide implementation recommendations for the C2C.

Information Security. Statute requires that C2C keep the data system secure and protect individual privacy, in compliance with federal and state laws. C2C must also keep the trust of its data-sharing partners by implementing a best-in-class security plan and information security program for the data system. These efforts are informed by C2C's Security Policies Taskforce, which is comprised of representatives from the data providers, particularly people responsible for information security at those state agencies, as well as security experts identified by the Office.

According to the Department, the requested Information Technology Manager II will serve as a Chief Information Security Officer (CISO) to be responsible for ensuring security policies and procedures are reviewed and updated as needed to prevent new threats and vulnerabilities across media types. The C2C has met its short-term need for CISO services by leveraging the experience of a retired annuitant, but the position is requested to address ongoing CISO needs.

Staff Recommendation. Approve as budgeted.

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 2: Reductions to the California Experience Corps

Governor's Budget Proposal. The Governor's January 2024 Budget proposes to revert $8.8 million previously allocated to the Experience Corps back to the General Fund.

Background. The 2022 Budget Act allocated $10 million in General Fund to the California Volunteers program within OPR for operation of an Experience Corps grant program. As described by OPR, Experience Corps grants were intended to support stipended volunteer positions for older adults to provide either one-on-one mentoring, nurturing, and support to children (Foster Grandparent) or peer-support services to older adults at risk of out-of-home placement due to chronic illness, disability, or isolation (Senior Companion).

As it turned out, interest in Experience Corps was lower than originally anticipated and OPR only issued Experience Corps grants totaling $1.2 million in 2022-23, leaving the unspent balance of $8.8 million that this proposed reversion would recapture and return to the General Fund.

Staff Comments: None.

Staff Recommendation. Approve as budgeted.

8955 DEPARTMENT OF VETERANS AFFAIRS (CALVET)

Issue 3: California State Approving Agency for Veterans Education Funding Increase

Request. The Governor's budget requests $265,000 Federal Trust Fund beginning in 2024-25 for CalVet to address the increased workload within the California State Approving Agency for Veterans Education (CSAAVE)/Title 38 program.

Background. The United States Department of Veterans Affairs (USDVA) administers the federal education benefit programs for veterans, including the Post 911 GI Bill, Montgomery G.I. Bill (MGIB), Reserve Education Assistance Program (REAP), and Veterans Education Assistance Program (VEAP). These programs provide for the college or vocational education of people who have or are currently serving in the US Armed Forces. Under the direction of the USDVA, eligible service members and veterans are able to receive funding to pay for their higher education costs.

Under contract with the USDVA, CSAAVE, under the authority of federal law (Title 38 United States Code), operates as part of the government of the State of California to approve or disapprove veterans' education and training programs, prevent abuses, and promote quality in veterans' education by evaluating and monitoring education and training programs. CSAAVE connects with school certifying officials, military education officials, training establishments and business officials, and select government officials in order to serve veterans and their families with regard to their education benefits and opportunities. CSAAVE conducts on-site Risk Based Compliance visits to approved institutions and schools seeking approval, provides technical assistance to all interested parties and is engaged in outreach activities to encourage eligible individuals to use the benefits provided by their service. The programs that can be approved by CSAAVE are institutions of higher learning (colleges and universities), non-degree institutions (vocational and technical schools), and licensing and certification exams.

According to CalVet, these resources are intended to address the increased workload within the CSAAVE program as a result of the passage of Public Law 116-315, Isakson & Roe, which changed how CSAAVE conducts compliance visits into what is now called Risk Based Surveys that requires reviewing a significantly increased amount of data.

Workload History

Workload Measure	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Applications Received, Applications Processed, Call Volume, Site Visits, Audits, Stakeholder Meetings, Hearings, etc. (NOTE: workload measures are based on federal fiscal year)	53,995	17,104	53,350	58,878	63,635	70,400

Staff Recommendation. Approve as budgeted.

Issue 4: CalVet Electronic Health Record Project

Request. The Governor's budget requests $902,000 General Fund ($618,000 for the final year of implementation and $284,000 for 11 months of maintenance and operating [M&O] costs) in 2024-25 and $415,000 General Fund beginning in 2025-26 for CalVet for full year M&O costs for its new long-term care electronic health record system in the Veterans Homes of California and Headquarters.

Background. In 2016, CalVet began to work with the Department of Technology to explore various options for an electronic health record system (EHR) to use in its Veterans Homes.
The 2020-21 budget provided a one-time augmentation of $1.2 million General Fund for the first phase of implementing the electronic health record system, which was installed at its Homes in Barstow, Chula Vista, Lancaster, and Ventura. The 2021-22 budget provided $10 million General Fund for the second year of implementation, and was used to enhance the system at the initial four Homes, and implementing the system at the remaining Homes in Fresno, Redding, West Los Angeles, and Yountville. At the time, the project was scheduled to be completed in December 2021.

However, due to the COVID-19 pandemic, subject matter experts were not available for the project for extended periods, leading to project delays. This triggered a Special Project Report to the CDT. While the scope of the project did not change, adjustments were made to project timelines and order of implementation, as well as applications. The project timeline expanded by 20 months. The 2022-23 budget provided for $433,000 General Fund for the third year of implementation. The project was then scheduled to be completed in September 2023.

Due to further project delays resulting from statutory requirements of implementing e-prescription functionality by January 2022, truncated financial requirements in contracts, and a need for additional testing time, a second Special Project Report (SPR #2) to the CDT was triggered. The schedule, cost, and scope impacts reported in SPR #2 expanded the project timeline by 13 months. The 2023-24 budget provided for $2.5 million General Fund for the fourth year of implementation and to begin Phase 3 of implementation.

Phase 3 will continue through 2023-24, with full implementation and enhancements for the Chula Vista, Barstow, Yountville, and Redding Homes. Implementation for the Fresno Home will occur on July 1, 2024, completing the project in calendar year 2024.

Phase 3 – Remaining Homes Implementation + Enhancements

Activity	Start Date	End Date
Chula Vista	11/1/2023	12/19/2023
Barstow	1/1/2024	2/14/2024
Yountville	3/1/2024	4/12/2024
Redding	5/1/2024	6/17/2024
Fresno	7/1/2024	8/15/2024

The project completion date is estimated to be October 18, 2024.

According to CalVet, Completing the CEHR Project Phase 3 will provide the Department with:

- A completely paperless EHR resulting in standardized processing of CalVet resident health records – implemented in all eight Homes.
- Standardized electronic physician order entry process.
- Compliance with regulations and accessibility needs.
- Accurate resident care billing submitted to HQ from the Homes.
- Accurate billing submitted to fiscal intermediaries, including CMS, by HQ.
- A solution that is current and responsive to the changing trends in technology.
- Participation in Health Information Exchange (HIE). Allowing CalVet healthcare providers to appropriately access and securely share a patient's vital medical information electronically—improving the speed, quality, safety and cost of patient care.
- Ensured compliance with privacy protections and security safeguards required by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Privacy Rules.
- Completion and closeout of the CEHR Project.

Staff Recommendation. Approve as budgeted.

Issue 5: Strategic Realignment for the Barstow Veterans Home

Request. The Governor's budget requests a reduction of 30 budgeted Domiciliary (Dom) beds, 2 positions, and $265,000 General Fund beginning in 2024-25 for CalVet as part of the census milestone reductions at the Veterans Home of California-Barstow (Barstow Home) as outlined in the 2021-22 Strategic Realignment of the Barstow Home.

Background. Opened in 1996, the Barstow Home has historically offered three levels of care: Domiciliary (Dom), Intermediate Care Facility (ICF), and Skilled Nursing Facility (SNF). Although the Barstow Home has a capacity for 400 residents, it has averaged fewer than 200 residents since the early 2000s.

CalVet conducted a full-scale appraisal of every Veterans Home of California, including levels of care offered, regional demand for services, hiring capabilities, infrastructure, and other characteristics necessary for strategic planning. The result was the Veterans Homes of California 2020 Master Plan (Master Plan). Contained in the Master Plan were specific recommendations that were intended to place each Home in the best possible position for success now and in the future. The recommendations for the Barstow Home included aligning the levels of care offered to more accurately reflect demand in the area. The proposed changes in levels of care included, through attrition over many years, closing the Dom program, converting the dual-occupancy 60-bed ICF to a single room 31-bed Residential Care Facility for the Elderly (RCFE), and reactivating 20 suspended SNF beds. It must be noted that no residents have been or will be discharged as a result of these level of care changes.

The proposed level of care changes were reflected in the 2021-22 Strategic Realignment for the Barstow Veterans Home Spring Finance Letter and the Barstow Home began realigning its levels of care accordingly. The planned closure of the Dom through attrition was anticipated to take many years. However, the COVID-19 Pandemic, combined with other operational challenges, has reduced the Dom census to milestone points outlined in the Strategic Realignment for the Barstow Home that was approved for implementation January 1, 2022. The milestones were for a census drop of 30 and 60 beds as well as full closure of the 120-bed unit. Each milestone included a corresponding reduction of positions. This proposal requests the implementation of the planned reduction.

Staff Recommendation. Approve as budgeted.

ITEMS FOR DISCUSSION

0511 GOVERNMENT OPERATIONS AGENCY (GOVOPS)

Issue 6: Cradle-to-Career eTranscript California Practical Tools Reappropriation

Request. The GovOps, Office of Cradle-to-Career Data System (C2C) is requesting to reappropriate $600,000 General Fund in 2024-25, to fund and manage workload related to the Cradle-to-Career Data System.

Background. AB 132 (Committee on Budget), Chapter 144, Statutes of 2021, established the C2C to provide expansive public access to one of the most comprehensive data systems in the nation, linking existing public and private education data, as well as workforce, financial aid, and social service information to address disparities in opportunities and improve outcomes for all communities throughout California. A 21-person Governing Board overseeing the office and two 16-person Advisory Boards with public members provide implementation recommendations for the C2C.

eTranscript California. eTranscript California is a secure electronic transcript system that currently supports California Community Colleges (CCC), California State University (CSU), University of California (UC), and select private and out-of-state postsecondary institutions. eTranscript California is designed specifically to address information unique to California student transcripts, such as Intersegmental General Education Transfer Curriculum (IGETC), CSU general education requirements (GE Breadth), Associate Degrees for Transfer, and community college district-level transcripts. The peer-to-peer exchange network delivers data in the California Electronic Transcript Standard, a statewide format recognized by the CSU and UC systems, and supports the work of the Student Success Act of 2012 (Chapter 624, Statutes of 2012 (SB 1456)). While there are currently 102 CCCs, 20 CSUs, 6 UCs, 3 independent colleges, and 3 out-of-state institutions participating in the eTranscript California exchange, not all colleges make full use of eTranscript California’s features and have instead adopted a range of solutions for transmitting information about students’ academic histories, including the use of third-party vendors whom students must pay to request and transmit transcripts.

eTranscript California Scaling. C2C has a statutory charge to bring two operational tools (known as “practical tools for students and families”) for students to a state-wide scale. One of these is eTranscript California. In 2022–23, C2C conducted interviews and research to identify important insights for planning an expansion of eTranscript California. This included topics such as infrastructure specifications, content specifications, tools to support skills-based hiring, and social benefits eligibility as features. Based on these initial findings and recommendations, in 2023-24, C2C began a planning process to create a roadmap for how eTranscript California could become a seamless platform for transferring transcripts across post-secondary institutions and to employers, and could be adapted to include skills gained in non-academic contexts. This included conducting additional research to better understand the role of alternative transcript formats in skills-based hiring, how transcript data informs awarding credit for prior learning, transcript standards, and transcript issues pertaining to dual enrollment. Finally, in August 2023, the

Governor's Office released Executive Order N-11-23, announcing an effort to create a Master Plan for Career Education. The executive order highlights C2C's role in scaling eTranscript California as a key component for planning efforts. As a result, C2C will convene a task force between January-June 2024 that will generate ideas and recommendations for how eTranscript California could be rebuilt to meet Master Plan goals.

C2C is requesting to reappropriate $600,000 from 2023-24 to 2024-25 to engage a subcontractor to advance the recommendations identified in the current year task force as part of the Master Plan for Career Education. While the specific activities will not be finalized until the recommendations are developed, potential activities include:

- Providing project management support to CCC to make updates to eTranscript California and support its universal adoption
- Providing project management support to modify CCC, CSU, and UC application forms so students can give permission to share their community college transcripts
- Convening appropriate discipline experts from across the segments to establish clear guidelines for when dual enrollment counts toward a-g equivalencies or transfer
- Developing and vetting consistent postsecondary transcript standards that allow data to be seamlessly transferred across public segments, private entities, and out-of-state institutions
- Providing project management support to integrate eTranscript California into CaliforniaColleges.edu and CSU Transfer Planner to improve eligibility tools
- Convening appropriate discipline experts from across the segments to establish a process for including third party and military credentials in transcripts and developing equivalencies across public segments
- Convening appropriate discipline experts from across the segments to determine how to transcript workforce training programs, adult ed, and noncredit and developing equivalencies across public segments
- Engaging employers to identify how information on third party and military credentials and participation in workforce training programs, adult ed, and noncredit in a Career Passport could be used to for skills-based hiring
- Developing feature specifications for the Career Passport

Projected Outcomes – eTranscript California Scaling

Year	Projected Outcomes
CY	Create a roadmap for how eTranscript can become a seamless platform for transferring student transcripts across post-secondary institutions; assess possibilities for integrating competency-based education and supporting skills-based hiring; assess possibilities for integrated social services applications
BY	Background research and report writing; planning meetings to develop standards, application integration, and adoption requirements; stakeholder engagement
BY+1	Stakeholder engagement; technical assistance to adopt standards and new processes for skills integration into academic transcripts and hiring; support implementation of new tools

Staff Recommendation. Hold Open.

Issue 7: Various Reductions

Request. The Governor's budget proposes to revert approximately $7.3 million across various GovOps programs.

Background.

Census Carryover. The Governor's budget proposes to revert $2.2 million, originally appropriated in 2019, from Chapter 23, Statutes of 2019 (AB 74), for census workload. According to the Administration, as the 2020 census is largely complete, it is anticipated that the unencumbered balance will no longer be needed.

Language Access Pilot Program. The Governor's budget proposes to revert $4.6 million, originally appropriated in 2023, from Chapter 249, Statutes of 2022 (AB 179), for GovOps to operate a language access pilot program. Of the original $5 million appropriation, $434,000 is proposed to be retained to support one position for language access workload at GovOps.

Leadership Initiatives. The Governor's budget proposes to revert $500,000, originally appropriated in 2023, from Chapter 38, Statutes of 2023 (AB 102), for leadership initiatives. $1.5 million is proposed to be retained.

Staff Recommendation. Hold Open.

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 8: Departmental Reorganization

Governor's Budget Proposal. The Governor January 2024 Budget includes a general proposal to reorganize the Office of Planning and Research (OPR). While the Governor's Budget provides few specifics about what this reorganization would entail – instead promising to release a "detailed proposal for this transition as part of the spring budget process" – it does offer the following broad concepts:

- Establish California Volunteers as an entity separate from OPR.
- Transfer related programs from other departments to the new California Volunteers entity.
- Review programs within OPR to determine if they should be moved to other state departments that are better suited to administer them.

Background. OPR has grown rapidly in recent years, both in terms of its size and the scope of its mission. Numerous and varied new initiatives have been assigned to OPR, including CalVolunteers, the Office of Community Partnership and Strategic Communication (OCPSC), the Racial Equity Commission (REC), and the Youth Empowerment Commission (YEC), among others. Reflecting this expansion, OPR's budget has risen from just $54 million in 2016-17 to a proposed $1.1 billion in 2024-25.

In light of this expansion, the Administration has already begun a process of rethinking how OPR should be structured. As part of last year's budget, for example, OPR received authority to convert most of OPR's staff to civil service positions. OPR also obtained resources for the purpose of establishing its own internal information technology office, allowing it to break away from its former reliance on the Governor's Office for these services. According to the Administration, the latest round of organizational changes now under development are meant to "further streamline efforts and enable OPR to focus on its core responsibilities." The Administration indicates that it does not anticipate releasing its detailed transition proposal for OPR until the May Revise.

LAO Comments: In commentary provided to the Committee, the LAO stated that "reorganizing OPR could have merit," but emphasized that "providing a significant reorganization proposal in May gives the Legislature little time to review." Ultimately, the LAO has "significant concerns with the administration's stated plans" and recommends that the Legislature "defer any major decisions about changes to OPR and the delivery of state services until it has sufficient time and capacity to consider all the potential options and ramifications."

SBFR Staff Comments: As the LAO points out, dropping a detailed department reorganization plan in May leaves only a short period for the Legislature to review and respond at a time when myriad other budget proposals and negotiations will be taking place.

In light of these concerns, the Subcommittee may wish to press for any additional information that the Administration can provide now about what the Legislature should expect from the eventual proposal. The Subcommittee may also wish to inquire why the Administration believes it is necessary to pursue the proposed reorganization under this compressed timeline.

Staff Recommendation. Information only at this time.

Issue 9: California Environmental Quality Act Judicial Streamlining

Governor's Budget Proposal. Through the Governor's January 2024 Budget, the Office of Planning and Research (OPR) seeks authority for nine positions and an annual allocation of $2.3 million from the General Fund from 2024-25 through 2033-34 to "implement the newly adopted and newly renewed judicial streamlining provisions in the Public Resources Code for certain infrastructure and environmental leadership development projects."

Background. The California Environmental Quality Act (CEQA) establishes a system for the study, consideration, and mitigation of the impacts associated with proposed development projects in California. (Pub. Resources Code § 21000 *et seq.*)

OPR plays a key role in CEQA's operation. OPR runs the state CEQA Clearinghouse, a bureaucratic hub where lead agencies must file specified notices and environmental documents for review, storage, and appropriate distribution. In addition, OPR provides key guidance on the application of CEQA through the regular publication of CEQA guidelines, the provision of technical assistance to state and local government agencies; and acting as the arbiter of disputes regarding the CEQA obligations of various public agencies.

Last year, SB 149 (Caballero, Ch. 60, Stats. 2023) provided for judicial streamlining for lawsuits challenging development projects meeting specified environmental requirements and contributing critical infrastructure to the state. In addition, SB 149 extended existing CEQA judicial streamlining for certain defined "environmental leadership" projects for an additional ten years.

OPR indicates that it needs the additional staffing and resources set forth in the Governor's January 2024 Budget in order to implement these aspects of SB 149. Although the underlying legislation permits OPR to charge user fees in relation to these CEQA streamlining programs, OPR states that the fees will not be sufficient to cover its anticipated costs for at least three reasons: (1) there will be a regulatory delay before some of the fees can be approved; (2) housing development projects are exempt from the fees; and (3) it is difficult for OPR to predict the number of applications it will receive.

LAO Comments: In commentary provided to the Subcommittee, the LAO acknowledges that OPR "likely will need some level of additional resources to implement SB 149," but points out that "the extent of new workload the legislation will generate remains unclear." Additionally, the LAO observes that:

> the administration's proposal to fund this workload is inconsistent with its approach to other recently chaptered legislation. Specifically, with the exception of this SB 149 proposal, the administration is deferring the consideration of resource requests associated with recently chaptered legislation to the May Revision when updated statewide revenue estimates will be available.

Ultimately, the LAO recommends that the Legislature:

1) consider providing resources for a shorter duration than the 10 years proposed by the administration to allow for a better understanding of the program's long-term needs; and

2) consider this proposal as part of a larger overall approach and plan for implementing recently chaptered legislation.

Staff Comments: OPR's justifies the need to fund implementation of SB 149 on the imminent arrival of infrastructure development proposals:

> Because SB 149 was designed to give California greater access to once-in-a-generation federal funding for these critical infrastructure projects – with anticipated federal and state funding of $180 billion at issue – it is imperative that the program is up and running as quickly as possible and has capacity to operate properly to assist the state in getting access to those funds.

The value of leveraging historic levels of one-time federal funding for infrastructure investments may offer a valid rationale for prioritizing implementation of SB 149 over other recently enacted legislation. Still, the Subcommittee may wish to inquire further about the policy and legal basis for the Administration's apparent choice to fund implementation of some enacted statutes while postponing others.

The Subcommittee may also wish to inquire why the Administration is proposing a ten year allocation of a specific quantity of money for staffing this program when it is not yet clear how many applications will be received and how much the program may generate in fees. If the Administration is open to a shorter allocation until this information becomes clearer, the Subcommittee may wish to ask about what length of time would be needed.

Staff Recommendation. Hold open.

Issue 10: Reductions to the Office of Community Partnerships and Strategic Communications

Governor's Budget Proposal. The Governor's January 2024 Budget proposes to revert $5 million originally allocated to the Office of Community Partnerships and Strategic Communications (OCPSC) in 2023-24 back to the General Fund, and to reduce OCPSC's 2024-25 and 2025-26 General Fund allocations by $8 million in each year.

Background. Housed within OPR, OCPSC "manages the State's highest priority community engagement and public awareness efforts." In particular, OCPSC conducts public messaging campaigns related to COVID-19 vaccination, participation in the Census, the use of Individual Tax-Payer Identification Numbers (ITIN) to access earned-income tax credits, water conservation, and protection against the dangers of extreme heat. OCPSC's messaging campaigns operate through partnerships with trusted, culturally and linguistically competent community-based organizations in order to ensure that the information communicated reaches all Californians effectively.

The 2022 Budget established the OCPSC and allocated $65 million in General Fund to it annually through 2025-26. Of the annual total, $15 million was for state administration of the program, while OCPSC was to disburse the remaining $50 million balance to the community-based organizations with which it partners. The Administration highlights that, even after its proposed reductions, OCPSC would still have $60 million in 2023-24 and $57 million in 2024-25 and 2025-26 "to continue the state's top priority outreach campaigns."

It should be noted that, in addition to the OCPSC budget, some of the same public education campaigns have also received support from separate budget items. For example, the Department of Water Resources' received $75 million in the 2022 Budget for water conservation communications, while OPR has received a distinct $20 million ($6 million in 2022-23 and another $14 million in 2023-24) toward a public awareness campaign related to protection against extreme heat.

Staff Comments. OCPSC conveys important messages in a manner strategically designed to get reach all Californians. In light of the state's current budget challenge, however, the Subcommittee may wish to inquire whether additional reductions to OCPSC programming – beyond those proposed by the Governor – are worth considering. Among other things, the Subcommittee may wish to ask the Administration about the following:

- What is the spending breakdown between the four primary messaging campaigns: COVID-19, participation in the Census, water conservation, and protection against extreme heat?

- Do all of these topics retain the same urgency as they did when funding for OCPSC was initially approved? If not, could additional savings be achieved by winding down or reducing the scope of these campaigns?

- How much of the reductions proposed by the Governor will come out of OPCSC operational budget and how much will come out of grants to community-based partners?

- What impact does OCPSC anticipate the Governor's proposed reversion and reductions will have on OCPSC's mission? Why were those particular reversion and reduction amounts chosen?

- Is additional funding available for reversion in 2023-24? If so, what impact would such a reversion have on OPCSC's mission?

- What impact would further reduction to OPCSC's 2024-25 and 2025-26 allocations have on OPCSC's mission?

- In those circumstances in which other budget line items appear to support the same public education mission, could those funds be drawn upon to continue the overall messaging strategy while achieving further savings within OCPSC's budget?

Staff Recommendation. Hold open.

Issue 11: Other Possible Sources of Savings within the OPR Budget

Background. In light of the significant budget shortfall confronting the state and the difficult decisions that the Legislature and the Governor will have to make in achieving a balanced budget in 2024 and the years that follow, the Subcommittee may wish to examine other areas within OPR's budget as potential sources of savings.

In addition to the reductions proposed in the Governor's January 2024 Budget, the following programs involve discretionary spending that was recently increased and could potentially be pulled back in whole or in part. Where allocations for 2023-24 remain unspent, funds from some of these sources may also be available for reversion. For example:

- Youth Jobs Corps. This program provides structured employment and related wraparound services to high-risk youth, through population-based grants to California's largest cities and competitive grants to other local jurisdictions. The program was established in 2021 as a two-and-a-half year pilot using federal funds. In 2023, the Governor proposed a new, ongoing state General Fund allocation of $78.1 million to continue the program indefinitely. At the time, the LAO recommended rejecting the proposal citing the existence of other youth employment programs, the lack of data to assess the success of the pilot phase, and the lost opportunity to spend the funds on other commitments. Nonetheless, after initially considering a more modest amount for the program, the Legislature ultimately acquiesced to the full proposal. Given the intervening deterioration in the budget condition, the Subcommittee may wish to revisit this decision.

- Climate Action Corps. This program places an annual cohort of "climate action fellows" with tribal communities, nonprofits, public agencies and educational institutions where they conduct urban greening, organic waste and edible food recovery and wildfire resiliency projects. The program pays its fellows a $33,000 living allowance and offers them job training in addition to a $10,000 scholarship, among other benefits. The program also operates a shorter, summer fellows program and facilitates climate-related voluntarism more generally. In 2023, the Governor proposed converting the program from a pilot phase to permanent status and doubling its size in 2026. Specifically, the Governor requested $4.7 million in General Fund annually from 2023-24 through 2025-26 (a continuation of the existing funding level) followed by $9,300,000 from 2026-27 on. The LAO recommended rejecting this proposal on the ground that the pilot phase of the program had not produced sufficient data to justify the expansion and concern that the additional funding would take away from other spending priorities. There are also other, similar programs such as the Youth Conservation Corps. In light of these considerations and given the intervening deterioration in the budget condition, the Subcommittee may wish to revisit this decision.

- Neighbor-to-Neighbor. This program builds a network of community leaders willing to check in on neighbors and help educate them about disaster preparedness and climate response. In 2022, the Governor sought $10 million in annual General Fund allocations through 2025-26 for the program. At the time, the LAO questioned the need for the program:

> California's local governments, nonprofits, and CBOs have a great deal of experience in developing service opportunities and recruiting, training, and managing volunteers. The longstanding model of California Volunteers supporting—and not duplicating—these organizations' efforts is reasonable and appropriate. The administration has not articulated a clear and compelling need for the state to provide the various new coordination, outreach marketing, and training services proposed by the Neighbor-to-Neighbor proposal.

In light of the current budget condition, the Subcommittee may wish to inquire further about what concrete outcomes the Neighbor-to-Neighbor program has been able to achieve and whether those outcomes warrant the current level of expense.

Staff Comments: The inclusion of these programs in this agenda as potential sources of savings reflects the seriousness of the budget challenge and the importance of surfacing a wide range of possible solutions. It should not be taken as a critique of the value of the programs themselves absent the difficult spending choices facing the state.

Staff Recommendation. Information only.

1115 DEPARTMENT OF CANNABIS CONTROL (DCC)

Issue 12: Increased Program Workload and Legal Services

Request. The Governors' budget proposes an increase in expenditure authority of $8.2 million Cannabis Control Fund in 2024-25, $8.1 million in 2025-26 and 2026-27, $1.3 million in 2027-28 and ongoing, and 7.0 positions for DCC to address the workload of the Department's Legal Affairs and Laboratory Services Divisions.

Background. DCC was established in July 2021 with the passage of AB 141 (Committee on Budget, Chapter 70, Statutes of 2021). AB 141 consolidated three cannabis programs in a single department: the Department of Consumer Affairs' Bureau of Cannabis Control, California Department of Food and Agriculture's CalCannabis Cultivation Licensing Division, and California Department of Public Health's Manufactured Cannabis Safety Branch.

Laboratory Services Division. The Laboratory Services Division is responsible for the regulatory oversight of California licensed cannabis testing laboratories. This includes the review of license applications, conducting routine inspections, investigating complaints, taking enforcement actions, and conducting investigative sample analysis. The Laboratory Services Division also works closely with other divisions in the review and evaluation of data and scientific literature to enhance the regulatory framework and identify best practices for product testing and consumer safety. Lastly, the division directs and monitors the contract for California's cannabis reference laboratory.

Currently, there are a minimum of nine state mandated testing requirements for all cannabis and cannabis products – cannabinoid profile, heavy metal contaminants, residual solvent contaminants, terpenes, mycotoxins, foreign materials, contaminants/toxins, moisture content, and water activity. Six of these nine methods require a chemistry background and 3 methods require a microbiology background to develop, maintain, and conduct investigatory sample testing. DCC requests the following positions within the Laboratory Services Division to meet the workload needs of cannabis testing.

- Quality Assurance – 1 Research Scientist IV (Chemical Sciences)
- Chemical Science – 2 Research Scientist II (Chemical Sciences)
- Microbiological Science – 1 Research Scientist Supervisor I and 1Research Scientist I (Microbiological Sciences)

Legal Affairs Division. The Legal Affairs Division is responsible for providing legal services for the Department's twelve divisions and executive office. This includes conducting legal research, providing counsel to programs, drafting, and reviewing legal documents and responses, responding to Public Records Act (PRA) requests, drafting regulations, representing Department programs in administrative actions and appeals, and liaising with the Attorney General's office on Department litigation. The Legal Affairs Division also houses the DCC's internal audits office.

DCC requests the following 2 positions to maintain and improve current level of service from the Legal Affairs Division:

- Attorney Service Branch – 1 Assistance Chief Counsel
- Legal Support Office – 1 Associate Governmental Program Analyst

Office of the Attorney General Expenses. DCC requests an increase in expenditure authority of $2.7 million Cannabis Control Fund in 2024-25 through 2026-27 for litigation expenses with the Office of the Attorney General.

Office of Administrative Hearings Expenses. DCC requests an increase in expenditure authority of $4.1 million Cannabis Control fund in 2024-25 through 2026-27 for anticipated Office of Administrative Hearings costs.

Legal Services Augmentation Provisional Language. DCC requests provisional language allowing the Department of Finance (DOF) to augment DCC's budget from the Cannabis Control Fund for litigation and administrative hearings costs. The language specifies that DCC must demonstrate to DOF a need for additional resources and that the augmentation shall be authorized no sooner than 30 days after notification to the Joint Legislative Budget Committee. DCC indicates that the provisional language would give the department flexibility should additional Department of Justice or Office of Administrative Hearings costs materialize, as the department indicates there is uncertainty over the level of these costs it will incur in the near term.

Legislative Analyst's Office.

Background.

Department of Justice (DOJ) Provides Legal Services for DCC. Under the direction of the Attorney General, DOJ provides legal services to state agencies. State agencies can request—and are generally billed for—DOJ services to initiate legal action, defend or represent them in legal actions filed by others, or provide legal advice. DOJ provides legal services to DCC, including representing the department in administrative law cases and civil cases. Currently, DOJ charges an hourly rate of $220 for attorney services, $205 for paralegal services, and $195 for analyst services. State agencies, including DCC, generally pay for these costs from their own budgets. The 2021-22 Budget Act provided DCC with $2.7 million annually for three years to support its costs for DOJ legal services.

Office of Administrative Hearings (OAH) Hears Cannabis-Related Cases. OAH provides administrative law judges to hear administrative disputes for over 2,500 state and local agencies, including DCC. These judges conduct adjudicatory hearings, prehearing and settlement conferences, and mediations. OAH charges fees to state and local agencies for the services it provides. Currently, OAH charges state and local agencies an hourly rate of $373, as well as other filing and recording fees. OAH is responsible for hearing four primary types of cannabis-related cases: (1) appeals of a denial of an initial annual license or a renewal license, (2) discipline of an annual licensee, (3) citations for unlawful activity by an annual licensee, and (4) administrative citations and civil penalty actions for unlicensed activity. State law limits the ability of those who do not hold an annual license from appealing DCC decisions. For example, those denied a provisional license renewal are not entitled to a hearing before OAH. Accordingly, as provisional licenses are phased out and more annual licenses are in effect, the department anticipates referring more cases to OAH. This could result in increased OAH costs from the new case filings, case management responsibilities, hearings, and decisions, as well as related licensing and disciplinary activities. The 2021-22 Budget Act provided DCC with $8.6 million annually for three years to support its costs for OAH hearings.

Assessment.

Proposed DOJ and OAH Funding Significantly Higher Than Past Expenditures. As shown in Figure 1, the Governor's proposal for DOJ and OAH costs is significantly higher than DCC's expenditures on these services in 2021-22 and 2022-23.

Figure 1

Governor's Proposal for DOJ and OAH Costs Significantly Higher Than Past Expenditures

	2021-22 Actuals	2022-23 Actuals	Average from 2021-22 to 2022-23	2024-25 Governor's Proposal
DOJ	$773,079	$529,791	$651,435	$2,700,000
OAH	14,907	4,506	9,707	4,100,000

DOJ = Department of Justice and OAH = Office of Administrative Hearings

Recommendation.

Approve Provisional Language, but Reduce DOJ and OAH Funding to More Closely Align With Past Expenditures. We recommend that the Legislature approve the proposed provisional language but reduce the proposed funding to $1.2 million for DOJ costs and $23,000 for OAH costs. We acknowledge that there will be some uncertainty in these costs going forward, in particular, as the department continues to transition from provisional to annual licenses. Accordingly, we believe that these funding levels—which allow for an increase in costs approximately 50 percent above the maximum amount spent in any prior year—should be sufficient to account for this uncertainty. However, the Legislature could choose to approve a different amount that it believes more appropriately accounts for past expenditures and potential growth in the future. In the event that the actual costs exceed the reduced funding amounts we recommend, the administration could use the proposed provisional language to augment its expenditure authority, as needed. This would also allow the Legislature to oversee additional expenditures from the Cannabis Control Fund, which is particularly important given the significant decline in the fund's balance. Moreover, when the limited-term funding for DOJ and OAH costs expires, the administration will have another opportunity to submit a request for ongoing resources for legislative consideration as part of the Governor's 2027-28 budget.

Staff Recommendation. Hold Open.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL (ABC)

Issue 13: IT Maintenance and Operations and File Conversion

Request. The Governor's budget requests 3 positions and an increase in expenditure authority of $2,278,000 Alcohol Beverage Control Fund in 2024-25 and $1,345,000 in 2025-26 for the Department of Alcoholic Beverage Control to provide continued support of existing modernization efforts related to the Business Modernization and Responsible Beverage Service (BizMod/RBS) project and to begin the eRecords project, which will convert licensing files from paper to a digital format that can be efficiently accessed by staff statewide, including licensing and enforcement staff in the field.

Background. The BizMod/RBS project consists of two primary components, which were previously independent efforts called eServices and Responsible Beverage Service.

eServices. In May 2010, ABC launched the Alcoholic Beverage Information System (ABIS). The primary function of ABIS is to register, manage, and maintain licenses for ABC. During the ABIS implementation project, ABC found that more work was needed to support core functions than originally anticipated. As a result, non-core functionality, such as providing the option of electronic payment or functionality supporting online applications, was removed from the scope of the project. ABC operated within this system limitation for nearly a decade.

Licensees and ABC staff alike continue to operate manually. For example, process for accepting new applications is for applicants to download, complete, and submit forms that are then input into ABIS by ABC staff. Payment for this application is made by check or money order. ABC initiated the Project Approval Lifecycle (PAL) process for eServices and received funding for project planning in the 2018-19 Budget.

Responsible Beverage Service. The Responsible Beverage Service Training Program Act of 2017, Chapter 487, Statutes of 2017 (AB 1221) requires that alcohol servers receive training on responsible beverage service within 60 days of their employment date beginning July 1, 2021. The statute is intended to educate alcohol servers about a variety of dangers related to the service of alcohol to patrons and to curb alcohol-related harm within local communities, particularly regarding drunk driving, under-age drinking, and other alcohol-related crimes.

This statutory change created a new mandate for licensees and a new training requirement for alcohol servers. ABC initiated the PAL process to develop an online examination service that allows for independent verification of learning and allows ABC to monitor the quality of training providers. It also created a portal for a certificate database where servers, licensees, and law enforcement can lookup certificates.

BizMod/RBS Project Update. In March 2021, ABC went live with the RBS minimum viable product (MVP) and met the project objectives by the project end date of June 30, 2021. The scope of the formal project portion of the BizMod/RBS project did not include the full implementation of all eServices functionalities. Over the term of the development contract included in the 2022-23 budget proposal, the services created in RBS (electronic payment, notification, and application) will be extended to ABC's core licensing processes. As of the end of December 2023, the RBS system had 476,881 servers certified, 95,070 of which were added to rosters within the system that licensees can use to manage and track their compliance, and the BizMod system as a whole had 23,887 license administrator account established to take advantage of ABC's evolving online services, including the renewal of approximately 48,581 licenses online. Over the balance of the current contract, all existing services will continue to be supported and the MVPs for various reporting and application processes will be put into production, including winegrower's annual reporting, and the applications for one-day and permanent licenses.

eRecords. According to ABC, due to modernization efforts beginning only relatively recently, the Department has over nine million pages of paper in licensing files stored in over 23 different locations statewide, which are associated with the following risks and inefficiencies:

- The inability of ABC staff to access files except in the district office within which it resides - this includes licensing and enforcement staff working in that office who might need to access the file while working in the field.
- The need to either mail or scan and email documents to share with other offices and headquarters when needed.
- The risk of physical destruction, damage, or misplacement of paper documents and inability to efficiently create backup copies.
- The inefficiency related to responding to Public Records Act (PRA) requests related to licensing files.
- The inefficiency that will be created if these paper files are retained while the LSP transition to online services creates a separate digital repository for similar licensing information, creating two different filing systems for the same types of information.

According to ABC, the eRecords project will be used to convert ABC's existing licensing files to a digital format and make licensing records accessible to the appropriate staff online regardless of their location, increase the security of these documents, make some forms accessible to the public, and provide a more efficient process for being responsive to PRA requests.

In summary, this proposal requests the following resources:

- $669,000 in 2024-25 and $746,000 in 2025-26 and ongoing for maintenance and operations for the RBS and Licensing Services portals. This also includes funding for one Information Technology Specialist II (ITS II) position to support the portals in-house.

- $1,609,000 in 2024-25, $598,000 in 2025-26, and $420,000 in 2026-27 and ongoing for the eRecords project. This funding includes $1,251,000 in 2024-25 and $260,000 in 2025-26 for the scanning and document management of all licensing files, $179,000 in 2024-25 and $170,000 in 2025-26 for one ITS I (two-year limited term) position to provide project and organizational change management, and $179,000 in 2024-25 and $169,000 in 2025-26 for one ITS I position to serve as system administrator for the digital file management system and scanning operation on an ongoing basis.

Staff Recommendation. Hold Open.

2320 DEPARTMENT OF REAL ESTATE

Issue 14: Addressing Workload Costs and Fund Solvency and Real Estate Fee Increase Trailer Bill Language

Request. The Governor's budget requests an increase in expenditure authority of $3,231,000 Real Estate Fund in 2024-25 and 2025-26 and $2,446,000 in 2026-27 and ongoing for the Department of Real Estate to address a funding shortfall across various categories necessary to support the mission of DRE. The Department also requests statutory changes to adjust fees, address the structural fund imbalance of the Real Estate Fund, and to maintain fund solvency.

Background. DRE requests an increase in expenditure authority of $3,231,000 in 2024-25 and 2025-26 and $2,446,000 in 2026-27 and ongoing to address several funding deficits in the areas of salaries, expiring limited term funding for five Licensing Division positions, facilities, administrative costs from outside agencies, external contracts for mission critical functions, and information technology equipment.

Salaries and Benefits for Licensing Positions. According to DRE, the Department currently has 14 vacancies in the Licensing Division that are held open to achieve savings and remain within the approved budget authority. This impacts the ability of DRE to process applications for examinations, licensure, renewals, and conduct background investigations. DRE has identified a $341,000 budget shortfall due to long-term staff retention and the reclassification of vacant positions for operational efficiency. According to DRE, the requested resources will allow the Department to address a backlog of unprocessed applications for exams and licensures. As recently as September 2023, the backlog for application was approximately 7,000.

Limited-Term Funding Expiration – Call Center. DRE currently has five Program Technician II positions with $444,000 of limited-term funding expiring at the end of 2023-24. The Department is requesting ongoing funding for these positions to address increased call volume and call wait times.

Attorney General (AG) and Office of Administrative Hearings (OAH) Expenditures. According to DRE, the Department spends an average of $1 million annually with the OAH. These charges are reflective of DRE's operations in administrative prosecutions by its Legal Division. Unlike most state departments that use the AG's Office to take disciplinary action against their licensees, DRE has its own division of prosecutorial attorneys and is, in turn, charged by OAH for these administrative hearings. DRE spends an average of $300,000 annually for AG expenditures, related to representation on appeals.

DRE is requesting $257,000 to address Attorney General and Office of Administrative Hearings costs. Current baseline funding of $732,000 for these costs leaves DRE deficient in the amount of $257,000. According to DRE, without this augmentation, the Department will be faced with discontinuing enforcement actions or making other mission critical cuts, since annual expenditures approach exhausting the budget authority.

External Contracts. In 2021, DRE's budget for external contracts was approximately $1.4 million. According to DRE, ongoing contracts for exam proctoring completely exhaust this funding, leaving no room for other essential contracts such as credit card processing and enforcement related resources, among others. DRE is requesting $1.5 million to fully fund the exam proctoring contract.

> *Exam Proctoring Services.* DRE administers the real estate broker and salesperson license exams from five different locations across California, including Fresno, Oakland, La Palma (Orange County), Sacramento, and San Diego. In DRE's history of administering licensing exams, it has used both temporary and contracted staff to operate these facilities.
>
> According to DRE, the pandemic caused staffing limitations resulting in difficulties in recruitment, retention and attendance of proctor staff. Subsequently, the Department engaged in a vendor contract for proctoring services with a company called PSI, paying approximately $1.5 million annually to maintain the contract.

Equipment. According to DRE, the Department's current allocation for IT and non-IT equipment is $14,000, while actual annual costs are on average $542,000. The Department is requesting $528,000 on an ongoing basis to have baseline funding for equipment purchases.

Facilities. DRE began paying rent for its new San Diego location in October 2022. The current lease states the total annual rent for the San Diego Office will be $528,000 beginning in 2024-25. This is an increase of $161,000 above the annual rent of the previous San Diego offices. Additionally, the San Diego Office lease has a scheduled 5.3 percent increase in rent in 2025 and 2.4 percent increase in 2026. DRE requires an additional $161,000 annually to fund these rent increases.

Fund Solvency and Real Estate Fee Increase Trailer Bill Language. According to DRE, in 2022-23, the Department's financial projections identified a declining fund balance. The Department contracted with a vendor to conduct a fee study to evaluate the fee amounts to support the operations of the department, regulate the profession, and protect consumers.

Fee levels were determined by examining the calculated cost of recovery data from the point-in-time 2022 fee study, as well as by what percentage a fee would increase to reflect cost recovery. In some instances, the calculated cost recovery level was well beyond a 250 percent increase of the current fee. In many cases, these are fees that have not been raised since initial enactment or are charged far less often than typical licensing and renewal fees. In some cases, DRE determined that such a steep increase would not be reasonable and a lessor amount is proposed for the fee.

In addition to the proposed fee levels, DRE is also proposing that a statutory cap be placed on these fees approximately 50 percent higher than the current level needed. This is intended to allow DRE to modify fees through the regulatory process as expenditures change incrementally. Attachment A includes a proposed fee schedule. The Department proposes trailer bill language to provide statutory authority for these proposed changes to their fee schedule.

If the requested resources and trailer bill language is approved, DRE estimates the following projected outcomes:

Projected Outcomes

Workload Measure	2023-24	2024-25	2025-26	2026-27	2027-28
Licensing Call Volume	202,321	198,618	194,914	191,210	187,506
License Population	441,788	442,140	449,571	449,923	457,354
Examination Applications	41,873	43,703	45,533	47,363	49,192
Original License Applications	29,142	29,670	30,198	30,726	31,254
Renewal Applications	88,436	93,477	92,769	97,810	97,102
Call Wait Times	40 min 54 sec	35 min 23 sec	28 min 18 sec	21 min 08 sec	14 min 52 sec
Call Handle Times	5 min 30 sec	5 min 19 sec	5 min 08 sec	4 min 57 sec	4 min 46 sec
AskDRElicensing Emails	25,445	26,109	26,773	27,437	28,101

Source: Department of Finance

Staff Recommendation. Hold Open.

8940 MILITARY DEPARTMENT (CMD)

Issue 15: Drug Interdiction Continuation

Request. The Governor's budget requests $15 million General Fund in 2024-25 and $15 million in 2025-26 for the California Military Department to provide continued support for the CMD's state funded drug interdiction efforts.

Background.

The National Guard Counterdrug Program. In 1985, the California, Florida, New Mexico, and Texas National Guards began to provide counter-narcotics operations support to law enforcement agencies. The federal National Guard counterdrug program was authorized by Congress in 1989, with the mission to combine military capabilities with federal, state, and local agencies to combat illegal drug trafficking and distribution.

USC, Title 32, Chapter 1, Section 112 'Drug Interdiction and counter-drug activities' authorizes the National Guard, as a component of the Department of Defense (DoD), to conduct counterdrug operations. States request federal funds annually for National Guard drug interdiction and counterdrug activities.

Each state or territory must annually submit a Drug Interdiction and Counterdrug Activities Plan (State Plan) to the National Guard Bureau (NGB) and DoD. The State Plan must be approved by the Governor, the Attorney General, the Adjutant General, and the Counterdrug Coordinator (CDTF Commander). State Plans are forwarded to the Secretary of Defense for authorization, with each state's approved federal funding administered through NGB. The State Plan ensures missions and activities in the Plan are authorized and consistent with state law.

Previous Funding. The 2022 Budget Act included $15 million in 2022-23 and $15 million in 2023-24 to support the drug interdiction efforts of the CMD's state CDTF. Prior to the 2022 Budget Act, CDTF was fully funded by federal resources. Specifically, this proposed funding is intended to support an additional 150 Servicemembers to expand the existing federal CDTF's program by supporting federal, state and local law enforcement efforts to interdict drug distribution and hamper drug-trafficking criminal organizations operating throughout the state.

According to CMD, during 2022-23, these Servicemembers provided 310,000 support hours to High Intensity Drug Trafficking Areas and assisted over 40 federal, state, and local law enforcement agencies to interdict over 365,300 pounds of illegal drugs, with an estimated street value of $969,733,163 (see table below). Now in their second year of operation, the additional state funded Servicemembers, serving in an Emergency State Active Duty (ESAD) status, are assigned to four districts and two aviation teams spread throughout the state and aligned with California's four High Intensity Drug Trafficking Areas (HIDTA).

Value of Seized Drugs in 2022-23

Drug Type	Seizure Amount	Street Value
Fentanyl	18,825 lbs.	$211,877,165
Heroin	472 lbs.	$4,117,388
Methamphetamine	49,836 lbs.	$85,196,022
Cocaine	8,590 lbs.	$71,267,192
Illicit CA Cannabis	265,081 lbs.	$557,219,796
Other	22,495 lbs.	$40,055,598
Totals:	**365,301 lbs.**	**$969,733,163**

Source: Department of Finance

Additionally, the CDTF includes a Drug Demand Outreach (DDRO) program that supported approximately 117 California elementary, middle and high schools and educated about 52,000 students on drug free education.

CMD's requested resources are intended to provide funding for an additional two years for the state funded CDTF program.

Staff Recommendation. Hold Open.

Issue 16: Emergency State Active Duty (ESAD) Management System

Request. The Governor's budget requests $280,000 General Fund in 2024-25 and ongoing for CMD to fund the Activate, Respond Recover Operate (ARRO) system which will serve as the system of record utilized to manage administrative functions of the Emergency State Active Duty (ESAD) mission and facilitate invoicing and reimbursement to the Department.

Background. According to CMD, ARRO is utilized during every ESAD mission for Personnel Status Report (PERSTAT) + accountability, payroll, workers compensation calculations, logistics tracking and purchase requests. Once ESAD operations conclude, the system is utilized to generate invoices and backup documentation to reimburse the CMD's expenditures from numerous federal and state partners including Federal Emergency Management Agency (FEMA), California Governor's Office of Emergency Services (Cal OES), California Department of Forestry and Fire Protection (Cal Fire) and the United States Forest Service (USFS). ARRO is also utilized to generate daily cost reporting requirements requested by Cal OES and periodic ESAD cost estimates and spending forecasts requested by the Department of Finance. The CMD has historically paid for the development and maintenance of CAESADS, RAPTR and current licensing of ARRO through administrative indirect funds collected as a percentage of overall cost from conducting wildfire suppression missions pursuant to the Reciprocal Fire Protection Cooperative Agreement with Cal Fire. Though the CMD remains an active resource in fire suppression, Cal Fire's acquisition of fire suppression aircraft has reduced the frequency of activation of CMD aircraft, resulting in less administrative indirect costs each year. There is no guarantee the CMD will receive any wildfire indirect funds in any given year, which requires the CMD to identify and divert savings from program areas to support ARRO.

Staff Recommendation. Hold Open.

Issue 17: State Active Duty Compensation Adjustment & Deputy Adjutant General Rank Adjustment Trailer Bill Language

Request. The Governor's budget requests $3,153,000 ($1,488,000 General Fund, $1,512,000 Federal Trust Fund authority, $53,000 Mental Health Services Fund, and $100,000 Reimbursement authority) for CMD to align the pay of its State Active Duty (SAD) employees to the pay of service members of similar grade in the federal armed forces.

Background. Military and Veterans Code (MVC), sections 320 and 321 require that the CMD must pay its SAD employees at the same rate as service members of similar grade in the federal armed forces.

Compensation for service members in the federal armed forces is set forth annually by the federal government in the National Defense Authorization Act (NDAA). As of this writing, the NDAA has yet to be ratified by Congress and signed into law. The current version of the NDAA under consideration in Congress proposes a 5.2 percent pay increase for all service members, an average of 3.9 percent increase for the Basic Allowance for Housing (BAH) across all localities across the United States, and a 3.4 percent increase for the Basic Allowance for Subsistence (BAS). However, the final approved salary, BAS, BAH, and any allocated Cost of Living Adjustment (COLA) will not be available until the NDAA is signed into law and formally published by the Defense Finance and Accounting Services in January 2024. According to CMD, this proporsal will be revised at a later time in the budget process to reflect the approved increases/decreases in salary and BAS, as well as the approved BAH rates by locality that are authorized in the NDAA.

Deputy Adjutant General Rank Adjustment Trailer Bill. Additionally, CMD requests trailer bill language to adjust the rank of the Deputy Adjutant General to major general. According to CMD, this is to reflect the military chain of command where it is appropriate for the Deputy Adjutant General to be authorized a higher rank than the than the Army National Guard and Air National Guard Commanders (Assistant Adjutant Generals) and the Chief of Staff/Director of Joint Staff. If this trailer bill language is approved, the CMD will include the upgraded position in the SAD pay adjustment Budget Change Proposal in the 2025-26 budget.

Staff Recommendation. Hold Open.

8955 DEPARTMENT OF VETERANS AFFAIRS (CALVET)

Issue 18: Yountville Skilled Nursing Facility Support

Request. The Governor's budget requests $5,389,000 General Fund and 40.2 positions in 2024-25, and $12,129,000 General Fund and 108 positions annually thereafter for CalVet, for staffing of a new Skilled Nursing Facility at the Veterans Home of California – Yountville.

Background. The Yountville Home currently provides four levels of care: Domiciliary (Dom), Residential Care Facility for the Elderly (RCFE), Intermediate Care Facility, and SNF. The SNF level of care provides around-the-clock nursing support to residents with significant care needs. Residents in the SNF unit require assistance with all activities of daily living, may be bedridden, or suffer from other significant physical or mental health limitations. SNF residents often receive physical, occupational, and/or speech therapy, as well as other clinically intensive services. Staffing levels are high in the SNF unit, which must have a minimum of 3.5 direct-care staffing hours per patient per day. SNF Memory Care (SNF MC) carries identical licenses to typical SNFs, but provide specialized care for residents with cognitive disabilities.

As a subset of the SNF program, the Yountville Home has a SNF MC building. Although SNF MC is technically not a distinct level of care from SNF, it does have a distinct programmatic and staffing structure. All the residents in the SNF MC unit have dementia or similar impairments typically associated with aging. Staff closely supervise these residents in restricted units to ensure they do not wander away or do anything that may pose a risk to themselves or others. In addition, CalVet tailors SNF MC programming for dementia residents, with specific activities and therapeutic services designed to limit cognitive decline.

The current SNF is located in the Holderman Building on the southern end of the campus. Constructed in 1932, the Holderman Building also houses most of the medical support staff, as well as the various ancillary units, including the pharmacy, medical records center, and ambulatory care clinic, where Dom and RCFE residents receive outpatient care. The aging infrastructure of the Holderman Building has resulted in significant costs over the years to meet health and safety and licensing standards.

In close proximity to the Holderman Building is the Franklin Delano Roosevelt (FDR) Building, which houses the SNF MC. While the FDR Building was renovated in 2008, according to CalVet, it also has design challenges. The typical SNF MC room is shared by two residents with one shared restroom. Although the rooms are newer and provide better accommodations in general, they are not ideal for dementia patients. The split-level building has a long, winding indoor ramp to access part of the SNF MC; this type of layout can be difficult to navigate for residents with mobility limitations due to cognitive impairments, possibly resulting in confusion or falls. In addition, the SNF MC is located across the street from the Holderman Building, which makes it difficult to bring MC residents to necessary appointments.

The 2020-21 Budget approved funding $317 million from the Public Buildings Construction Fund for the construction of a new SNF at the Yountville Veterans Home. In June 2020, the US

Department of Veterans Affairs additionally approved a construction grant for the new SNF facility on the Yountville Campus.

Construction is underway for the new SNF and is expected to be completed in 2024-25, after which the building will need to be certified for occupancy and licensed by the California Department of Public Health and certified by the Center for Medicare and Medicaid Services (CMS) and the USDVA. Once the building is licensed, CalVet will relocate the residents from the existing Holderman and FDR Buildings into the new SNF.

The new structure will feature 240 SNF beds (150 SNF; 90 SNF MC), replacing the existing 231-bed SNF program (156 SNF; 75 SNF MC). The new layout will be very different compared to the Holderman and FDR buildings, with private bedrooms and private restrooms, more personal space, and a modernized food service program. The new SNF building will be a stand-alone, self-contained operation having its own boiler room, main and satellite kitchens, dining rooms, warehouse, clinic space, and mailroom, among other things.

CalVet requests $5,389,000 General Fund and 40.2 positions in 2024-25, and $12,129,000 General Fund and 108 positions annually thereafter, in support of operating the new SNF building. The breakdown of requested resources is as follows:

Operating Expenses and Equipment (OE&E)
CalVet requests $1,464,000 in 2024-25, and $2,367,000 ongoing for non-employee driven OE&E costs for the new SNF building. The Holderman Building that currently houses SNF residents, the Ambulatory Care Clinic, and some administrative functions will not be closed after the residents are moved to the new SNF building. Because the Holderman building will continue to house certain operations, there will not be measurable offsets of OE&E expenditures.

Direct Care
CalVet requests 6 Certified Nursing Assistants (CNAs), 1 Licensed Vocational Nurse (LVN), 2 Registered Nurses (RNs), and 1 Supervising Registered Nurse (SRNs) for direct care staffing in the new SNF Building.

Indirect Care
CalVet requests 2 CNAs, 1 Rehabilitation Therapist, 1 Activity Coordinator, and 1 Office Technician for indirect care staffing in the new SNF Building.

Food and Nutrition
CalVet requests 1 Supervising Cook II, 2 Supervising Cook Is, 1 Food Service Supervisor, 7 Food Service Technician IIs, 33 Food Service Technician Is, 7 Cook Specialist IIs, 7 Cook Specialist Is, 3 Stock Clerks, 1 Materials and Stores Supervisor, and 1 Office Technician for Food and Nutrition staffing in the new SNF Building.

Plant Operations, Custodial Services, and Information Services

CalVet requests 23 Custodian Is, 1 Custodian Supervisor II, 1 Carpenter, 1 Electrician, 1 Painter, 1 Plumber, 1 Information Technology (IT) Associate, and 1 IT Specialist I, all pertinent to the new SNF Building.

Staff Recommendation. Hold Open.