

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Sydney Kamlager, Chair

Senator Anna Caballero

Senator Jim Nielsen

Senator Richard D. Roth



Wednesday, February 9, 2022

1:30 p.m.

State Capitol - Room 2040

Consultants: James Hacker and Elisa Wynne

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ITEMS FOR VOTE ONLY

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

Issue 1: Technical and Legislation-Related Proposals

Request. The Governor's budget includes several proposals that implement enacted legislation. These include:

- AB 1095: \$158,000 General Fund and 1.0 position in 2022- 23 and ongoing to promulgate and enact eligibility criteria that includes both affordable housing rental units and owner-occupied affordable housing units as projects permitted to receive grants under the Affordable Housing and Sustainable Communities Program pursuant to Chapter 355, Statutes of 2021(AB 1095).
- SB 1: \$174,000 General Fund and 1.0 position in 2022- 23 and ongoing to support OPR and the Strategic Growth Council (SGC) to develop planning guidance to implement Chapter 236, Statutes of 2021 (SB 1).

Additionally, the budget includes an encumbrance and liquidation extension of Greenhouse Gas Reduction Fund resources originally budgeted as part of the 2019 Budget Act for the Climate Change Research Program.

Staff Comments. The Administration has indicated that the COVID-19 pandemic led to significant contracting delays for the Climate Change Research Program, which have pushed existing funding beyond its statutory deadlines. As such, an extension of these funds is appropriate to ensure that the funds are spent in a manner consistent with legislative intent.

The legislatively-driven proposals are consistent with legislative intent and with cost estimates developed during the legislative process.

Staff Recommendation. Approve as Budgeted.

8885 COMMISSION ON STATE MANDATES**Issue 2: Administrative Staff for Mandatory Requirements**

Request. The Governor's budget includes \$467,000 ongoing General Fund and \$8,000 one-time General Fund for two administrative and one information technology (IT) positions, one IT position re- classification, and software to implement digital signature and website accessibility compliance requirements for the Commission on State Mandates.

Background. Currently, the Commission has 13 positions but only two of these are administrative staff-level positions: one full-time AGPA (accounting and procurement) and one full-time ABA (budgeting and procurement), the remainder of staff-level positions are program staff. Subsequently, the Commission is lacking adequate staff-level manning and expertise in Human Resources (HR), Procurement, and Information Technology support as well as the appropriate Information Technology classification for the existing ITS I.

The Commission on State Mandates (Commission) requests an augmentation of \$467,000 ongoing General Fund and three additional staff and one reclassified staff to perform the Commission's functions of human resources, procurement, and information technology. The addition of three permanent positions: one full-time associate governmental program analyst (AGPA) - Human Resources (HR), one full-time AGPA – Procurement, and one full-time Information Technology Specialist I (ITS), and the reclassification of the existing ITS I to an ITS II will enable the Commission to better comply with federal law, statutory, regulatory, and state requirements including the State Administrative Manual (SAM), and CalHR Manual, support a well-functioning and effective state agency, and ensure the operational, business, and program needs of the Commission are met.

Additionally, the Commission requests a one-time augmentation of \$8,000 General Fund for portable document format (PDF) accessibility remediation software. Significant additional requirements to implement digital signature and website accessibility compliance as well as ever-increasing cyber security needs necessitate this request.

Staff Recommendation. Approve as requested.

Issue 3: Municipal Storm Water and Urban Runoff Discharges Mandate

Request. The Governor’s budget includes \$18.4 million General Fund to reimburse local agencies under the jurisdiction of the Los Angeles Regional Water Quality Control Board for costs related to the Municipal Storm Water and Urban Runoff Discharges Mandate.

Background. In December 2021, the Commission on State Mandates adopted the Statewide Cost Estimate for the Municipal Storm Water and Urban Runoff Discharges Mandate. In 2009, the Commission adopted the Test Claim decision finding that Part 4F5c3 of the Los Angeles Regional Quality Control Board Order No. 01-182 National Pollutant Discharge Elimination System Permit CAS004001 imposed a reimbursable state-mandated program under Article XIIB, section 6 of the California Constitution on the local agency permittees in Los Angeles county that are not subject to a trash total maximum daily load. These permittees were required to place trash receptacles at all transit stops with shelters within their jurisdictions and maintain these. Specified portions of the test claim were determined to not be reimbursable as the permittees had fee authority. The commission adopted Parameters and Guidelines for claiming in 2011. Claimants were able to file claims though the 2013-14 year and the last year for filing claims was 2014-15. The Commission has determined that the maximum potential state liability for this mandate is approximately \$18.4 million.

Staff Recommendation. Approve as requested.

0840 STATE CONTROLLER**Issue 4: Affordable Care Act Workload**

Request. The Governor's budget includes 4.0 permanent positions and \$500,000 (\$300,000 General Fund and \$200,000 Central Service Cost Recovery Fund (CSCRF)) ongoing funds for the State Controller's Office (SCO) to support the state's compliance with the Affordable Care Act.

Background. The healthcare law, Affordable Care Act (ACA), formally known as the Patient Protection and Affordable Care Act, was initially signed into law in March 2010, with various amendments occurring over the subsequent years. On July 2, 2013, the Federal Government issued a notice acknowledging the complexity of the legislation and their delay in publishing rules under sections 6055 and 6056 of the Internal Revenue Code, as amended by the ACA, to implement employer and insurer reporting requirements for all medium and large employers, such as the State of California. Such rules are necessary to determine what tax penalties large employers will be subject to under the Internal Revenue Code if they do not offer and document affordable health coverage to their employees. Due to the complexity of the ACA implementation, Internal Revenue Service (IRS) issued guidance has been delayed over time, requiring the SCO to adapt staffing since the inception of the ACA.

Through a 2014-15 Budget Change Proposal (BCP), SCO received 1.6 two-year limited-term positions to support ACA workloads. Along with the 1.6 positions, the Personnel and Payroll Services Division (PPSD) redirected 11.4 positions for four years to bring the State into compliance with the ACA.

Through a 2016-17 BCP, SCO received funding to support 5.7 two-year limited-term positions to continue the ACA workload and make significant business process and/or system changes to comply with the Employer Shared Responsibility Provisions of the ACA.

In a 2018-19 BCP, SCO received funding to support 6.0 permanent positions and 4.0 four-year limited-term positions. With the new resources, the dedicated ACA team totaled eight analysts, one supervisor, and two information technology resources. These 4.0 limited-term positions expire at the end of 2021-22.

To support the ongoing maintenance of the ACA program, and implement and accommodate additional Uniform State Payroll System (USPS) changes to maintain compliance with ACA legislation, SCO is requesting 4.0 permanent positions.

Staff Recommendation. Approve as requested.

ITEMS FOR DISCUSSION

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH

The Office of Planning and Research (OPR) assists the Governor and the Administration in planning, research, policy development, and legislative analyses. OPR formulates long-range state goals and policies to address land use, climate change, population growth and distribution, urban expansion, infrastructure development, groundwater sustainability and drought response, and resource protection. OPR maintains and updates the General Plan Guidelines, the California Environmental Quality Act (CEQA) Guidelines, and operates the CEQA Clearinghouse. OPR also houses and supports the Strategic Growth Council (SGC).

Budget Overview: The Governor's budget proposes \$1 billion and 116.4 positions to support OPR in the budget year, as shown in the figure below. This is an increase of 5 positions but a decrease of roughly \$600 million from 2021-22.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0360	State Planning & Policy Development	20.5	29.5	35.5	\$44,454	\$81,994	\$259,559
0365	California Volunteers	43.3	55.3	55.3	71,931	423,689	97,262
0370	Strategic Growth Council	24.6	24.6	25.6	177,113	1,086,696	592,965
0371	Office of Community Partnerships and Strategic Communications	-	-	-	-	-	65,000
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		88.4	109.4	116.4	\$293,498	\$1,592,379	\$1,014,786
FUNDING					2020-21*	2021-22*	2022-23*
0001	General Fund				\$58,491	\$267,619	\$564,820
0140	California Environmental License Plate Fund				-	-	450
0890	Federal Trust Fund				53,295	53,548	52,884
0995	Reimbursements				5,110	4,284	4,288
3228	Greenhouse Gas Reduction Fund				175,788	954,079	391,636
8506	Coronavirus Fiscal Recovery Fund of 2021				-	312,519	-
9740	Central Service Cost Recovery Fund				814	330	708
TOTALS, EXPENDITURES, ALL FUNDS					\$293,498	\$1,592,379	\$1,014,786

Issue 5: OPR Education Proposals

Governor’s Budget. The budget includes several education-related proposals at the Office of Planning and Research (OPR). These include:

- Ongoing funding of \$3 million General Fund beginning in 2022-23. This includes \$2 million to restore 2020 Budget Act reductions to Learning Lab’s grant pool and \$1 million to support the Individualized Adaptive Learning Open Educational Resources (IAL-OER) project, which aims to address equity gaps in chemistry while also working towards reducing equity gaps in other Science, Technology, Engineering, and Mathematics (STEM) fields.
- \$20 million one-time General Fund for a grant to Carnegie Science for a climate research hub in Pasadena. Grant will construction of a new research hub that will broaden and deepen our knowledge of the environmental, biological, and energy threats facing California and the world.
- \$30 million one-time General Fund to establish the Golden State Awards grant program. The program will provide between 20 and 30 grants to innovative projects based at or associated with a California public college or university, thus incentivizing and celebrating excellence.

Background. The Learning Lab was established by AB 1809 (Committee on Budget), Chapter 33, Statutes of 2018. Pursuant to Section 650592.2 of Government Code, Learning Lab’s purpose is “to increase learning outcomes and to close equity and achievement gaps, using learning science (also known as the science of human learning) and adaptive learning technologies in online or hybrid college-level lower division courses in science, technology, engineering, and mathematics (STEM) and other disciplines.” The same section also specifies that the Learning Lab shall award grants to intersegmental teams of faculty.

The Carnegie Institution for Science has three research divisions on both coasts of the United States and at the Las Campanas Observatory in Chile. It is an endowed, independent, nonprofit institution. Significant additional support comes from federal grants and private donations. A board of trustees, consisting of leaders in business, the sciences, education, and public service, oversees Carnegie’s operations. Each of the divisions has its own scientific director who manages day-to-day operations.

Staff Comments. The 2018 Budget Act included ongoing support of \$10 million to establish and support the Learning Lab and its statutory mission on a permanent basis. Ongoing funding allowed the Learning Lab to host five separate competitive grant opportunities, resulting in \$18.5 million being awarded to 30 intersegmental projects benefitting students and faculty across the state during the Lab’s first two years. Statewide cuts due to the reduction of revenue available for the 2020 Budget Act then reduced the Learning Lab’s funding by \$2 million, or 20 percent. During 2020-21, the Learning Lab sustained a substantial drop in its grant pool, with only an additional 9 grants made in 2020-21. For 2021-22, the Learning Lab hopes to add an additional 42 grants; however,

the size of many of these grants will be notably smaller and thus not result in supporting the same level of innovation and capacity-building as earlier grant cycles.

The Golden State Awards would be a new program. The Administration has proposed that the California Learning Lab would administer the Golden State Award program. The Learning Lab currently awards grants to intersegmental teams of educators and researchers with a focus on pedagogical and technological innovations and on Science, Technology, Engineering, and Mathematics (STEM) fields, making it prepared to facilitate the new program. No more than 5 percent would be available for administrative costs. Funds are available until June 30, 2025, and Learning Lab will report to the Director of Finance and the Legislature by January 1, 2026 regarding awards made under the program, including the number and amount of awards, the recipient or recipients, and a summary of the innovative activities for which the recipient or recipients received an award.

The Administration has indicated that Carnegie Science requires \$120 million to construct the 135,000 square foot facility, which will house 24 Principal Investigators and a total staff headcount of 220 in the new Life and Environmental Sciences Division in Pasadena. With the new facility, Carnegie Science will relocate all of its life science departments—some of which are currently housed out of state—to Pasadena in a newly formed collaboration with Caltech, bringing additional jobs and a diverse community of scientists from around the world to the area. Having already raised private funds and acquired the land, the organization will leverage the state's contribution with other resources to complete the project and establish state-of-the-art infrastructure for advancing climate-related sciences.

Staff Recommendation. Hold open.

Issue 6: Precision Medicine Proposals

Governor’s Budget. The budget includes several proposals related to the California Institute to Advance Precision Medicine (CIAPM). These include:

- \$10 million General Fund one-time in 2022-23 to provide grants for projects focusing on depression, and that apply a precision medicine approach to using data in county behavioral health settings.
- \$9.25 million General Fund one-time in 2022-23 to address health disparities and enhance equity by increasing participation by underrepresented minorities in biomedical research projects.

Background. CIAPM was officially established in statute by Chapter 24, Statutes of 2016 (AB 1602). AB 1602 states that CIAPM is to: (1) develop, implement, award funding to, and evaluate demonstration projects on, precision medicine, (2) use a peer-review process to select the proposals that are funded, (3) collaborate with public, nonprofit, and private entities, and (4) develop an inventory of precision medicine assets, including projects, data sets, and experts.

The 2014 Budget included \$3 million for OPR to use for precision medicine. The 2016 Budget included an additional \$10 million for precision medicine. With those funds, six additional demonstration projects were launched, and all finished by the end of December 2018. A \$10 million budget allocation as a part of the 2017 Budget funded three additional research teams that are currently working to address cancer health disparities in California. Those projects will conclude by fall 2023.

A 2018 report commissioned by the Brown Administration, Precision Medicine: An Action Plan for California, recommends that the Governor’s Office of Planning and Research invest in grants to further research in depression.

Staff Comments. Especially as the state emerges from the COVID-19 pandemic and mental health challenges are at peak levels, new interventions could help to support the mental health and wellbeing of communities. The majority of funding for mental health research is provided by the Federal government, mostly through the National Institutes of Health (NIH). The Administration has indicated that the requested funding could help fund up to 30 additional studies to help plug gaps in or expand upon other federally-funded research.

Evidence shows that certain subpopulations are less likely to participate in biomedical research. These subpopulations include people with racially diverse backgrounds and older, LGBT, rural, youth, and/or physically or developmentally disabled people. Because members of these groups are underrepresented in research, advances in biomedical research might not be as effective for them or may even be harmful.

OPR, in partnership with multiple state governmental and education entities, pursued a grant for this work through the federal All of Us Precision Medicine Initiative, which seeks to expand participation of under-represented groups in medical studies. The Administration has indicated

that the requested funding would allow OPR to pursue this work alongside the existing federal All of Us program. The Administration has indicated that the requested funding would be used to improve representation of marginalized groups in medical studies.

Staff Recommendation: Hold Open.

Issue 7: Community Partnerships and Strategic Communications

Governor’s Budget. The Governor’s budget includes \$65 million General Fund in 2022-23 and ongoing to create and implement the Office of Community Partnerships and Strategic Communications (OCPSC) in order to manage the state’s highest priority public awareness and community outreach campaigns.

Background. The Office of Planning and Research (OPR) was created by statute in 1970 and among other responsibilities is designated as the “state planning entity.” OPR’s core programs include State Planning and Policy, Strategic Growth Council and California Volunteers and coordinating land use, planning, and environmental and climate policy across state agencies.

The state made significant communication and community outreach efforts in recent years, including communications around the 2020 Census (for which \$187 million was appropriated over three years) as well as ongoing communications related to the COVID-19 pandemic and related public health issues.

Staff Comments. The Administration has indicated that a number of important lessons have been learned from the 2020 Census and COVID-19 communication campaigns, including the importance of data, the important of engaging communities directly, and the need for closer coordination between involved state entities. The Administration has indicated that these communication efforts were typically separate from one another, even if they were communicating with the same communities or organizations.

The Administration has indicated that this proposal is split into two components:

- Resources to stand up the new Office of Community Partnerships and Strategic Communications (OCPSC) to coordinate and manage statewide communications campaigns across state government.
- Contracting resources to establish and maintain a network of community-based organizations with which to partner on communications efforts in impacted communities across the state.

The Administration has indicated that additional details are forthcoming.

Staff Recommendation: Hold Open.

Issue 8: California Volunteers Proposals

Governor’s Budget. The Governor’s budget includes several proposals related to the California Volunteers program. These include:

- \$10 million General Fund in 2022-23 and ongoing to support the mobilization and unification of California around service, volunteerism, and neighbor-to-neighbor outreach. The resources will expand California’s existing volunteer infrastructure and bolster a statewide Neighbor-to-Neighbor initiative to recruit, train, equip and organize neighbors in response to community needs.
- \$10 million General Fund one-time in 2022-23 to develop and implement the Foster Grandparent and the Senior Companion Programs to increase older adult volunteerism, help people age in place, reduce isolation, enhance intergenerational partnerships and relationships, and provide benefits to schools, libraries, local community sites, and more.

Background. The Coronavirus (COVID-19) pandemic forced the state to rethink existing strategies for engagement and mobilization of Californians around pressing community issues. California Volunteers, as the State Service Commission and the lead for volunteerism, service, and civic engagement in the state, developed and launched a pilot engagement campaign known as the Neighbor-to-Neighbor initiative. This program began as an unfunded effort; a grassroots mobilization strategy to engage Californians who wanted to help their neighbors during the worst of the pandemic but did not know where to start. This initial program developed by California Volunteers to fill a need has since been formalized in response to the ongoing pandemic.

The Foster Grandparent program is a national program that recruits low-income older adults to provide one-on-one mentoring, nurturing, and support to children with special or exceptional needs or who are in circumstances that limit their academic, social, or emotional development. The Senior Companion Program is a national peer-based volunteer program that provides services to older adults at risk of nursing home placement due to chronic illness, disability, or isolation.

Staff Comments. California Volunteers proposes to use the requested funding for the Neighbor-to-Neighbor program to build a statewide network of neighborhood leaders to activate neighborhoods taking action. California Volunteers will provide the forum and create convenings to train neighborhood leaders across the state. California Volunteers will provide multiple trainings on how to organize neighborhood activity and what actions to take in key focus areas and support an activity calendar based on time of year that keeps the leaders engaged with ideas for action.

California’s 10-year Master Plan for Aging provides a blueprint to prepare the state for the coming demographic changes and to continue California’s leadership in aging, disability, and equity. According to the Master Plan for Aging, California’s over-60 population will increase from 16 percent of the total in 2010 to 25 percent in 2030. Providing opportunities for older adults to share their talents, experience, and time will be key to meeting the state’s growing needs. The Master Plan for Aging specifically addresses engagement.

Staff Recommendation: Hold Open.

Issue 9: California Tribal Affairs Office

Governor’s Budget. The Governor’s budget includes a net-zero transfer of \$115,000 Environmental License Plate Fund (ELPF) ongoing and \$441,000 General Fund ongoing and 3 positions from the Native American Commission to establish the Office of Tribal Affairs within the Governor’s Office, the net-zero transfer of \$450,000 ELPF through FY 2024-25 to the Governor’s Office of Planning and Research to support the California Truth & Healing Council.

Functionally, these requests will do the following:

- Reduce the California Native Heritage Commission budget by 1 position and \$774,000 (\$209,000 General Fund and \$565,000 ELPF).
- Increases the budget for the Governor’s Office by 3 positions and \$535,000 (\$115,000 ELPF, \$441,000 General Fund).
- Increases OPR’s budget by \$450,000 ELPF.

Background. The position of the Tribal Advisor was created via Executive Order B-10-11 in 2011. In 2018, the Governor’s Office created the Tribal Advisor position and Office of the Tribal Advisor independently in statute via AB 880 to make the office a more permanent fixture within the Governor’s Office, though the budget remained within the Commission budget and no position was independently established or funded at that time. In 2021, due to the growing scope and complexity of work under the purview of each the Commission and the Governor’s Office of the Tribal Advisor, the position of the Tribal Advisor was established through the Budget Act of 2021 and staffed separately. The Office of the Tribal Advisor now operates separately from the Commission, though it remains housed within the Commission budget.

In Fiscal Years 2020-21 and 2021-22, the Legislature authorized a total \$450,000 Environmental License Plate Fund annually through Fiscal Year 2024-25 to fund the work of the California Truth & Healing Council, which is a 12 member Council (16 total with alternate voting members) that meets quarterly and as subcommittees as needed throughout the state. Pursuant to E.O. N-15-19, the Governor’s Tribal Advisor convenes and leads the Truth & Healing Council. The Council must submit a final written report of findings to the Office of the Tribal Advisor by January 1, 2025.

Staff Comments. The Administration has indicated that the Governor’s Tribal Advisor currently oversees and convenes the California Truth & Healing Council. The transfer of the California Truth & Healing Council budget to OPR will allow the Governor’s Tribal Advisor to continue to administer the work of the Council at a high level and facilitate research and writing to compile the final report with the assistance of the Governor’s Office of Planning and Research.

The portions of this proposal that impact the California Native American Heritage Commission and the Governor’s Office will be heard at another date.

Staff Recommendation: Hold Open

Issue 10: Legislative Staff Augmentation

Governor’s Budget. The budget includes \$438,000 General Fund and two positions in 2022-23 and ongoing to support OPR’s growing amount of legislative workload across OPRs budget programs including the Strategic Growth Council (SGC), California Volunteers (CV), and OPR’s State Planning & Policy (SPPD) programs.

Background. Created by statute in 1970, OPR serves the Governor and their Cabinet as staff for long-range planning and research and constitutes the state’s comprehensive planning agency. The Legislature and Administration frequently task OPR and SGC with launching new initiatives and grant programs, and drafting reports and documents related to relevant and timely policy topics.

The 2019 budget provided \$334,000 General Fund in and three positions to assist with additional administrative workload for OPR. The proposed 2020 budget included \$357,000 from the General Fund in 2020-21 and ongoing to establish 2.0 positions to support OPR’s growing amount of legal and legislative work. However, this request was withdrawn in the face of fiscal issues anticipated to result from the COVID 19 pandemic. The 2021 budget included \$622,000 General Fund to fund increased personnel in the CEQA Clearinghouse and OPR’s cross-programmatic administrative functions.

Staff Comments. The Administration has indicated that legislative workload for both OPR and SGC is currently supported by one position that fulfills responsibilities typically supported by a team of several staff members at other agencies. Additionally, OPR has been the subject of an increasing number of legislative bills in recent years. In 2013-14, there were 28 bills that impacted the Office. This increased to 81 bills in the 2019-20 legislative session.

Past budgets have provided significant additional administrative resources for OPR, none of which have been focused on legislative work. However, there are questions surrounding the appropriate level of resources and whether existing resources could be better allocated to manage OPR’s growing legislative workload.

Staff Recommendation. Hold Open.

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)**Issue 11: Update on GO-Biz Small Business Relief Programs**

Request. The California Office of Small Business Advocate (CalOSBA) will provide an update on the California Small Business COVID-19 Relief program, the Microbusiness COVID-19 Relief Grant Program, CA Dream Fund, Inclusive Innovation Hubs (iHubs2), the California Venues Grant Program, and the California Nonprofit Performing Art Grants Program.

Background.

The following is a summary of small business programs funded in the 2021 Budget Act:

Small Business COVID Relief Grant (SBCRG)

The California Small Business COVID-19 Relief Grant Program was created within the California Office of the Small Business Advocate (CalOSBA). The program, which launched in December 2020, initially received an allocation of \$500 million in Disaster Response-Emergency Operations Account funding to provide grants up to \$25,000 to help support small businesses and nonprofits impacted by the pandemic. Chapter 7, Statutes of 2021 (SB 87) provided an additional \$2 billion General Fund to support this program. Of the amount allocated in SB 87, \$50 million was allocated specifically for one round of grants to nonprofit cultural institutions. Chapter 74, Statutes of 2021 (SB 151) provided an additional \$1.5 billion in federal State Fiscal Recovery Funds to fund three additional rounds of grants for small businesses and nonprofits impacted by the pandemic. A total of \$4 billion (\$2.5 billion General Fund and \$1.5 billion federal funds) has been allocated for this program.

According to CalOSBA, funding has been provided through nine rounds of applications, and rounds 1 to 9 have all closed to additional applications. Total dollars awarded to date are \$3,564,785,886. Awards are still being made for round 9. See table below for details. Award data is on the CalOSBA website.

Grant Program (Rounds 1 through 9)	
Total Applications Received to Date	516,175

Award Provided	
Total to Date	311,566

Eligible Businesses That Have Not Received An Award	
Pending/ Projected to still receive an award under existing funding	57,267
Estimated to Receive an Award with the additional \$150 million in the recent Early Action Package	13,513
Subtotal	70,780

Ineligible Businesses/ Will Not Receive An Award	
Ineligible due to delinquent SOS filing status	8,570
Didn't meet verification or validation requirements	45,693
Duplicates of nonprofit applications	98
Duplicates for businesses that applied for multiple grants	79,468
Subtotal	133,829

Microbusiness COVID-19 Relief Grants (MBCRG)

The California Micro Business COVID-19 Relief Grant is administered by the CalOSBA. The Program provides competitive micro grants of \$2,500 to eligible microbusinesses impacted by COVID-19 and the related health and safety restrictions. Amounts available for each County are based on population as determined from the latest population estimates from the California Department of Finance. The role of grant making entities was granted to County government agencies or a consortium of nonprofits through two rounds of applications.

- Round 1– Is complete with 26 counties having received a notice of intent to award. 13 counties have fully executed contracts and requisitions have been done. 10 counties are going through their local approval process and 3 have yet to complete their documentation.

- Round 2 – The Request for Proposals (RFP) for California county governments and consortiums of nonprofits to apply as grant making entities opened 1/26/22 and will close 3/10/22.

California Dream Fund

The 2021 Budget act included \$35 million one-time General Fund in 2021-22 to establish the California Dream Fund, which will provide grants of up to \$10,000 to new businesses through the California Small Business Technical Assistance Expansion Program (SB TAEP). Up to ten percent of the funding may be used for outreach and administration.

CalOSBA released an RFP to select a fiscal agent via the Cal eProcure site. Proposals were due January 12, 2022. CalOSBA and BSU underwent a scoring process to select the fiscal agent. A notice of intent to award was sent to Lendistry and posted on Cal eProcure. The ten- day “stand still period” has expired with no contest to the contract award. B.S. D. Capital (Lendistry) has been selected to administer grant funds for the California Dream Fund Program. TAEP Centers have all received awards to serve small businesses for their respective service areas.

Inclusive Innovation Hubs (iHub2)

The 2021 Budget included \$2.5 million one-time General Fund to start the iHub2 Program. iHubs are intended to improve the state’s national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters throughout the state. The iHub2 program provides support to accelerators, incubators, and place based small business development centers designed to foster qualified small businesses in technology driven and geographically diverse innovation business ventures. CalOSBA currently has a request for proposal (RFP) open to establish 10 Hubs within the state and expects to award funding of \$250,000 to each of the 10 by February 2022. The request for proposals submission period was 10/11/21 – 12/16/21 and 22 applications were received from across the state. CalOSBA is currently in the selection process for the 10 iHubs. Notices of Intent to Award are expected to go out on in early February 2022.

California Venues Grants

The 2021 Budget included \$150 million one-time General Fund in 2021-22 to provide grants of up to \$250,000 to independent venues, live events businesses, and minor league sports. As of 12/28/21, approximately 453 live venue centers were selected to go through the validation and verification process, which takes approximately 45 days. Go-Biz reports that they are investigating an issue related to NAICS (North American Industry Coding System) codes that may have otherwise eligible entities deemed ineligible. Not all selected applicants will be awarded, and selections are still ongoing at this time.

Nonprofit Performing Arts Grants

The 2021 Budget included \$49.5 million one-time General Fund in 2021-22 to provide grants of up to \$75,000 to eligible nonprofit performing arts organizations to encourage workforce

development. CalOSBA released a request for proposals from eligible grant making entities on January 21, 2022 to solicit applications from eligible organizations to apply to administer the grant program and distribute grants to eligible nonprofit performing arts organizations to encourage workforce development. Applications will be accepted through Tuesday, February 8, 2022.

Staff Comments. While early action legislation (AB 87 and SB 113) related to the budget would provide an additional \$150 million for waitlisted applicants to the California Small Business COVID-19 Relief Grant Program. CalOSBA has identified approximately \$20 million in funding that remains unallocated from the amount set-aside for non-profit cultural institutions. The Legislature may wish to consider if there were barriers for non-profit cultural institutions in accessing the funds and whether additional changes are need to fully utilize funding to support these unique institutions as originally intended.

Staff Recommendation. Information Only.

Issue 12: California Tourism Recovery Funding

Request. The Governor budget requests \$45 million one-time General Fund in 2022-23 to implement strategic media recovery campaigns to help continue the recovery of the travel and tourism industry. The California Office of Tourism, within the Governor’s Office of Business and Economic Development, will coordinate with Visit California to implement this initiative.

Background. The 2021 Budget included \$95 million federal American Rescue Plan Act funding in 2021-22 to implement strategic media campaigns to jump-start the recovery of the travel and tourism industry. The contract between GO-Biz and Visit California was executed on October 12, 2021, and the funding was provided to Visit California on October 15, 2021.

Visit California reported that of the \$95 million, \$45 million will be programmed for the second half of the 2021-22 fiscal year. This is equivalent to the amount that is requested for the 2022-23 fiscal year.

Visit California’s campaigns are distributed through television and online television, billboards, radio, digital, social media, and online travel agencies. Funding for the current campaigns will be exhausted by June 2022. This request will keep existing marketing campaigns on air through June 2023 and add dedicated campaign layers focused on family, urban core and culinary travel.

The proposed new campaigns include:

- Kidifornia—promoting California as a family fun option for those looking to reunite, reconnect, and learn how to vacation again.
- Urban Core—promoting gateway cities that offer a blend of outdoor setting and cultural experiences for travelers looking to embrace life, be spontaneous and their adventure.
- Culinary—encouraging everyone to dine out and help California’s world-class restaurants and their employees.

Visit California—\$45 Million Spending Media Plan

	TOTAL SPEND (2022-23)	FALL 2022 SPEND	SPRING 2023 SPEND
CALLING ALL CALIFORNIANS			
In-State Spot Market Television	\$4,000,000	\$4,000,000	\$0
In-State Out-of-Home	\$1,000,000	\$1,000,000	\$0
	\$5,000,000	\$5,000,000	\$0
AM I DREAMING, CALIFORNIA			
National Linear TV	\$8,000,000	\$8,000,000	\$0
National Online TV	\$3,500,000	\$3,500,000	\$0
National Digital/Social	\$7,000,000	\$3,500,000	\$3,500,000
Matching Co-op Funds	\$4,000,000	\$2,000,000	\$2,000,000
	\$22,500,000	\$17,000,000	\$5,500,000
FAMILY/KIDIFORNIA			
National Linear TV	\$5,000,000	\$5,000,000	\$0
National Online TV	\$2,000,000	\$2,000,000	\$0
National Digital/Social	\$2,000,000	\$1,000,000	\$1,000,000
Matching Co-op Funds	\$1,000,000	\$500,000	\$500,000
	\$10,000,000	\$8,500,000	\$1,500,000
URBAN CORE/CULINARY			
National Online TV	\$3,000,000	\$1,500,000	\$1,500,000
National Digital/Social	\$2,000,000	\$1,000,000	\$1,000,000
	\$5,000,000	\$2,500,000	\$2,500,000
MEET WHAT'S POSSIBLE			
Group Meetings & Conventions	\$2,000,000	\$1,000,000	\$1,000,000
	\$2,000,000	\$1,000,000	\$1,000,000
CONTINGENCY			
Contingency	\$500,000	\$250,000	\$250,000
	\$500,000	\$250,000	\$250,000
TOTAL 2022-23 STIMULUS MEDIA PLAN	\$45,000,000	\$34,250,000	\$10,750,000

LAO Comments.

COVID-19 Significantly Impacted State Tourism and Visit California Revenue. Tourism is an important industry in the state that was impacted by the COVID-19 pandemic to a greater extent than many other sectors of the state's economy. While total consumer spending in California declined by 4 percent in 2020, Visit California estimates that direct travel-related spending declined by 55 percent. The decline in tourism affects tourism business and, by extension, Visit California's assessment revenues, which declined from \$124 million in 2018-19 to \$76 million in 2020-21.

Visit California Net Assets Increased Significantly in 2020 and 2021. As revenue collections began to decline at the onset of the pandemic in 2020, Visit California sharply reduced its expenditures. Its reduction in expenditures outpaced its decline in revenues. Consequently, Visit California has increased its net assets from \$20 million at the beginning of 2019-20 to \$58 million by the end of 2021-22.

Additional State Funding for Marketing Appears Unnecessary. Tourism in California has begun to recover but it likely will be depressed for some time because of public health concerns. While Visit California's assessment revenue over the next several years likely will continue to be depressed, it is unlikely to decline further. We find that Visit California should be able to spend somewhat above their pre-pandemic levels without additional state funds given its net assets, the \$95 million provided by the state last year, and its current levels of assessment revenue.

Staff Recommendation. Hold Open

Issue 13: Immigration Integration and Economic Development

Budget. The Governor’s budget requests one position and \$11.6 million General Fund in 2022-23, and \$500,000 annually thereafter, to support statewide coordination for immigrant integration and propel innovation including through enhanced services for immigrant communities at the state and local level, and supports for economic development activities, including at the California-Mexico border. This request also includes statutory changes to clarify the role of the Director of Immigration Integration and align the functions of the position.

Background.

This BCP has five components: Immigrant focused position, Local Government Investments, Business Quick Start Guides and Translations, Export Training Network, and Trade missions.

These areas are outlined below:

Immigrant –Focused Position

- Provide \$150,000 ongoing General fund to establish a new immigrant-focused position within GO-Biz to support statewide coordination and direct resources for integration:
- Convene the Interagency Council on Immigrant Integration & Talent and support engagement with business and immigration stakeholders.
- Provide technical assistance to state departments and agencies.
- Lead outreach to target populations regarding available services and work with business owners to identify policies that foster complete economic integration of foreign-born talent and sustained prosperity for all; identify programs and initiatives that could help support cross-border commerce; and efforts that can support immigrant entrepreneurs and workers, including supporting workplace based English language training and promoting citizenship.
- Oversee the provision of one-time funding to local governments to seed and enhance immigrant integration support services across the state and amplify the development and deployment of best practices.

Local Government Investments.

Provide \$8.7 million one-time General Fund in 2022-23, available over three-years, for competitive grants to local governments to start or expand positions to: 1) build trust with immigrant residents and 2) help immigrant populations navigate state and local services with priority on quality of life, workforce, and entrepreneurship supports. This funding will help cities and counties seed and deploy best practices in immigrant support services with state provided technical assistance, including hiring a liaison or ombudsman to provide or expand support services across local government for immigrant communities, including small business owners, or establishing or maintaining a local office for immigrant services.

Business Quick Start Guides & Translations

Provide \$600,000 General Fund in 2022-23, and \$200,000 ongoing, to expand the number and availability of industries with Business Quick Start Guides and translate those resources to priority languages, including annual translation updates, as needed, and in coordination with the California Business Investment Services permitting unit and the California Office of the Small Business Advocate. Develop navigational guides regarding the professional licensing process in partnership with the Department of Consumer Affairs and immigrant serving organizations and provide translations. Synthesize website content and make it easier for individuals to access translated forms and navigate the online content.

Export Training Network

Provide \$2 million one-time General Fund in 2022-23 to support the statewide expansion of the export training network overseen by the International Affairs and Trade unit within GO-Biz. Funding would be allocated through a request for proposal for service providers to develop export training programs and curriculum aimed at underserved business owners, including immigrant entrepreneurs and small business operators. As a component of the training programs, service providers should also recruit business professionals to mentor immigrant and refugee entrepreneurs. Funding will be targeted to seven regions: San Diego, Inland Empire, Orange County, Los Angeles, Central Valley, Bay Area, and Northern California.

Trade Missions

Provide \$150,000 ongoing General Fund to enhance border region economic development activities and growing bilateral trade and investment between California and Mexico. Funding would be used to implement four to five virtual or hybrid trade missions, effectively scaling a successful Baja-focused May 2021 virtual trade mission organized by GO-Biz. The California-Mexico border region, commonly referred to as the Cali Baja Bi-National Mega-Region or CaliBaja, has a strong and diverse industrial center with plenty of opportunity for cross-border economic activity, particularly in the manufacturing arena. The trade missions would be targeted at advancing the border region's strategic industries, enabling cross-border economic growth and development.

Legislative Analyst Office Comments.

The LAO raises the following key questions:

- What are the key barriers to economic integration for immigrants? Would these programs address these barriers? How broadly?
- Do particular groups of immigrants or immigrants in certain regions of the state face higher barriers? Should the proposal include specific geographic targeting criteria?
- How does the Administration's proposal take into consideration these first two questions?

- How will GO-Biz evaluate the effectiveness of the new programs?
- How can the state ensure that grants to local governments would not supplant existing or future local funding toward these efforts?

Staff Recommendation. Hold Open.

Issue 14: Combatting Organized Retail Theft

Budget. The Governor’s budget requests \$20 million one-time General Fund in 2022-23 for GO-Biz to develop and distribute grants to small businesses that have been the victim of retail theft or that have suffered damage caused during retail theft incidents. The \$20 million is part of a larger request on combating organized retail theft. This Subcommittee will focus on the GO-Biz funding

Background.

The California Office of the Small Business Advocate (CalOSBA) within GO-Biz requests \$20 million one-time General Fund in 2022-23 to create a competitive grant program to support small businesses that have been victim of retail theft, or that have suffered damage caused during retail theft incidents, to assist with repairing or replacing infrastructure to resume business operations. California, like many states across the country, has experienced an increase of smash-and-grab crimes and vandalism, theft, burglaries, and robberies at businesses large and small.

According to a 2021 National Retail Federation survey, top ten cities where these “smash-and-grab” incidents are most prevalent include three California cities: Los Angeles, San Francisco/Oakland, and Sacramento. Los Angeles and the Bay Area are the number-one and number-two targets in the nation for this kind of crime. These crimes are initiated in an organized fashion—groups of individuals breaking into a store or building and stealing goods.

A vast majority of these crimes start at a storefront’s glass windows and doors where security is most vulnerable. The requested resources will support small businesses that have been victim of retail theft, or that have suffered damage caused during retail theft incidents.

LAO Comments.

The LAO raises the following:

Several Practical Considerations Must Be Addressed. GO-Biz has not finalized key details of the proposed new grant program. This is particularly concerning because GO-Biz has no institutional experience implementing a program like this. There are several practical considerations that will need to be addressed, and it may be very difficult or costly to do so.

These include:

- Which Businesses Will Be Eligible? The definition of organized retail theft in statute is quite broad and would cover organized crime, smash and grabs, as well as coordinated shoplifting. Go-Biz would need to define the type of crime that would make a business eligible, and be able to distinguish between ineligible types of crimes.

- How Would GO-Biz Verify Applicant Eligibility? What evidence would be required to substantiate claims of damages or losses? Would a police report be required and would that be sufficient?
- What Types of Damages and Losses Would Be Covered and How Much Would Be Covered by The Grant? Would businesses be compensated for the entire amount of eligible damages or just a portion?
- How Would GO-Biz Verify the Amount of Losses or Damages? Would businesses self-certify their damages or would they need to provide records? How much effort would be invested to verify the claims for compensation?
- How Would GO-Biz Verify an Amount Was Not Covered by Insurance? Presumably, damages that are covered by insurance would not be eligible for compensation. Many retailers carry business owner's insurance policies that could cover many common damages and losses. However, options allow coverage to vary based on the individual needs of different businesses. Some businesses may not have insurance.

Program Could Have Unintended Consequences. It is unclear that a victim's compensation model will translate well to small businesses. Will this program have unintended consequences, such as discouraging businesses from taking precautions to prevent crime or to carry sufficient insurance? Depending on the Legislature's priorities, there might be more effective alternatives to this proposal.

Staff Recommendation. Hold Open.

Issue 15: Supply Chain Resilience: Ports Investments

Budget. The Governor’s budget includes \$30 million for GO-Biz to provide funding for operational and process improvements at ports, which includes improving data connectivity and enhancing goods movement. This request is part of a larger budget change proposal on Supply Chain Resilience; the Subcommittee will focus on the GO-Biz funding portion

Background.

California’s ports are experiencing major disruption challenges that are hindering the movement of goods, creating costs for consumers and businesses, and creating negative environmental impacts. One way to enhance the movement of goods could be the development of a transparent, statewide data portal that is compatible with existing terminal operator platforms and can integrate our state’s ports. This could result in more visibility into the supply change and data sharing that can provide more efficient movement of goods within California and nationwide. GO-Biz intends to work with stakeholders over the coming months to implement this proposal.

Legislative Analyst’s Office Comments.

Grants Might Help Implement Common Standard for Freight Data. Key details for this proposal have not been finalized. The Federal Maritime Commission currently is identifying data interoperability problems at ports. Their initial findings will be reported in the spring 2022 and GO-Biz envisions providing state funding to help implement any recommendations for common data standards.

Improved Data Interoperability Might Address Supply Chain Problems... The ports, ocean carriers, marine terminal operators, truckers, and railroads apparently lack data standards that would allow for efficiently sharing cargo records. Lack of data standards could be contributing to the recent supply chain problems. The federal Maritime Commission and GO-Biz believe that implementing data standards could, perhaps, help to alleviate these problems.

...But State Role Is Unclear. This proposal is not yet fully developed, pending the findings of the Federal Maritime Commission. In the event that GO-Biz decides to move forward with a focus on data interoperability, the LAO observes that there is not a clear role for the state. Federal agencies may be better situated to play a coordinating role. The beneficiaries are primarily private companies and there is a clear private-sector interest in adopting data standards if doing so would alleviate the recent problems.

Is GO-Biz Most Appropriate Agency to Administer This Program? Should the Legislature determine that state funding for these improvements is appropriate, it should then consider which agency is most suited to administer the program. GO-Biz has a cross-cutting coordination role for the state’s key economic issues but has limited expertise in technical goods movement issues.

Staff Recommendation. Hold Open

Issue 16: Inclusive Innovation Hub Program Expansion

Budget. The Governor's Budget includes \$20 million one-time General Fund, to be spent over four years, to expand the number of inclusive innovation hubs from 10 to 13 regions, and to establish the Entrepreneurship Fund to provide grants of up to \$100,000 per business for five new businesses incubated at each of the inclusive innovation hubs.

Background. The Governor's Budget proposes the following breakdown of the \$20 million request:

- \$13,000,000—Funding for each Hub at \$250,000 per year for four years.
- \$6,500,000—Entrepreneurship Fund, seed funding of up to \$100,000 per business for five small businesses incubated at each of Hubs.
- \$500,000—Administrative costs for CalOSBA to administer, monitor, and report on the Entrepreneurship Fund and the Hubs.

The 2021 Budget included \$2.5 million one-time General Fund to revive the iHub program as the iHub2 Program with significant changes. The iHub2 program provides support to accelerators, incubators, and place-based small business development centers designed to foster qualified small businesses in technology driven and geographically diverse innovation business ventures. CalOSBA currently has a request for proposal (RFP) open to establish 10 Hubs within the state and expects to award funding of \$250,000 to each of the 10 by February 2022.

Chapter 259, Statutes of 2021 (SB 162) established the \$600 million Community Economic Resilience Fund (CERF). The goal of the legislation is to support regions in planning and implementing regional economic strategies to strengthen their economies and make prosperity more equitable and sustainable for more Californians. The CERF Leadership Team is comprised of the Governor's Office of Planning and Research (OPR), the California Labor Workforce Development Agency (LWDA), and GO-Biz. The Leadership Team has proposed a map that divides the state into 13 regions

Each of the 13 CERF regions includes populations and areas that have been disproportionately impacted by COVID-19, but also areas where accelerated commercialization of innovation is vital to California's long-term economic recovery and strength. CalOSBA believes that each region identified on the CERF map should have an Inclusive Innovation Hub as an anchor for strong innovation and startup business activity incentivized to focus on diversity, equity and inclusion in the state's tech and science-based startup ecosystem.

This proposal will reestablish the iHub2 program as the Accelerate CA: Inclusive Innovation Hub program to focus on inclusive economic growth. The program will be formal, established partnerships between industry, technical assistance providers, startups and entrepreneurs, universities and research institutions, and government in a specific geographic area, focused on a specific sector, that mirror the regions created by CERF process. Hubs will support regional inclusive ecosystems of innovation and drive investment towards regional assets to accelerate

technology commercialization. They will support innovative startups in key emerging and growth industries with a strong focus on underserved founders and geographies. Preference will be given to applicants from underserved business groups, including women, minority, and veteran-owned businesses and businesses in low-wealth, rural, or disaster-impacted communities.

LAO Comments.

Consider Evaluating Effectiveness of Innovation Hubs. We are unsure how effective the previous innovation hub program was. The Administration did not study the innovation hub program before providing new funding last year and some innovation hubs continued operating without state funds, while others became inactive. Should the Legislature approve this proposal, we suggest requiring the program collect information about the programs, other sources of funding, and outcomes of the innovation hubs. It would be prudent to evaluate the effectiveness of the program before providing additional state funding. Moreover, a good evaluation would provide evidence that may inform any additional changes to the program in the future

Staff Recommendation. Hold Open

Issue 17: Local Government Sustainability Fund

Budget. The Governor’s budget provides statutory changes to establish the Local Government Budget Sustainability Fund to provide short-term grants to local entities facing significant challenges to their near-term sustainability, but demonstrate a clear commitment to advancing a more climate-resilient local economy. This request also includes \$100 million General Fund in 2023-24, \$100 million in 2024-25, and \$250 million in 2025-26 to support this program.

Background. According to the BCP, the overall policy goal for the Local Government Budget Sustainability Fund is to support targeted local county governments facing future and current threats to the sustainability of their local revenues and services, while empowering these counties to pursue economic diversification initiatives and projects that will provide long-term stability.

These grants will inject funds into county-led projects that are aimed at process improvement, economic diversification, climate technologies, economic development, job mobility, and job creation. As these economies grapple with the impacts of COVID-19 and climate change, these grants will offer flexibility to the qualified counties enabling investment in opportunities for future economic resilience, without the need to reduce necessary allocations for vital services.

GO-Biz requests statutory changes to establish the Local Government Budget Sustainability Fund to provide grants to counties that both are facing sustainability challenges and are committed and willing to advancing a more climate-resilient local economy. GO-Biz also requests \$100 million General Fund in 2023-24, \$100 million in 2024-25, and \$250 million in 2025-26 for this program. Counties will be selected based on Designated Geographic Areas (DGA) inclusive of High Poverty and High Unemployment counties from January 2022 California Competes Tax Credit list of High-Poverty and High Unemployment Areas listing and all subsequent changes to the DGAs under future CalCompetes application periods until funds have been exhausted.

Legislative Analyst’s Office Comments.

The LAO notes that key information is not yet available to fully evaluate the proposal. The Administration is still developing its statewide economic recovery and economic diversification framework, the Just Transition Roadmap, and the CERF. Once the Administration has more clearly articulated its economic recovery and economic diversification objectives, it may be able to better answer the following questions:

- Would the Local Government Budget Sustainability Fund Complement Other State Economic Development Initiatives? The proposal lacks many key details, such as what projects would be eligible and the award criteria. We cannot evaluate the merits of this proposal until we better understand the objectives of the CERF in the context of the statewide Just Transition framework.
- What Amount of Funding Is Appropriate and Necessary? The proposal does not provide a justification for the amount requested. The CERF was funded at \$600 million. The proposed Local Government Budget Sustainability Fund, which is intended to fill gaps in the CERF, is a relatively large amount of money. With more information

about the scope of the Administration's statewide economic diversification objectives, the Legislature will be able to better assess whether a total of \$600 million, \$1.05 billion, or some other amount is most appropriate.

Staff Comments. At the time this agenda was published, trailer bill language on this proposal was not yet available.

Staff Recommendation. Hold Open.

Issue 18: Technical Assistance Expansion Program and Capital Infusion Program
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Budget. The Governor’s budget includes \$6 million General Fund in 2022-23 to bolster the Technical Assistance Expansion Program and support increased demand, and \$26 million annually thereafter to permanently fund the Technical Assistance Expansion Program (\$23 million) and the Capital Infusion Program (\$3 million). Statutory changes are also requested to extend the programs permanently

Background.

Technical Assistance Expansion Program (TAEP). The 2018 Budget Act included \$17 million General Fund annually for 5 years to establish TAEP, which expanded the capacity of federal small business technical assistance programs in the state to provide additional services, such as free or low-cost one-on-one consulting and training. The program was enacted in Government Code Sections 12100 to 12100.69. TAEP’s funding is focused on direct services to small businesses with a preference for programs that support underserved business groups, including women, minority, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities. Eligible centers include the Small Business Development Centers, Women’s Business Centers, Veteran Business Outreach Centers, Minority Business Development Administration Centers, Procurement Technical Assistance Centers, Manufacturing Extension Partnership Centers, and any other similar federally contracted centers. These centers are designated by federal funding partners to provide one-on-one confidential consulting and training to help small businesses and entrepreneurs start, expand, and create jobs in California. Below is the program impact for TAEP:

Fiscal Year	State Dollars Committed	Number of Centers	Small Businesses 1:1 Consulting	Small Businesses Trained
Year 1 2018-19	\$16,999,998	83	24,371	42,534
Year 2 2019-20	\$16,943,906	82	59,395	111,442
Year 3 2020-21	\$17,490,308**	83	50,084*	56,179*
Year 4 2021-22	\$17,363,270**	87	TBD	TBD
Year 5 2022-23	\$23,000,000***	TBD	TBD	TBD

* Results reflect Q1-3; Q4 results are pending.

**State dollars reflect unspent, returned, and/or extended money from prior years.

***Includes \$6 million investment from this proposal.

Capital Infusion Program (CIP). CalOSBA has administered CIP since 2014-15, which provides which provides competitive grant funding to the California Small Business Development Center (SBDC) Network, the largest technical assistance program for small businesses in California. The California SBDC Network is comprised of five regional networks, each having on administrative hub or "Lead Center" and a network of SBDC sub-centers. CIP is aimed at helping SBDCs to expand their one-to-one, no-cost confidential consulting to small business owners to help them attain loans or investor capital, understand and resolve credit readiness issues, and develop funding strategies for business expansion or startup. In 2014-15, \$2 million General Fund

was allocated to the SBDC programs for CIP, and funding allocations of \$2 million, \$1.5 million, and \$3 million were provided in 2015-16, 2016-17, and 2017-18. Similar to TAEP, the 2018 Budget Act included \$3 million annually for 5 years for CIP, with the last year of CIP's funding being in 2022-23. This request is for \$3 million General Fund ongoing beginning in 2023-24 to permanently fund CIP. This will allow for the continuance of technical assistance for direct access to capital for market expansion, including procurement assistance programming and collaboration with agency partners, and increase access to direct funding to underserved markets.

Legislative Analyst Office Comments.

Ongoing Funding Reasonable, But Reduces Accountability and Legislative Flexibility. Should the Legislature strongly support continued state funding for the small business training and consulting centers, it would be reasonable to consider funding on an ongoing basis. Ongoing funding provides GO-Biz and the centers more certainty. While limited term fund may make it more difficult for the centers to make long-term plans, it would provide a mechanism for routine oversight.

Staff Comments. At the time this agenda was published, trailer bill language on this proposal was not yet available.

Staff Recommendation. Hold Open.

Issue 19: Green Technologies Development Credit

Budget. The proposed budget includes a new tax credit totaling \$100 million per year for three years. This credit will fund pre-development costs for new technologies such as: electric vehicle manufacturing and infrastructure; geothermal, lithium extraction, and battery manufacturing; long-duration storage; addressing methane emissions; and hydrogen technologies to reduce the use of natural gas. The credit will be awarded by a newly created clean energy board at the Governor's Office of Business and Economic Development (GO-Biz). These credits will be structured so that if the business becomes profitable, a share of profits will be repaid to the state

Staff Comments: At the time this agenda was released, proposed trailer bill language was not yet released. However the subcommittee may wish to ask the following questions:

- What will the make-up of the Clean Energy Board at GO-Biz be? How will this board operate and what specific responsibilities will it have? Will the board be charged with determining which projects may ultimately generate profits?
- What are pre-development costs? What specifically would be allowable expenses under this tax credit?

Staff Recommendation: Hold Open.

Issue 20: Human Resources Staffing

Budget. The Governor’s budget includes \$110,000 (General Fund) in 2022-23 and ongoing to support one new permanent position to allow the Human Resources Unit to provide administrative support for Department’s growing and new programs.

Background. GO-Biz was created in 2012 and is considered an agency-level organization (e.g., California Environmental Protection Agency, Resources Agency, Government Operations, etc.) that reports directly to the Governor’s Office. It has three subordinate divisions, two with their own Executive Directors (i.e., IBank and the CA Film Commission), and tourism (Visit California). It also has eleven separate and distinct programs under its organizational umbrella with many Governor’s appointees.

Since 2017-18, GO-Biz has added 47 new positions, a growth of 36 percent, while the number of HR staff has remained the same with four positions. According to GO-Biz, it has a challenging high number of Governor Appointees who make up 18.5 percent of the workforce. Similar size agencies such as Department of Aging, Environment Health Hazard Assessment and Office of Inspector General, with 121 to 134 staff and only 2 to 6 appointees have permanent full time HR staff of at least 5 to 6. GO-Biz, with current staff count of 173, has only four permanent full time HR staff.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0220	Go-Biz	41.0	48.1	53.1	\$6,947	\$132,368	\$52,099
0225	California Business Investment Services	19.0	16.3	16.3	2,159	8,644	3,635
0230	Office of the Small Business Advocate	6.0	14.8	14.8	2,592,222	1,822,533	218,936
0235	Infrastructure, Finance and Economic Development	62.2	43.1	45.1	92,493	216,722	90,736
0240	Community Reinvestment Grants Program	10.0	11.0	13.0	45,517	40,000	50,000
0245	Local Equity Grant Program	-	-	-	-	35,573	15,574
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		138.2	133.3	142.3	\$2,739,338	\$2,255,840	\$430,980

Legislative Analyst Office Comments.

No Concerns with Proposal for Increased Human Resources Staffing. The Governor’s budget includes \$110,000 ongoing General Fund to increase GO-Biz human resources by one position. The number of positions at GO-Biz has increased by 66 percent over the last five years as the Legislature has increased the responsibilities of this department. The LAO is not raising concerns with this proposal because management and general administrative expenses typically follow increases in departmental programmatic responsibilities.

Staff Recommendation. Hold Open

0840 STATE CONTROLLER**7501 DEPARTMENT OF HUMAN RESOURCES****Issue 21: California State Payroll System Project**

Request. The Governor’s budget includes resources for both the State Controller’s Office and the Department of Human Resources to support the California State Payroll System (CSPS) project through the continuation of the California Department of Technology (CDT) Project Approval Lifecycle (PAL) Stage 4 and into the execution phase System Development Lifecycle of the approved project. The request is as follows:

State Controller’s Office:

- 2022-23: 33.0 positions [1.0 continuing two-year limited-term (LT) and 32.0 permanent] and \$97,844,000 [\$58,706,000 General Fund (GF); \$39,138,000 Central Service Cost Recovery Fund (CSCRF)]
- 2023-24: 40.0 positions (1.0 continuing two-year LT and 39.0 permanent) and \$6,798,000 (\$4,079,000 GF; \$2,719,000 CSCRF)
- 2024-25 and ongoing: 39.0 permanent positions and \$6,653,000 (\$3,992,000 GF; \$2,661,000 CSCRF)

Department of Human Resources:

- 2022-23: 15.0 permanent positions and \$3,424,000 GF
- 2023-24 and 2024-25: \$3,319,000 GF
- 2025-26 and ongoing: \$2,573,000 GF

Background. Beginning in 2016, SCO began to assess current information technology (IT) and the latest industry standards, and initiated the re-engineering of a new human resource (HR) management and payroll system. This initiative is named the California State Payroll System (CSPS) Project. CSPS product scope includes functionality for Core HR (Position Control, Benefits Administration, Personnel Administration, Time Management, and Payroll). This functionality is typically found in Human Capital Management (HCM) Solutions. In May 2021, CSPS added Travel and Expense Management functionality to its product scope through the CDT approved Change Request (CR) #007.

The project is currently under the oversight of the California Department of Technology (CDT). The Project received CDT approval on PAL Stage 1 Business Analysis (S1BA) in October 2017 and PAL Stage 2 approval in April 2021. In October 2021, the project team submitted PAL Stage 3 Solution Development (S3SD) Part A, which encompasses key project planning milestones including the submission of the detailed solution requirements and completion of a draft of the Request for Proposal (RFP) and Statement of Work (SOW) procurement documents, which provide the requirements for the CSPS solicitation of a future solution. The project team continues to work on tasks related to Organizational Change Management, Independent Verification and Validation (IV and V), Data Analysis and Planning, and Project Management Office Services. The Governor’s budget includes funding for vendor resources to compliment state resources related to

System Integrator Services, Business Analysis and Information Technology, Data Migration and Validation Services, IV and V Services, Organization change Management Services, and Project Advisor Services.

SCO is working closely with CDT as it completes each of the stages in the PAL process. Below are the PAL approval and expected submission dates:

- Stage 1 (Business Analysis): approved October 2017
- Stage 2 (Alternatives Analysis): approved April 2021
- Stage 3 Part A (Solution Development): submitted October 2021
- Stage 3 Part B (Solution Development): anticipated submission January 2022
- Stage 4 (Project Readiness and Approval): anticipated submission January 2023

The Governor's budget includes proposed provisional language that would require \$83.3 million of the additional funding for the California State Payroll System Project future solution costs to be allocated with the approval of Department of Finance. Stage 4 of the Project Approval Lifecycle Process must be approved by the California Department of Technology prior to these funds being made available. Allocation of these funds will be made after a 30 day notification in writing to the chairpersons of the budget committees in both houses of the Legislature and the Joint Legislative Budget Committee.

State Controller's Office Staffing

(Dollars in Thousands)

Program Budget	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Authorized Expenditures	\$2,377	\$5,833	\$3,974	\$6,878	\$9,458	\$17,756
Actual Expenditures	\$1,452	\$4,541	\$3,860	\$6,780	\$8,522	\$17,756
Revenues						
Authorized Positions	4.0	19.0	19.0	18.0	25.0	44.5
Filled Positions	4.3	15.8	16.0	16.6	25.0	39.5
Vacancies		3.2	3.0	1.4		5.5

SCO requests funding to support 33.0 positions [1.0 continuing two-year LT and 32.0 permanent] and to reclassify 6.0 existing positions in 2022-23; 7.0 CalATERS Replacement Project (CRP) positions to become permanent for a total of 39.0 new positions in 2023-24 and ongoing to continue to work on the project activities that will drive the activities of designing a new statewide personnel and payroll solution.

Department of Human Resources Staffing

In 2017, SCO contracted with the Department of Human Resources (CalHR) to provide two CalHR staff to act as members of the CSPS Project. These positions provide information for the existing procedures and policies under the authority of CalHR, including Labor Relations (LR), Benefits Administration, Third Parties, and Unions. They support project activities related to an alternative assessment analysis, including development of business and user requirements. In 2021, CalHR

received a position and \$230,000 in ongoing funding to act as the CalHR CSPA Project Director. This position is to oversee and ensure the new system not only appropriately applies requirements set by laws, regulations, and bargaining agreements but also effectively supports statewide HR and LR programs' business policies, practices, and processes.

As the CSPA Project ramps up for the next phase, there is an upcoming need for additional CalHR staff involvement from multiple divisions including, Personnel Management (PMD), Benefits, and Information Technology (ITD) in the CSPA Project and its ancillary activities over the next three to five years. CalHR is requesting 15.0 permanent positions for this workload.

LAO Comments.

LAO Concerns with Budget Proposal. The State Controller's Office (SCO) and the California Department of Human Resources (CalHR) requests \$101.3 million (\$62.1 million General Fund) and 48 positions in 2022-23 to complete planning and start development and implementation of the proposed California State Payroll System (CSPA) information technology (IT) project. Of the \$101.3 million requested in this proposal, \$83.3 million (\$50 million General Fund) would fund vendor contracts to begin development and implementation of the project after (1) project planning is completed and (2) the Department of Finance (DOF) has approved the funds and provided a 30-day written notification to the Legislature. As we discuss in greater detail later in this email, we raise a number of concerns with this approach, summarized below.

- **Inadequate Information for Legislative Approval.** The Legislature does not have final project approval documents for the CSPA IT project. As such, the Legislature is missing key pieces of information including a final baseline project cost, schedule, and scope and signed primary vendor contracts.
- **Administration's Assumed Timeline Likely Unrealistic.** Recent delays in project planning and other risks identified by the project suggest that the timeline the administration assumes in the request to complete planning is optimistic.
- **Proposed Schedule Limits Opportunities for Legislative Oversight.** The proposed oversight mechanisms would lead to parallel consideration of project funding through the Joint Legislative Budget Committee (JLBC) process (2022-23 funding request) and the annual budget process (2023-24 funding request) and limit legislative consideration of the final project plan to just one month before funding is released.

LAO's Recommendation. The proposed CSPA IT project was last estimated to cost at least \$767 million General Fund and would affect nearly every state government entity. As such, if it is approved, the project would be one of the costliest and most complex IT projects undertaken by the state. While we raise no concerns with the \$14.5 million (\$8.7 million General Fund) and 48 positions requested in 2022-23 to continue project planning, we recommend that the Legislature defer consideration of the remaining \$83.3 million (\$50 million General Fund) in development and implementation funds for this project until 2023-24.

Staff Comments: Staff notes that the CSPA appears to be on track and moving through Stage 3 of the PAL process without major issues at this point. The SCO and the state have struggled in the past with large IT projects, and this project is accordingly being carefully monitored by the CDT, LAO, Legislature and additional related departments. The 2021 Budget Act included budget bill

language that requires regularly scheduled oversight meetings with the Legislative Analyst's Office (LAO), the SCO, CalHR, CDT, and the Department of Finance to allow the LAO to receive project updates and review oversight documents such as CDT independent project oversight reports and independent verification and validation reports with the project team. The Legislature may wish to continue to monitor potential risks as the project moves forward.

Staff Recommendation. Hold Open.