

SUBCOMMITTEE NO. 4

Agenda

Senator Maria Elena Durazo

Senator Jim Nielsen

Senator Thomas J. Umberg



Thursday, March 7, 2019
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 2040

Consultant: Yong Salas

PROPOSED FOR VOTE-ONLY

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ISSUES PROPOSED FOR VOTE-ONLY

7760 DEPARTMENT OF GENERAL SERVICES

Issue 1: Technical Adjustments

Governor's Budget. The Department of General Services (DGS) requests the establishment of 40 positions, of which six positions will be converted from blanket positions, with no additional funding authority. Of the remaining positions, 23 will be for the Contracted Fiscal Services program, and 11 positions will be for the Administration Division.

Background. The Financial Information System for California (FI\$Cal) provides a unified and consistent financial system that will be used by virtually all state entities, and provides transparency in state financial data. With the transition to the new system, FI\$Cal changed how some state entities performed their accounting and budgeting functions. For example, FI\$Cal requires multiple users operating within it to maintain a separation of duties in order to prevent fraud and minimize errors, and changed how transactions were recorded. At the same time, the Contracted Fiscal Services (CFS) unit within DGS, which provides budgeting and accounting services to other state departments, boards, and commissions that do not have the staff or expertise necessary to perform budget and/or accounting functions, has seen an increase in its clientele. Currently, CFS provides accounting services to 44 state entities and budgeting services to 21 state entities using FI\$Cal, and recovers its costs by billing customers through an interagency agreement. DGS stated that they anticipate gaining one or two clients in the upcoming year.

As the demand for central services provided by DGS to external entities grows, either with the implementation of FI\$Cal, new programs or new positions in other DGS programs, DGS stated that the position authority in its Administration Division, which provides internal services for DGS like human resources and contract services, has not been adjusted to meet the changing administrative workload. While funding for the administrative workload was provided with previous program augmentations, the position authority was not. This request aligns the position authority with the administrative workload.

On July 24, 2018, the Department of Finance (DOF) issued a budget letter encouraging departments to identify critical, permanent positions funded from the Temporary Help Blanket, which is a funding source that provides flexibility for departments to meet operational needs. DGS requests to convert six positions funded formerly from the blanket to permanent positions so that departments may receive accurate funding for salaries and benefits.

Staff Recommendation. Approve as budgeted.

8940 CALIFORNIA MILITARY DEPARTMENT**Issue 2: Capital Outlay Projects**

Governor's Budget. The California Military Department (CMD) requests a total of \$15.2 million (\$7.6 million General Fund and \$7.6 million federal matching funds) for four capital outlay proposals listed below:

- **Advance Plans and Studies:** The department requests \$300,000 (\$150,000 General Fund and \$150,000 federal matching funds) for architect-engineering services to conduct design studies and programming charrettes for future capital projects. These services will allow the department to develop conceptual designs and cost estimates for future projects.
- **Petaluma Armory Renovation:** The department requests \$4.3 million (\$2.14 million General Fund and \$2.14 federal matching funds) for the performance criteria and design-build phases of the Petaluma project. The request would provide funds to renovate the 12,909 square foot Petaluma armory, which was built in 1958, and is a critical emergency response meeting point. The renovations will allow for more efficient use of space, improve security with vault upgrades, provide proper facilities for female soldiers, and allow assigned units to train and maintain their equipment more effectively.
- **Redding Armory Renovation:** The department requests \$6.4 million (\$3.2 General Fund and \$3.2 federal matching funds) for the performance criteria and design-build phases of the Redding project. The request would provide funds to renovate the 15,936 square foot Redding facility, which was built in 1961. The renovations will allow for more efficient use of space, improve security with vault upgrades, provide proper facilities for female soldiers, and allow assigned units to train and maintain their equipment more effectively. The Redding Armory is in a strategic location, which provides access to northern-most counties within the state.
- **Visalia Armory Renovation:** The department requests \$4.2 million (\$2.1 million General Fund and \$2.1 million federal matching funds) for the performance criteria and design-build phases of the Visalia project. The request would provide funds to renovate the 13,212 square foot Visalia facility, which was built in 1949. The renovations will allow for more efficient use of space, improve security with vault upgrades, provide proper facilities for female soldiers, and allow assigned units to train and maintain their equipment more effectively. The Visalia facility is located between Fresno and Bakersfield, and provides access to Lemoore Naval Air Station.

Background. The department maintains 95 active armories, 4 aviation centers, 23 field maintenance shops, 2 combined support maintenance shops, and 2 maneuver area training equipment sites.

CMD's Sustainable Armory Renovation Program intends to strategically renovate a handful of armories at a time while consolidating certain armory sites. Since 2015-16, the state has provided \$56 million General Fund, which has been able to draw \$29.4 million federal funds, most of which matched

General Fund investments for the armories with the exception of the Los Alamitos Readiness Center, to renovate the aging armories under the department's purview.

These armories provide space for strategic defense and emergency response centers throughout the state, as well as serving community functions such as emergency shelters or community event spaces.

Staff Recommendation. Approve as budgeted.

Issue 3: San Diego Readiness Center Re-Appropriation

Governor's Budget. The CMD requests a re-appropriation of \$7.7 million (\$7,688,000) (\$3.8 million General Fund and \$3.8 million federal funds) for construction phases two and three of the San Diego Readiness Center Renovation project.

Background. The San Diego Readiness Center Renovation project received funding during the following years:

- The 2015 Budget Act provided \$1.7 million (\$856,000 General Fund and \$856,000 federal funds) for phase one of the project.
- The 2016 Budget Act provided \$3.4 million (\$1.7 million General Fund and \$1.7 million federal funds) for phase two of the project.
- The 2017 Budget Act provided \$3.9 million (\$1.9 million General Fund and \$1.9 million federal funds) for phase three of the project.

However, phase one of this project experienced delays in the availability of federal funding due to sequestration at the time, and resulted in an unsuccessful bidding process. Due to these delays, phases two and three of construction are not anticipated to begin until December 2019, and funding provided for these purposes will revert unless re-appropriated.

The CMD states that the renovation of the San Diego Readiness center will improve the operational readiness and increase the effectiveness of the California National Guard to respond to emergencies in Southern California.

Staff Recommendation. Approve as budgeted.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS**Issue 4: Emergency Coordination**

Governor's Budget. The California Department of Veteran Affairs (CalVet) requests \$152,000 (\$145,000 General Fund and \$7,000 Farm and Home Building Fund of 1943) and one ongoing position in 2019-20, and \$146,000 (\$139,000 General Fund and \$7,000 Farm and Home Building Fund of 1943) ongoing thereafter to oversee CalVet's plans, response, and coordination in the event of an emergency.

Background. CalVet maintains eight Veteran Homes and three veteran cemeteries. While each home has emergency protocols in place, CalVet states that existing staff must coordinate resources and work with other agencies during an emergency event. However, fires during 2017 and 2018 threatened four Veterans Homes and two Veterans Cemeteries due to the sites' proximity to forests, wildlands, and other undeveloped areas, and the demands on existing staff diverted resources from other necessary duties. In these events, CalVet used existing staff to coordinate with other agencies and leverage existing resources, as well as coordinating recovery operations.

CalVet states that with the growth of wildfires in recent history, a dedicated staff member who can coordinate the response as well as recovery is needed to help manage these duties.

Staff Recommendation. Approve as budgeted.

Issue 5: Technical Adjustment to Convert Blanket Positions to Authorized Positions

Governor's Budget. The California Department of Veterans Affairs (CalVet) requests to convert 32.5 positions from the temporary help blanket to authorized positions. This request does not require an increase in budget authority.

Background. On July 24, 2018, the Department of Finance issued a budget letter encouraging departments to identify critical, permanent positions funded from the Temporary Help Blanket, which provides flexibility for departments to meet operational needs. CalVet requests to convert 32.5 positions funded formerly from the blanket to permanent positions so that departments receive accurate funding for salaries and benefits. These positions will be established in the headquarters as well various veteran homes.

Staff Recommendation. Approve as budgeted.

ISSUES PROPOSED FOR DISCUSSION/VOTE

8880 FINANCIAL INFORMATION SYSTEM FOR CALIFORNIA (FI\$CAL)

Overview. The Department of FI\$Cal is responsible for supporting the Financial Information System for California (FI\$Cal) Project, including supporting the system's customers and stakeholders, onboarding any new, deferred, or exempt entities, as well as assuming responsibility for system maintenance, upgrades, and enhancements as portions of the system are implemented and accepted.

The FI\$Cal project is a partnership of four control agencies: the Department of Finance, the State Controller's Office, the State Treasurer's Office, and the Department of General Services. FI\$Cal will provide the state with a single integrated financial management system that encompasses budgeting, accounting, procurement, cash management, and financial management and reporting. FI\$Cal, through the adoption of best business practices, will: reengineer business processes; improve efficiency; enhance decision making and resource management; and provide reliable, accessible, and timely statewide financial information allowing the state to be more transparent.

Budget. The budget includes \$76,034,000 (\$47.9 million General Fund) and 243.9 positions in 2019-20.

Issue 6: Informational – FI\$Cal Project Update

Background. One of the most vital projects for the state is FI\$Cal, the statewide project being undertaken to integrate and re-engineer the statewide business processes related to budgeting, accounting, procurement and cash management. FI\$Cal provides a unified and consistent financial system that will be used by virtually all state entities, and provides transparency in state financial data. FI\$Cal is managed by a partnership of four control agencies – Department of Finance, State Controller's Office, State Treasurer's Office, and the Department of General Services. In 2016-17, the Legislature approved a permanent administrative structure for FI\$Cal, establishing it as a stand-alone department. FI\$Cal is a central service agency, and non-general fund costs are recouped through the Central Service Recovery Fund, which charges various special and nongovernmental funds.

FI\$Cal is an ambitious and complex project that has undergone numerous changes in scope, schedule and cost. These various changes have been incorporated and documented in special project reports (SPRs) with the project currently working under the rubric of SPR 7. SPR 7 was primarily driven by the need to re-plan for the implementation of the State Treasurer's Office (STO) and State Controller's Office (SCO) accounting and cash management functions that were not ready for its scheduled deployment, but was resolved through the Integrated Solution to maintain an accurate book of record for state government finances.

Under the Integrated Solution, SCO will run the FI\$Cal system and its existing legacy accounting systems in tandem. The Integrated Solution develops interfaces between both FI\$Cal and SCO's legacy systems so that data is entered only once (in either system) but then both systems share the data. This way each system can perform the accounting and cash management functions for the state. During this interim phase, SCO's legacy systems will continue to serve as the state's official accounting record. However, the annual report to the Legislature by FI\$Cal, released in February 2019, indicated that the

rollout schedule to complete the Integrated Solution and implement the statewide financial reporting function is being assessed.

In its August 16, 2018, letter to the Governor and the Legislature, the California State Auditor indicated that the FISCAL project will exceed its originally planned timeline and resources, and recommended that FISCAL submit a new SPR to address the issues it raised. FISCAL states that it is currently conducting an analysis to determine whether a new SPR is warranted. Additionally, the State Auditor has raised concerns of the departments' abilities to complete timely financial statements despite the FISCAL project office reporting that these departments have implemented FISCAL. According to FISCAL, implementation indicates that the system is ready to use and the user has a starting point for recording transactions, but not necessarily transitioned from the legacy system to FISCAL. This may be due to a variety of reasons, including the departments' reluctance that the system will produce accurate and timely financial information to meet federal requirements, as well as the volume of transactions that needs to be recorded within the limited staffing that perhaps a prior system required.

From 2005-06 to 2019-20, the costs of the project are estimated at \$918.2 million. This estimate includes \$327.7 million in payments to the system integrator to design, develop and implement the FISCAL system. However, not included in these estimates are tangential costs to operate the system—that is, staffing augmentations at the department level through position authority, funding authority or both, or increased demand for Contracted Fiscal Services within DGS, which provides budgeting and accounting services to other state departments, boards, and commissions that do not have the staff or expertise necessary to perform budget and/or accounting functions. For example, among the Governor's Budget requests in 2019-20 are the following:

- The Office of Planning and Research requests \$334,000 General Fund in 2019-20 and \$329,000 General Fund ongoing thereafter for three permanent positions to assist with the implementation of FISCAL.
- The Department of Parks and Recreation requests \$1.7 million General Fund in 2019-20 and \$1.6 million General Fund ongoing thereafter for 12 permanent positions to meet the workload as a result of the FISCAL implementation.
- The Judicial Council requests \$952,000 General Fund in 2019-20 and \$887,000 General Fund ongoing thereafter to support the FISCAL implementation.
- The Department of Consumer Affairs requests \$1.2 million in 2019-20 and \$943,000 thereafter to fund seven permanent positions to assist with the implementation of FISCAL. These positions are to be funded through the department's pro rata allocations.
- The Department of General Services requests 23 positions in its Contracted Fiscal Services to meet the workload of its growing clientele, in part as a result from the implementation of FISCAL.

Lastly, the Office of Statewide Project Delivery within the Department of Technology has assessed that there is a significant risk to the health of the FISCAL project—due to continuing issues with various project management areas, including delays with the Integrated Solution, delays in fully transitioning departments onto FISCAL, and failing to document significant project risks—and escalated the project for immediate corrective action for the January 2019 reporting period.

Staff Recommendation. Informational item.

7760 DEPARTMENT OF GENERAL SERVICES

Overview. The Department of General Services, as an enterprise organization under the Government Operations Agency, provides centralized services to state agencies in the areas of: management of state-owned and leased real estate, including design and construction of state infrastructure projects; approval of architectural designs for local schools and other state-owned buildings; printing services; procurement of commodities, services, and equipment for state agencies; and management of the state's vehicle fleet. Furthermore, DGS employs practices that support initiatives to reduce energy consumption and help preserve California resources. The director of DGS serves on several state boards and commissions.

Budget. The Governor's Budget includes \$1.1 billion (\$37 million General Fund, \$1.1 billion special funds, and \$5.7 million in reimbursements) to support the department and its various programs.

Issue 7: Trailer Bill Language: Golden State Financial Marketplace Program (GS \$mart)

Governor's Budget. The Administration requests statutory changes related to the Golden State Financial Marketplace program (GS \$mart) to reflect a more complex regulatory environment for public financing.

Background. The GS \$mart program serves as a financing program allowing high-cost purchases, as specified in law, that agencies are not capable of paying for in a single budget year. The program allows an agency to spread the cost of specified goods over several years versus paying for them all in one fiscal year at tax-exempt rates.

The proposal makes a number of changes that strengthen the accountability of the program and communication with other state financing programs, including changes that: (1) clarify the types of assets items for financing through the program; (2) require the GS \$mart program use law firms that are more likely to be familiar with state laws, and comply with related labor laws when doing so; and (3) require the Department of General Services to obtain approval from the State Treasurer's Office and the Department of Finance for terms and conditions used for the GS \$mart program in order to ensure that it is consistent with other state financings, and provide notice so that GS \$mart financings can be coordinated with other financings if necessary.

Staff Recommendation. Adopt placeholder trailer bill language to ensure consistency with the GS \$mart program and other state financings, and strengthen the communication with other state financing programs.

Issue 8: Authority Increase for the Statewide Travel Program

Governor's Budget. The Department of General Services (DGS) requests a permanent increase in expenditure authority of \$1.5 million (\$1,523,000) in Service Revolving Fund authority to offset transaction fees on behalf of the Statewide Travel Program (STP) client agencies.

Background. The DGS Statewide Travel Program (STP) is a program state and local entities use to make travel arrangements with discounted costs by various vendors, including hotels, airlines, and car rental companies. While other state entities, such as CalPERS and CalSTRS, have adopted responsible contractor policies where contractors and subcontractors paying their workers fair wages and benefits are provided a preference during the contracting process, the STP has no such policy. Lawsuits alleging wage theft are currently active against certain subcontractors and airline subsidiaries that are receiving public dollars through its relationship with the prime contractor, like airlines, currently offering its services through the STP. DGS' contracts with certain airlines that provide services through the STP are set to expire on June 30, 2019, and DGS is currently in the process of developing its solicitation.

In 2014, state agencies were required to make all travel arrangements through the STP. This allowed the state to capture travel spending data and leverage its buying power for discounted travel costs. STP is funded solely through various contractual incentives, rebates and fees through the vendors. Additionally, agencies using the STP pay a \$5 booking fee when making travel arrangements. DGS estimates that approximately 358,000 transactions occurred in 2017-18. Since its implementation, DGS determined that the revenue generated by the STP is enough to offset the \$5 booking fees for agencies, but will require an increase of \$1.5 million in their authority to do so.

Staff Recommendation. Hold open.

Issue 9: Electric Vehicle Service Equipment Infrastructure Assessment and Facility Development

Governor's Budget. The Department of General Services (DGS) requests a one-time augmentation of \$18.6 million (\$9.3 million General Fund and \$9.3 million Service Revolving Fund) in 2019-20 to continue activities related to the installation of Electric Vehicle Service Equipment (EVSE) at state facilities.

Background. In 2012, the Governor issued an executive order directing state government to help accelerate the market for zero-emission vehicles (ZEVs) in California, including the goal of having 1.5 million ZEVs on California roads by 2025. The 2013 ZEV Action Plan, which was developed to implement the goals established in the executive order, identified specific actions state government would take to meet the milestones of the executive order. The Action Plan was updated in 2016, and contained over 200 specific action items for state agencies to implement in order to accelerate ZEV adoption. In 2018, the Governor issued an executive order that set an additional target of putting five million ZEVs on California roads by 2030. While the 2016 Action Plan is still in effect due to ongoing work implementing those directives, the 2018 Action Plan prioritized actions for state agencies to execute in 2018 to enable progress toward the 2025 and 2030 goals.

As part of this plan, DGS is responsible for assisting state agencies in: (1) having at least 50 percent of the state's annual light-duty fleet purchase be ZEVs by 2025, and (2) creating charging capabilities in five percent of workplace parking spaces. DGS also supports state agencies in completing readiness surveys, conducting site assessments, and providing oversight of architectural and engineering functions, construction management, system activation, and identification of alternative funding options if available.

In 2018-19, DGS received a one-time augmentation of \$15.6 million (\$7.8 million General Fund and \$7.8 million Service Revolving Fund) and one permanent position to continue the installation of EVSE in state facilities. In the prior year, DGS received a one-time augmentation of \$6.7 million (\$3.4 million Service Revolving Fund and \$3.3 million General Fund) and three permanent positions, which brings the total funding to date for this effort to \$22.3 million and four permanent positions.

This request is to fund year three of the DGS ZEV Five-Year Infrastructure Plan to install EVSEs in state facilities to support both the state fleet and state employee charging needs. \$18 million will support 1,405 EVSE installations and the remaining \$512,000 will support work related to facility assessments. Total costs to implement this effort is \$93.9 million to install 6,484 EVSEs by 2021-22.

Legislative Analyst's Office (LAO). The LAO continues its concerns around the full cost of implementing the goals, and has raised suggestions in the past that the Legislature consider other state funding sources for this project, such as the Greenhouse Gas Reduction Fund, given the costs. The LAO highlights that the Administration does not have a plan to fully meet the goals laid out in statute and policy, so that total costs are currently unknown.

Staff Recommendation. Hold open.

Issue 10: Deferred Maintenance

Governor's Budget. The Department of General Services (DGS) requests one-time \$16 million General Fund to address four critical deferred maintenance projects for buildings owned and operated by DGS.

Background. Last year, DGS identified and prioritized all deferred maintenance projects in its buildings, including urgent and critical projects estimated to cost \$121 million. These urgent and critical projects specifically include fire and life safety systems, end of life elevator systems, heating, ventilation, and air conditioning (HVAC) systems, and end of life roofing systems.

Of the \$121 million in identified urgent and critical deferred maintenance projects, DGS requests \$16 million, which will be available for encumbrance or expenditure by June 30, 2022, to address four critical deferred maintenance projects in three state-owned buildings:

Facility Location	Project Title and Description	Estimated Cost
Attorney General Building 1300 I Street Sacramento, CA	Fire and life safety upgrade to the roof top fire alarm panels and associated system, including the smoke control system and all related programming. The current system has regular faults due to obsolete parts, which pose a tremendous threat to the safety of DGS tenants.	\$1,557,000
Elihu M. Harris Building 1515 Clay Street Oakland, CA	(1) Elevator replacement: The elevator system contains obsolete parts causing continuous maintenance posing significant challenges. Multiple safety issues have been identified and the frequency of service calls have increased. If not addressed, the existing elevator system will pose serious life safety issues in the future. (2) Fire and life safety replacement: full replacement of the existing fire alarm panels and associated devices. The fire alarm system poses serious fire and life safety system issues and is at risk of being placed on fire watch by the State Fire Marshal.	(1): \$3,450,000 (2) \$1,567,000 Total: \$5,016,000
Ronald Reagan State Building 300 South Spring Street Los Angeles, CA	Elevator Modernization: The elevators are obsolete and were due for modernization in 2017. There have been numerous entrapments and the current system poses serious fire and life safety issues.	\$9,417,000
	Total Estimated Costs (rounded):	\$16,000,000

LAO. The LAO issued its report on the state's deferred maintenance requests and recommends that: (1) departments report on proposed projects and approach; (2) the Legislature adopt supplemental reporting language that requires the Department of Finance to report on which projects departments

undertook with the funds provided; and (3) departments be required to detail plans for better maintaining facilities.

Staff Comment. Since 2014-15, most of the state's deferred maintenance projects were funded through Control Section 6.10 and provisional language required the Department of Finance to provide to the Joint Legislative Budget Committee (JLBC) a detailed report of the deferred maintenance projects. Deferred maintenance projects funded within individual budgets do not fall under this reporting requirement. The subcommittee may wish to inquire about how DGS prioritized the projects that would be completed with this funding, and how the state will track these funds for the proposed deferred maintenance projects.

Staff Recommendation. Approve the requested funding for deferred maintenance, and adopt supplemental reporting language requiring the Department of Finance to notify the chair of the JLBC prior to allocating deferred maintenance funding to the departments.

Issue 11: Capital Outlay: State Printing Plant Demotion

Governor's Budget. The Department of General Services requests \$21.5 million (\$21,471,000) General Fund for the final construction phase of the State Printing Plant Demolition project. The project includes the demolition and hazardous materials mitigation of the property to prepare it for new office space development.

Background. Since the mid-1990s, the state has targeted the 17.3-acre parcel on which the existing Printing Plant is located for future office development. The existing State Printing Plant located at 344 North Seventh Street in Sacramento was built in 1954 and has well-documented health and safety, infrastructure and programmatic deficiencies. The 2017 Budget Act provided \$909,000 General Fund to fund the preliminary plans phase, and in the following year, the 2018 Budget Act provided \$815,000 General Fund for the working drawings phase. DGS' request for \$21.5 million General Fund is for the construction phase, which is scheduled to begin in October 2019, with a completion date of October 2020. Total project costs are an estimated \$23.2 million.

This site is intended for the development of the Richards Boulevard Complex project, detailed in the next item in this agenda.

Staff Recommendation. Approve as budgeted.

Issue 12: Capital Outlay: Richards Boulevard Office Complex

Governor's Budget. The Department of General Services (DGS) requests \$1 billion (\$1,014,598,000) in lease revenue bond financing for the design-build phase of the new Richards Boulevard Complex project.

Background. The 2018 Budget Act provided \$18 million General Fund for the performance criteria phase of the new Richards Boulevard Complex project. The performance criteria phase began in July 2018 and will be completed in March 2020. This request will fund the design-build phase, which will begin in March 2020 and will be completed in March 2024.

This project would continue implementation of the Ten Year Sequencing Plan by constructing a new office campus of approximately one million net usable square feet on the state property at the corner of Richards Boulevard and North Seventh Street. The site of the new Richards Boulevard Complex project is currently occupied by the State Printing Plant, which is in the process of being demolished and scheduled to be completed by October 2020.

The project would be financed through lease revenue bonds, which will be issued by the State Public Works Board. Annual lease revenue bond payments derived from this financing will be determined by interest rates at the time the bonds are sold; however, DGS states that when the performance criteria phase was approved in 2017, the lease revenue bond payments were estimated to be \$66.7 million a year over 25 years, of which a portion will be comprised of lease revenue generated from non-state sources such as the non-state tenants and parking costs.

This proposal to develop an office complex on the site will create a future opportunity to relocate business, consumer services and housing agency departments out of leased space, as well as relocating Business, Consumer Services and Housing Agency departments and the Department of Tax and Fee Administration staff out of the 450 N Street Building and other leased space. The complex would consist of four buildings, and include office space, retail and childcare.

Staff Recommendation. Approve as budgeted.

Issue 13: Capital Outlay: Resources Building Renovation

Governor's Budget. The Department of General Services requests \$8.9 million (\$8,874,000) General Fund for the performance criteria phase to renovate the Old Resources Building located at 1416 Ninth Street in Sacramento.

Background. This project would continue the implementation of the Ten Year Sequencing Plan by renovating the Resources Building, which includes 520,000 usable square feet through the design-build delivery method. Proposed tenants include the Employment Development Department, who are currently housed in various locations in downtown Sacramento.

A study completed in 2008 (and updated in 2013) identified various fire and life safety, building code, hazardous materials, and other infrastructure deficiencies at the Resources Building, which was the first major post-war development constructed in 1964 and has not received any significant renovations since then. It has been designated as a "historic building" due to its historical significance and its architectural design and requires State Historic Preservation Office review.

A facilities condition assessments completed in 2015 found that the Resources Building ranked first statewide for state-owned, DGS-controlled office buildings requiring renovation or replacement. This project will correct numerous and serious code deficiencies, including lack of fire suppression, inadequate fire alarm, presence of hazardous materials such as asbestos, poor indoor air quality, lack of proper emergency exiting, and inadequate structural integrity.

Estimated costs for the design-build phase of this project are \$367 million lease revenue bond funds.

Staff Recommendation. Approve as budgeted.

Issue 14: State Capitol Building Annex (Annex) & New State Office Building Projects

Governor's Budget. The 2018-19 budget includes funding set aside for rebuilding the State Capitol Building Annex and lease-revenue bond authority to construct a new office building near the capitol to be used as "swing space" during Annex construction and a state office building over the longer term. The Governor proposes trailer bill language to ensure that inclusion of office space or an emergency dispatch center for the California Highway Patrol (CHP) in the Annex and/or new office building would not subject the entire projects to heightened seismic safety or other requirements that could slow down, or increase the cost of, construction.

Background. The existing state capitol building in Sacramento includes two sections: 1) the original west wing (completed in 1874 and brought up to modern fire safety codes in 1975-1982), and 2) the attached Annex, which connects to the historic section on its east side (completed in 1952). The Annex houses the Governor's office and 115 of California's 120 legislators, as well as a number of support offices. The capitol building is also among the state's most-visited public buildings.

In light of significant deficiencies in the functionality, safety, and accessibility of the Annex, the State Capitol Building Annex Act of 2016 authorizes the Joint Rules Committee to undertake a project to rebuild the Annex. As a part of the 2018-19 budget, the Legislature and Governor also authorized the design and construction of a new office building to serve as "swing space" for the Legislature and Executive Branch during Annex construction and a new office building near the capitol in the longer term. This new office building will be located on O Street, between 10th and 11th Streets. DGS anticipates that the building will include 472,600 gross square feet and 10 floors of office space, with integrated parking, and will be ready for occupancy late in 2021.

The Essential Services Buildings Seismic Safety Act of 1986 requires buildings that provide essential services (e.g., fire stations, police stations) to be capable of providing those services to the public after a disaster. The Act requires these buildings to be designed and constructed in accordance with requirements that are considerably higher than typical code standards, which generally adds time and cost to construction projects. The rebuilt Annex and/or new state office building may house certain CHP facilities and functions as a small portion of their overall use. The proposed trailer bill language would allow these functions to be included without requiring the whole projects to be subject to the Act and other heightened standards.

Staff Recommendation. Approve trailer bill language to ensure that the Annex and New State Office Building projects are not subject to the Essential Services Building Seismic Safety Act of 1986 or other requirements as a result of including CHP functions or facilities.

8940 CALIFORNIA MILITARY DEPARTMENT

Overview. The California Military Department (CMD) oversees and manages the California Army National Guard, the California Air National Guard, the California State Military Reserve, and the California Youth and Community Programs. CMD has federal, state, and community functions. Soldiers and airmen are deployed by the President in support of military operations overseas, activated by the Governor to protect lives and property after disasters in the state, and provide various community services. The California Army National Guard and the California Air National Guard include 22,325 members that are organized, manned, and funded in accordance with federal Departments of the Army and Air Force regulatory guidance.

Budget. The budget includes \$194.1 million (\$70.1 million General Fund, \$114.2 million federal funds, \$7.4 million reimbursements, and \$2.2 million special funds) to support the department and its various programs. In addition to these funds, the department receives other federal funds, which are not deposited in the State Treasury, totaling \$737 million for the Army – National Guard, Air – National Guard, and the Adjutant General.

Issue 15: Administrative Resources for Response Activities

Governor's Budget. The California Military Department (CMD) requests eight permanent positions and \$1,744,000 ongoing General Fund to maintain, improve, and expand the use of military air and ground administrative resources for response activities.

Background. The CMD is a part of an interagency agreement with the California Department of Forestry and Fire Protection and the California Office of Emergency Services to effectively and quickly leverage the resources of each entity in the event of responding to an emergency event. The chart below provides information on the usage of CMD's air and ground resources during these events:

PY	Missions Supported		Air		Ground	Cost
	OES	Incidents	Rotary	Fixed Wing	Operational Support	
	MRT	Fires	Hours	Hours	Man Days	
PY-5	5	17	851	75	x	\$8,608,970.06
PY-4	7	9	515	143	x	\$5,862,787.54
PY-3	9	10	609	148	9,172	8,659,860.90
PY-2	13	28	1,033	191	25,942	21,727,794.00
PY-1	19	19	518	76.6	13,054	\$9,520,774.29
PY	67	40	1,223	443	83,763	22,598,389.18
CY	42	16	1,340.30	922.1	71,407	\$30,177,529.60

* CY represents the 2018 calendar year.

The increased demand for military firefighting exceeds the CMD's full-time staff, and CMD states that they rely on the activation of surge staffing to manage the operational, administrative, sustainment and financial functions needed for the seasonal activation of hundreds or thousands of part-time military personnel for firefighting. The requested positions are: (1) Military Firefighting Operations Director, (2) Interagency Emergency Finance Administration Section Chief, (3) Interagency Emergency Finance Administration Non-Commissioned Officer, (4) Interagency Logistics, Travel and Property Non-

Commissioned Officer, (5) Wildfire Aviation Rotary Wing Coordinating Officer, (6) Wildfire Equipment Maintenance Non-Commissioned Officer, (7) Advanced Life Support and Rescue Technician Program Manager, and (8) Air Guard Wildfire Resource Coordinator.

This request is intended to ensure the administrative policies of the agencies that are part of the interagency agreement are aligned to provide prompt reimbursement of response cost; the logistical and property accountability actions between CMD and the other agencies are aligned; and that there are appropriate resources available for wildfire season. CMD states that these resources are also available in the event that other, non-wildfire, natural disasters occur.

Staff Recommendation. Approve as budgeted.

Issue 16: Facilities and Infrastructure – Maintenance Program Expansion
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Governor’s Budget. The California Military Department (CMD) requests seven positions and \$1.2 million (\$594,000 General Fund and \$593,000 federal funds) in 2019-20, and \$826,000 (\$413,000 General Fund and \$413,000 federal matching funds) ongoing to increase maintenance staffing to meet the higher demand for maintenance, repair, construction operations, and emergency events. This proposal also includes funding for the purchase of work trucks and tools.

Background. Currently, the department’s regular maintenance workload requires the responsibility of five to eight facilities per person, who must travel, in some cases, three to five hours to get to the facility. Additionally, the department provides support and resources, including its facilities, in response to emergency disasters, such as the recent wildfires. In the event that the department must provide its facilities in response to an emergency, the department redirects the maintenance staff from their regular duties to ensure that the facilities are prepared for use as a shelter, operation center, and/or staging area for the first responders. The maintenance staff also must address issues that arise from community use, including maintenance issues that arise with use from youth programs, community events, or emergency shelters.

The positions provided through this request will help the department meet its workload demand related to the maintenance needs at its facilities.

Staff Recommendation. Approve as budgeted.

Issue 17: Deferred Maintenance

Governor's Budget. The California Military Department (CMD) requests a one-time appropriation of \$5 million General Fund to address deferred maintenance projects at its facilities.

Background. The department currently has deferred maintenance projects that are estimated to cost a total of \$117 million for its facilities, of which more than 70 percent are for infrastructure that was built before 1970. CMD will be able to receive matching federal funds of \$5 million to complement the \$5 million General Fund authority to address its deferred maintenance projects, for a total of \$10 million in deferred maintenance funding.

This request will allow the department to address critical deferred maintenance projects at its armories, which serve a variety of functions including training centers, community hubs, emergency shelters, and emergency operations.

Staff Comment. This item will apply to previously adopted reporting language related to deferred maintenance projects.

Staff Recommendation. Approve the requested funding for deferred maintenance.

Issue 18: Informational Item – Work for Warriors

Background. According to the California Department of Veterans Affairs, California is home to the largest population of Veterans in the country, with more than 1.7 million veterans. There are also over 190,000 active duty personnel, reserve personnel, and military civilians living in California. Unemployment and underemployment are among the most critical issues facing our service members, including National Guard members, and their families. Personnel returning from deployments face a particularly high unemployment rate. California is currently one of only 15 states to have a higher unemployed veteran population than unemployed non-veteran population.

The Work for Warriors program uses a direct placement model, which walks service members through each step of the hiring process, including resume preparation, and interviews. To date, Work for Warriors has assisted in placing over 6,700 service members and veterans, an average of just over two per day. The program is also remarkably cost effective, with a cost per placement ratio of under \$1,500, representing a significant savings to the government when factoring in unemployment compensation costs. Currently, the program has 18 team members who help match military personnel, veterans and military family members into employment commensurate with their education and experience.

The number of veterans who have requested assistance and submitted applications are growing steadily through the years. In 2015-16, 3,000 veterans requested assistance and 2,000 candidates submitted applications. In 2017-18, 3,700 veterans requested assistance and 4,700 candidates submitted applications. From 2012 to 2015 the program was funded through a grant from the Speaker of the Assembly. In 2015-16 the program was funded with a \$670,000 Workforce Innovation and Opportunity grant from the Employment Development Department. Since 2016-17, the program has

received annual one-time General Fund augmentations to complement the \$1.1 million federal funds it receives for the program.

Staff Comment. The Work for Warriors program has a direct, measurable, positive impact on the California economy. Although the department has received annual, one-time funding during the last four years, it remains uncertain whether additional funding to maintain the program will be available.

Staff Recommendation. Informational Issue. No action necessary.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

Overview. The California Department of Veterans Affairs (CalVet) serves nearly two million California veterans and their families, helping present claims for entitled state and federal benefits or direct low-cost loans to acquire farms and homes; and providing the veterans, who are aged or have disabilities, with residential and medical care in a home-like environment at the Veterans Homes. The department facilities include eight veteran homes on 776 acres of land and 2.4 million gross square feet of building space; three state cemeteries (Igo, Seaside in Monterey County, and in Yountville) with 24,000 gravesites on 91 acres; and two office buildings.

Budget. The budget provides \$488.9 million (\$425.7 million General Fund, \$2.8 million federal funds, and \$60.4 million special funds) to support the department and its programs.

Issue 19: California Transition Assistance Program

Governor's Budget. CalVet requests an augmentation of \$1 million (\$1,062,000) General Fund, of which \$45,000 is one-time, and eight permanent positions for the California Transition Assistance Program (CalTAP).

Background. The 2016 Budget Act provided \$813,000 General Fund for seven positions and to implement the development of CalTAP. Prior to its launch, CalTAP identified two key target populations—separating service members and student veterans—and held inaugural events at Ventura Community College and the Marine Corps Base Camp Pendleton in fall 2017. Currently, more than 20 of California's military installations run CalTAP within their current transition processes.

The Department of Defense Transition Assistance Program (TAP) was developed in 1990 to assist separating and retiring military members for their transition back to civilian life. In 2013, the federal government launched a revamped program known as Transition GPS (T-GPS), to include: (1) pre-separation assessment and individual counseling; (2) five-day curriculum with a financial planning seminar, federal veterans' benefits and services, and employment workshop; and (3) two-day optional career-specific curriculum (education track, for those pursuing a higher education degree; technical and skills training, for those seeking job-ready skills and industry-recognized credentials in shorter-term training programs; and an entrepreneurship track).

Currently, state agencies, county veterans service officers (CVSOs), and nonprofit organizations participate in TAP/T-GPS sessions on military bases located in California; but, participation varies from base to base, and material is not uniform. AB 1509 (Fox), Chapter 647, Statutes of 2014, created CalTAP, which is meant to complement the federal TAP/T-GPS process and help identify California-specific benefits that veterans are eligible for. The goals of this program are to: (1) inform and connect veterans of all eras to their earned federal and state benefits; (2) coordinate the delivery of the program with all stakeholders to meet the needs of veterans and their families; and (3) provide continued support and assistance to veterans and their families as their needs change overtime.

CalVet states that in 2018-19, 4,200 veterans were served by this program, and estimates that by 2020-21, they can serve up to 15,000 veterans should this request be approved.

Staff Recommendation. Approve as budgeted.

Issue 20: Northern California Veterans Cemetery, Igo: Water System Upgrade

Governor's Budget. CalVet requests an augmentation of \$917,000 General Fund to complete the Northern California Veterans Cemetery, Igo water system upgrade project.

Background. In 2010, CalVet entered into an agreement with the California Veterans Assistance Group for the purpose of building a veterans memorial building on the grounds of the Northern California Veterans Cemetery in Igo, which is located in Shasta County. According to the lease agreement terms, a 2,200 square foot, faith-neutral veterans memorial building was donated to CalVet, and construction of the memorial building was complete in 2011. Shortly thereafter, CalVet was notified by the Shasta County Fire Marshal that water system upgrades would be required in order to comply with state and local safety standards, and was granted a temporary occupancy permit and fire watch requirement in the meantime. While the temporary permit and the fire watch requirement is still in place, CalVet is now working with the Department of General Services (DGS) and the State Fire Marshal (SFM) to address the additional fire suppression related deficiencies.

The 2015 Budget Act provided \$525,000 General Fund to construct a water pressure system at the Veterans Memorial Building in Igo. Of this funding, CalVet has spent to date \$173,000 on design work. However, CalVet paused this work when it determined that additional fire suppression deficiencies must be met in order to meet current National Fire Protection Standards, State Fire Marshal, California Building Code, and California Fire Code requirements. After reassessing the needs of the water system, CalVet determined that an additional \$917,000 is needed to bring the memorial building into compliance with federal, state, and local requirements and also provide fire hydrant capabilities in the event of a wildfire incident.

CalVet estimates that total project costs will be \$1.4 million and that working drawings will be completed in October 2019, with construction scheduled to begin February 2020 and completed by June 2020.

Staff Recommendation. Approve as budgeted.

Issue 21: Program Review and Audits

Governor's Budget. The California Department of Veterans Affairs (CalVet) requests an augmentation of \$832,000 (\$749,000 General Fund and \$83,000 Farm and Home Building Fund of 1943) and six ongoing positions in 2019-20 and \$798,000 (\$718,000 General Fund and \$80,000 Farm and Home Building Fund of 1943) ongoing thereafter to establish a Program Review and Internal Audits Unit.

Background. Within the last ten years, various programs administered by CalVet, including its home loan program, veterans homes, and outreach programs, have been the subject of numerous audit reports conducted by the State Auditor, as well as investigative reports by the Little Hoover Commission. These reports highlighted CalVet's inadequate internal controls, lack of documentation, and insufficient measures of program outcomes. Most recently, the State Auditor released two audits: one on the management of the Veteran Homes, and another on the management of the Disabled Veteran Business Enterprise (DVBE) program, both by CalVet and the Department of General Services.

First, the audit report on the Veteran Homes found that lease agreements on Veteran Homes properties were made in violation of the law, including non-favorable lease agreements that were not in the best interest of the homes, with administrators receiving inappropriate housing agreements that were also below fair market value. The auditor made several recommendations, including that: (1) DGS, in consultation with CalVet adopt a definition of what constitutes the best interest of the homes; (2) CalVet implement policies that ensure the leases of Veteran Homes properties comply with state law; and (3) DGS and CalVet report its lease revenue to the proper entity so that it would augment the veteran homes' budgets.

In response, the Secretary of CalVet states:

“Since 2015, CalVet has made significant progress improving property management. CalVet has renegotiated prior agreements to ensure leases better serve residents and protect state interests; developed a licensing program for short-term uses of the campus; redirected staff to oversee property use; and begun assessing the best future uses of each Veterans Home. The audit recommendations, all of which have been implemented or will be implemented in the coming months, are critical to continuing to enhance property management. In anticipation of the audit and while it was conducted, many changes were implemented to create clear policies and procedures for program oversight and to centralize decision-making authority among appropriate leadership in Sacramento.”

Second, the audit report on the DVBE program, which requires that state departments that award contracts strive to expend not less than three percent of the cumulative value of all their contracts on DVBE firms, found that the program had several shortcomings. The audit found that 30 out of 1,671 certified DVBE firms received 89 percent of the contracts, and while DGS believes some DVBE firms benefited as subcontractors, it does not consistently track this type of data. The audit recommended that awarding departments implement a secondary review process so that reported activities with regard to DVBE participation is accurate, and that DGS should also track subcontractor information. Additionally, CalVet is responsible for assisting departments reach its three percent threshold; however, the audit found its outreach lacking and recommended that this authority be reassigned to DGS.

This request is aligned with findings that call for stronger internal controls of CalVet policies and practices. Several other departments, such as the Department of Developmental Services and the Department of Healthcare Services, maintain independent internal audit organizations that evaluate and improve internal controls and processes, and provide risk management. CalVet states that the request for a Program Review and Internal Audits Unit will provide the ability to standardize policies and procedures, help ensure ongoing and consistent compliance with laws and regulations, and protect against fraud, waste, and abuse.

Staff Recommendation. Approve as budgeted.

Issue 22: Deferred Maintenance

Governor's Budget. The California Department of Veterans Affairs (CalVet) requests a one-time augmentation of \$5 million General Fund to address deferred maintenance projects, at the Veterans Homes of California-Yountville (VHC-Yountville), including elevator modernization, road repair, and reservoir plant filter replacement.

Background. VHC-Yountville was founded in 1884 and is the largest veterans' home in the United States, serving 1,000 residents. Since 2015-16, \$14 million was provided to CalVet for critical unfunded deferred maintenance projects, of which \$12,070,000 went to projects at VHC-Yountville. Additionally, CalVet must meet maintenance and water rights obligations at Rector Reservoir to comply with water quality requirements, as well as inspections and regulatory requirements by the Department of Water Resources, Division of Safety of Dams, State Water Resources Control Board, and Department of Fish and Game. As VHC-Yountville continues to age, CalVet states that it has been unable to keep up with the ongoing and increasing facility needs. CalVet's request for \$5 million General Fund will go towards the following projects at VHC-Yountville:

Summary	Funding
Elevator modernization for 14 of 26 elevators.	\$3,700,000
Repair paved roads and upgrade gravel roads at Rector Reservoir.	\$800,000
Replace media in the Rector Reservoir plant filters and related upgrades.	\$500,000
Total	\$5,000,000

Staff Comment. This item will apply to previously adopted reporting language related to deferred maintenance projects.

Staff Recommendation. Approve the requested funding for deferred maintenance.

7502 DEPARTMENT OF TECHNOLOGY

Overview. The Department of Technology is the central information technology (IT) organization for the State of California. The department is responsible for the approval and oversight of statewide IT projects, statewide IT professional development, and provides centralized IT services to state and local governments as well as non-governmental entities. The department promulgates statewide IT security policies and procedures, and has responsibility over telecommunication and IT procurements.

Budget. The budget includes \$402 million (\$393.3 million Technology Services Revolving Fund, \$4.9 million General Fund, \$3.7 million Central Service Cost Recovery Fund, and \$10,000 reimbursements) and 878 positions to support the department.

Issue 23: Security Operations Center Capacity Increase

Governor's Budget. The Department of Technology (CDT) requests nine permanent positions to support the Security Operations Center. These positions will be funded with \$1.4 million from the Technology Services Revolving Fund that will be internally re-directed by CDT.

Background. The Security Operations Center (SOC), which was established with an initial nine positions in the 2017 Budget Act, provides continuous monitoring and protection of the California Government Enterprise Network (CGEN) from malicious cyber activities. Currently, the SOC provides its services to more than 100 state entities, and in 2018, investigated approximately 158,000 security alerts, which occur anytime CGEN activity, or activity on devices connected to CGEN, violates one of the SOC's security rules. SOC staff must investigate whether these violations occurred due to malicious activity, a defective device, or abnormal but safe activity. Of the 158,000 alerts investigated by SOC staff, 100 were reported as confirmed security incidents.

CDT states that the SOC has now reached operational capacity, and activity and alerts for the remaining platforms and service offerings related to CGEN cannot be incorporated without increased resources.

Recommendation. Approve as budgeted.