
Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Maria Elena Durazo, Chair
Senator Jim Nielsen
Senator Thomas J. Umberg



Tuesday, May 14, 2019
1:30 p.m.
State Capitol - Room 2040

Consultant: Yong Salas

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2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**Issue 1: Program Performance Improvement Initiative**

Budget. The Department of Alcoholic Beverage Control (ABC) requests 34 positions and \$5.2 million (\$5,249,000) in funding from the Alcohol Beverage Control Fund in 2019-20 and increases to a total of 51 positions and \$7.5 million (\$7,469,000) in 2022-23. This proposal also includes trailer bill language to adjust fees to address the existing annual operating deficit and the additional revenue required to support proposed program performance improvements.

The subcommittee heard this item at its April 25, 2019 hearing.

Staff Recommendation. Approve the requested funding, fee adjustments, and positions, and adopt placeholder trailer bill language implementing the proposal and require the department to report on performance measures.

1111 DEPARTMENT OF CONSUMER AFFAIRS**Issue 2: Consumer Affairs Administration Workload**

Budget. DCA requests \$5.2 million in 2019-20 and 24.5 positions, \$4.5 million in 2020-21, \$3.6 million in 2021-22, and \$2.1 million ongoing to address increased workload in DCA's Business Services Office, Fiscal Operations Office, Office of Legal Affairs, Division of Investigation, Office of Human Resources, and the Office of Professional Examination Services. Of the amount requested, \$2.9 million is funded by DCA's boards and bureaus via prorate while costs for the Office of Examination Services and Division of Investigation is funded by boards and bureaus based on workload.

The subcommittee heard this item at its April 4, 2019 hearing.

Staff Recommendation. Staff recommends taking the following actions:

- Approve as requested the positions for Business Services and Fiscal Operations, Division of Investigation, and the Office of Professional Examination Services.
- Approve two-year limited-term funding of \$1.67 million 2019-20 and \$1.47 million in 2020-21 to establish a Regulations Unit, with budget bill language as follows:
 - X. Of the funds appropriated in Schedule (3), \$1,670,000 is available for the Department of Consumer Affairs to establish a regulations unit in 2019-20 and 2020-21. The Department of Consumer Affairs shall provide workload data including a specific update on processing regulations consistent with AB 2138 (Chiu, Chapter 995, Statutes of 2018) to the fiscal committees of the Legislature on March 1, 2020 and March 1, 2021.
- Deny the request to convert three permanent intermittent Office Technician positions into permanent full-time positions, and maintain the three permanent intermittent positions.

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)**Issue 3: California Job ChalleNGe Academy**

Budget. CMD requests 27 positions ongoing, and \$1 million General Fund and \$3 million federal fund to establish the California Job ChalleNGe Academy at Joint Force Training Base, Los Alamitos.

Background. The Department of Defense in partnership with the Department of Labor established the Job ChalleNGe program in 2015. In 2018, Congress provided \$30 million in additional funding to continue the three existing Job ChalleNGe programs and start five new Job ChalleNGe programs. This request will locate the California Job ChalleNGe Academy immediately adjacent to the existing Sunburst Youth Academy at Los Alamitos. CMD will partner with Cypress Community College and Long Beach City College, which will provide classrooms, teachers, accredited curriculum options, and career counselors. Students will earn either college credits or adult education, all leading to a service industry certificate in a field that provides a living wage. California Job ChalleNGe Academy will serve 75 participants per class, 150 per year, in this residential program.

Eligibility for the California Job ChalleNGe Academy will only be open to students who completed the Youth ChalleNGe Academy programs, have either a high school diploma or other high school equivalency certificates, and be between the ages of 17 and a half and 20 years old. Statewide employment data was researched and analyzed to identify high-demand employment areas that are similar throughout the state. Cyber security, automotive technology and construction skilled trades are in high demand in each of the three regions where students will ultimately reside and be employed. CMD states that the programs being offered will be analyzed annually, and curriculums will be adjusted based on employee demand.

The 27 positions will include: a deputy director that will serve as the program manager, administrative support personnel, squad leaders and assistant squad leaders, personnel specializing in operations and training, placement coordinators, and a recruiter. Placement coordinators will be located at each of the Youth ChalleNGe Academy locations, and CMD states that this is necessary because placement coordinators will serve as case managers, ensuring student success from the application process to placement in a living wage job. They are also responsible for performing outreach to potential employers in the areas where the students resided prior to attending the Job ChalleNGe Academy in Los Alamitos/Southern California, and they state that it is critical that the placement coordinators reside in the areas where both the students and future employers are located.

The program at Cypress Community College will be funded through federal and state grants through the Free Application for Federal Student Aid and the California College Promise Grant, and the program at Long Beach City College will be funded through workforce development funds.

Staff Recommendation. Approve funding as requested, but reclassify the recruiter position, and adopt placeholder budget bill reporting language that captures: (1) job placement in the field of study; (2) program completion rate; (3) rate on continued employment.

Issue 4: Lathrop-Roth Training Complex: Utilities
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May Revision. CMD requests \$6.8 million one-time General Fund to connect and upgrade utility systems at the Lathrop-Roth Training Complex.

Background. In 2016, as part of the closure of the Sharpe Army Depot in Lathrop, California, the California Army National Guard acquired a 64-acre piece of the base that is now the Lathrop-Roth Training Complex. The site has been indefinitely licensed at no cost to California and currently houses the CMD's Discovery ChalleNGe Academy and units of the California Army National Guard. As part of the base closure process, however, the U.S. Army must stop providing utilities to tenants of the base from federally owned utilities infrastructure. The U.S. Army established a deadline for the California Army National Guard to switch from base utilities to city utilities by January 2020. Without access to public utilities, the Discovery ChalleNGe Academy will not be able to operate.

Upon completion of the connections proposed in this request, the City of Lathrop will be the new provider of the utilities for the Lathrop-Roth Training Complex. This request will connect the site's existing sewer system to the City of Lathrop's municipal sewer infrastructure and will connect water and electricity to city municipal utilities as well. This request includes \$250,000 to complete design of the water and electric utility projects.

Staff Recommendation. Approve as budgeted.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 5: Contracted Fiscal Services Workload Increases**

May Revision. The Department of General Services (DGS) requests \$1 million from the Central Service Cost Recovery Fund and eight positions to support increased workload for its Contracted Fiscal Services (CFS) unit.

Background. DGS' Contracted Fiscal Services unit 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. This subcommittee previously approved its request to establish 23 positions with no additional funding authority to meet its workload at its March 7, 2019 hearing. At the time, DGS stated that CFS provides accounting services to 44 state entities and budgeting services to 21 state entities using FISCAL.

This request will provides the positions and the resources to provide accounting functions for three new client agencies: the California State Library, the California Horse Racing Board, and the Commission on Peace Officer Standards and Training.

Staff Recommendation. Approve as requested.

PROPOSED FOR DISCUSSION/VOTE**8820 COMMISSION ON THE STATUS OF WOMEN AND GIRLS****Issue 6: Pay Equity Program**

May Revision. The California Commission on the Status of Women and Girls requests two permanent positions and \$269,000 ongoing General Fund to implement the Equal Pay CA program.

Background. The Commission convened a 17-member volunteer workgroup called the California Pay Equity Task Force to plan for the implementation of the California Fair Pay Act (Chapter 546, Statutes of 2015 [SB 358, Jackson]). The Pay Equity Task Force created the Pay Equity Tool Kit, which is an educational resource guide and implementation strategy for compensation evaluation in California, and will be implemented by the Commission. This request provides the Commission staff to do so.

The Commission's budget has stayed relatively flat for the last several years. The total General Fund budget for Commission in 2019-20 is \$519,000. They are also authorized for \$372,000 in expenditure authority for the Women and Girls Fund, which is supported through private donations; however, the fund balance as of July 1, 2018 was \$10,191.

Staff Recommendation. Approve as requested, and augment this funding by \$620,000 General Fund in 2019-20, with \$220,000 General Fund ongoing thereafter.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 7: Fairview Developmental Center**

May Revision. DGS requests \$2.2 million one-time General Fund to complete a site evaluation of disposition options for the Fairview Developmental Center located in Costa Mesa, California.

Background. The 2017 Budget Act provided DGS with one-time Property Acquisition Law Money Account expenditure authority and a commensurate General Fund loan of \$2.2 million to complete a site evaluation of disposition options for Fairview. However, the authority for the General Fund loan was never exercised because Fairview was not designated as surplus property, which is a requirement for exercising the loan. DGS states that this was done after conferring with stakeholders on the Sonoma Developmental Center closure.

The Department of Developmental Services (DDS) plans to operate the Fairview campus in warm shutdown through June 30, 2020, while DDS winds down its closure activities including removal or disposition of personal property and relocation of records. External consultants will be hired to provide expertise not currently available in state service to conduct assessments of the existing conditions of Fairview for reuse or disposition.

The property is located on approximately 110 acres, including 116 buildings totaling approximately 1.1 million square feet.

Staff Recommendation. Approve as requested.

8260 CALIFORNIA ARTS COUNCIL**Issue 8: Administration Positions and Museum Funding**

May Revision. The California Arts Council (CAC) requests 6.3 positions to support the administration of the arts programming grants. Additionally, CAC requests \$5 million to support the development of the Armenian American Museum and Cultural Center of California, and \$5 million to support the expansion of the Los Angeles Museum of the Holocaust.

Background. The Governor's Budget provided \$10 million General Fund in ongoing arts programming grants, of which \$500,000 was reserved for administrative costs. However, position authority was not provided, and this request provides that authority.

The Armenian American Museum and Cultural Center of California will be located in Glendale, California. The mission of the Armenian American Museum and Cultural Center of California is to promote understanding and appreciation of America's ethnic and cultural diversity by sharing the Armenian American experience.

The Los Angeles Museum of the Holocaust's mission is to commemorate, educate, and inspire through preserving Holocaust survivor testimony for educational purposes and presenting survivors' stories in meaningful, innovative, and interactive ways to engage students and the public. This request is to support the physical expansion of the Museum.

Staff Comment. This request shifts funding for museums from the Natural Resources Agency to the California Arts Council, which is more appropriate, and allows California to invest more in our state's rich and culturally diverse heritage.

Staff Recommendation. Approve as requested.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS**Issue 9: Amendment to Outdated Budgetary Statutes**

May Revision. The Administration requests trailer bill language that updates statutory language to reflect current budgetary structures of the CalVet.

Background. Prior to 2008-09, the veterans' homes budgets were funded by General Fund, reimbursements (via member fees, Medicare, Medi-Cal, among others), and federal funds. However, beginning with 2008-09, as a result of delayed reimbursement and federal fund cash flow, the homes were fully funded by the General Fund, and reimbursements and federal fund revenues collected were returned to the General Fund. The Administration states that the proposed changes align statute with how CalVet's budget is currently structured.

In January 2019, the California State Auditor released a report on how CalVet's mismanagement of the veterans home properties did not serve in the veterans' best interest and was detrimental to the state. Specifically, it found that the current practice of depositing revenues into the General Fund was in violation of existing state law, which requires proceeds from most leases veterans home properties be deposited into the General Fund to augment the appropriation that the homes receive. This proposal would change existing state law to conform to its budget practices.

Trailer Bill Language. The proposed statutory changes are on the following page:

SECTION 1. The Legislature finds and declares all of the following:

(a) Prior to the 2008–09 fiscal year, the veterans' homes budget included General Fund, reimbursements, and federal trust fund authority.

(b) The reimbursements included member fees paid by residents of the veterans' homes, Medicare, and Medi-Cal, among other sources.

(c) The federal trust fund included per diem payments from the United States Department of Veterans Affairs.

(d) Because the reimbursements and federal fund cash flow was variable and subject to delays, the prior budget structure required loans from the General Fund to cover the gap between cash receipts and payments owed to staff and vendors.

(e) Beginning with the 2008–09 fiscal year, the veterans' homes have instead been fully funded by the General Fund, and reimbursement and federal fund revenue collected is returned to the General Fund to offset the Department of Veterans Affairs' costs.

(f) The changes included in this bill update outdated statutory language that refer to the department's previous budgetary structure and are not intended to reduce the amount of expenditure authority the department is provided by the current budget methodology.

SEC. 2. Section 1012.2 of the Military and Veterans Code is amended to read:

1012.2. (a) ~~(1)~~ Notwithstanding any other law, any member of the home who is receiving an aid and attendance allowance from the United States Department of Veterans Affairs for ~~his or her~~ the member's own care shall pay to the home an amount equal to that allowance in all levels of care excluding domiciliary.

~~(2) Paragraph (1)~~

~~(b) Subdivision (a)~~ shall not apply to a member of a home who is in intermediate care or skilled nursing care and has a disability that has been rated by the United States Department of Veterans Affairs as being 70 percent or more service-connected, as determined under Part 4 of Title 38 of the Code of Federal Regulations.

~~(b) One hundred percent of the moneys received by a home under this section shall be placed to the credit of the home and shall augment the current appropriation for the support of the home.~~

SEC. 3. Section 1023 of the Military and Veterans Code is amended to read:

1023. (a) The department may sue and be sued in any of the courts of this state. All property held by the department for a home shall be held in trust for the state and for the use and benefit of the home. The department shall manage the homes and administer their affairs, and, subject to the direction of the secretary, adopt rules and regulations for the government of the homes in conformity, as nearly as possible, to the rules and regulations of the United States Department of Veterans Affairs for their facilities.

(b) The Director of General Services may lease or let any real property held by the department for a home, and not needed for any direct or immediate purpose of the home, to any entity or person upon terms and conditions determined to be in the best interests of the home. In any leasing or letting, ~~primary consideration shall be given to the use of real property for agricultural purposes, and~~ except as provided in Section ~~1048, 1049~~, all moneys received in connection therewith shall be deposited in the

~~General Fund to the credit of, and shall augment the current appropriation for the support of, the home: Fund.~~

SEC. 4. Section 1031 of the Military and Veterans Code is repealed.

~~1031. All moneys received by the state from the United States for the use of a home shall be placed to the credit of and shall augment the current appropriation for the support of the home:~~

SEC. 5. Section 1034 of the Military and Veterans Code is amended to read:

1034. Except money received from this state for disbursement, all moneys received by a home, or by an officer of a home, including pension and other moneys belonging to members and other trust moneys, shall be immediately paid to the administrator of the home. ~~On or before the tenth day of each month the~~ The administrator of each home shall forward to the State Treasurer all moneys in ~~his or her the administrator's~~ possession, except pension and other moneys belonging to members, trust moneys, and donations made to each home, ~~and the emergency fund, hereinafter mentioned, home,~~ together with a statement of the sources from which the moneys have been received. The moneys shall be deposited by the State Treasurer to the credit of the General Fund; provided, however, that abatements of support expenditures shall be credited to the support appropriation current at the time of collection.

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Staff Recommendation. Adopt placeholder trailer bill language.

0890 SECRETARY OF STATE**Issue 10: Voting Systems Replacement for Counties**

May Revision. The Secretary of State (SOS) requests \$87.3 million one-time General Fund to cover the costs for the replacement of voting systems, including all tabulation equipment, accessible equipment, election management system software and hardware, electronic poll books, and ballot on demand printers.

Background. The 2018 Budget Act provides \$134.4 million General Fund for the replacement of county voting systems, and required a 50/50 match from counties. However, the 50/50 match is too much for most counties, and the \$87.3 million one-time General Fund request will increase the state contribution and allow a 75/25 match for counties.

The Department states that more than one-half of counties either need to or are in the process of replacing their voting systems, and 25 counties will have new voting systems in place before the March 2020 primaries. Nine counties are uncertain whether they will have systems in place by March 2020, and two counties will have plans to phase-in systems after March 2020.

Staff Recommendation. Approve as requested.

Issue 11: New Motor Voter Costs

May Revision. The SOS requests \$3 million one-time General Fund to allow the Department to continue providing accurate voter registration data to counties.

Background. New Motor Voter was signed into law in 2015, and required the Department of Motor Vehicles (DMV) to electronically transfer its customers' registration information to the California Secretary of State. The Secretary of State then adds all customers to the voter rolls who attest to being eligible and do not opt out.

Since the program's implementation, additional resources have been needed that were beyond the scope planned for and to implement the New Motor Voter Program and also beyond the scope of the regular VoteCal maintenance and operations activities. SOS has used its system integrator review and correct voter registration data received from DMV before it is processed into VoteCal and transmitted to counties.

This request is intended to pay the system integrator for prior workload and estimated upcoming workload, as well as \$300,000 to allow additional data fields to be transmitted from the DMV to the Secretary of State, which will aid in creating more accurate voter information for counties.

Staff Recommendation. Approve as requested.