

SUBCOMMITTEE NO. 4

Agenda

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



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

Consultant: Yong Salas, Anita Lee, James Hacker

PROPOSED FOR VOTE-ONLY

0845	Department of Insurance.....	4
	Issue 1: Climate and Sustainability.....	4
1111	Department of Consumer Affairs.....	5
	Issue 2: Budget Bill Language for Anticipated Facilities Costs.....	5
	Issue 3: Trailer Bill Language: Bureau of Household Goods and Services	5
	Issue 4: Board of Registered Nursing – Staffing Augmentations.....	7
7760	Department of General Services.....	8
	Issue 5: Authority Increase for Statewide Travel Program	8
	Issue 6: Electric Vehicle Service Equipment Infrastructure Assessment and Facility Development ...	8
	Issue 7: Office of Sustainability Energy Resources Program Account Funding Replacement	8
	Issue 8: Division of State Architect Increased Workload.....	9
	Issue 9: Statewide Parking Program	9
	Issue 10: Facilities Management Division Increased Operational Costs.....	10
0511	Government Operations Agency	11
	Issue 11: Office of Digital Innovation	11
2100	Department of Alcoholic Beverage Control	12
	Issue 12: Business Modernization and Responsible Beverage Service.....	12
	Issue 13: Program Performance Improvement Initiative.....	12
8940	California Military Department (CMD)	13
	Issue 14: State Active Duty Compensation Adjustment.....	13
	Issue 15: Work for Warriors	13
	Issue 16: Capital Outlay: Los Alamitos STARBASE Classroom Building	13
	Issue 17: Capital Outlay: Los Alamitos National Guard Readiness Center	14
9860	Capital Outlay	16
	Issue 18: Trailer Bill: Capital Outlay Planning and Studies Funding	16
9210	Local Government Financing	17
	Issue 19: Community-Based Transitional Housing Program Audit Timeline.....	17
8885	Commission on State Mandates.....	18

Issue 20: Funded and Suspended Mandates	18
Issue 21: Funding Pre-2004 Expired and Repealed Mandate Claims	19
0890 Secretary of State	20
Issue 22: FI\$Cal Workload.....	20
Issue 23: Cal-ACCESS Replacement Project.....	20
Issue 24: California Business Connect (CBC).....	20
Issue 25: Cybersecurity Remediation and Enhancements	21
Issue 26: Voter Information Website – AB 2707	22

ITEMS PROPOSED FOR DISCUSSION

Legislative Proposals	23
Issue 27: Latino Arts Theater Arts Education Programs	23
Issue 28: Self Help Graphic and Art Capital Funding	23
Issue 29: Korean American National Museum.....	23
Issue 30: National LGBTQ Center for the Arts	23
Issue 31: Glendale Tech Accelerator Project.....	23
Issue 32: Funding for the Commission on Asian and Pacific Islander American Affairs.....	24
Issue 33: Transcript Reimbursement Fund	24
Issue 34: Property Tax Backfill	24
Issue 35: Local Agency Formation Commissions	24
Issue 36: Open-Source Paper Ballot Voting Systems.....	24
Issue 37: Funding for Voter’s Choice Act.....	24
Issue 38: Payment In-Lieu of Taxes Backfill	25
Issue 39: Veteran Career Pathways Workshop.....	25
Issue 40: Homeless Funding	25
Issue 41: Funding for Housing Development.....	25
Issue 42: California Emergency Solutions and Housing (CESH) Program	25
Issue 43: Homeless Youth	25
Issue 44: YouthWORKS and RichmondBUILD Programs.....	26
Issue 45: Los Angeles Museum of the Holocaust	26
Issue 46: California Care Corps.....	26
Issue 47: San Gabriel Valley Homelessness Programs	26
Issue 48: Both Ends of the Leash	26
Issue 49: Child and Dependent Care Expenses Credit	26
Issue 50: County Independent Redistricting Commissions	27
Issue 51: Renter’s Tax Credit	27
Issue 52: Orange County Veterans Cemetery.....	27
Issue 53: Orange County Housing Trust Fund	27
Issue 54: Local Cannabis Equity Programs	27
Issue 55: Southern Valley Investments.....	27
Issue 56: New Teacher Induction Tax Deduction	27
Issue 57: Cannabis Limited Charter Bank	28
Issue 58: Community Beautification Grant	28
Issue 59: Reedley Armory Veterans Services	28
Issue 60: Jackie Robinson Family YMCA Aquatic Center	28
Issue 61: Excess Property Tax Shift	28
Issue 62: Expand Access to Affordable Capital	28

Issue 63: Franchise Tax Board Filing Fee for Tax-Exempt Organizations	28
Issue 64: Paid Family Leave Outreach	29
Issue 65: Community Beautification Grant	29
Issue 66: GenerationGo! Work-Based Learning	29
Issue 67: Judicial Retirement System	29
Issue 68: Film and TV Tax Credit Carryforward	29
Issue 69: Boys and Girls Club, Santa Paula	29
Issue 70: Property Exemption.....	30

ITEMS PROPOSED FOR DISCUSSION/VOTE

2240 Department of Housing and Urban Development	31
Issue 71: Senate Housing and Homelessness Framework	31
8940 California Military Department	34
Issue 72: Discovery ChalleNGe Academy Expansion	34
Issue 73: California Job ChalleNGe Academy	35
1111 Department of Consumer Affairs.....	36
Issue 74: Business Modernization Project Implementation.....	36
7760 Department of General Services.....	38
Issue 75: Sonoma Developmental Center.....	38
8955 California Department of Veterans Affairs.....	39
Issue 76: Care Staffing and Operations	39
Issue 77: Capital Outlay: California Central Coast Veterans Cemetery, City of Seaside	40
7350 Department of Industrial Relations.....	41
Issue 78: Subsequent Injury Benefit Trust Fund (SIBTF).....	41
Issue 79: Sexual Harassment Training for the Janitorial Industry.....	44
Issue 80: Garment Manufacturer's Special Account (Informational)	46
Issue 81: Lead Exposure Levels (Informational).....	48

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ITEMS PROPOSED FOR VOTE-ONLY**0845 DEPARTMENT OF INSURANCE****Issue 1: Climate and Sustainability**

Budget. The California Department of Insurance (CDI) requests \$404,000 Insurance Fund in 2019-20 and \$384,000 Insurance Fund ongoing thereafter to support two positions to address climate impacts on insurance.

Background. CDI previously established the Office of Climate Risk Initiatives, which has implemented a fossil fuel database with the aid of outside contracts, supported efforts to address climate issues through the National Association of Insurance Commissioners, and facilitated scenario analyses of financial information through non-governmental organization partnerships. CDI is seeking to expand the scope of climate work at the department, which would include the development of strategies that incentivize investments in natural infrastructure adjacent to communities to reduce risks of climate change-related catastrophes and property losses.

Currently, the Office of Climate Risk Initiatives is staffed with 2.5 positions that were redirected from within existing resources. This request would create the Climate and Sustainability Branch and provide an additional two positions.

Staff Recommendation. Approve as budgeted.

1111 DEPARTMENT OF CONSUMER AFFAIRS

Issue 2: Budget Bill Language for Anticipated Facilities Costs

Budget. The Department of Consumer Affairs (DCA) requests budget bill language to augment, after notification to the Legislature, the Department's special fund appropriations in 2019-20 to address increased facilities costs related to active lease negotiations for various Department locations.

Background. The budget bill language is as follows:

1111-402—It is recognized that various boards and bureaus within the Department of Consumer Affairs may incur increased facility costs in 2019-20 for various locations statewide that could have a fiscal impact beyond the amounts appropriated in their respective Budget Act items. Therefore, notwithstanding any other provision of law, upon the request of the Department of Consumer Affairs, the Department of Finance may augment the appropriations of various boards and bureaus within the Department of Consumer Affairs, after review of a request submitted by the Department of Consumer Affairs that demonstrates a need for additional resources for facilities costs based on executed lease contracts. Any augmentation shall be authorized not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may determine.

DCA oversees 37 entities that regulate and licenses more than 200 professional categories, and has multiple facility locations in Sacramento that house more than 20 programs with leases that are set to expire in 2019:

Location	Expiration Date
Capital Oaks (2 leases)	June 2019 and September 2019
Evergreen	March 2019
Del Paso	April 2019

DCA has been working with its programs, in coordination with the Department of General Services, to negotiate lease extensions, office relocations, and address space configuration needs. As a result of the lease negotiations, it is anticipated that rent rates will increase and some programs may incur one-time reconfiguration expenses.

DCA states that since facility planning timelines and budget building timelines may not always align, the proposed budget bill language provides the flexibility for the Department to request additional appropriations based on fully executed leases.

Staff Recommendation. Approve as requested.

Issue 3: Trailer Bill Language: Bureau of Household Goods and Services

Budget. DCA requests trailer bill language to restore the fee authority for the Bureau of Household Goods.

Background. The Bureau of Household Goods and Services (formerly known as the Bureau of Electronic and Appliance Repair, Home Furnishings, and Thermal Insulation) has jurisdictional authority over various service industries, such as household movers, appliance service dealers, and furniture and bedding wholesalers and retailers. In 2018, the Bureau was reviewed through the Legislature's sunset review process, and its authority was extended; however, its fee authority was inadvertently allowed to sunset. This language will restore its fee authority.

Trailer Bill Language. The language is proposed as follows:

Add Section 9873.

The fees prescribed by this chapter shall be set by the director by regulation, according to the following schedule:

(a) (1) The initial registration fee for an electronic repair industry service dealer or for an appliance repair industry service dealer is not more than two hundred five dollars (\$205) for each place of business in this state. The initial registration fee for a service contractor is not more than ninety-five dollars (\$95) for each place of business in this state.

(2) The initial registration fee for a person who engages in business as both an electronic repair industry service dealer and an appliance repair industry service dealer is not more than four hundred five dollars (\$405) for each place of business in this state. The initial registration fee for a person who is a service contractor and engages in business as either an electronic repair industry service dealer or an appliance repair industry service dealer is not more than three hundred dollars (\$300) for each place of business in this state.

(3) The initial registration fee for a person who engages in both the electronic repair industry and the appliance repair industry as a service dealer and is a service contractor is not more than five hundred dollars (\$500) for each place of business in this state.

(4) A service dealer or service contractor who does not operate a place of business in this state, but engages in the electronic repair industry, the appliance repair industry, or sells, issues, or administers service contracts in this state shall pay the registration fee specified herein as if he or she had a place of business in this state.

(b) (1) The annual registration renewal fee for an electronic repair industry service dealer or for an appliance repair industry service dealer is not more than two hundred five dollars (\$205) for each place of business in this state, if renewed prior to its expiration date. The annual registration renewal fee for a service contractor is ninety-five dollars (\$95) for each place of business in this state, if renewed prior to its expiration date.

(2) The annual renewal fee for a service dealer who engages in the business as both an electronic repair industry service dealer and an appliance repair industry service dealer is not more than four hundred dollars (\$400) for each place of business in this state.

(3) The annual renewal fee for a service dealer who engages in the electronic repair industry and the appliance repair industry and is a service contractor is not more than four hundred seventy-five dollars (\$475) for each place of business in this state.

(4) A service dealer or service contractor who does not operate a place of business in this state, but who engages in the electronic repair industry, the appliance repair industry, or sells or issues service contracts in this state shall pay the registration fee specified herein as if he or she had a place of business in this state.

(c) The delinquency fee is an amount equal to 50 percent of the renewal fee for a license in effect on the date of renewal of the license, except as otherwise provided in Section 163.5.

(d) This section shall remain in effect only until January 1, 2023, and as of that date is repealed, unless a later enacted statute, which is enacted before January 1, 2023, deletes or extends that date.

Amend 9873.

The fees prescribed by this chapter shall be set by the director by regulation, according to the following schedule:

(a) The initial registration fee for an electronic repair industry service dealer or for an appliance repair industry service dealer is not more than two hundred five dollars (\$205) for each place of business in this state. The initial registration fee for a person who engages in business as both an electronic repair industry service dealer and an appliance repair industry service dealer is not more than four hundred five dollars (\$405).

(b) The annual registration renewal fee for an electronic repair industry service dealer or for an appliance repair industry service dealer is not more than two hundred five dollars (\$205) for each place of business in this state, if renewed prior to its expiration date. The annual renewal fee for a service dealer who engages in the business as both an electronic repair industry service dealer and an appliance repair industry service dealer is not more than four hundred dollars (\$400).

(c) The delinquency fee is an amount equal to 50 percent of the renewal fee for a license in effect on the date of renewal of the license, except as otherwise provided in Section 163.5.

(d) This section shall become operative on January 1, ~~2019~~2023.

Staff Recommendation. Approve as requested.

Issue 4: Board of Registered Nursing – Staffing Augmentations

Budget. The Board of Registered Nursing (BRN) requests \$7.1 million in 2019-20, \$6.5 million in 2020-21 and 2021-22, and \$3.3 million ongoing to the Board of Registered Nursing Fund, Professions and Vocations Fund to fund 67 positions to address deficiencies within the Board's Licensing Division, Administration & Public Information Unit, and Enforcement Division.

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

Staff Recommendation. Approve as requested.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 5: Authority Increase for Statewide Travel Program**

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.

The subcommittee heard this item at its March 7, 2019 hearing.

Staff Recommendation. Approve as requested.

Issue 6: Electric Vehicle Service Equipment Infrastructure Assessment and Facility Development

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.

The subcommittee heard this item at its March 7, 2019 hearing.

Staff Recommendation. Approve as requested.

Issue 7: Office of Sustainability Energy Resources Program Account Funding Replacement

Budget. DGS requests a permanent augmentation of \$2 million in Service Revolving Fund authority to support the Office of Sustainability Energy Resource Program.

Background. DGS has received approximately \$2 million annually from the Energy Resource Program Account (ERPA) to cover statewide sustainability efforts for more than two decades. The Office of Sustainability receives approximately \$1.6 million of these funds to cover the development costs associated with potential solar and wind energy generation and efficiency projects. The Procurement Division received the remaining \$450,000 to enhance statewide environmentally preferable purchasing. The ERPA's revenue source is a surcharge on statewide electricity consumption, which funds certain state entities who administer a variety of statewide energy programs. However, revenues generated by the ERPA surcharge have leveled off.

This request will add to the statewide surcharge and provide permanent funding beginning in 2019-20 to continue these activities.

Staff Recommendation. Approve as requested.

Issue 8: Division of State Architect Increased Workload

Governor's Budget. The Department of General Services, Division of the State Architect (DSA), requests a two-year budget authority increase of \$9.6 million (\$8.1 million Public School Planning, Design, and Construction Review Revolving Fund and \$1.5 million Disability Access Account) to support increased public school construction workload.

Background. The Kindergarten through Community College Public Education Facilities Bond Act of 2016 (Proposition 51) authorized \$9 billion in bonds to fund the construction and improvement of K-12 and community college facilities. In addition, there is an estimated \$59 billion in local school district bond funds available that were approved through local elections, and DGS states that they are aware of approximately \$15 billion in new local bond authority passed in the November 2018 elections.

While the Office of Public School Construction implements and administers the state's school facilities program, existing law requires that the DSA must review plans for all school construction projects that result from the school facilities program, projects funded through local school district bond measures, and any other funding source. DSA states that they plan to use blanket positions, overtime, and contracted staff to expedite review of school plans, especially given the wild swings in which the workload fluctuates.

Staff Recommendation. Approve as requested.

Issue 9: Statewide Parking Program

Budget. The Department of General Services (DGS) requests ongoing increase in expenditure authority of \$2.345 million in the Motor Vehicle Parking Facilities Account, for a total of \$4.545 million, to support the transition of nine parking facilities from the Facilities Management Division (FMD) to the Office of Fleet and Asset Management (OFAM).

Background. DGS is consolidating its parking management under one unit to ensure the application of consistent parking policies, establish standard waitlist and lottery processes, improve inadequate revenue collection procedures, coordinate building maintenance, and establish technology upgrades.

Originally, OFAM operated and managed 14 parking facilities statewide. In 2018, DGS began transitioning the operations and management of nine FMD parking facilities to OFAM. As part of the transition, OFAM identified the maintenance needs of each structure and also identified opportunities to increase parking utilization and revenue generation. With the additional management of nine parking facilities, the annual expenditures for OFAM will increase. All revenue from the parking lots will be distributed between FMD and OFAM based on FMD's current contractual obligations, which will gradually transition to OFAM as those agreements expire.

Staff Recommendation. Approve as requested.

Issue 10: Facilities Management Division Increased Operational Costs

Budget. DGS requests permanent budget authority augmentation of \$30.2 million Service Revolving Fund in 2019-20 to reflect the true costs of operations that have increased over time.

Background. DGS states that they can no longer absorb significant cost increases related to statewide surcharge services. This request will provide a permanent augmentation to cover costs for partial services for clients in non-DGS owned buildings, workers' compensation and insurance costs, as well as inflation and cost-of-living adjustments for maintenance, security, and contract costs.

The statewide surcharge, which is deposited into the Service Revolving Fund, is intended to provide an equitable method for DGS to recover costs that are not connected to specific services received by individual client departments. The surcharge is assessed on all state departments based on their staffing levels.

The \$30.2 million augmentation is comprised of the following components:

Security contract cost increases. DGS requests an augmentation of \$2.4 million to account for increases in security contract costs due to general salary increases.

Workers' compensation increases. DGS requests \$4 million to account for true costs of workers compensation and State Compensation Insurance Fund expenses.

Recurring maintenance. DGS requests \$5 million to address increased costs related to recurring maintenance service contracts, which are increasing due to labor and material increases, as well as aging buildings and systems.

Partial services. DGS requests \$7 million to reflect increases in partial services, which are maintenance services in non-DGS-owned or managed buildings. DGS states that client agency requests to cover maintenance contract costs have increased, jumping from \$2.9 million in 2015-16 to \$10 million in 2016-17, of which a majority of services were requested by Caltrans.

Statewide Surcharge. DGS requests an augmentation in \$10.8 million related to services for the State Capitol and other statewide surcharge programs. These services include maintenance and operation of the State Capitol, capitol grounds, legislative office building, state burial grounds, governor's office space, legislator's office space, capitol grounds, security, legislative work orders, Governor's work orders and legislative printing. This adjustment will align the spending authority with the income generated for services provided, and will have no impact on rates collected through the Statewide Surcharge.

Staff Recommendation. Approve as requested.

0511 GOVERNMENT OPERATIONS AGENCY

Issue 11: Office of Digital Innovation

Budget. The Government Operations Agency (GovOps) requests \$36.2 million (\$33.7 million General Fund and \$2.5 million reimbursements) in 2019-20 and \$14.6 million (\$9.6 million General Fund and \$5 million reimbursements) ongoing thereafter, as well as trailer bill language, to establish the Office of Digital Innovation (ODI). This request is for 50 positions, and includes a \$20 million Innovation Fund.

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

Staff Comment. The proposal would provide ODI procurement authority consistent with authority provided to the Department of General Services and the Department of Technology, which are both under the purview of the Government Operations Agency, in which ODI will be established. ODI and the Agency can work with the respective departments for any procurement needs that may come up. The subcommittee's discussion also raised questions around the practicality of standing up an office of 50 new staff in the first year and becoming operational and effective. Staff believes that approving a narrower scope of the request and evaluating the workload and its outcomes at a later date before considering the expansion of the office would be a more prudent approach.

Staff Recommendation. Approve 20 exempted positions for the Office of Digital Innovation, with \$10 million General Fund to begin the Innovation Revolving Fund. Additionally, adopt placeholder trailer bill language to establish the Office of Digital Innovation, but do not include language allowing the office to have stand-alone procurement authority, and include reporting requirements for outcomes of efforts to innovate state entities.

2100 DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL**Issue 12: Business Modernization and Responsible Beverage Service**

Budget. The Department of Alcoholic Beverage Control (ABC) requests \$2.9 million (\$2,922,000) in 2019-20 for 5.5 positions and trailer bill language to provide capacity and resources to fulfill the requirements for the Responsible Beverage Server (RBS) Training Program Act pursuant to AB 1221, (Gonzalez Fletcher), Chapter 487, Statutes of 2017, and to provide eServices for ABC licensees.

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

Staff Comment. Staff did not have concerns with the proposal to modernize the Department's IT capabilities to include electronic payment or online applications, while also implementing the RBS program.

The subcommittee's discussion touched on concerns that the proposal would allow the department to charge prospective alcohol servers a fee to cover the administration costs of the program. Staff recommended at the time that the subcommittee consider adopting language that places a cap on what the department can charge RBS training participants as a fee.

Staff Recommendation. Approve the requested funding and positions, and adopt placeholder trailer bill language placing a cap on the fees charged to prospective servers for the administrative costs of the program.

Issue 13: Program Performance Improvement Initiative

Budget. 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.

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)**Issue 14: State Active Duty Compensation Adjustment**

Budget. The CMD proposes a net reduction of \$82,000 (an increase of \$8,000 General Fund, reduction in \$87,000 federal funds, \$2,000 in reimbursements, and \$1,000 in Mental Health Services Fund) to align the pay of the department's state active duty employees to the pay of service members of similar grade in the United States Army, United States Air Force, and United States Navy.

Background. Compensation for service members of the United States Army, United States Air Force, and United States Navy is set forth annually by the federal government in the National Defense Authorization Act (NDAA). The NDAA is usually signed into law in late December. Military and Veterans Code sections 320 and 321 provide that the CMD must pay its state active duty employees at the same rate as service members of similar grade in the federal armed forces. Due to the timing of the NDAA, CMD had to wait until the spring to request funding to match the service member compensation codified in the NDAA.

Staff Recommendation. Approve as requested.

Issue 15: Work for Warriors

Budget. The California Military Department requests five permanent positions and \$670,000 General Fund for the Work for Warriors employment assistance program.

Background. This subcommittee heard an informational item on this issue during its March 7, 2019 hearing. 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.

This request would provide ongoing funding for the Work for Warriors program.

Staff Recommendation. Approve as requested.

Issue 16: Capital Outlay: Los Alamitos STARBASE Classroom Building

Budget. CMD requests a reappropriation of \$1.7 million General Fund for the preliminary plans, working drawings, and construction phases of the Los Alamitos: STARBASE Classroom Building project. This request will allow the CMD to complete the design phase of the project and proceed to construction in 2019-20.

Background. STARBASE is a Department of Defense program that encourages fifth grade students to pursue careers in science, technology, engineering and math. While attending the week-long program,

students receive 25 hours of hands-on instruction and activities. STARBASE teaches students to complete simulated missions using skills and principles from physics, computer science, chemistry and statistics. Students program a robot to complete a Mars Rover mission, design prototypes on Computer Aided Design, test experiments to learn the unique characteristics of elements and conduct their own experiments.

There are STARBASE sites in Sacramento and Los Alamitos. STARBASE Los Alamitos runs a competitive rocket team every year in which students participate in the Team America Rocket Challenge while learning the basics of rocket science. All students are given an online interactive posttest as they leave; with over 90 percent of students scoring at 80 percent or higher for comprehension of the science standards they learned at STARBASE (up from average scores of 52 percent before they attended the program). All STARBASE missions are aligned to the Next Generation Science Standards, and offer extension materials to teachers. While the federal government pays for all operating costs associated with STARBASE, California must provide classrooms for the program.

Total project costs are \$1.7 million (\$68,000 for preliminary plans, \$102,000 for working drawings, and \$1,530,000 for construction). The working drawings are estimated to begin in April 2019 and completed in September 2019, and construction will begin in November 2019 and completed in April 2020. Funds were initially provided in the 2018 Budget Act, but design delays and contracting issues will prevent the working drawings phase from being completed before June 2019.

Staff Recommendation. Approve as requested.

Issue 17: Capital Outlay: Los Alamitos National Guard Readiness Center

Budget. The CMD requests \$200,000 General Fund for the acquisition phase of the Los Alamitos National Guard Readiness Center project, and a reappropriation of \$24.7 million General Fund for the construction phase of the project. Additionally, CMD requests an additional \$2.2 million General Fund for the construction phase.

Background. This project was originally approved in the Budget Act of 2015 to replace the current Southern Region Emergency Operation Center (REOC), located on federally-owned real property used by the CMD. The existing facility is undersized and cannot accommodate required staff. It was originally designed to be temporary, until a permanent building was constructed. The new 30,000 square foot, joint-use Southern REOC will house the Governor's Office of Emergency Services and serve as the California National Guard Command and Control Headquarters. The facility will allow for coordinated response efforts between federal agencies, state agencies, and local partners in the Southern California region.

Construction funding for the Los Alamitos Readiness Center project was approved in 2017-18 in the amount of \$24.7 million lease revenue bond financing. However, it has been determined that this project is not a good candidate for lease revenue bond funding, and General Fund is a more appropriate fund source for the following reasons:

- The project site is a portion of a larger property, owned by the U.S. Department of the Army. The CMD's current use of the project site is from a license which is terminable at the will of the

U.S. Department of the Army, and only provides a personal property right and not a real estate right (which is a requirement of lease revenue bond financing).

- Additionally, the proposed project is to include joint use with the U.S. Department of the Army, such joint use with the federal government is considered private use under the limitations of tax-exempt bonds and highly problematic for lease revenue bond financing.
- Lastly, the current license agreement (and possible other land-use grants) restrict the usage of the project site by the CMD, which is also problematic for lease revenue bond financing.

Since then, the project has experienced delays related to securing appropriate real property rights, as the project site is located on a larger property that is owned by the U.S. Department of the Army. CMD's current use of the project site is from a license which is terminable at the will of the U.S. Department of the Army, and only provides a personal property right as opposed to a real property right. This request will provide CMD with the authority necessary to secure real property rights to complete the design phase of the project and proceed to construction in November 2019.

Total project costs are estimated at \$28,906,000 (\$200,000 for acquisition, \$570,000 for preliminary plans, \$1.3 million for working drawings, and \$26.9 million for construction). Preliminary plans were completed in March 2018, working drawings will be completed in July 2019, and construction is scheduled to begin in November 2019 and will be completed in June 2021.

Staff Recommendation. Approve as requested.

9860 CAPITAL OUTLAY

Issue 18: Trailer Bill: Capital Outlay Planning and Studies Funding

Budget. The Administration requests trailer bill language to amend Government Code Section 16351.5 and repeal Sections 16408 and 16409 to clean up outdated references to an abolished fund and remove duplicative and conflicting language related to the authority to revert unexpended capital appropriations.

Trailer Bill Language. The Capital Outlay and Savings Fund was abolished by statute, but references to it are still included in Government Code Section 16351.5, 16408 and 16409. The proposed trailer bill language is as follows:

SECTION 1. Section 16351.5 of the Government Code is amended to read:
 16351.5. The unexpended balance in any appropriation for capital outlay heretofore or hereafter made payable from each special fund which the Director of Finance, with the approval of the State Public Works Board, determines not to be required for expenditure pursuant to the appropriation, may be transferred on order of the Director of Finance to the unappropriated surplus of the special fund from which the appropriation was originally made.

SEC. 2. Section 16408 of the Government Code is repealed.

16408. The unexpended balance in any appropriation heretofore made payable from the Capital Outlay and Savings Fund, or hereafter made from the General Fund for capital outlay purposes, which the Director of Finance, with the approval of the State Public Works Board, determines not to be required for expenditure pursuant to the appropriation, may be transferred on order of the Director of Finance to and in augmentation of the appropriation made by Section 16409.

SEC. 3. Section 16409 of the Government Code is repealed.

16409. There is hereby appropriated from the General Fund, without regard to fiscal years, any amounts transferred to this appropriation in accordance with the provisions of Section 16408, and such amounts may be expended for acquisition of real property or for construction and equipment of state public works projects for which an appropriation has been made from the Capital Outlay and Savings Fund or the General Fund. Expenditures shall be made pursuant to allocations made by the Director of Finance upon approval of the State Public Works Board:

Allocations may be made for expenditure upon any state public works project in augmentation of appropriations made from the Capital Outlay and Savings Fund or the General Fund, where such project cannot be undertaken because the estimate exceeds the amount available for such construction or bids received are in excess of the estimate, and upon such augmentation, contracts may be awarded therefor, notwithstanding the provisions of Section 14275 or of Section 25235 of the Education Code:

Allocations may be made for acquisition of real property in augmentation of appropriations made from the Capital Outlay and Savings Fund or the General Fund for acquisition of real property and which cannot be acquired because acquisition costs are in excess of the amounts provided in the appropriation:

Allocations may be made for purchase of equipment in augmentation of appropriations made from the Capital Outlay and Savings Fund or the General Fund from which purchase of equipment is authorized:

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Staff Recommendation. Approve as requested.

9210 LOCAL GOVERNMENT FINANCING**Issue 19: Community-Based Transitional Housing Program Audit Timeline**

Budget. The Administration proposes trailer bill language that modifies existing parameters for the Office of State Audits and Evaluations (OSAE) in the Department of Finance to conduct an audit instead of a review of Community-Based Transitional Housing Program, which provide services to ex-offenders, and delays the deadline that OSAE should provide the audit report to the Joint Legislative Budget Committee from May 1, 2019 to May 1, 2020.

Background. Current law requires OSAE to complete a review of the Community-Based Transitional Housing program by May 1, 2019. The Department of Finance states that deadline has become untenable due to other workload demands. The proposal would also require OSAE to conduct an audit instead of a review – an audit has more specific parameters than a review, and is conducted according to Government Auditing Standards. This, for example, will allow OSAE to make corrective action recommendations if they identify issues, and to then follow up to ensure those recommendations are carried out.

Trailer Bill Language. The proposed trailer bill is as follows:

SECTION 1. Section 30035.7 of the Government Code is amended to read:

30035.7. (a) Of the amount appropriated in the annual Budget Act or other measure for the program, the department's Office of State Audits and Evaluations may use up to five hundred thousand dollars (\$500,000) to conduct ~~a review~~ an audit of the program to determine its effectiveness in providing services to ~~offenders released from state prison or county jail~~ ex-offenders.

(b) The department's Office of State Audits and Evaluations shall ~~initiate its review~~ conduct an audit of the ~~program on July 1, 2018~~ program. The department shall provide a copy of the ~~review~~ audit to the Joint Legislative Budget Committee no later than May 1, ~~2019~~ 2020. The copy of the ~~review~~ audit shall be submitted in compliance with Section 9795.

(c) Cities, counties, cities and counties, and facility operators that receive program funds shall agree, as a condition of receiving program funds, to cooperate fully with the ~~review~~ audit conducted pursuant to this section by the department's Office of State Audits and Evaluations.

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Staff Recommendation. Approve as requested.

8885 COMMISSION ON STATE MANDATES

Issue 20: Funded and Suspended Mandates

Budget. The proposed funding for non-education mandate payments to local governments is included in the Commission's budget. The Governor's mandate proposal is largely a continuation of the status quo in terms of mandates in effect (funded) and mandates not in effect (suspended). The budget proposes expenditures of \$39 million related to funding non-education mandates. Most mandates funded in the budget concern public safety or property taxes. Funded mandates are listed in the following table.

Mandate Funding in Governor's Budget General Fund

2019-20 Funded Local Government Mandates for Governor's Budget	Proposed Funding Levels
General Fund	
Allocation of Property Tax Revenues	622,000
Crime Victims' Domestic Violence Incident Reports	168,000
Custody of Minors-Child Abduction and Recovery	12,730,000
Domestic Violence Arrest Policies	9,141,000
Domestic Violence Arrests and Victims Assistance	2,210,000
Domestic Violence Treatment Services	3,474,000
Health Benefits for Survivors of Peace Officers and Firefighters	2,606,000
Local Agency Ethics	5,000
Medi-Cal Beneficiary Death Notices	8,000
Medi-Cal Eligibility of Juvenile Offenders	4,000
Peace Officer Personnel Records: Unfounded Complaints and Discovery	822,000
Rape Victim Counseling	529,000
Sexually Violent Predators	3,184,000
State Authorized Risk Assessment Tool	789,000
Threats Against Peace Officers	0
Tuberculosis Control	94,000
Unitary Countywide Tax Rates	351,000
Total General Fund	36,737,000
Fund 0044	
Administrative License Suspension	2,275,000
Fund 0106	
Pesticide Use Reports	65,000
TOTALS	39,077,000

Consistent with previous years, the budget includes the suspension of 35 mandates totaling \$543 million.

Staff Recommendation. Approve as requested.

Issue 21: Funding Pre-2004 Expired and Repealed Mandate Claims

Governor's Budget. The Administration proposes to fund claims of expired and repealed mandates that are dated prior to 2004 with \$15.1 million General Fund. This proposal includes approximately \$3.8 million in interest that was built into the \$15.1 million estimate to satisfy outstanding claims. The proposed funding will pay off the remaining pre-2004 claims for mandates that are expired or repealed. Funded mandates are listed in the following table:

Mandate	Counties	Cities	Special Districts	Grand Total
	Pre-2004 Claims	Pre-2004 Claims	Pre-2004 Claims	
Binding Arbitration	\$ 206,003	\$ 122,267	\$ -	\$ 328,270
Fire Safety Inspections of Care Facilities	\$ 19,832	\$ 215,497	\$ 24,398	\$ 259,727
Local Recreational Areas: Background Screenings	\$ 22,238	\$ 911,744	\$ 25,257	\$ 959,239
Racial Profiling: Law Enforcement Training	\$ 2,815,711	\$ 6,917,773	\$ -	\$ 9,733,484
Pre-2004 Mandate Claims Total	\$ 3,063,784	\$ 8,167,281	\$ 49,655	\$ 11,280,720

Staff Recommendation. Approve as requested.

0890 SECRETARY OF STATE**Issue 22: FI\$Cal Workload**

Budget. The Secretary of State (SOS) requests \$1.5 million (\$1,063,000 Business Fees Fund and \$395,000 General Fund) for 2019-20 and \$1.4 million ongoing thereafter for 11 positions in support of FI\$Cal implementation.

Background. SOS implemented FI\$Cal in July 2018, and has since experienced significant delays. SOS states that they have insufficient staffing levels to reduce ongoing backlogs that cause exorbitant staff overtime, employee retention problems, and delays in payment. SOS states that it has dedicated more than 1,000 hours in staff overtime to transfer data from its legacy system to FI\$Cal, and submitted complaint tickets, which have taken up to three months to resolve.

Staff Recommendation. Approve the requested positions for two year limited terms.

Issue 23: Cal-ACCESS Replacement Project

Budget. SOS requests a one-time augmentation of \$7.7 million (\$6,992,000 General Fund and \$700,000 Political Disclosure, Accountability, Transparency, and Access Fund) in 2019-20 to continue funding for seven positions and contracted services.

Background. SB 1349 (Hertzberg), Chapter 845, Statutes of 2016, established new functional requirements for the California Automated Lobbying and Campaign Contribution and Expenditure Search System (CAL-ACCESS), and the existing system could not meet these new requirements. The current system is a conglomeration of applications that were developed at different times using multiple, now-obsolete coding languages and technologies. The current campaign finance and lobbying activity process is an inefficient process that does not meet the needs of many stakeholders. SB 1349 requires the development of a new, automated campaign and lobbying reporting and disclosure system.

The requested resources will allow the SOS to maintain staff and consulting services necessary to continue designing and implementing a CAL-ACCESS replacement system. The SOS anticipates making future funding requests in 2020-21 to transition to maintenance and operations.

Staff Recommendation. Approve as requested.

Issue 24: California Business Connect (CBC)

Budget. The Secretary of State (SOS) requests one-time expenditure authority of \$12.63 million (\$10.63 million Business Fees Fund and \$2 million Business Programs Modernization Fund) in 2019-20 to continue implementation of the California Business Connect project.

Background. The SOS has the responsibility for processing and filing commerce and trade documents including business formations, changes, and terminations. Most business entity documents and information requests are submitted to the SOS via mail or in-person in Sacramento and Los Angeles. The office currently relies on several antiquated electronic and paper database (including 3" x 5" index cards) systems in order to process more than two million business filings and requests for information submitted on an annual basis.

Funding for the CBC project began in 2011-12, and the funding history is as follows:

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Business Fees Fund	\$1,160,000	\$2,400,000	\$3,721,000	\$4,092,000	\$6,800,000	\$5,500,000		\$15,000,000
Business Programs Mod. Fund				\$500,000	\$1,000,000		\$2,400,000	\$3,500,000
TOTAL	\$1,160,000	\$2,400,000	\$3,721,000	\$4,592,000	\$7,800,000	\$5,500,000	\$2,400,000	\$18,500,000

The CBC project is intended to automate paper-based processes, allowing businesses to file and request copies of records online and to process fee payments within one business day. Total costs of the CBC project is \$63.4 million, and is expected to be completed in November 2020.

Staff Recommendation. Approve as requested.

Issue 25: Cybersecurity Remediation and Enhancements

Budget. The SOS requests an ongoing augmentation of \$2.8 million in 2019-20 (\$742,000 General Fund and \$2 million Business Fees Fund) and \$1.673 million ongoing thereafter (\$453,000 General Fund and \$1.220 million Business Fees Fund) and four positions to provide additional resources to the cybersecurity program.

Background. The SOS maintains multiple cloud environments and physical locations including its own data center. Its security responsibilities include protecting the security of information relating to the areas of voting, business registrations, archives, notary, campaign and lobbyist financial information, among others. In 2016, federal intelligence officials were unanimous in their conclusion that foreign actors interfered in the presidential election.

In 2018-19, the SOS received an augmentation to the Cyber Security Program Enhancement which included the addition of a Chief Risk Officer. The SOS states that the requested positions and additional funds are needed to address and mitigate security findings, replace antiquated and obsolete technology, enhance and/or replace inadequate security tools/solutions, and procure additional security control services to improve the security and protection of data.

Staff Recommendation. Approve as budgeted.

Issue 26: Voter Information Website – AB 2707

Budget. The SOS requests \$250,000 General Fund, of which \$150,000 will be ongoing, to provide voters access to information regarding their elected federal, state, local, and special district officials as required by Chapter 920, Statutes of 2018 (AB 2707, Mullin).

Background. AB 2707 requires the SOS to provide a list of elected office holders and their contact information in one search. This work would consolidate existing information found on the SOS website. This request would fund contacted services to consolidate this data and publish it on the SOS website.

Staff Recommendation. Approve as requested.

ITEMS PROPOSED FOR DISCUSSION

LEGISLATIVE PROPOSALS

Issue 27: Latino Arts Theater Arts Education Programs

The subcommittee received a request for one-time \$2 million to support the Latino Theater Company's education programs and operations. The Latino Theater Company operates Play at Work and Summer Youth Conservancy, which annually provides 75-90 underserved urban youth with a free education in theater operations.

Issue 28: Self Help Graphic and Art Capital Funding

The subcommittee received a request for \$2 million to support Self Help Graphic and Art, a community arts center, to renovate and upgrade the facility. Self Help Graphic and Art provides arts education, artist professional development, workshops, and art exhibitions annually.

Issue 29: Korean American National Museum

The subcommittee received a request for \$4 million for the construction of the Korean American National Museum, which is proposed to be built in Koreatown in Los Angeles. The museum is currently finalizing the lease agreement with the City of Los Angeles. The public private partnership includes the development of 100,000 square feet of multi-use space.

Issue 30: National LGBTQ Center for the Arts

The subcommittee received a request for one-time \$500,000 General Fund to support the National LGBTQ Center for the Arts in San Francisco. This funding will allow for the renovation of the center, and allow for arts facility and public space for the general public.

Issue 31: Glendale Tech Accelerator Project

The subcommittee received a request for \$200,000 for the City of Glendale's Tech Accelerator project. Since 2016, the city has hosted an annual Tech Week comprised of discussions, panels, workshops, coding and networking events that encourage innovation and provide opportunities for promising tech professionals. This funding would be used by the City to attract qualified firms that can support the establishment and operation of accelerator programs, which would provide cohort based mentorship and educational programs for start-ups looking to expand.

Issue 32: Funding for the Commission on Asian and Pacific Islander American Affairs

The subcommittee received a request for \$500,000 ongoing for the California Commission on Asian and Pacific Islander American Affairs to fund its operations, including the establishment of staff. This funding will allow the Commission to execute its statutory responsibilities.

Issue 33: Transcript Reimbursement Fund

The subcommittee received a request for one-time \$750,000 to the Transcript Reimbursement Fund (TRF) for the purpose of erasing a backlog of requests. The TRF is derived from licensing fees paid by court reporters and is used to provide access to transcripts for the adjudication of active litigation. The fund became insolvent in 2017, and a recent increase is expected to operationalize the fund in July 2020.

Issue 34: Property Tax Backfill

The subcommittee received a request for \$12.6 million to backfill property tax losses due to the North Bay Firestorm in 2017. This funding would provide backfill funding for Sonoma County, Napa County, and Mendocino County.

Issue 35: Local Agency Formation Commissions

The subcommittee received a request for \$1.5 million to support California's 58 local agency formation commissions (LAFCos). The Legislature established LAFCos in 1963 to encourage the orderly formation of local government agencies. The proposed funding would include specific eligible activities in disadvantaged communities and a requirement to report to the Strategic Growth Council on the use of the funds.

Issue 36: Open-Source Paper Ballot Voting Systems

The subcommittee received a request for \$16 million in matching funds for counties to develop, certify and share publicly owned open-source paper ballot voting systems. The \$16 million request would allow the Secretary of State's office to administer a matching fund program with two or more counties to speed their development, certification, governance, and distribution of open-source voting systems licensed to ensure they are freely available to any county to use and modify based on their needs.

Issue 37: Funding for Voter's Choice Act

The subcommittee received a request for \$3.8 million to fund outreach and voter education efforts for the 2020 Voter's Choice Act counties. The Voter's Choice Act was chaptered in 2016 and allowed

counties to conduct elections under a new model that provides greater flexibility and convenience, including expanding in-person early voting, allowing voters to cast ballots at vote centers, and mailing every voter a ballot.

Issue 38: Payment In-Lieu of Taxes Backfill

The subcommittee received a request for ongoing \$644,000 General Fund for annual Payment In-Lieu of Taxes (PILT) obligations to counties. PILT is a process to offset adverse impacts to county property tax revenues that result when the state acquires private property for state controlled wildlife management areas.

Issue 39: Veteran Career Pathways Workshop

The subcommittee received a request for \$400,000 for Veteran Career Pathways Workshop in the greater Los Angeles area to provide employment assistance for veterans.

Issue 40: Homeless Funding

The subcommittee received a request for an additional \$250 million to be provided to the state's Homeless Emergency Aid Program (HEAP) for support of local efforts to address homelessness.

Issue 41: Funding for Housing Development

The subcommittee received a request to direct \$400 million of the governor's proposed Housing Planning and Production grant incentive funds to support the development of affordable housing.

Issue 42: California Emergency Solutions and Housing (CESH) Program

The subcommittee received a request for \$150 million to fund the CESH program at HCD. Specifically, the funds would support an increase in emergency rental assistance for individuals at risk of falling into homelessness.

Issue 43: Homeless Youth

The subcommittee has received a request for \$100 million to establish a grant program to support at-risk and homeless youth.

Issue 44: YouthWORKS and RichmondBUILD Programs

The subcommittee received a request for \$250,000 to support the YouthWORKS and RichmondBUILD programs. These programs offer training and education help both youth and adults development employment readiness skills.

Issue 45: Los Angeles Museum of the Holocaust

The subcommittee has received a request for \$8.5 million for the Los Angeles Museum of the Holocaust. This funding will assist with the museum's expansion, including the addition of a pavilion.

Issue 46: California Care Corps

The subcommittee has received a request for \$5 million per year for five years for CalVolunteer to establish the California Care Corps, which is aimed at incentivizing youth to work in respite care.

Issue 47: San Gabriel Valley Homelessness Programs

The subcommittee has received a request to fund a variety of homelessness programs in the San Gabriel Valley. Specifically, this request includes:

- \$400,000 for landlord education and support to rent to homeless individuals
- \$1.5 million per year for two years for homeless workforce development
- \$425,000 for regional collaboratives, advocacy, nonprofit capacity building, and regional data and communication projects that target specific populations
- \$3.3 million for two years for the San Gabriel Valley Homeless Plan

Issue 48: Both Ends of the Leash

The subcommittee has received a request for \$5 million for HCD to develop a grant program for homeless shelters to provide shelter, food, and a variety of basic veterinary services for pets of the homeless.

Issue 49: Child and Dependent Care Expenses Credit

The subcommittee has received a request for the Child and Dependent Care Expense Credit refundable at an estimated cost of \$80 million. From 2000-2010, the state credit was refundable, which provided an income boost to low-income working households. Now that the credit is no longer refundable, the majority of the benefit goes to families with income between \$50,000 and \$100,000 (90 percent in 2014). In comparison, in 2010, when the credit was refundable, 67 percent of the credit was claimed by families earning less than \$50,000.

Issue 50: County Independent Redistricting Commissions

The subcommittee has received a request for \$5 million to require counties with more than 250,000 residents to establish an independent redistricting commission.

Issue 51: Renter's Tax Credit

The subcommittee has received a request to increase and reform the Renter's Tax Credit, more than doubling the credit, which currently is \$60 for a single filer and \$120 for joint or head of household filers. The estimated cost of this proposal is \$550 million in 2019-20.

Issue 52: Orange County Veterans Cemetery

The subcommittee has received a request for \$10 million for a Southern California Veterans Memorial Park and Cemetery in the City of Irvine. The two existing State Veterans Cemeteries are far distances from Orange County (Shasta County and Monterey County). In 2018, the number of military veterans living in Orange and Los Angeles Counties was over 348,000.

Issue 53: Orange County Housing Trust Fund

The subcommittee has received a request for \$40 million for the Orange County Housing Finance Trust, which is a public/private effort to reduce homelessness through the development of permanent supportive housing.

Issue 54: Local Cannabis Equity Programs

The subcommittee has received a request for \$30 million to support local jurisdictions that have established social equity programs to reduce barriers to entry, to the legal marketplace, for individuals who have been the most harmed by cannabis prohibition.

Issue 55: Southern Valley Investments

The subcommittee has received a request for \$17.1 million for multiple community and public safety infrastructure investments in the Southern Central Valley. These include the Sanger Veteran's Park, the Rockwood Pond Park in the City of Selma, and the Reedley Sports Park.

Issue 56: New Teacher Induction Tax Deduction

The subcommittee has received a request for \$200,000 for the next five years to allow teachers to claim a \$2,500 tax deduction for fees incurred toward the completion of an induction approved by the Commission on Teacher Credentialing.

Issue 57: Cannabis Limited Charter Bank

The subcommittee has received a request for \$2 million for the Department of Business Oversight to begin implementing the Cannabis Limited Charter Banking and Credit Union Law.

Issue 58: Community Beautification Grant

The subcommittee has received a request for \$1 million for the California Workforce Development Board to develop a grant program to assist communities with graffiti abatement and bulky item removal.

Issue 59: Reedley Armory Veterans Services

The subcommittee has received a request for \$50,000 to assist the City of Reedley in retaining an armory that will help provide veteran's services in the region.

Issue 60: Jackie Robinson Family YMCA Aquatic Center

The subcommittee has received a request for \$5 million for construction of a pool, splash pad, and mechanical needs as part of the new aquatic center at the Jackie Robinson Family YMCA in San Diego.

Issue 61: Excess Property Tax Shift

The subcommittee has received a request for \$70 million to undo a 2013-14 shift of property tax revenue from County Offices of Education to the trial courts.

Issue 62: Expand Access to Affordable Capital

The subcommittee has received a request for \$20 million to expand access to capital in underserved communities by providing: 1) \$5 million to expand the number of affordable small business loans made through the California Capital Access Program, and 2) \$15 million to provide a tax credit to incentivize investments in non-predatory loans to underbanked Californians.

Issue 63: Franchise Tax Board Filing Fee for Tax-Exempt Organizations

The subcommittee has received a request to eliminate the \$25 filing fees charged by the Franchise Tax Board to tax-exempt organizations for submitting an application and annual information.

Issue 64: Paid Family Leave Outreach

The subcommittee has received a request for \$5 million to the Employment Development Department to fund Paid Family Leave outreach, specifically targeting baby bonding, care giver and military exigency leave, with priority given to communities with low Paid Family Leave utilization.

Issue 65: Community Beautification Grant

The subcommittee has received a request to appropriate \$1 million to the California Workforce Development Board to develop a competitive grant program that would assist communities with graffiti abatement and bulky item removal. Grants would be awarded to community-based organizations that contracts with a city with a bona fide pre-apprenticeship training program for graffiti abatement.

Issue 66: GenerationGo! Work-Based Learning

The subcommittee has received a request to appropriate \$10 million to Generation Go! at the San Bernardino County Workforce Development Board. This is a county program that provides work-based learning opportunities to high school students.

Issue 67: Judicial Retirement System

The subcommittee has received a request to appropriate \$2.4 million General Fund to the Judicial Retirement System and to consider additional appropriations as estimated by the Department of Finance in future years. This appropriation would be pursuant to SB 184, which authorizes a “deferred” retirement option under the Judges Retirement System (JRS) II to permit a judge to leave judicial office and receive a retirement allowance at a later date upon reaching the prescribed JRS II retirement age in order to provide relief to judges who are ill, who become caretakers of ill relatives, or who otherwise can no longer fulfill their judicial duties.

Issue 68: Film and TV Tax Credit Carryforward

The subcommittee has received a request to extend the 2.0 Film and Television Tax Credit carryforward period from five to eight years, aligning it with the carryforward provisions of the 3.0 credit.

Issue 69: Boys and Girls Club, Santa Paula

The subcommittee received a request for \$150,000 to improve the Boys & Girls Club in the City of Santa Paula in Ventura County. The building is over 50 years old and in need of significant upgrades and repairs, including a new roof and skylights, restroom remodels, and other interior improvements.

The club serves between 70 and 90 youth each day during the school year and 180-200 per day during the summer.

Issue 70: Property Exemption

The subcommittee received a request for trailer bill language to bring California's homestead exemption threshold in line with other states.

Staff Recommendation. Hold open all legislative proposals.

ITEMS PROPOSED FOR DISCUSSION/VOTE**2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT****Issue 71: Senate Housing and Homelessness Framework**

Governor's Budget. The Administration has proposed a \$2.25 billion package of proposals to address affordable housing and homelessness. This includes:

- \$750 million for planning and production grants
- \$500 million homelessness planning and milestones
- \$500 million in additional low-income housing tax credits
- \$500 million in moderate income loans through CalHFA

Senate Proposal - Housing and Homelessness Framework

The Senate's framework provides \$2.5 billion across three major policy areas:

- Providing ongoing assistance for housing development and related infrastructure, with support for housing-related infrastructure provided in 2019-20
- Increased support for homelessness efforts, informed by a best-practices framework focused on moving homeless individuals from shelter to permanent housing
- Seeding a variety of innovative financing pilot programs for affordable housing

Area 1: Housing Planning and Production

\$250 million in Local and Regional Housing Planning Assistance. AB 1771 (Bloom), Chapter 989, Statutes of 2018, and SB 828 (Wiener), Chapter 974, Statutes of 2018, both made major reforms to the regional housing needs allocation process last year. The California Association of Councils of Governments estimates that regions could receive up to double the housing allocation for the 6th RHNA Cycle as they did in the 5th RHNA Cycle which, if planned for correctly, could create many more development opportunities to address the state's housing crisis. At the same time, developers and local governments alike have identified the need for funding to create general plans and Environmental Impact Reports (EIRs) at the local level to streamline development.

The Senate's framework provides \$250 million in planning assistance funding to be shared equally amongst the Councils of Government (COGs) and local jurisdictions for the 6th RHNA Cycle implementation and planning for increased housing at the local and regional level. This will be provided through an expanded version of the existing SB 2 (Atkins), Chapter 364, Statutes of 2017, Planning Grant Program at the Department of Housing and Community Development.

\$500 Million Ongoing for Affordable Housing Development. In recognition of the fact that local governments have lost one of the primary mechanisms they had to fund not just affordable housing but housing-related infrastructure when redevelopment was dissolved in 2011, the Senate's proposal provides \$500 million ongoing for housing and housing-related infrastructure. In 2019-20, this will be provided through an expanded Infill Infrastructure Grant Program at the Department of Housing and Community Development for housing-related infrastructure, with future years' funding to be provided through a new statutory structure agreed upon by the Legislature and Governor.

Paired with SB 2 and new bond proceeds from Prop 1 (Veterans and Affordable Housing Bond Act of 2018), this funding will help local jurisdictions finance the community upgrades (such as water, sewer, roads, and public parks) needed to accommodate the corresponding increase in new housing each jurisdiction will see in the coming years.

Long-Term Adjustments to Statewide Planning. The Senate believes that the Administration's proposal to develop a state working group to examine the state's regional housing need allocation process has merit. This group should be led by HCD, and include the Governor's Office of Planning and Research (OPR) and the Strategic Growth Council (SGC).

The Senate rejects the language tying housing element compliance to Local Streets and Roads funding provided by SB 1 (Beall), Chapter 5, Statutes of 2017.

Area 2: Homelessness

\$600 Million for Flexible, Outcome-Informed Local Homeless Solutions. The Senate's proposal recognizes the continuing need in this area and provides \$600 million for direct assistance for homelessness, to be split \$400 million to Continuums of Care (CoCs) and \$200 million to the 13 largest cities in the state. 10 percent of this funding will be directed to homeless youth.

The framework provides funding through an expanded Homeless Emergency Aid Program (HEAP), in order to ensure rapid turn-around and flexibility to meet the unique needs of each community. The Senate framework includes statutory changes to ensure that local jurisdictions are adequately addressing the full spectrum of services required along the homeless-to-housed continuum, and that state spending is therefore used in the most effective way possible.

Statewide homelessness strategy. Given the state's sizable investments to address homelessness, it makes sense to centralize the state's efforts on this issue. The Senate proposes to convene a stakeholder process through the Homeless Coordinating and Financing Council (HCFC) to develop a statewide policy framework for addressing homelessness, including: 1) a list of local best practices, 2) highest-impact areas for state investment, and 3) additional suggestions to decrease the state's homeless population.

Area 3: Financing Affordable Housing Production

\$500 Million in Low-Income Housing Tax Credits. The low-income housing tax credit program is one of the most successful programs the State has to support affordable housing construction. Prior legislative attempts have attempted to expand the program by \$300 million, modify the state credit percentages augmenting the federal four percent credit, and create a larger credit for older affordable housing projects with limited equity to allow for the preservation of those units. In particular, greater utilization of the four percent credit (which is unlimited at the federal level but under-utilized at the state level) would provide greater options to leverage additional federal funds.

The Senate framework includes an additional \$500 million in state low-income housing tax credits to spur greater uptake of the federal four percent credit and reduce pressure on the highly-competitive nine percent tax credit. Of this, up to \$200 million is to be reserved to finance low-income units within mixed-income developments.

\$500 Million for CalHFA's Mixed-Income Loan Program. The Mixed-Income Loan Program was created by SB 2, which allocates 15 percent of ongoing real estate transaction fee revenues to creating mixed-income housing for low- to moderate-income households. This program provides competitive long-term financing for newly constructed multifamily housing projects restricting units between 30 percent and 120 percent of county Area Median Income (AMI).

The Senate framework provides \$500 million in General Fund resources for this program.

\$115 Million for Innovative Financing Pilot Programs. SB 1069 (Wieckowski), Chapter 720, Statutes of 2016, created a statewide standard to allow accessory dwelling units (ADUs). Since then, interest has skyrocketed among homeowners, with some jurisdictions experiencing a four- to five-fold increase in permit applications. The Legislature has repeatedly recognized the value of ADUs since then, as they provide naturally-affordable housing in a way that integrates into existing communities at no cost to the state. Yet, up-front costs are frequently cited by would-be ADU homeowners as one of the main barriers to constructing their own ADU.

The Senate framework provides \$50 million to CalHFA to expand an existing pilot program that partners with cities and community development organizations to provide construction financing and loan service to homeowners interested in developing an ADU. Additionally, the Senate proposes providing \$5 million to CalHFA to provide downpayment assistance for eligible homebuyers purchasing properties related to the SR 710 project.

The Senate framework also provides \$60 million to the California Pollution Control Financing Authority for the California Recycle Underutilized Sites Program (CALReUSE). This is an assessment and remediation program with proven success in transforming brownfields into successful community developments.

Staff Comments. The Senate framework is summarized below:

- \$250 million for local governments to support the RHNA 6th cycle
- \$500 million ongoing for housing development
 - Targeted at housing-related infrastructure in 2019-20
- \$600 million to support cities and Continuums of Care in their response to homelessness
- \$500 million in additional low-income housing tax credits
- \$500 million in moderate income housing support
- \$115 million in innovative financing tools, including \$50 million for ADUs

This framework is intended to codify the Senate's priorities in developing a statewide housing and homelessness package as part of the 2019-20 budget, and to allow stakeholders to give feedback on those priorities. This framework will be refined as the 2019-20 budget is developed. The Administration has indicated that modifications to their January proposal are forthcoming as part of the May Revision.

Staff Recommendation: Approve the Senate framework. Adopt placeholder trailer bill language to implement the framework.

8940 CALIFORNIA MILITARY DEPARTMENT**Issue 72: Discovery ChalleNGe Academy Expansion**

Budget. CMD requests 15 permanent positions and \$2.2 million in 2019-20 (\$1.65 million federal fund and \$550,000 General Fund), and \$2.2 million in 2020-21 and ongoing (\$1.6 million federal fund and \$545,000 General Fund) to expand California's Discovery ChalleNGe Academy in Lathrop, California to serve an additional 50 students per class cycle and 100 students annually.

Background. The Discovery ChalleNGe Academy is a partnership between CMD and San Joaquin County Office of Education, and is 75 percent funded by the federal government and 25 percent funded by the state, and is part of CMD's Youth ChalleNGe program. The Youth ChalleNGe Program was created in 1993 and tasked the National Guard Bureau with assisting in efforts to address the needs of the thousands of youth that were at-risk of dropping out of high school. The program consists of a five and a half month in-residence phase, followed by a one-year mentoring phase where mentors provide guidance and support. The Youth ChalleNGe program includes the Grizzly Youth ChalleNGe Academy (which operates as a charter school), the Sunburst Youth ChalleNGe Academy, and the Discovery ChalleNGe Academy (which operates as a community school).

Discovery ChalleNGe Academy currently serves 150 cadets per cycle (3 platoons of 50 students), 2 cycles per year, reaching a total of 300 at-risk students. The program is free to participants. This request will add 50 more students per cycle, and allow the program to reach a total of 400 at-risk students per year.

According to the California Department of Education, in 2018-19, there are 1,085 students in grades 9 through 12 enrolled in San Joaquin County Office of Education's (SJCOE) County-Operated Schools and Programs (COSP), which includes operating Discovery ChalleNGe Academy as a county community school. County community schools are public schools run by county offices of education, and serve students in kindergarten through grade twelve who are expelled from school or who are referred because of attendance or behavioral issues. They also serve students who are homeless, on probation or parole, and who are not attending any school, or may be requested by a parent or guardian.

Discovery ChalleNGe Academy is located in Manteca Unified School District boundaries. Students enrolled at Discovery ChalleNGe Academy become San Joaquin County Office of Education students until they graduate from the Academy. Approximately 50 percent of the students reside outside of San Joaquin County. While enrolled, students can earn credits, and in some cases receive a high school diploma. For students who do not complete the program with a high school diploma, they can return to a school option within their home district, or enroll in a county school program if they are within San Joaquin County.

SJCOE provides \$1.84 million from their Local Control Funding Formula (LCFF) apportionment, which is the state's allocation method for local educational agencies and counted towards the state's Proposition 98 obligations, and three staff members. CMD states that Discovery ChalleNGe Academy is currently funded and staffed to serve 150 students per class, but receives more than 250 applications per class and must turn away eligible candidates due to the lack of available funding.

This request is for 15 ongoing positions and \$2.2 million (\$1.65 million federal fund and \$550,000 non-Proposition 98 General Fund), and \$2.181 million (\$1.636 million federal fund and \$545,000 non-Proposition 98 General Fund). These positions include: a training non-commissioned officer, administrative personnel specialist, logistics specialist, squad leader and assistant squad leaders, a medical assistant, a case manager, a counselor, a platoon sergeant, and a recruiter.

Staff Recommendation. Approve as requested.

Issue 73: California Job ChalleNGe Academy

Budget. CMD requests 27 ongoing positions 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. Hold open.

1111 DEPARTMENT OF CONSUMER AFFAIRS

Issue 74: Business Modernization Project Implementation

Budget. DCA requests one-time \$5 million (\$4,966,000) and five positions to allow the Acupuncture Board, Board of Chiropractic Examiners, Board for Professional Engineers Land Surveyors and Geologists, and the Bureau for Private Postsecondary Education to begin implementing their selected Business Modernization software alternative consistent with DCA's Business Modernization Plan. This funding will fund system integration, software licensing, project management, project oversight costs, and staffing.

Background. DCA oversees 37 boards and bureaus that provide professional licensure and regulatory oversight to their respective professions. In 2009, DCA began adopting the BreEZe IT system, which at that time was envisioned to be able to support the primary functions and responsibilities of all Department regulatory boards. The intent of BreEZe was to better service consumers, licensees, applicants, and other stakeholders with a more robust online presence including online application capabilities, online license maintenance functions, online payments, mobile enforcement capabilities, accessible data, and efficient reporting.

The transition was initially planned with three releases, with a specified number of boards and bureaus with each release. However, significant transition and adoption issues arose, which resulted in delays and increased costs. As a result, boards and bureaus scheduled to transition to BreEZe with the third release (also known as R3) canceled their transition and were directed to conduct BMPs to properly assess their respective IT, programmatic, and resource needs. While some boards and bureaus were able to conduct this workload within existing resources, some of the smaller boards and bureaus require additional resources to do so.

Below is a summary table of the request, broken down by board or bureau:

Acupuncture Board	\$ 1,147,000
Board of Chiropractic Examiners	\$ 540,000
Board for Professional Engineers Land Surveyors and Geologists	\$ 1,250,000
Bureau for Private Postsecondary Education	\$ 2,029,000
DCA Admin - Distributed (Office of Information Services)	\$ 500,000
TOTAL	\$ 4,966,000

DCA states that it partnered with the boards and bureaus to conduct extensive market research on licensing and enforcement systems, which included an evaluation of existing systems in DCA's portfolio, discussions with comparable regulatory organizations in other states, and two formal Requests for Information from the vendor community. The project length is anticipated to be 18

months, and currently progressing through the Department of Technology's Project Approval Lifecycle (PAL) process.

Staff Recommendation. Approve as requested.

7760 DEPARTMENT OF GENERAL SERVICES**Issue 75: Sonoma Developmental Center**

Budget. DGS requests \$43.7 million over three fiscal years for operations, maintenance, initial partial decommissioning, and land use planning costs related to the closure of the Sonoma Developmental Center (SDC).

Background. The Department of Developmental Services (DDS) closed SDC on December 31, 2018, and the transfer of jurisdiction of SDC from DDS to DGS is expected to be effective on July 1, 2019. DGS requests \$21.1 million in 2019-20, of which \$17.6 million is requested for property management, utilities, security, fire protection, grounds keeping, repairs, initial decommissioning activities, and other activities. The remaining \$3.5 million is requested for Sonoma County to conduct one-time land use planning. The remaining requests are for \$11.2 million in 2020-21, and \$11.4 million in 2021-22.

This request will allow DGS to continue operations of SDC in a warm shutdown mode appropriate for the age and condition of the infrastructure on the site. Staffing for this effort will be retained through an interagency agreement between DDS and DGS, and DGS states that they are working with local and private partners for grounds and trail maintenance, as well as fire prevention and suppression. Additionally, DGS states they will need to retain outside counsel with expertise in water rights law due to the State's extensive water rights at SDC.

Sonoma County will facilitate the planning process for this property, and DGS anticipates a three-year expedited planning and disposition process. The funds for Sonoma County will help cover the costs and fees to ensure priority planning and entitlement and provides more certainty about future permitted land uses for the property, and DGS will require that the county prioritize affordable housing in the planning process. DGS expects the sale and disposition of the property will recover costs associated with the warm shutdown.

The Sonoma County Board of Supervisors submitted a letter of support to this subcommittee for this request, stating that the proposal will “ensure that there is a robust local process that affords ample opportunity for the voices of the community to be heard, and the proposal includes a firm deadline for the County and its consultants to complete this planning process, which will then afford far more reliability and assurance when the property is disposed of through a process managed by DGS.”

Staff Recommendation. Hold open.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

Issue 76: Care Staffing and Operations

Budget. The California Department of Veterans Affairs (CalVet) requests four permanent positions and an augmentation of \$829,000 General Fund (of which \$21,000 General Fund is one-time) to comply with new federal requirements for pharmacy services and compliance oversight. CalVet also requests a one-time augmentation of \$6.3 million General Fund to address challenges in the Veterans Homes of California, consisting of rising operational costs that directly impact the health and welfare of residents including maintenance, medical contracts, utilities, and dietary and pharmaceutical supplies.

Background. In 2016, the federal Centers for Medicare and Medicaid Services (CMS) finalized changes to the requirements for ensuring care and safety of residents in long-term care facilities. Failure to meet these new requirements may result in tens to hundreds of thousands of dollars in fines, loss of millions of dollars in revenue, and/or revocation of certification. As part of this change, pharmacy services were especially impacted, and were allowed to delay implementation until November 2019.

The new CMS requirements affect the pharmacy operations and significantly increase the scope of tasks for which CalVet's pharmacists are responsible, including that all psychotropic medications be monitored more closely and frequently. Currently, CalVet pharmacists are responsible for reviewing anti-psychotic medication. Under the new requirements, they will be required to extensively review and monitor all psychoactive medications, which include anti-psychotics, antidepressants, hypnotics, and anti-anxiety medications. These new requirements outpace current staffing.

Additionally, CMS has mandated a new corporate compliance program structure, which will go into effect in November 2019. The new standard requires all nursing home organizations adopt a compliance and ethics program that can prevent and detect any criminal, civil, or administrative violations of CMS requirements or best care practices. This request will add an executive officer who can satisfy the compliance and ethics requirements.

Finally, the three oldest Veterans Homes in the CalVet system (Yountville, Barstow, and Chula Vista) have seen costs rise beyond the capacity of the operating expenses and equipment budget, which have not increased since 2009-10. At the same time, costs of maintaining operations have increased beyond CalVet's existing authority. This funding request would provide:

- \$4,199,000 General Fund to VHC-Yountville;
- \$962,000 General Fund to VHC-Barstow; and,
- \$1,107,000 General Fund to VHC-Chula Vista.

CalVet is preparing a needs assessment/master plan report for the Veterans Homes which is due December 31, 2019. This request is a one-time augmentation and consideration for further appropriations will be pending the outcome of the report.

Staff Recommendation. Approve as requested.

Issue 77: Capital Outlay: California Central Coast Veterans Cemetery, City of Seaside

Budget. CalVet requests a re-appropriation of \$238,000 General Fund for the construction phase of the California Central Coast Cemetery, City of Seaside project, which will expand the existing cemetery constructed at the former Fort Ord Army base by 3.3 acres. Additionally, CalVet requests \$7.2 million (\$268,000 California Central Coast Cemetery at Fort Ord Operations Fund and \$6,878,000 federal funds) for the construction phase of this project.

Background. The California Central Coast Veterans Cemetery is located on approximately 12 acres at the former Fort Ord Army base in the City of Seaside, and serves the interment needs of California veterans in the counties of Alameda, Monterey, San Mateo, Santa Cruz, San Benito and Santa Clara.

Total project costs are \$9,217,000, which include \$1,212,000 for preliminary plans, \$621,000 for working drawings, and \$7,384,000 for construction. The 2017 Budget Act provided \$1.5 million General Fund. Of the remaining costs, \$839,000 are from private donations, and \$6,878,000 are from federal funds. Since the 2017 appropriation, \$1,262,000 has been spent on preliminary plans and working drawings. This request will re-appropriate \$238,000 from the \$1.5 million General Fund that was provided in 2017 for the construction phase.

Preliminary plans were completed in March 2019, and working drawings are estimated to begin March 2019 and completed in July 2019. Construction is scheduled to begin in October 2019 and will be completed in January 2021. The first phase of the California Central Coast Veterans Cemetery was completed in October 2016; the second phase was approved in 2017.

Staff Recommendation. Approve as requested.

7350 DEPARTMENT OF INDUSTRIAL RELATIONS

Issue 78: Subsequent Injury Benefit Trust Fund (SIBTF)

Background

Many states, including California, enacted SIBTF statutory schemes as a post-war program to encourage the employment of disabled veterans returning from World War II. Labor Code Section 4751 provides that if an employee who is already permanently partially disabled, in a manner that is actually labor disabling at the time, suffers a subsequent industrial injury that is compensable through the workers' compensation system, and if the employee's resulting total permanent disability is greater than the disability caused solely by the subsequent injury itself, the employee is entitled to special additional compensation, to be paid from the Subsequent Injuries Benefits Trust Fund (the "Fund"), to compensate for that degree of additional permanent disability caused by the combination of the prior partial permanent disability and the subsequent industrial injury.

An example would be a worker who had previously lost an arm and who then suffers a subsequent industrial injury to the other arm. The total resulting permanent disability for this worker would be much greater than would otherwise have been caused solely by an injury to one arm. The underlying purpose of the SIBTF, which is apparent both from the timing of its original enactment in 1945 and from the statutory provisions themselves, is to encourage the employment of disabled workers by relieving employers of liability for the greater levels of permanent disability that may result if an already-disabled worker later suffers an industrial injury. Rather than incurring workers' compensation liability for the entirety of the worker's resulting total permanent disability, the employer is responsible only for the disability that results directly from the subsequent industrial injury.

A special fund, the SIBTF, created by assessments on all employers, pays special additional compensation as necessary to make up the increment and to compensate the worker for his or her total resulting permanent disability. SIBTF cases are limited to those in which the injured worker has total permanent disability of at least 70 percent, reflecting the original intent that the Fund is available only for those workers who have suffered significant injuries and disability.

SIBTF and State's Workers' Compensation System. The condition of the SIBTF program has critical implications on the state's workers' compensation system and employers. The state's workers' compensation system is funded by employers to provide benefits to employees who sustain a work-related injury or illness. The SIBTF program is a component of the state's workers' compensation system, and increases to the cost of the SIBTF program impacts costs to the broader system. As a result, cost increases to the broader system increases employer contributions thereby impacting California businesses statewide.

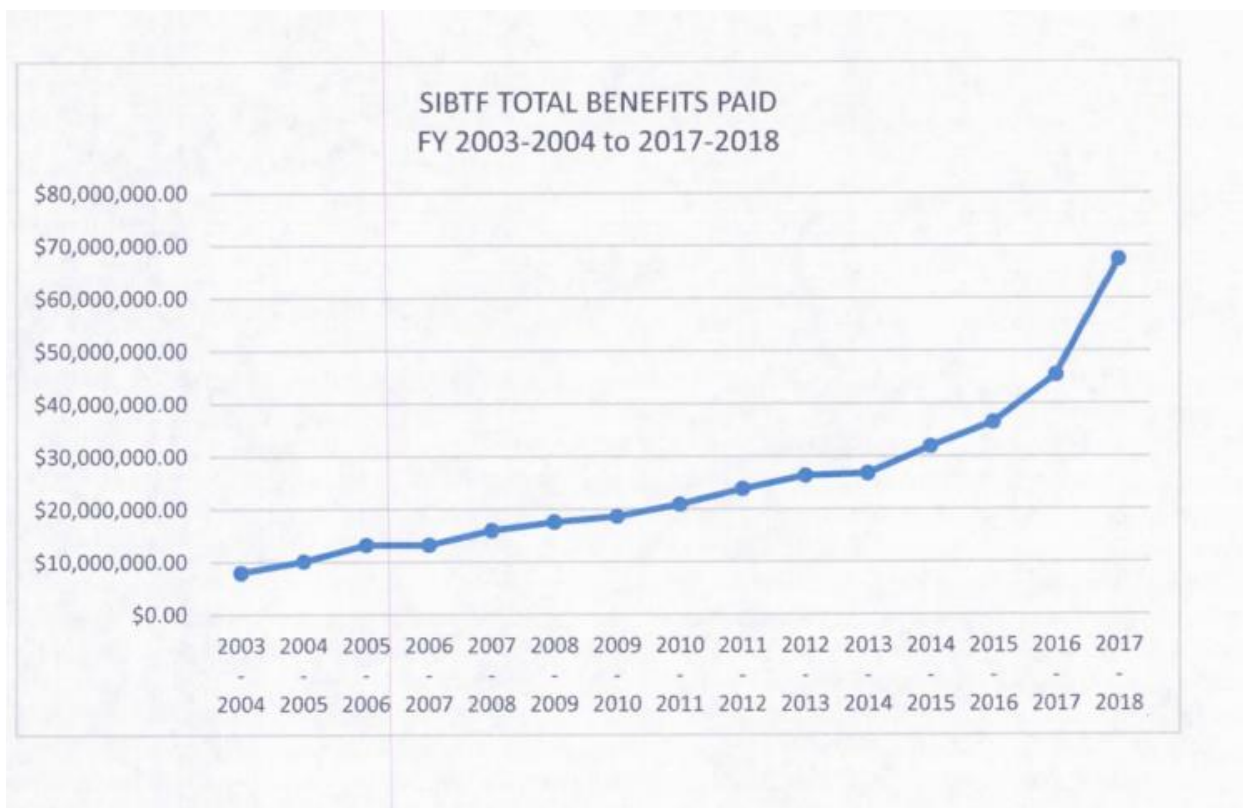
SIBTF Unit. The SIBTF unit currently has 15 authorized positions, including nine Workers' Compensation Consultants (WCC). The WCCs are responsible for the calendaring, preparation, medical referral, investigation, liability analysis, and settlement negotiation of all SIBTF claims. The preparation of each case requires the claims examiner (WCC) to obtain the entire court file, review that file and determine the relevant medical and factual issues, arrange appropriate medical examination investigative services, analyze all investigative and medical reports and determine the extent of SIBTF

liability. In addition, they investigate and calculate available statutory credits to the State and conduct settlement negotiations with applicant attorneys.

Unit Experiencing Increased Caseload and Benefit Payouts. As of November 30, 2018, the WCCs had an average caseload of approximately 1,000 cases per examiner. The examiners (WCC) are unable to adequately review files, provide defense analysis, and often in a rush to prepare their settlement workups to determine the value of a case. This is also affecting Office of the Director-Legal attorneys who have to attend multiple hearings at the Workers' Compensation Appeals Board (WCAB) on a daily basis. As a result of this inability to perform due diligence, the aggregate amount per claim has increased from approximately \$3,900 per claim at the end of 2013-14 to \$6,800 per claim by the end of 2017-18. Applications for SIBTF benefits and SIBTF benefit payouts increased from \$8 million in 2003-04, the last fiscal year before the 2004 reforms, to \$67.4 million in 2017-18.

The charts on below show changes in the annual case load and benefits paid.

Workload Measure	2013	2014	2015	2016	2017
Beginning Case Load	6,284	6,796	7,417	8,461	9,832
New Cases	755	1,011	1,409	1,656	1,880
Cases Closed ¹	276	405	398	314	1,702
Ending Case Load ²	6,796	7,417	8,461	9,832	10,030
Annual Case Load Change	512	621	1,044	1,371	1,569



Governor's Budget Proposal

The Governor proposes an increase of 30 positions and \$4.8 million in 2019-20, 30 positions and \$4.4 million in 2020-21 and 2021-22, 23.0 positions and \$3.4 million in 2022-23, with 14 positions and \$2.0 million in 2023-24 and ongoing from the Workers' Compensation Administration Revolving Fund to: 1) reduce caseload per claims examiner to a manageable level; and 2) provide sufficient claims examiners and attorneys to perform due diligence investigations and reduce the State's long-term liability from SIBTF claims. The resources requested by this proposal will reduce the caseload from 1,000 to 360 per examiner.

Earlier this spring, the Administration proposed trailer bill language that would have made significant changes to the SIBTF, which could have impacted the fund's participants. The Administration is no longer pursuing the trailer bill language. However, this language would:

1. Require SIBTF claimants to prove that the initial disability was actually labor disabling,
2. Require claimants to provide evidence that predate the subsequent injury,
3. Prohibit claimants from using medical legal evidence from more than one evaluator, and does not allow such costs to be reimbursable,
4. Specify that these changes would not apply to pending claim, and
5. Allow for the Director of DIR to issue regulations related to these changes, among others.

Staff Comments

Staff agrees that additional positions may be warranted to reduce the average case load and to provide WCC staff the ability to thoroughly vet cases and applications. However, an additional 30 positions in 2019-20 and 14 positions ongoing in 2023-24 is a significant increase since the unit currently has 15 positions.

Staff Recommendation. Hold Open.

Issue 79: Sexual Harassment Training for the Janitorial Industry**Background**

Assembly Bill 1978 (Gonzalez), Chapter 373, Statutes of 2016, required every employer that employs at least one employee for janitorial services, effective July 1, 2018, to register annually with the Labor Commissioner. The bill prohibited an employer from conducting any business without registration and would authorize the commissioner to revoke a registration under certain circumstances. AB 1978 required DIR to establish a biennial in-person sexual violence and harassment prevention training requirement for all employees and employers of janitorial services by January 1, 2019. Additionally, by January 1, 2020, all new applications for registration and renewal of registration must complete the sexual violence and harassment prevention training requirements.

Senate Bill 1343 (Mitchell), Chapter 956, Statutes of 2018, required all employers with five or more employees, including temporary or seasonal employees, to provide at least two hours of sexual harassment training to all supervisory employees and at least one hour of sexual harassment training to all nonsupervisory employees by January 1, 2020, and once every two years thereafter. SB 1343 requires the Department of Fair Employment and Housing (DFEH) to develop or obtain one-hour and two-hour online training courses on the prevention of sexual harassment in the workplace, as specified, and to post the courses on the department's Internet Web site.

In order to ensure that the janitorial training mandated by AB 1978 remains compliant with the new requirements of SB 1343, and to eliminate the need for employers to complete two similar, but not identical trainings, the Administration is proposing trailer bill language to ensure that janitorial language is consistent with the Fair Employment and Housing Act (FEHA) training on an ongoing basis.

Governor's Budget Proposal

On April 25th, the Administration released trailer bill language regarding sexual harassment training for the janitorial industry. The trailer bill proposal:

- Amends the definition of a covered janitorial "employer" to close a loophole that excludes from the registration requirement janitorial contractors who provide janitorial services through independent contractors or franchisees, but do not have any employees.
- Requires employers to ensure sexual harassment training is provided to all covered workers (meaning janitorial employees, franchisees, and independent contractors), not just employees.
- Requires, effective January 1, 2020, that new applicants for registration and renewal submit a written attestation to the Labor Commissioner stating that the training has been provided.
- Specifies that employers must keep records for janitorial employees and other covered workers, rather than all of a covered employer's employees.

- Amends the successor liability provision to provide that a successor employer is liable for any wages and penalties its predecessor employer owes to any of the predecessor employer's former workforce, not just to the predecessor employer's former employees.
- Allows the use of a Taxpayer Identification Number where a Social Security Number is required for registration purposes, including for all individuals associated with the business, because inability to provide this number may have the unintended consequence of forcing these businesses further into the underground economy because they are unable to meet the registration requirements.
- Requires that janitorial businesses with unsatisfied judgments under the FEHA or for failure to secure adequate workers' compensation coverage are not eligible to register or renew their registration.
- Specifies that a successor employer is liable for damages its processor employer owes to its former workforce.
- Clarifies that sexual violence and harassment prevention training requirements for workers and employers is consistent with Section 12950.1 of the Government Code, as prescribed under SB 1343.

These updates will allow the Labor Commissioner's Office to implement and enforce the janitorial registration and training program in a manner that is consistent with legislative intent and not unduly burdensome to employers who are now required to comply with both the DIR and the DFEH training requirements.

Staff Recommendation. Hold Open.

Issue 80: Garment Manufacturer's Special Account (Informational)**Background**

Unpaid Wage Fund. In 1975, the Unpaid Wage Fund (UWF) was established for all wages or benefits collected by the Labor Commissioner, to be remitted to the worker or the worker's lawful representative. At the end of each fiscal year, the unencumbered balance remaining in the Unpaid Wage Fund is transferred to the General Fund. The practice of depositing the remaining unencumbered balance into the General Fund began in 2005-06 as a result of concerns over General Fund solvency. The UWF transfers between \$2 million to \$6 million of unencumbered funds to the General Fund every year.

The Garment Manufacturers Special Account. The Garment Manufacturers Special Account (GMSA) is administered by the Labor Commissioner and funds from this account are dispersed to persons to have been damaged by the failure of a garment manufacturer to pay wages and benefits. California Code of Regulations Section 13635 sets the fee structure for the GMSA, applicable to garment contractors and garment manufacturers based on their gross sales receipts. Fees for garment contractors range from \$250 for contractors with \$100,000 or less in gross sales to \$1,000 for contractors who earn over \$1 million in gross sales. In addition, \$75 of each registration is deposited into the GMSA. This account has been insolvent since 2015-16 because the amount of new claims is greater than the account's annual revenue. In 2017-18, this resulted in over \$4.5 million of claims that cannot be paid. The GMSA receives an average of \$300,000 each year from fees but in recent years expends \$800,000 to \$1.5 million to unpaid wage claims annually, as a result, the GMSA is short \$500,000 to \$1.2 million to meet the needs of all wage claims each year.

2018-19 Budget Act. The 2018-19 budget included budget bill language to authorize the transfer of any remaining unencumbered balance of the UWF into the GMSA, the Farmworker Remedial Account, or the Car Wash Worker Restitution Fund for the 2018-19 fiscal year only. The Administration did not anticipate an additional need in the Car Wash Fund or the Farmworker Account and included them in the budget bill as a precautionary measure in case there was a need. In 2018-19, the Administration anticipated a \$4.3 million transfer from the UWF to the Garment Fund.

Update on the GMSA. Since the enactment of the 2018-19 budget, the Administration estimates that the number of unpaid claims has increased from approximately 260 to 473, and the aggregate amount of unpaid claims has grown from \$4.5 million (as reflected in the BCP) to over \$11.2 million. According to the Administration, the oldest outstanding garment claim is from 2013.

The Administration notes that the increase in the number and costs of the claims may be attributable to more effective targeting in labor law enforcement over the last several years funds. The Division of Labor Standards and Enforcement (DLSE) notes in its 2016-17 Report on the Effectiveness of the Bureau of Field Enforcement that through its strategic enforcement and high-quality, in-depth investigations the division has assessed more wages due to workers than at any other time in the history of the division.

DIR is working with Department of Finance to determine the best package of options which can be implemented in the most expeditious manner to provide the means to effectively address any remaining unpaid claims, and help ensure the future solvency of the GMSA.

On April 24, 2019, the Administration processed and approved an Executive Order to transfer \$3.9 million from the UWF to the GMSA to pay unpaid garment wage claims. While individual claims can vary significantly depending on the underlying factors, the Administration estimates that the cost of claims covered by this transfer is approximately \$24,000 each, impacting 162 workers. However, this leaves approximately 311 workers with \$7.3 million in unpaid wage claims.

While the 2018-19 budget bill language appears to have provided a short-term solution to the fund imbalance, the subcommittee may wish to consider whether a long-term solution is needed. Specifically, the subcommittee may wish to ask whether the current fee structure of the GMSA is appropriate in meeting the needs of the millions of dollars in unpaid wage claims, or if there are other reforms or changes to ensure that workers receive their owed back wages. The subcommittee may wish to ask the Administration if they have a plan to address this issue, and when they plan to execute this plan.

Staff Recommendation. None. This item is informational.

Issue 81: Lead Exposure Levels (Informational)

Background

Existing law authorizes the Occupational Safety and Health Standards Board (OSH Board) to adopt, amend, or repeal occupational safety and health standards and orders, as prescribed. Additionally, existing law requires Cal/OSHA to propose to the OSH Board for its review and adoption, a standard that protects the health and safety of employees who engage in lead-related construction work and meets all requirements imposed by the federal Occupational Safety and Health Administration.

Existing law requires an employer, in accordance with safety orders promulgated by Cal/OSHA, to ensure that an employee is not exposed to lead at concentrations greater than 50 micrograms per cubic meter of air averaged over an 8-hour period.

Status of Cal/OSHA’s Occupational Lead Exposure Standards. Since 2011, Cal/OSHA has been working on revisions to the lead standards in the safety orders pertaining to construction and general industry. According to DIR, there were six advisory meetings with stakeholders, which resulted in six versions of draft regulations. Revisions to the lead standard were completed in 2016 but they have yet to be finalized.

According to Cal/OSHA “the revised standards are undergoing a standardized regulatory impact analysis (SRIA), as required by Government Code Sections 11346.3(c) and 11346.36. SRIAs are required for any regulations with an economic impact of \$50 million or more.

DIR notes that the SRIA was informally submitted to DOF for input. The SRIA is currently undergoing a final internal review at DIR, and will be formally submitted to DOF for approval in early summer. The review will be included in the Initial Statement of Reasons, along with a summary and analysis of DOF's comments, as part of the package that will be submitted to the Office of Administrative Law to commence rulemaking.

Formal rulemaking can take up to one year from the date that the OSHSB is ready to issue the notice of proposed rulemaking. The Administration estimates that rules will be complete by mid-2020.

There is currently pending legislation, Assembly Bill 457 (Quirk), which requires the department to complete formal rulemaking for lead exposure limits by February 1, 2020.

Staff Recommendation. None. This item is informational.