

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Anna Caballero, Chair

Senator Jim Nielsen

VACANCY



Wednesday, February 3, 2021

2:00 p.m.

State Capitol - Room 4203

Consultant: Yong Salas

ITEMS FOR VOTE ONLY

0840	State Controller’s Office (SCO)	3
	Issue 1: SCO Information Security Workload and Continuity of Operations	3
	Issue 2: SCO Infrastructure and Operational Costs	3
0845	Department of Insurance (CDI)	4
	Issue 3: Mental Health or Substance Use Disorders (SB 855).....	4
0890	Secretary of State	4
	Issue 4: Corporations – Board of Directors – Underrepresented Communities (AB 979)	4
	Issue 5: Help America Vote Act – VoteCal	4
	Issue 6: Help America Vote Act – Spending Plan	5
	Issue 7: Statement of Information Labor Judgment Language (AB 3075).....	5
	Issue 8: Human Resources Bureau of Critical Administrative Resources	6
1750	California Horse Racing Board	6
	Issue 9: Technical Correction.....	6
8620	Fair Political Practices Commission (FPPC)	7
	Issue 10: Continuation of California Disclose Act Workload.....	7
	Issue 11: Local Campaign Filings (AB 2151).....	7
8885	Commission on State Mandates	8

Issue 12: Funded and Suspended Mandates	8
8940 California Military Department (CMD)	9
Issue 13: State Information Technology Network – Phase 2	9
Issue 14: Consolidated Headquarters Complex Maintenance Personnel	9
Issue 15: Los Alamitos – STARBASE Classroom Building Preliminary Plans	10
Issue 16: Santa Rosa – Sustainable Armory Renovation Program	11
8955 California Department of Veteran Affairs.....	11
Issue 17: Rector Creek Instream Flow and Fish Condition Assessment Study	11
Issue 18: Northern California Veterans Cemetery, Igo: Water System Upgrade	12
Issue 19: Veterans Home of California – Yountville Water Treatment Plan Upgrades	12

ITEMS FOR DISCUSSION

0840 State Controller’s Office (SCO).....	14
Issue 20: California State Payroll System Project.....	14
Issue 21: Local Government Oversight – Internal Control Reviews	15
0845 Department of Insurance (CDI).....	15
Issue 22: Continuation of Enhanced Fraud Investigation and Prevention Activities.....	15
0890 Secretary of State	16
Issue 23: CalACCESS Replacement System Project.....	16
Issue 24: Continuation of Limited-Term Accounting Resources.....	17
Issue 25: California Business Connect Project	17
Issue 26: Business Programs Division Processing Times.....	18
2320 Department of Real Estate	19
Issue 27: Accounting Workload Resources	19
Issue 28: Licensing Information Section – Call Workload.....	20
8260 California Arts Council	20
Issue 29: California Creative Corps Pilot Program.....	20
8955 California Department of Veteran Affairs.....	21
Issue 30: CalVet Electronic Health Record Project: Phases 2 and 3	21
Issue 31: Northern California Veterans Cemetery, Igo – Columbaria Expansion	22

ITEMS FOR VOTE-ONLY

0840 STATE CONTROLLER'S OFFICE (SCO)

Issue 1: SCO Information Security Workload and Continuity of Operations

Request. SCO requests 2 positions and \$308,000 (\$234,000 General Fund and \$74,000 Unclaimed Property Fund) in 2021-22, with two positions and \$287,000 (\$218,000 General Fund and \$69,000 Unclaimed Property Fund) ongoing to validate compliance with statewide information security policy, standards, and procedures; verify SCO's internal information security systems and policies are in place and functioning as intended; and to support business continuity operations.

Background. On March 19, 2020, Governor Newsom declared a state of emergency due to the COVID-19 pandemic. In compliance with the executive order that was issued, SCO and other state agencies and departments mobilized most of the existing workforce to work remotely from home. SCO states that this resulted in the need for a greatly expanded remote workforce, which introduced new information security risks along with an increased number of phishing attacks and cybercrimes being committed.

Prior to the COVID-19 pandemic the SCO states that it did not have a technology infrastructure in place to support a telework environment, such as mobile devices, virtual meeting platforms, and network infrastructure and bandwidth. The SCO states that with the current level of resources, the information security control deficiencies will expose the SCO information systems and business operations to vulnerabilities and risks.

Staff Recommendation. Hold open.

Issue 2: SCO Infrastructure and Operational Costs

Request. SCO requests \$1.6 million (\$1.1 million General Fund and \$474,000 Unclaimed Property Fund) in 2021-22 and ongoing to support increased infrastructure and operational costs associated with personnel services, training, statewide fees, and contracted costs.

Background. In recent years, SCO has experienced increased operational costs without adjustments to its budget authority to accommodate these costs. SCO states that the increase of its infrastructure and operational costs impact its ability to continue performing these workloads while keeping pace with rising costs. Costs such as the Department of General Services (DGS) Statewide Surcharge, price of warrants and envelopes, staff benefits, and other miscellaneous items have increased without additional funding to cover them.

In addition to the general operational cost increases outlined above, SCO states that they are also experiencing additional administrative cost pressures due to mandated department-wide training, and compliance activities for deficiencies found in a State Personnel Board Compliance Review Report.

Staff Recommendation. Hold open.

0845 DEPARTMENT OF INSURANCE (CDI)

Issue 3: Mental Health or Substance Use Disorders (SB 855)

Request. CDI requests an increase of \$81,000 in Insurance Fund in 2021-22 and \$70,000 and ongoing to monitor insurer compliance as mandated by Chapter 151, Statutes of 2020 (SB 855).

Background. SB 855 put in place a broader requirement on health plans and disability insurers to cover medically necessary treatment of mental health and substance use disorders under the same terms and conditions applied to other medical conditions. It also established new requirements for medically necessary care determinations and utilization review and banned discretionary clauses in health plan contracts.

The bill broadened CDI's authority for oversight and enforcement over health insurers' coverage decisions. This request would fund 0.5 position that specializes in mental health and substance use disorder parity, and would complement an existing 0.5 vacant position.

Staff Recommendation. Approve as budgeted.

0890 SECRETARY OF STATE

Issue 4: Corporations – Board of Directors – Underrepresented Communities (AB 979)

Request. The SOS requests \$343,000 in 2021-22 and \$333,000 annually thereafter from the Business Fees Fund to establish 2 positions to implement Chapter 316, Statutes of 2020 (AB 979).

Background. AB 979 requires each publicly held corporation whose principal executive offices are located in California to have a minimum number of directors from underrepresented communities on its board of directors. The bill required the SOS to annually report corporations subject to the requirements of the bill and their compliance, as well as authorized the SOS to impose fines for violations of these requirements.

Staff Recommendation. Approve as budgeted.

Issue 5: Help America Vote Act – VoteCal

Request. SOS requests \$9.8 million from the Federal Trust Fund in 2021-22 to cover the maintenance and operations, data analysis, security assessment, further increased Department of

Motor Vehicles and Department of Technology connectivity costs, and election management system support and verification for the VoteCal statewide voter registration system.

Background. Federal law, the Help America Vote Act (HAVA of 2002) mandates that each state implement, maintain and administer the state-level, uniform, centralized, interactive computerized voter registration database. VoteCal serves as the single system for storing and managing the official list of registered voters in the state, and is jointly supported by the Elections Division under the Secretary of State and county elections officials.

In April 2018, Congress approved and the President signed \$380 million in HAVA funding, of which California received \$34 million, and has a five-year expiration date. In January 2020, \$425 million in HAVA dollars was approved in the Consolidated Appropriations Act of 2020, of which California received \$38.944 million. These funds do not have an expiration date.

Of the federal fund authority requested, \$3.7 million is budgeted for maintenance and operations, and \$6.1 million is budgeted for external consulting.

Staff Recommendation. Approve as requested.

Issue 6: Help America Vote Act – Spending Plan

Request. The SOS requests \$22.7 million from the Federal Trust Fund in 2021-22 to continue implementation of the statewide mandates of the Help America Vote Act of 2002.

Background. In April 2018, Congress approved and the President signed \$380 million in HAVA funding, of which California received \$34 million. The Secretary of State is proposing to use \$9.8 million of these federal funds for the VoteCal system, as described in the previous item. This request proposes to expend \$22.7 million for voter education and training programs for election officials and poll workers, development and dissemination of voting information to increase voter participation and confidence, voting system testing and approval, county assistance for individuals with disabilities, and improving the secure administration of elections.

Staff Recommendation. Approve as requested.

Issue 7: Statement of Information Labor Judgment Language (AB 3075)

Request. The SOS requests \$216,000 in 2021-22 and \$79,000 in 2022-23 and ongoing from the Business Fees Fund to support one positions to implement Chapter 357, Statutes of 2020 (AB 3075).

Background. AB 3075 changed existing requirements for the annual filings of stock corporation, foreign corporations and limited liability companies by requiring corporations and limited liability companies to certify whether specified officers/directors or managers/members of the entity have an outstanding final judgment issued by the Division of Labor Standards or a court of law. The implementation of the business filing requirements would be subject to the certification by the

Secretary of State that the California Business Connect Project is implemented, or January 1, 2022, whichever is earlier.

Staff Recommendation. Approve as requested.

Issue 8: Human Resources Bureau of Critical Administrative Resources

Request. SOS requests \$783,000 in 2021-22 (\$555,000 Business Filing Fees Fund and \$228,000 General Fund) and \$753,000 (\$534,000 Business Filings Fees Fund and \$219,000 General Fund) in 2022-23 and ongoing to fund six permanent full-time positions to align the Human Resources Bureau staffing with Agency growth.

Background. The human resources bureau within SOS is a support organization and serves as the personnel office, and includes 17 permanent positions and 2 student assistants. A recent audit by the State Personnel Board identified the Secretary of State as having findings that hinder the ability to strengthen internal controls. In the past ten years, SOS states that the agency has increased from 485 to 629 employees; however, in the same time, the human resources bureau only received one limited-funded position in 2013-14 and one permanent position in 2018-19.

Staff Recommendation. Approve as requested.

1750 CALIFORNIA HORSE RACING BOARD

Issue 9: Technical Correction

Request. The Administration requests a technical correction to the budget bill language under the 1750-001-3153 budget item. See below for the correction.

1750-001-3153—For support of California Horse Racing Board, payable from the Horse Racing Fund	16,079,000
--	------------

Schedule:

(1) 1610-California Horse Racing Board	16,079,000
--	------------

Provisions:

1. Pursuant to Section 19616.51 of the Business and Professions Code, all racing associations and fairs including all breeds of racing shall remit a license fee to the California Horse Racing Board to be deposited in the Horse Racing Fund. For the ~~2020-21~~2021-22 fiscal year, each racing association and fair shall pay a proportionate share of \$18,001,000, including any

current year adjustments, in the form of a license fee in accordance with a formula developed by the board.

Staff Recommendation. Approve as requested.

8620 FAIR POLITICAL PRACTICES COMMISSION (FPPC)

Issue 10: Continuation of California Disclose Act Workload

Request. The FPPC requests \$430,000 General Fund in 2021-22 and ongoing to continue funding three existing limited-term funded positions on a permanent basis to continue interpretation, outreach and education, enforcement, and refinement for continuing workload associated with AB 249 (Chapter 546, Statutes of 2017), the California Disclose Act.

Background. The California Disclose Act provided comprehensive provisions for campaign advertising and for reporting the source of campaign contributions, among other provisions. The FPPC states that its Enforcement Division received 518 complaints related to the California Disclose Act from June 1, 2019 through October 31, 2020.

This request will continue funding for one senior commission counsel, one political reform consultant, and one special investigator.

Staff Recommendation. Approve as requested.

Issue 11: Local Campaign Filings (AB 2151)

Request. The FPPC requests \$121,000 General Fund in 2021-22, and \$114,000 in 2022-23 and ongoing) and one permanent position to implement AB 2151 (Chapter 214, Statutes of 2020), regarding online filing and disclosure systems.

Background. AB 2151 required a local governmental agency that receives campaign finance disclosure filings in paper format to post copies of the paper filings on its internet website within 72 hours of the filing deadline, and took effect on January 1, 2021.

The FPPC states that it expects an increased amount of advice inquiries from local government agencies regarding their obligations under the new state mandate, general provisions of the Act concerning campaign filing requirements and deadlines, and electronic filing systems. In order to help meet this workload, the FPPC is requesting an additional position to conduct educational and informational outreach on the posting requirements of AB 2151, process complaints, among other duties.

Staff Recommendation. Approve as requested.

8885 COMMISSION ON STATE MANDATES**Issue 12: 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 \$47.7 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.

2021-22 Funded Local Government Mandates	Proposed Funding Levels
General Fund	
Allocation of Property Tax Revenues	603,000
Crime Victims' Domestic Violence Incident Reports	178,000
Custody of Minors-Child Abduction and Recovery	13,259,000
Domestic Violence Arrest Policies	9,793,000
Domestic Violence Arrests and Victims Assistance	2,288,000
Domestic Violence Treatment Services	2,367,000
Health Benefits for Survivors of Peace Officers and Firefighters	2,695,000
Local Agency Ethics	17,000
Medi-Cal Beneficiary Death Notices	8,000
Medi-Cal Eligibility of Juvenile Offenders	2,000
Peace Officer Personnel Records: Unfounded Complaints and Discovery	809,000
Rape Victim Counseling	601,000
Sexually Violent Predators	3,800,000
State Authorized Risk Assessment Tool	724,000
Threats Against Peace Officers	0
Tuberculosis Control	239,000
Unitary Countywide Tax Rates	400,000
U Visa 918 Form	1,339,000
Impasse Procedures II	1,201,000
Peace Officer Training: Mental Health/Crisis Intervention	5,300,000
Total General Fund	45,623,000
Fund 0044	
Administrative License Suspension	2,008,000
Fund 0106	
Pesticide Use Reports	47,000
Totals	47,678,000

Consistent with previous years, the budget includes the suspension of 38 mandates totaling \$552.5 million.

Staff Recommendation. Approve as requested.

8940 CALIFORNIA MILITARY DEPARTMENT (CMD)

Issue 13: State Information Technology Network – Phase 2

Request. CMD requests 11 permanent positions and \$2.7 million one-time General Fund with \$2.1 million ongoing General Fund to continue the development, implementation, and maintenance of its State Network.

Background. Prior to November 2019, all programs in the Department relied on federal computer systems operating on a federal Department of Defense (DoD) network for all daily functions. In November 2019, the DoD introduced and implemented a nationwide modernization and convergence of the Federal network in order to improve the resiliency and security of all DoD networks. Consequently, state programs and access to state systems are no longer supported. This has resulted in a significant adverse impact to daily state operations which include web services, monthly and emergency pay processing, accounting, calculating utility usage costs, and other IT related services (i.e. voice, storage, email, and video conferences) used daily. CMD has stated that payroll, personnel, benefits, and other business functions have been negatively impacted and delayed.

As an initial measure, the CMD was granted nine permanent positions and \$3.9 million one-time General Fund and \$2.8 million ongoing as part of the 2020-21 Budget as the first phase of this project.

CMD's State Network is required for the daily operations of the department, and at present, the CMD is conducting these functions on a degrading federal Department of Defense (DoD) network with a few departments operating on the nascent State Network initiated with funds and positions provided in the 2020 Budget Act. While the initial efforts have been successful, over 90 percent of the CMD state employees are continuing to operate on the DoD federal network or utilizing costly, subscription based stand-alone cellular wireless access technology.

This request will continue the development, implementation and maintenance of its State Network. The CMD indicates that there will be future phases to complete the State Network, and is still in the process of evaluating these steps.

Staff Recommendation. Approve as requested.

Issue 14: Consolidated Headquarters Complex Maintenance Personnel

Request. CMD requests an increase in position authority of eight positions in 2020-21 and ongoing to be paid for by a portion of the savings generated due to the move from a leased building to the

new state-owned Consolidated Headquarters Complex in Rancho Cordova. This proposal also includes the one-time purchase of vehicles, tools, and equipment for the labor activities required to perform maintenance operations at the site.

Background. CMD has leased a building as the headquarters for the Air and Army National Guard since 1993. As part of the lease agreement, the CMD has had a dedicated building manager coordinating all maintenance work, janitorial work, and grounds work/landscaping. This benefit will end once the CMD officially begins moving into its newly constructed Consolidated Headquarters Complex in Spring 2021.

The current lease payment is \$2.7 million, which will no longer be necessary when the CMD moves to its new Headquarters. The cost of the 8 positions and the one-time equipment purchases is \$972,000 in 2021-22 with ongoing costs of \$839,000. The remaining \$1.7 million will be returned to the General Fund in 2021-22, with the additional remaining \$133,000 in the outyears returned to the General Fund.

The CMD currently does not have expenditure authority or staff for the new headquarters that can monitor, analyze, and predict when an issue will occur and proactively prevent failure and costly repairs. The CMD conducted a workload assessment and concluded that a total of 540 work priorities and requests annually consisting of 11,042 hours per year of labor activities related to the headquarters facility with an increase of 10 percent annually as the building systems age will need to be met.

Staff Recommendation. Approve as requested.

Issue 15: Los Alamitos – STARBASE Classroom Building Preliminary Plans

Request. The CMD requests \$1.5 million General Fund for the construction phase of the Los Alamitos: STARBASE Classroom Building project.

Background. STARBASE is a CMD youth program focused on STEM skills that serves fifth-grade students in the Southern California region. The program operates year round and serves more than 3,500 students annually; however, the program currently has a waiting list, and this expansion will help accommodate 900 additional students annually.

This project was originally approved in the Budget Act of 2018 to provide additional classroom space. However, due to design and contracting issues, the working drawing phase of the project was delayed and will likely be approved by June 2021. As a result, construction funds will not be expended or encumbered by the time its authority will expire.

Total estimated costs are \$1.7 million (\$68,000 for preliminary plans, \$102,000 for working drawings, and \$1.5 million for construction).

Staff Recommendation. Approve as requested.

Issue 16: Santa Rosa – Sustainable Armory Renovation Program

Request. The CMD requests \$98,000 (\$49,000 General Fund and \$49,000 federal funds) for the performance criteria of the Sustainable Armory Renovation Program: Santa Rosa project.

Background. The renovation of the Santa Rosa Armory, which was built in 1951, includes upgrading the HVAC, electrical and plumbing systems; renovating the bathrooms, and the kitchen; replacing aged roofing; installing energy-efficient windows and code-compliant doors; upgrading storage vaults and security fencing; installing Anti-Terrorism/Force Protection improvements; and related paving and site improvements.

CMD states that the Santa Rosa Readiness Center renovation project is a high priority due to its location; the armory is close to Highway 101 making it an ideal location for emergency response for the Bay Area. It also houses the Battalion Headquarters that is a critical command and meeting point for emergency response for the area.

Once the renovation is complete, the armory will serve as a venue for training, will provide for the proper storage and maintenance of military equipment, and will be available for use as a temporary operations center or emergency shelter during a state emergency. Total project costs are estimated to be \$6 million.

The Administration's Five-Year Plan includes \$19.3 million (\$10.4 million General Fund and \$8.9 million federal funds) over the next five years for additional projects in the Sustainable Armory Renovation Program. These armory renovations are proposed for Burbank, Visalia, Petaluma, and Redding.

Staff Recommendation. Approve as requested.

8955 CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS**Issue 17: Rector Creek Instream Flow and Fish Condition Assessment Study**

Request. CalVet requests a re-appropriation to extend the liquidation period to complete the Rector Creek Instream Flow and Fish Condition Assessment Study to June 30, 2023.

Background. Funds were appropriated in the 2018 Budget Act for the Rector Creek Instream Flow and Fish Condition Assessment Study. The study is currently underway; however, due to dry rainy seasons the study will not be concluded by June 30, 2021 when the 2018 Budget Act funds revert. This proposal requests an extension of the liquidation period to continue the Rector Creek Instream Flow and Fish Condition Assessment Study. CalVet is requesting to re-appropriate \$275,000 General Fund.

Staff Recommendation. Approve as requested.

Issue 18: Northern California Veterans Cemetery, Igo: Water System Upgrade

Request. CalVet requests \$954,000 General Fund for the Construction Phase of the water system upgrade at the Northern California Veterans Cemetery in Igo, California.

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

The 2019 Budget Act provided \$917,000 General Fund to complete the water system upgrade. However, completion of the working design phase was delayed due to the due diligence obligations required by the State and additional requirements set forth by the SFM. Due to this delay, the construction phase that was originally funded in the 2019 Budget Act expired as the funds were not encumbered or expended by the specified dates in the 2019 Budget Act. In addition, the overall project costs have increased by \$113,000 to reflect additional escalation and because the 2019 proposal omitted costs for due diligence and extended SFM review.

CalVet estimates that total project costs will be \$1.6 million and that working drawings will begin in February 2021 and completed in December 2021, with construction scheduled to begin January 2022 and completed by October 22.

Staff Recommendation. Approve as requested.

Issue 19: Veterans Home of California – Yountville Water Treatment Plan Upgrades

Request. CalVet requests a one-time augmentation of \$2.1 million General Fund in 2021-22 for the required renovations for the water treatment plant at the Rector Reservoir near the Veterans Home of California-Yountville.

Background. California built the Rector Dam in 1946; in April 2018, CalVet hired an architectural and engineering firm to evaluate the condition of the Rector Reservoir water treatment plant and the surrounding systems that contribute to the treatment and delivery of clean drinking water. The intent of the evaluation was to identify potential maintenance issues and upgrades as a result of changing regulatory requirements or deferred maintenance requirements. The evaluation concluded that there were three primary maintenance issues that needed to be addressed: 1) installation of the Rip Rap at the internal base of the reservoir, 2) replacement or renovation of the outside roughing filters, and 3) the renovation of the main filters within the water treatment branch.

This proposal requests \$2.1 million General Fund one-time to renovate the main filters in the Rector Reservoir water treatment plant. The media filters life within the main filter systems of the water treatment plant at Rector Reservoir is dependent on a number of factors. The recent wildfires have decreased the quality of raw water from the watershed and surrounding area that eventually goes into the reservoir, with runoff from the main watershed that has ash or residue from fires requires additional treatment of the water to bring water quality up to regulatory standards.

The 2019-20 budget included \$2.5 million to address critical deferred maintenance projects at Yountville, one of which was the replacement of the filters at the water treatment plant. However, a water line break at the VHC-Barstow in May 2020 impacting the cooling and heating system that serves all of domiciliary buildings required CalVet to redirect funds to address that emergency. This request is to provide funding to replace the media at the water treatment plant that was put on hold in order to address the Barstow emergency.

Staff Recommendation. Approve as requested.

ITEMS FOR DISCUSSION

0840 STATE CONTROLLER'S OFFICE (SCO)

Issue 20: California State Payroll System Project

Request. The SCO requests resources to support the California State Payroll System (CSPS) Project through the continuation of the California Department of Technology (CDT) Project Approval Lifecycle (PAL) Stages 3 and 4. SCO requests 6.0 permanent and 1.0 one-year limited-term position and \$5.5 million (\$3.1 million General Fund and \$2.4 million Central Service Cost Recovery Fund) in 2021-22; 6.0 positions and \$1 million (\$581,000 General Fund and \$439,000 Central Service Cost Recovery Fund) in 2022-23 and ongoing.

Background. Beginning in 2016, SCO began to assess current information technology and the latest industry standards, and initiated the re-engineering of a new human resource management and payroll system, which is now called the California State Payroll System Project (CSPS).

Over the last few years, SCO received resources for CSPS to support the completion of CDT's Pal Stage 1 and 2, and included activities such as:

- Performing business process documentation of human resource management and payroll processing practices to refine the scope of the future project.
- Contracting with a vendor to provide IT consulting business process documentation and reengineering services.
- Contracting with a procurement support vendor to create new, or refine existing, mid-level solution requirements, assist with the performance of a market survey, conduct the final alternative analysis, prepare financial analysis worksheets, and aid in the development of a procurement strategy to be included in the CDT PAL Stage 2.

The CSPS Project intends to modernize and improve the efficiency of the current Uniform State Payroll System (USPS) or replace it entirely. Since the state continues to rely on its 1970s-era legacy systems, which include 13 overarching programs, the CSPS Project is intended to develop a comprehensive approach to allow SCO to meet its strategic objectives to promote financial integrity and accountability; enhance communications and information sharing, among others.

SCO currently is authorized for 24 permanent positions and 1 one-year limited term position. This request will provide for 6 new permanent positions and a continuation of the 1 one-year limited-term position. These resources are intended for continuation through CDT's PAL Stage 3 and 4, both of which are expected to be submitted on July 2021 and May 2023, respectively.

Staff Recommendation. Hold open.

Issue 21: Local Government Oversight – Internal Control Reviews

Request. SCO requests \$712,000 (\$406,000 General Fund and \$306,000 Central Service Cost Recovery Fund) in 2021-22 and ongoing, and a corresponding decrease in reimbursement authority to fund 5 existing positions to perform investigative audits and reviews of the financial oversight of local government agencies.

Background. The 2017-18 Budget provided SCO with \$1.1 million (\$108,000 General Fund and \$1 million in reimbursement authority) and nine positions for the ongoing oversight of local governments as authorized by existing law. Existing law allows the SCO to investigate local governments whose financial transaction reports are not made in the time, form, and manner required or there is reason to believe that a report is false, incomplete, or incorrect. The activities included the enforcement of the financial transactions reporting requirements of local governments, analyzing and monitoring financial data for potentially distressed entities, and conducting audits of local government entities.

Existing law authorizes the local government under review to reimburse the State Controller for any costs incurred during the course of an investigation. However, the SCO states many of its activities when providing oversight to local governments are non-reimbursable - or if reimbursable, go unpaid – and thus requests that funding for these activities shift to General Fund so that SCO may focus its investigations on evaluating local government agencies.

Staff Recommendation. Hold open.

0845 DEPARTMENT OF INSURANCE (CDI)**Issue 22: Continuation of Enhanced Fraud Investigation and Prevention Activities**

Request. CDI requests to convert 34 limited-term positions to permanent positions and increase its expenditure authority of \$6.1 million General Fund in 2021-22 and ongoing to support enhanced fraud investigation and prevention efforts in civil whistleblower cases. Beginning in 2023-24 and every three fiscal years thereafter, CDI is requesting \$640,000 to continue the eDiscovery Software-as-a-Service (SaaS) subscription.

Background. Existing law allows a whistleblower to file a civil lawsuit in the name of the state against any individuals or companies that are alleged to be involved in the submission of false or fraudulent claims to an insurer. These civil actions are also called "Qui Tam" actions. The Insurance Commissioner is authorized to use CDI attorneys to handle this civil litigation.

Since November 2013, the Department has reached settlement agreements in a number of major whistleblower lawsuits resulting in \$139.2 million in settlement payments, more than \$66 million of which was paid to the General Fund. The CDI has deposited an average of \$9.0 million per year in to the General Fund over the last five fiscal years. As a result of these resources the CDI has been able to increase recoveries for the state (refer to resource history table on the following page).

The trend has improved dramatically over the last 24 months as CDI recovered \$14.6 million in assessments to the General Fund and has already recovered \$15 million in 2020-21.

Since 2014-15 the Legislature has approved multiple requests totaling \$54.9 million for CDI to utilize these funds for Enhanced Fraud Investigation and Prevention efforts. The department has had up to 50 limited-term positions and associated authority over the last seven years. All General Fund resources currently authorized will expire June 30, 2021.

This request also includes \$640,000 General Fund. In April 2017, CDI's Fraud Liaison Bureau under the Legal Branch implemented eDiscovery Software-as-a-Service (SaaS) in order to better handle the large volume of materials associated with pending whistle-blower cases. Since project implementation, this tool has improved efficiencies with FLB's business processes. The FLB has automated 100 percent of processing, organizing, searching and retrieving of discovery documents in whistleblower cases and has been able to intervene in twice as many cases since moving from the manual process to the eDiscovery SaaS tool.

In order to continue to utilize the SaaS solution, the CDI must renew its triennial SaaS subscription in 2023-24. The CDI negotiated a fixed price SaaS subscription fee of \$640,000 every three years. This request is for \$640,000 General Fund in 2023-24 and would reoccur every three fiscal years thereafter to support the subscription renewal of the eDiscovery SaaS subscription.

Staff Recommendation. Hold open.

0890 SECRETARY OF STATE

Issue 23: CalACCESS Replacement System Project

Request. The Secretary of States requests \$7.5 million (\$7 million General Fund and \$500,000 from the Political Disclosure, Accountability, Transparency, and Access Fund) for the ongoing maintenance and operation of the CAL-ACCESS Replacement System. This request continues funding for 12 positions, professional support services, and software licensing renewals.

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 existing 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.

In the 2019-20 Budget, trailer bill was adopted to delay implementation of the Cal-ACCESS project from December 2019 to February 2021, in part to avoid complications with implementing

the system during a presidential election year. According to the SOS, the project is on time for its February 2021 release date.

Staff Recommendation. Hold open.

Issue 24: Continuation of Limited-Term Accounting Resources

Request. The Secretary of State requests \$1.6 million (\$1.1 million Businesses Fees Fund and \$463,000 General Fund) in 2021-22 and ongoing for 12 positions, ten of which are existing and 2 of which are new, for the Accounting and Procurement Sections.

Background. The 2019-20 Budget included \$1.5 million for 11 two-year, limited-term positions in support of FI\$Cal implementation. SOS implemented FI\$Cal in July 2018, and has since experienced significant delays. SOS states that prior to receiving additional resources in 2019, they had insufficient staffing levels to reduce ongoing backlogs which caused exorbitant staff overtime, employee retention problems, and delays in payment.

Staff Recommendation. Hold open.

Issue 25: California Business Connect Project

Request. The SOS requests \$11.7 million (\$8.2 million from the Business Fees Fund and \$3.5 million from the Business Programs Modernization Fund) in 2021-22 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.

Special Project Report #4 for the California Business Connect Project was approved in May 2020. The project has a completion date of December 2021, with a total project cost estimate of \$68.4 million.

Although the general business processes for each filing are similar, separate application systems and processes have evolved over time for each filing type. As a result, at least 23 separate automated systems are in use to support 15 of the filing types; the remaining 8 filing types are essentially paper-based manual systems supported only with basic office automation tools, such as Microsoft Access, Word and Excel or 3" x 5" index cards.

June 2020 marked the third year of operation for the bizfile California Portal, which is an online portal to help businesses file, search, and order business records. bizfile California will grow as the SOS adds more California Business Connect online services. In three years, bizfile California has provided the following customer benefits as of 06/30/2020:

New CBC Online Services	Implementation Date	Number of Online Submissions
LLC Statements of Information	6/21/2017	1,368,625
Trademark Registration	1/11/2018	13,014
LLC Formations	5/8/2018	269,221
LLC Terminations	12/27/2018	42,257
Trademark Modifications	10/8/2019	383
Corporation Statements of Information	11/6/2019	401,072
Corporation Formations	3/27/2020	14,904
Certificates of Good Standing (Orders)	6/30/2020	3,028
Uniform Commercial Code	7/15/2020	TBD

Staff Recommendation. Hold open.

Issue 26: Business Programs Division Processing Times

Request. SOS requests a continuation of spending authority for the additional resources needed to reach and maintain an average of five business days or better for processing paperwork for Business Filings and Statements of Information until California Business Connect is fully implemented. The request is for 47 positions, a decrease from the current 56 positions, and \$5.1 million from the Business Fees Fund in 2021-22.

Background. The California Business Connect, when fully implemented, will alleviate a majority of the labor-intensive workload, including manual processing of paperwork related to business filings.

Due to prior delays in the California Business Connect implementation, the SOS was approved for spending authority of \$5.5 million to support 56 positions and resources in 2016-17 and 2018-19 in order to maintain the five business day processing times. Now, with the recent and ongoing automation and online improvements, SOS has reduced the level of support necessary from 56 positions to 47 positions.

Staff Recommendation. Hold open.

2320 DEPARTMENT OF REAL ESTATE**Issue 27: Accounting Workload Resources**

Request. The Department of Real Estate (DRE) requests \$125,00 in 2021-22 and \$117,000 in 2022-23 and ongoing from the Real Estate Fund, and one permanent position and one two-year, limited-term position to support the accounting activities in Fiscal Operations.

Background. Since July, 1 2018, under the provisions of Chapter 828, Statutes of 2017 (SB173), the California Bureau of Real Estate separated from the Department of Consumer Affairs (DCA), became a department within the Business, Consumer Services, and Housing Agency, and was renamed the DRE. In order for the DRE to function as a department and meet required departmental mandates, the requested core positions were approved via a Budget Change Proposal (2320-001-BCP-2018-GB) and enacted by Chapter 29, Statutes of 2018. Prior to becoming a Bureau, DRE had its own Accounting (Fiscal Operations) Section, which was responsible for implementation of all laws and rules governing State financial accounting and reporting.

In 2018-19 and 2019-20, DRE entered into an interagency contract with DCA for services to assist during the transitional period in its return to department status. This Interagency agreement provided for DCA's assistance with all accounting functions until DRE was able to hire the necessary positions to fulfill most accounting responsibilities. This contract ended on June 30, 2020. In 2019-20, DRE's Accounting Section consists of seven positions.

2018-19 brought new challenges to the newly formed Department, as the number of Funds increased. Prior to 2017-18, the Department had to maintain, reconcile, and prepare financial statements for, at the time, one special fund, the Real Estate Fund, but in 2018-19, the number of funds increased to three. As required in the Business and Professions Code section 10450.6, which states in part, "there shall be separate accounts in the Real Estate Fund for purposes of real estate education and research and for purposes of recovery which shall be known respectively as the Education and Research Account and the Consumer Recovery Account." The Education and Research Account is a special fund and the Consumer Recovery Account is a continuous appropriation. Prior to the establishment of the Consumer Recovery Account and the education and Research Account in SCO and FISCAL, the Department recorded approximately 8,000 revenue transactions in both checks and credit card transactions in FISCAL. After, the establishment of these funds, the Department now records an additional 3,600 revenue transactions.

The request is due to the complexity of current funds, as well as to assist with the workload and backlog created with the ending of the interagency agreement with DCA. The Senior Accounting Officer (Specialist) position would assist with credit card and Nationwide Multistate Licensing Service (NMLS) transactions, while the limited-term Accounting Officer (Specialist) would assist with addressing the four-month backlog of miscellaneous revenue functions such as running a deposit tape, processing deposits in CashPro, and keying coded transactions. Without sufficient staffing to address the accounting workload related to reconciling, remittance, and managing the workload, DRE is struggling to meet the deadlines for reconciling, Month End Close, Year End

Close, and preparing financial statements, while maintaining the day to day operations of the accounting office.

Staff Recommendation. Hold open.

Issue 28: Licensing Information Section – Call Workload

Request. The DRE requests three year, limited-term funding of \$414,000 in 2021-22, and \$374,000 in 2022-23 and 2023-24 from the Real Estate Fund and 5 positions to the support the Licensing Program, Information Section and assist with managing high call volumes and excessive call wait times.

Background. Currently, there are approximately 422,000 real estate licensees in California. Before an applicant can be licensed as a real estate salesperson or broker, they must fulfill certain real estate education requirements and pass an exam administered by DRE. Broker and salesperson licenses are issued for a four-year period. The renewal process for both license types includes the submission of an application, payment of fees, and demonstrating evidence that the licensee has completed 45 hours of DRE-approved continuing education courses. DRE’s Licensing program supports the department’s mission by providing a variety of services to California consumers, applicants, licensees, and other governmental agencies. These services include qualifying and scheduling examination applicants, developing and administering the real estate salesperson and broker examinations, and the issuance and renewal of real estate salesperson and broker licenses. This group also manages a large volume of telephone inquiries from licensees, applicants, and consumers.

The associated licensing workload, as well as an increasing licensing population, has led to a continually high volume of phone calls received by DRE and an extensive call wait time for licensees, applicants and consumers. Average call wait times are currently estimated at 25 minutes.

Staff who process these applications currently redirect a portion of their time to help manage calls, which results in longer processing times for applications, and in turn, adds to the high volume of telephone calls. DRE has attempted to mitigate this excessive workload through the use of overtime, hiring limited-term staff, as well as the redirection of existing staff and resources from other sections to the extent feasible. While these efforts have provided some relief, the impacts are temporary.

Staff Recommendation. Hold open.

8260 CALIFORNIA ARTS COUNCIL

Issue 29: California Creative Corps Pilot Program

Request. The California Arts Council requests \$5 million General Fund in 2020-21 and \$10 million General Fund in 2021-22 to implement the California Creative Corps Pilot Program. This request is part of the Administration’s “early action” package.

Background. The California Creative Corps Pilot Program intends to create public awareness of the various methods to stop the spread of COVID-19, that includes public messaging, wearing masks, social distancing, staying at home, and receiving vaccinations. California artists will use a variety of artistic mediums and methods to promote public health awareness, for example, the creation of murals in neighborhoods that have been heavily impacted by COVID-19.

Specifically, the CAC states that the funding will support the costs for artists, ambassadors, and commissions representing all 58 counties in the state and will include statewide media, outreach, engagement, and local administration to support localities. The funding provided in 2020-21 will be used to engage approximately 500 artists, and additional details will be determined by the Council at a later date. The CAC will work with artists, performers, and others, with a focus on BIPOC and LGBTQ individuals.

Staff Recommendation. Hold open.

8955 CALIFORNIA DEPARTMENT OF VETERAN AFFAIRS

Issue 30: CalVet Electronic Health Record Project: Phases 2 and 3

Request. CalVet requests a one-time augmentation of \$10 million General Fund in 2021-22 for the second year of implementation of a new long term care electronic health record system in the Veterans Homes of California and Headquarters.

Background. CalVet's existing clinical, financial, and administrative aspects of the Homes rely heavily on paper records. In 2016, CalVet began to work with the Department of Technology to explore various options for an electronic health record system to use in its Veterans Homes. The 2020-21 budget provided a one-time augmentation of \$1.2 million General Fund for the first phase of implementing the electronic health record system, which was installed at its Homes in Barstow, Chula Vista, Lancaster, and Ventura.

This request will implement the second and third phase of this project, and will be used to enhance the system at the initial four Homes, and implementing the system at the four remaining Homes in Fresno, Redding, West Los Angeles and Yountville.

The total cost of this project is estimated to be \$20.8 million, with a completion date of December 2021.

Staff Recommendation. Hold open.

Issue 31: Northern California Veterans Cemetery, Igo – Columbaria Expansion

Request. CalVet requests \$296,000 General Fund for the preliminary plans and working drawings phases for the columbarium expansion at the Northern California Veterans Cemetery (NCVC) in Igo, California.

Background. The NCVC opened for interments in December 2005 with 1,200 columbaria niches. When the cemetery was designed in 2002, the number of in-ground burial plots and columbaria niches was consistent with existing interment rates. Since then, niches have been utilized regularly and seem to be the most desired burial option – niches are the most desired burial option, over double that of requests for casket and in-ground cremains. An additional 2,000 niches were constructed and completed in March 2012.

As of December 23, 2020, only 318 columbaria niches remain and with the current interment rate, the columbaria will be exhausted by the summer of 2021. The nearest veteran’s cemetery with available space is nearly 200 miles away in Dixon, California.

CalVet applied for a federal grant in August 2018 to construct additional columbaria, and the pre-application was approved for consideration of grant funding through the VA National Cemetery Administration, State Cemetery Grant Program.

The project intends to build 2,000 additional columbaria niches; additionally, it will build new walk-ways, ramps, curb and gutters, landscaping, and irrigation. Total project costs are estimated to be \$2.1 million, of which \$1.8 million will be from federal funds.

Staff Recommendation. Hold open.