

Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 4

Agenda

Senator Anna Caballero, Chair
Senate Sydney Kamlager
Senator Jim Nielsen



Wednesday, May 26, 2021
1:30 p.m.
State Capitol - Room 4203

Consultant: Nora Brackbill, James Hacker, Yong Salas, and Joe Stephenshaw

ITEMS FOR VOTE ONLY

0110/0120/0130 State Legislature	4
Issue 1: Constitutional Adjustment	4
0509 Governor’s Office of Business and Development (GO-Biz)	4
Issue 2: Economic Support for Ports	4
Issue 3: Small Business Finance Center and Small Business Loan Guarantees	5
Issue 4: California Dream Fund	5
Issue 5: California Jobs Initiative Staffing	6
0515 Business, Consumer Services, and Housing Agency	6
Issue 6: Homelessness Landscape Assessment	6
Issue 7: Facility Relocation	7
0590 State Treasurer’s Office	8
Issue 8: Low Income Housing Tax Credits	8
0650 Governor’s Office of Planning and Research	8
Issue 9: Just Transition Roadmap	8
Issue 10: Youth Workforce Development Program	9
Issue 11: Student Success Coach Grant Program	9
Issue 12: Precision Medicine; Adverse Childhood Experiences (ACEs)	9
Issue 13: California Climate Action Corps State Service Program	10
Issue 14: California Volunteer’s Statewide Emergency Response Framework	10

Issue 15: Science, Technology, Engineering, and Mathematics (STEM) Teacher Recruitment Grants	11
0750 Office of the Lieutenant Governor	11
Issue 16: Lieutenant Governor Relocation Costs	11
Issue 17: Lieutenant Governor Support Staff	11
0840 State Controller’s Office	12
Issue 18: Continuity of Operations	12
Issue 19: FI\$Cal Implementation for Annual Comprehensive Financial Report and Other Annual Reports	13
Issue 20: Golden State Stimulus I and II Administrative Costs	14
Issue 21: Electronic Payments for Child Care and State Preschool	14
0855 Gambling Control Commission	14
Issue 22: Card Room Fee Waivers	14
0890 Secretary of State	15
Issue 23: SB 450 – Voters Choice Act Counties	15
0911 Redistricting Commission	15
Issue 24: Redistricting Augmentation	15
1111 Department of Consumer Affairs	15
Issue 25: Relocation	15
1115 Department of Cannabis Control	16
Issue 26: Licensing Entity Consolidation and other Proposals	16
1700 Department of Fair Employment and Housing	17
Issue 27: Housing Equity Outreach and Enforcement	17
Issue 28: SB 973 Cleanup	17
2240 Department of Housing and Community Development	18
Issue 29: Infill Infrastructure Grant Program	18
Issue 30: Housing Law Assistance: IT Component	19
Issue 31: One Time Deferred Maintenance Allocation	19
Issue 32: Housing Navigator for Foster Youth	19
Issue 33: Foster Care Transitional Housing Program	20
Issue 34: Mixed Income Program	20
Issue 35: Accessory Dwelling Units (ADUs)	21
Issue 36: Homebuyer Assistance –Economic Impact Relief	21
7600 Department of Tax and Fee Administration	22
Issue 37: Diaper/Menstrual Product Sales Tax Exemption	22
7730 Franchise Tax Board (FTB)	22
Issue 38: Golden State Stimulus II	22
Issue 39: Main Street Hiring Credit and Homeless Hiring Credit	23
Issue 40: Limitations on Debt Collection	23
Issue 41: Donated Fresh Fruits or Vegetables Credit	24

7760	Department of General Services	25
	Issue 42: Deferred Maintenance	25
	Issue 43: Statewide Property Inventory Modernization Project Planning	25
	Issue 44: Sacramento Region: Jesse Unruh Building Renovation	26
	Issue 45: Bonderson Building Swing Space	27
8620	Fair Political Practices Commission	28
	Issue 46: Lobbying Audits and Investigations	28
8860 -	DEPARTMENT OF FINANCE (DOF)	29
	Issue 47: Office of Statewide Disaster Cost Tracking, Financial Recovery, and Reconciliation	29
8940	California Military Department	29
	Issue 48: State Active Duty Compensation Adjustment	29
	Issue 49: Deferred Maintenance	29
	Issue 50: Emergency Preparedness and Disaster Response	32
	Issue 51: Headquarters Complex	36
8955	California Department of Veterans Affairs	37
	Issue 52: Deferred Maintenance	37
	Issue 53: County Veteran Service Officers – Legislative Proposal	37
9210	Local Government Financing	38
	Issue 54: Property Tax Backfill for 2020 Wildfires	38
	Issue 55: Assessment Appeals Board Deadline Extension	38
	Budget Control Section	38
	Item 56: Budget Control Section 11.90	38

ITEMS FOR VOTE-ONLY

0110/0120/0130 STATE LEGISLATURE

Issue 1: Constitutional Adjustment

Governor's Proposal. The Legislature's budget for 2021-22 was proposed in January to be \$153.3 million for the Senate and \$202.1 million for the Assembly. Under the terms of Proposition 140, the growth in the Legislature's budget is constitutionally limited to the growth in the state's appropriation limit (SAL). The year-to-year SAL increase is calculated to be 4.75 percent in the Governor's May Revision. Applying the May Revision SAL rate to the legislative budget would result in funding of \$157.9 million for the Senate and \$208.0 million for the Assembly.

Background. Funds from the Senate and Assembly appropriations are also used to fund the Legislative Analyst's Office, which, adjusted for SAL, amounts to \$10.7 million in 2021-22.

Recommendation: Staff recommends that the Legislature's budget be adjusted to reflect the SAL increase as provided for in the State Constitution.

0509 GOVERNOR'S OFFICE OF BUSINESS AND DEVELOPMENT (GO-BIZ)

Issue 2: Economic Support for Ports

Governor's Proposal. The May Revision includes one-time funding of \$250 million one-time Coronavirus State Fiscal Recovery Fund to allocate to California ports that provide a vital role in the state's economy.

Background. California's 11 public ports¹ were deemed essential early in the Covid-19 Pandemic, and were allowed to remain open so that essential goods could continue to reach consumers. Since the onset of the pandemic, California ports have faced abrupt, and in some cases dramatic, revenue shortfalls as cargo declined and tourism and recreational opportunities grounded to a halt.

Staff Comments. California's 11 public ports have compiled and shared revenue losses as a result of the pandemic, which provides the approximate estimate of cumulative need of \$250 million. GoBiz has indicated that they intend to develop a standardized method for determining revenue losses, and subsequently allocate funding to the ports based on their proportion of lost revenue.

While economic support for California's ports is clearly important, it is unclear why GoBiz is the appropriate entity to distribute funding, or if the Legislature should more clearly allocate funding instead of deferring to the administration.

Staff Recommendation: Defer action on this proposal for further consideration.

Issue 3: Small Business Finance Center and Small Business Loan Guarantees

Governor's Proposal. The May Revision includes \$70 million one-time General Fund for two initiatives at the California Infrastructure and Economic Development Bank (IBank):

- \$20 million for the Small Business Loan Guarantee Program
- \$50 million for the Small Business Finance Center, to use across programs including the California Rebuilding Fund

These proposals were included in the January Governor's budget proposal, and were heard by the subcommittee on February 10th. The May Revision makes the following changes:

- Reduces the funding for the Small Business Loan Guarantee Program from \$50 million to \$20 million in anticipation of federal State Small Business Credit Initiative funding. IBank asserts that state funds will allow it to sustain its small business loan guarantee activities until it receives the new federal funds. Moreover, IBank notes that its program fills gaps in the existing federal programs, such as funding business acquisitions or lending to businesses that are owned by undocumented immigrants, for example.
- Includes a requirement to notify the Joint Legislative Budget Committee if the Small Business Finance Center funding is not used for the Rebuilding Fund.
- Realigns the funding to the correct item.

Staff Recommendation. Approve as budgeted.

Issue 4: California Dream Fund

Governor's Proposal. The May Revision maintains the \$35 million one-time General Fund proposal to support micro-grants up to \$10,000 to seed entrepreneurship and small business creation in underserved groups that are facing opportunity gaps. The May Revision shifts the funding from FY 2020-21 to FY 2021-22. This item was heard in this subcommittee on February 10, 2021.

Staff Recommendation. Approve as budgeted with placeholder trailer bill language.

Issue 5: California Jobs Initiative Staffing

Governor’s Proposal. GO-Biz requests \$1,350,000 General Fund and 10 positions in 2021-22 and ongoing, including 6 positions for California Competes, 3 positions for the California Office of the Small Business Advocate (CalOSBA), and 1 position for the Legislative and Inter-Governmental Unit.

LAO Comment. We previously have been supportive of staffing increases at GO-Biz in acknowledgement of the increased amount of responsibilities placed on the office by the Legislature. It is not clear, however, that these proposals are justified on a workload basis. These proposals also raise larger questions about whether the administration is appropriately considering the costs and implementation details when developing its major new proposals.

LAO Recommendation. Consistent with our recommendation to reject the California Competes grants, we recommend reducing this proposal by the six positions proposed for the California Competes program. In addition, the proposal for an ongoing increase of three positions for CalOSBA is not justified because that workload is temporary. We recommend reducing this proposal to \$535,000 for 2021-22 and \$127,000 ongoing to fund three one-year limited-term positions for CalOSBA and one permanent legislative position.

Staff Recommendation. Approve LAO recommendation for \$535,000 in 2021-22 and \$127,000 ongoing to fund three one-year limited-term positions for CalOSBA and one permanent legislative position.

0515 BUSINESS, CONSUMER SERVICES, AND HOUSING AGENCY

Issue 6: Homelessness Landscape Assessment

Governor’s Proposal. The May Revision includes \$5.6 million one-time General Fund and 4.0 positions in 2021-22, \$590,000 and 4.0 positions in 2022-23 to for HCFC to conduct an assessment of local homelessness service providers and state funded homelessness programs. The assessment will provide a detailed view of the range of services and strategies that are utilized at the local level and help determine if state investments are aligned with local homelessness response systems.

Background. Current law establishes the Homeless Coordinating and Financing Council (HCFC) within Agency and sets several statutory goals, including serving as the statewide facilitator, coordinator, and policy development lead for homelessness at the state level; identifying and seeking homelessness funding opportunities; coordinating homelessness response efforts between state agencies, state departments, and local jurisdictions; and overseeing the state’s implementation of Housing First.

Staff Comments. HCFC has indicated that they will contract with a vendor to complete a landscape assessment of the state’s homelessness response systems. This assessment will focus on the local level and will identify providers across the local systems of response and classify programs based on the type of intervention or service, the stakeholders involved in administration and service delivery (nonprofit, public entity, public/private), and target population (people at risk, youth, those experiencing chronic homelessness, etc.). Additionally, HCFC will conduct a state funding analysis which will collect and aggregate data summarizing state funding to local systems of response.

The May Revision proposal has merit and could further blend and braid these concepts together. The committee may want to consider the extent to which the May Revise proposal could be expanded or rescoped to meet other state goals related to homelessness.

Staff Recommendation: Approve as budgeted. Adopt placeholder trailer bill language.

Issue 7: Facility Relocation

Governor’s Proposal. The May Revision includes \$150,000 in fiscal year 2021-22 and \$185,000 in 2022-23 and ongoing, with incremental adjustments to account for annual rent increases. This authority will cover one-time and ongoing facilities costs required to accommodate a mandated relocation from the current Business, Consumer Services, and Housing office.

Staff Comments. BCSH is currently located in the Jesse M. Unruh Office Building. As part of the proposed Capitol Annex project, this building is slated for renovation. As such, HCFC requires funding for temporary “swing space” during this renovation. The swing space building is anticipated to be completed in October 2021 and will be used as swing space until 2026. After that, DGS expects the building to be ready for occupancy by its new tenants in 2027 or 2028. For HCFC and other tenants, it is anticipated that they will remain in their interim locations until the swing space building is ready for their use in 2027 or 2028.

The requested resources will support BCSH during this period.

Staff Recommendation: Approve as Budgeted.

0590 STATE TREASURER'S OFFICE**Issue 8: Low Income Housing Tax Credits**

Governor's Proposal. The budget includes \$500 million in low-income housing tax credits.

Staff Comments. The 2019 and 2020 Budget Acts each authorized \$500 million in one-time resources for low-income housing tax credits. To maximize the allocation of tax credits, the California Tax Credit Allocation Committee and the California Debt Limit Allocation Committee adopted regulations aimed at increasing affordable housing production, containing costs, and maximizing public subsidy and benefit of the credits. These regulations were finalized in late 2020.

The state's Low Income Housing Tax Credits have proven to be a valuable tool in addressing the state's housing crisis. As such, additional investment in the tax credits is warranted.

Staff Recommendation. Approve as Budgeted.

0650 GOVERNOR'S OFFICE OF PLANNING AND RESEARCH**Issue 9: Just Transition Roadmap**

Governor's Proposal. The budget includes \$406,000 General Fund in 2021-22 and ongoing to develop and implement a Just Transition Roadmap as required by Executive Order (EO) N-79-20.

Staff Comment. The requested position already exists, and is currently performing work associated with the Executive Order. The focus on equity and a resilient transition is commendable, as it recognizes the necessity of ensuring that all Californians benefit from the transition to a cleaner and more sustainable economy.

Staff Recommendation: Approve as Budgeted.

Issue 10: Youth Workforce Development Program

Governor’s Proposal. The May Revision includes \$200 million in one-time federal ARPA funds for grants to cities or counties to create or expand youth volunteer and job opportunities.

Staff Comment. OPR has indicated that the funding, which will be administered by California Volunteers, will be provided both directly to large cities on a per capita basis and to other cities and counties through a competitive grant process. The goal of this funding is to increase employment opportunities, such as part-time work or summer jobs, for youth to provide them an opportunity to gain valuable work experience.

While there is merit in this approach, there are concerns with the proposed structure, including the split between big cities and smaller cities, as well as questions around CalVolunteers capacity to administer the grants.

Staff Recommendation: Defer action on this proposal for later consideration.

Issue 11: Student Success Coach Grant Program

Governor’s Proposal. The May Revision includes \$15 million one-time to create a grant program that will establish student success coaches in communities to nurture relationships with K-12 students and collaborate with teachers to help prepare students with skills to achieve their goals.

Staff Comment. This would create a new grant program at OPR focused on service at K-12 schools. While the proposal generally has merit, it overlaps with several other actions the committee plans to take.

Staff Recommendation: Reject without prejudice.

Issue 12: Precision Medicine; Adverse Childhood Experiences (ACEs)

Governor’s Proposal. The May Revision includes \$12,415,000 one-time to expand ACEs research which assists in detecting toxic stress to prevent long-term health impacts of youth homelessness. It is also requested that provisional language be added to specify that the resources provided are available for encumbrance or expenditure until June 30, 2026 .

Staff Comment. Previously budgeted funding for competitive grants for ACEs research was reallocated last year from the California Initiative to Advance Precision Medicine (CIAPM) to

address the anticipated state budget problem. This proposal would restore \$12.4 million to support CIAPM.

Staff Recommendation: Approve as budgeted.

Issue 13: California Climate Action Corps State Service Program

Governor's Proposal. The May Revision includes \$4,683,000 and 5 positions in 2021-22, decreasing to \$823,000 ongoing, to create service opportunities to take on climate action such as urban greening, food waste recovery, and wildfire prevention.

Staff Comment. This proposal would provide \$4.7 million General Fund for three years and then \$823,000 ongoing to create service opportunities for activities related to climate change mitigation. This proposal would expand the California Climate Action Corps pilot program and establish it as an ongoing program.

While there is merit in the proposal, it should be considered as part of the state's overall response to climate change.

Staff Recommendation: Defer action on this proposal for later consideration.

Issue 14: California Volunteer's Statewide Emergency Response Framework

Governor's Proposal. The May Revision includes \$1,324,000 and 7 positions ongoing to maintain an emergency response framework to prepare and train for future disaster response.

Staff Comment. This proposal would allow CalVolunteers to maintain the emergency response framework that has been established to support the state's response to the COVID-19 Pandemic. They would also allow California Volunteers to actively prepare and train for future disaster and emergency response.

Staff Recommendation: Approve as Budgeted.

Issue 15: Science, Technology, Engineering, and Mathematics (STEM) Teacher Recruitment Grants

Governor’s Proposal. The May Revision includes \$3 million one-time to provide grants to help recruit STEM professionals into the teaching profession by connecting them with teaching, tutoring, and speaking opportunities in K-12 schools. This request includes provisional language to specify the use of funds for these grants.

Staff Comment. OPR has indicated that these grants are intended to address the shortage of STEM teachers in California by providing learning and training opportunities for potential future teachers, especially in under-resourced communities.

While there is merit in this proposal, it overlaps with certain other actions the committee is planning on taking.

Staff Recommendation: Reject without prejudice.

0750 OFFICE OF THE LIEUTENANT GOVERNOR**Issue 16: Lieutenant Governor Relocation Costs**

Governor’s Proposal. The May Revision proposes \$58,000 in 2021-22, and \$7,000 in 2022-23 and 2023-24 General Fund for relocation costs to move from the Capitol Annex to 1021 O Street in November 2021. Resources will cover one-time costs associated with the relocation and re-establishment of the office, and storage costs for three years.

Background. While the new Capitol Annex is scheduled to be under construction, the Legislature and the executive branch offices are required to relocate to a temporary building at 1021 O Street in Sacramento for the duration of the construction project. The requested funding will cover limited-term costs associated with relocation, re-establishment of the office, and storage fees.

Recommendation: Approve as budgeted.

Issue 17: Lieutenant Governor Support Staff

Governor’s Proposal. The May Revision proposes \$500,000 General Fund and three positions in 2021-22 and ongoing to support the Lieutenant Governor in fulfilling the duties and obligations of the office and best representing the constituents of California.

Background. Over the last 15 years, the Lieutenant Governor’s budget and staffing levels have been significantly reduced while the duties of the office have remained the same. In 2009-10, the budget for Lieutenant Governor was reduced from \$2.8 million and 30 positions to \$1 million and 9 positions. Currently, the budget for the Lieutenant Governor is \$2.1 million and 11 positions.

The Lieutenant Governor serves on, and rotates with the State Controller, as chair of the three member State Lands Commission, which oversees the control and leasing of millions of acres of state-owned land, including offshore oil resources, as well as use and permitting for all navigable waterways in California. The Commission also manages state land-use planning and revenues, and related interstate issues. During alternate years, when the Lieutenant Governor serves as Chairperson of the State Lands Commission, the Lieutenant Governor also serves as a member of the Ocean Protection Council and as a non-voting member of the California Coastal Commission.

The Lieutenant Governor also serves as a voting member of the Board of Regents of the University of California, the Board of Trustees of the California State University system, and the Board of Governors of the California Community Colleges system. The Lieutenant Governor is also a member of the Calbright College Board of Trustees.

Under Article V, Section 10 of the California Constitution, the Lieutenant Governor serves as the Governor when the Governor is out of the state. The Lieutenant Governor is also the President of the Senate and votes in case of a tie. The three positions requested are a Communications Aide, Policy Analyst, and External Affairs Director.

Recommendation: Approve as budgeted.

0840 STATE CONTROLLER’S OFFICE

Issue 18: Continuity of Operations

Request. The State Controller’s Office (SCO) requests two positions and \$301,000 (\$229,000 General Fund and \$72 Unclaimed Property Fund) in 2021-22 and \$287,000 ongoing (\$218,000 GF and \$69,000 UPF) to support the development and expansion of SCO’s Continuity of Operations Program (COOP) as the state transitions to telework and adapts to new ways of doing business.

Background. This subcommittee approved the Governor’s Budget Proposal for \$308,000 for two positions information security and continuity of operations. This proposal would augment the Governor’s Budget request with two more positions.

Staff Recommendation. Approve as requested.

Issue 19: FISCAL Implementation for Annual Comprehensive Financial Report and Other Annual Reports

Request. SCO requests \$872,000 (\$497,000 General Fund and \$375,000 Central Service Cost Recovery Fund in 2021-22 and \$854,000 (\$487,000 GF; \$367,000 CSCRF) in 2022- 23 and budget bill language to support six positions as part of the Financial Information System for California (FISCAL) project, Special Project Report 9 (SPR9) plan to complete the Annual Comprehensive Financial Report (ACFR), Budgetary/Legal Basis Annual Report (BLBAR), and other annual reports timely and ensure financial reporting functions related to the current Legacy system are successfully transitioned to FISCAL.

Background. In 2018, SCO, State Accounting and Reporting Division (SARD), received approval for 27.0 positions through the SCO FISCAL Integrated Solution Budget Change Proposal (BCP). The positions were assigned to four Bureaus within SARD: 11.0 positions to create the new Bureau of FISCAL Implementation and Transition (BFIT), 10.0 positions for the Bureau of Accounting and Consulting (BAC), 5.0 positions for the Bureau of Cash Management (BCM), and 1.0 position for the Bureau of State Government Reporting (BSGR).

All positions have been filled since approved and devoted to the specific tasks they were approved to perform, including the one position for BSGR. However, the workload for BSGR has changed materially since FISCAL has been put into implementation. There are issues that have arisen that were unanticipated at the time that have significantly affected the development of the ACFR, which until recently was referred to as the Comprehensive Annual Financial Report (CAFR), and other year-end reports.

During 2020 (for the 2018-19 financial reporting cycle), the ACFR was delayed by seven months, specifically due to: department reporting deficiencies and errors; compliance issues with state accounting policies identified by CSA; and, because many state departments were unable to submit timely and accurate financial statements to BSGR due to difficulties with learning the FISCAL system. As a result, SCO issued the 2018-19 Unaudited Basic Financial Statements in September 2020 to provide bond investors with information to validate the state's continued financial viability, and bond rating agencies with the underlying data needed to set rates on the state's bonds. The 2018-19 ACFR was finally issued by BSGR on October 30, 2020.

BSGR must also redesign and implement business processes for standardized and customizable GAAP entries to be entered by state departments and work flowed to BSGR in FISCAL. Currently, this data is provided by departments via GAAP agency requests and entries are analyzed and submitted by departments to SCO via spreadsheets and manually entered into the Legacy system by BSGR. BSGR will evaluate the correct posting of these entries in FISCAL to ensure they produce the equivalent results for GAAP reporting and the ACFR that the current Legacy system does. The resulting journal entry methodologies must be documented for CSA. Additionally, BSGR will develop a new workflow solution for FISCAL exempt and deferred agencies to incorporate their accounting entries into FISCAL. Lastly, BSGR will develop and

implement a validation process for transaction processes that were fully automated in SCO's Legacy system, but are being addressed by a "manual" solution in FISCAL.

Staff Recommendation. Approve as requested.

Issue 20: Golden State Stimulus I and II Administrative Costs

Request. SCO requests budget bill language that authorizes the Department of Finance to augment the SCO's budget for the administrative costs of making the Golden State Stimulus I and II tax refund payments.

The proposed budget bill language is as follows:

The Department of Finance may augment the amount authorized under this item for the costs associated with processing and disbursing the Golden State Stimulus I and II tax refund payments. The Controller must submit a detailed schedule of costs directly related to the activities required pursuant to Section 8150 of the Welfare and Institutions Code to the Department of Finance for review and approval. Any adjustment shall not be made sooner than 30 days after the Joint Legislative Budget Committee has been notified in writing.

Staff Recommendation. Approve as requested.

Issue 21: Electronic Payments for Child Care and State Preschool

Summary. Provide \$6 million in one-time General Fund to the SCO to coordinate with the Department of Education and Department of Social Services to set up a system of electronic payment processing and to provide direct deposit payments for child care and state preschool contracts and providers.

Staff Recommendation. Adopt this proposal.

0855 GAMBLING CONTROL COMMISSION

Issue 22: Card Room Fee Waivers

Request. The subcommittee received a request to waive fees for card rooms. The Gambling Control Fund currently has a fund reserve of \$45 million, and the revenue impact due to the waivers is estimated to be at around \$15 million. This proposal only requires statutory authority, with no General Fund augmentation.

Staff Recommendation. Adopt placeholder trailer bill language waiving fees for card rooms.

0890 SECRETARY OF STATE

Issue 23: SB 450 – Voters Choice Act Counties

Request. The subcommittee received a request for \$5.8 million to fund outreach and voter education efforts for the 2022 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.

The requested funds will cover approximately .18 cents per registered voter, per election cycle for the existing 15 counties operating under the VCA model (approximately 11,008,459 registered voters) and the additional 14 counties currently onboarding to the VCA model, (representing another 5,568,764 registered voters) for a total of 16,577,223 registered California voters.

Staff Recommendation. Approve as requested.

0911 REDISTRICTING COMMISSION

Issue 24: Redistricting Augmentation

Request. The Redistricting Commission requests \$8.5 million one-time General Fund to complete redistricting activities related to the 2020 Census.

Background. The United States Census Bureau originally planned to deliver redistricting data to all states by March 31, 2021, but announced that it will instead deliver redistricting data to all states by September 30, 2021. This delay is projected to extend the Commission’s overall redistricting activities and costs by at least two months. This request will provide the Commission with additional one-time funding to complete the necessary maps and to perform related support activities to finalize redistricting activities.

Staff Recommendation. Approve this funding with placeholder budget bill language.

1111 DEPARTMENT OF CONSUMER AFFAIRS

Issue 25: Relocation

Request. The Department of Consumer Affairs requests a \$74,000 increase in expenditure authority from its various special funds to reimburse the Business, Consumer Services, and Housing Agency for costs related to relocating the Agency from the Jesse Unruh Building.

There is a related issue under the Business, Consumer Services, and Housing Agency budget.

Staff Recommendation. Approve as requested.

1115 DEPARTMENT OF CANNABIS CONTROL

Issue 26: Licensing Entity Consolidation and other Proposals

Request. The Administration proposed to consolidate the three cannabis licensing entities into one standalone department, the Department of Cannabis Control, and requested resources to assume the ongoing regulatory responsibilities of the three state cannabis licensing authorities pursuant to the Medicinal and Adult-Use Cannabis Regulation and Safety Act (MAUCRSA) (Chapter 27, Statutes of 2017). In addition, the May Revision proposed to include a Deputy Director of Cannabis Equity and Inclusion, a Local Jurisdiction Grant program, and other technical changes. These resources are requested from the Cannabis Control Fund, which is funded by licensing fees. The Department also requests statutory changes as necessary, including language revising the provisional licensing program.

These requests were discussed at this subcommittee's hearings on February 24 and May 19.

Staff Recommendation.

1. Adopt placeholder trailer bill language.
2. Approve the funding, positions, and budget bill language for the transition until the new department is established requested by the Administration in January and in its May Revision.
3. Approve the resources for the Local Jurisdiction Grant Program, and adopt placeholder budget bill language.
4. In addition to the Administration's proposal, approve resources to include the following positions:
 - Deputy Director of Cultivation, upon Senate confirmation, that serves in the Executive Division.
 - Two additional support staff (one attorney and one Associate Governmental Program Analyst) to serve under the Deputy Director on Cannabis Equity and Inclusion.
5. Approve \$20 million General Fund for the Cannabis Local Equity Grant Program, administered by Go-Biz. The California Cannabis Equity Act of 2018 established by SB 1294 created a state grant program for local jurisdictions to develop and operate local

cannabis equity programs that focus on the inclusion and support of individuals in California's legal cannabis marketplace who are from communities negatively or disproportionately impacted by cannabis criminalization. Approve \$30 million in Cannabis Tax Fund to reduce barriers into entry in the legal cannabis market, including for purposes of implementing Section 26249 of Business and Professions Code.

1700 DEPARTMENT OF FAIR EMPLOYMENT AND HOUSING

Issue 27: Housing Equity Outreach and Enforcement

Governor's Proposal. The budget includes \$2.2 million General Fund in 2021-22 and \$1.7 million General Fund in 2022-23 and ongoing and eight positions to: expand the Department's multi-lingual education and training efforts to reduce discrimination in housing and employment; build a fair housing testing program and attendant enforcement capability; study housing discrimination amid COVID-19; and provide expertise on landlord-tenant issues to strengthen the state's response to the COVID-19 pandemic; enhance the state's commitment to equity; and help keep Californians housed and employed in the longterm.

Staff Comments. DFEH plays an important role in enforcing the state's fair housing laws. As California deals with widespread issues of housing affordability, this work has become even more crucial. Additionally, the impacts of COVID-19 have fallen predominantly on lower income individuals and households who are particularly vulnerable to housing discrimination. While the state recently passed an ambitious eviction protection and rental assistance measure, issues of housing discrimination and tenant protection are likely to remain significant in the coming years. Given this, it is reasonable to provide additional resources to DFEH.

Staff Recommendation: Approve as Budgeted.

Issue 28: SB 973 Cleanup

Governor's Proposal. The May Revision includes trailer bill language to clarify portions of SB 973 (Jackson), Chapter 363, Statutes of 2020.

Background. SB 973 authorizes DFEH to receive, investigate, conciliate, mediate, and prosecute complaints alleging practices unlawful under those discriminatory wage rate provisions. It requires DFEH, among other things and in coordination with the Department of Industrial Relations, to adopt procedures to ensure that the departments coordinate activities to enforce those provisions.

Staff Comments. The proposed trailer bill language would add DFEH to the list of entities permitted to use information obtained in the administration of the Unemployment Insurance Code, and would authorize the department to use the information to carry out its duties, including ensuring compliance with specified pay data reporting requirements. This is intended to make it easier for DFEH to perform its duties under SB 973.

Staff Recommendation: Approve as Proposed.

2240 DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Issue 29: Infill Infrastructure Grant Program

Governor’s Proposal. The January budget included \$500 million for the IIG, including \$250 million in 2020-21 and \$250 million in 2021-22, with trailer bill language proposed to focus the \$250 million in 2021-22 on brownfields development.

An April Finance Letter requested a reappropriation of \$160 million in Veterans and Affordable Housing Bond Act of 2019 (Proposition 1) funds for the IIG originally appropriated in the 2020 Budget Act to extend the encumbrance period from June 30, 2021 to June 30, 2022. The April Finance Letter includes an additional \$124.1 million in Proposition 1 funds for 2021-22 for IIG with an encumbrance period through June 30, 2023 and a liquidation date of June 30, 2026. This brings the total Proposition 1 funding for the IIG program to \$284 million in 2021-22.

Staff Comments. As the opportunity for early action has passed, the proposed funding for the IIG program in 2021-22 totals \$534.1 million, including \$284.1 million in Proposition 1 and \$250 million in General Fund. The IIG program has proven valuable for incentivizing housing development in infill areas. As such, additional investment is warranted.

However, it is unclear what additional benefit the proposed focus on brownfields development creates relative to other forms of infill development. Additionally, the legislature has previously ensured that small jurisdictions could compete for funding without being crowded out by larger and better resourced jurisdictions. The Legislature may want to consider whether a set aside for small jurisdictions, or other mechanism to ensure geographic equity in funding distribution, is appropriate.

Staff Recommendation. Approve \$284.1 million in Proposition 1 funding and \$250 million in General Fund in 2021-22. Adopt placeholder trailer bill language.

Issue 30: Housing Law Assistance: IT Component

Governor’s Proposal. The May Revision includes \$360,000 General Fund in fiscal year 2021-22 and ongoing to develop and operate a case management system at the Department of Housing and Community Development (HCD) to assist local governments in complying with housing element laws.

Staff Comment. The committee previously approved \$4.3 million in General Fund resources for state operations and 16 positions in 2021-22, \$3.8 million in state operations for 16 positions in 2022-23 and ongoing to assist local jurisdictions in housing element and housing law compliance. These resources would be part of HCD’s proposed housing law assistance unit, as proposed in the Governor’s Budget, and would augment the new unit in order to plan the procurement and implementation of a Software as a System (SaaS) Case Management System.

Staff Recommendation: Approve as Budgeted.

Issue 31: One Time Deferred Maintenance Allocation

Governor’s Proposal. The January budget included \$10 million General Fund for the most critical repairs and maintenance at the OMS centers. This was intended to fund a portion of the \$15.3 million in critical deferred maintenance needs at the OMS centers, without addressing the \$14.8 million in additional repairs above and beyond critical needs.

The committee took action to fund the \$15.3 million in critical deferred maintenance needs on May 5, 2021.

The May Revision included \$20 million in additional funding for deferred maintenance at OMS centers. This brings the proposed total to \$30 million, enough to cover the identified repairs.

Staff Recommendation: Approve the January proposal for \$10 million. Replace the committee’s previous action with the proposed \$20 million in additional funding.

Issue 32: Housing Navigator for Foster Youth

Governor’s Proposal. The May Revision includes \$5 million in 2021-22 and ongoing to support housing navigators to help young adults secure and maintain housing.

Background. The Housing Navigator program allocates funding to counties for the support of housing navigators to help young adults aged 18 years and up to 21 years secure and maintain housing, with priority given to young adults in the foster care system. The program was previously suspended in the 2020 budget due to concerns about the state’s fiscal condition.

Staff Comment. The Housing Navigator program plays an important role in helping a vulnerable population secure and maintain housing. Ending the suspension and funding the program will allow it to continue to play this role.

Staff Recommendation: Approve as budgeted.

Issue 33: Foster Care Transitional Housing Program

Governor’s Proposal. The May Revision includes \$4 million in 2022-23 and \$8 million General Fund ongoing to provide funding to support county transitional housing services for young adults, with a priority on serving former foster youth between the ages of 18 to 25.

Staff Comments. The Foster Care Transitional Housing Program plays an important role in helping a vulnerable population secure and maintain housing. The requested resources will allow it to continue to play this role.

Staff Recommendation: Approve as Budgeted.

Issue 34: Mixed Income Program

Governor’s Proposal. An April Finance Letter included \$45 million in one-time General Fund resources to provide financing for low- and moderate-income multifamily housing projects. This will support the California Housing Finance Agency’s Mixed-Income Program.

Background. The CalHFA Mixed-Income Program (MIP) provides long-term subordinate financing for new construction of multifamily housing projects which restrict units at a mix between 30% and 120% of the Area Median Income. The program was created by SB 2 (Atkins), Chapter 364, Statutes of 2017, which established an annual appropriation to CalHFA for the purpose of creating mixed income multifamily residential housing for lower to moderate income households. CalHFA receives 15% of annual SB 2 for this purpose. For 2021, the Agency has

also made available funds provided through AB 101 (Committee on Budget), Chapter 159, Statutes of 2019. AB 101 directs the funding to CalHFA to be used to finance low- and moderate-income housing.

Staff Comments. The Mixed Income Program is an important tool for the development of affordable and mixed income housing. Compared to other affordable housing programs, MIP projects cost \$119,000 less per unit on average, begin construction almost a year quicker, and create more units outside of areas of concentrated poverty. As such, additional resources are appropriate.

Staff Recommendation: Approve as Budgeted.

Issue 35: Accessory Dwelling Units (ADUs)

Governor’s Proposal. The May Revision includes an additional \$81 million one-time federal ARPA funds to expand CalHFA’s ADU program to inject a total of \$100 million in available financing for ADUs.

Background. Accessory Dwelling Units (ADUs) have become an increasingly popular and cost-efficient tool to create needed housing. AB 101 (Committee on Budget), Chapter 159, Statutes of 2019 provided \$19 million General Fund for CalHFA to finance ADUs for low- and moderate-income households, which is anticipated to begin in July 2021.

Staff Comments. The additional \$81 million one-time federal ARPA funds requested here would expand CalHFA’s ADU program to inject a total of \$100 million in available financing for ADUs. Because ADUs have quicker local approvals, this proposal could further expedite low-cost production and more quickly increase the housing units statewide.

The Senate Democratic caucus has previously expressed an interest in establishing financing tools for Accessory Dwelling Unit construction to produce more affordable units, provide wealth building opportunities for low and moderate-income homeowners, and benefit historically disadvantaged communities.

Staff Recommendation: Approve as Budgeted.

Issue 36: Homebuyer Assistance –Economic Impact Relief

Governor’s Proposal. The May Revision includes \$100 million one-time federal ARPA funds to CalHFA to expand its First Time Homebuyer Assistance Program.

Background. CalHFAs First Time Homebuyer Assistance Program helps first-time homebuyers with making a down payment, securing a loan, and paying closing costs on a home.

Staff Comments. The May Revision proposes to expand the existing program to lower-income households and expand CalHFA’s lender network to help address the wealth gap, particularly in disadvantaged areas throughout the state. CalHFA has indicated that the program would aim to both expand eligibility and increase the size of individual awards, to assist lower income homeowners with the purchase of a home. This proposal aligns with the caucus’ interest in expanding homeownership opportunities for lower income individuals.

Staff Recommendation: Approve as Budgeted.

7600 DEPARTMENT OF TAX AND FEE ADMINISTRATION

Issue 37: Diaper/Menstrual Product Sales Tax Exemption

Governor’s Proposal. The May Revision proposes trailer bill language to indefinitely extend the sales and use tax exemption for the sale or, or the storage, use, or other consumption of diapers for infants, toddlers, and children and menstrual hygiene products.

Background. The sales and use tax exemption for diapers and menstrual products currently sunsets on July 1, 2023.

Recommendation: Approve placeholder trailer bill language to indefinitely extend the sales and use tax exemption for diaper and menstrual products.

7730 FRANCHISE TAX BOARD (FTB)

Issue 38: Golden State Stimulus II

Governor’s Proposal. The proposed budget includes \$8.1 billion for an additional Golden State Stimulus (GSS) payment, including:

- \$600 payments for filers earning up to \$75,000 who did not already receive a GSS payment (approximately 9.4 million filers)

- An additional \$500 to filers with a dependent making up to \$75,000 (approximately 4.3 million filers)
- An additional \$500 to Individual Taxpayer Identification Number (ITIN) filers that earn up to \$75,000 and have a dependent (approximately 520,000 filers)

In addition, \$3.4 million and 46.6 positions are proposed for the FTB to administer the GSS 2.0. This would bring the total investment in the GSS to \$11.9 billion. The first GSS payment, which was approved by the Legislature in February 2021, included \$600 payments to filers making up to \$30,000, with additional \$600 payments to ITIN filers making up to \$75,000, families enrolled in CalWORKs, and individuals enrolled in Supplemental Security Income or Cash Assistance Program for Immigrants.

The subcommittee heard this item on May 19th.

Staff Comment. Many undocumented Californians do not currently have ITINs, which are issued at the federal level. However, there is currently a large backlog in processing those applications, and it could take months for someone to obtain an ITIN if they don't already have one.

Staff Recommendation. Approve as budgeted with placeholder trailer bill language to include adequate time for individuals to apply for and obtain an ITIN if needed.

Issue 39: Main Street Hiring Credit and Homeless Hiring Credit

Governor's Proposal. The May Revision maintains \$147 million to extend the existing Main Street Hiring Credit for qualified small business employers (Chapter 41, Statutes of 2020, SB 1447). This includes \$47 million leftover from the initial \$100 million allocation for that credit, plus an additional \$100 million allocation. The subcommittee heard this item on February 10th.

Homeless Hiring Credit. The Legislature is considering a proposal to establish a tax credit between \$2,500 and \$10,000, per qualified individual hired, for employers that pay at least 120 percent of the state of California's minimum wage. Each eligible employee—certified by local Continuums of Care—must work not less than a specified number of hours (depending on the size of the credit) the year for which the employer is claiming the credit. A qualified employer would be able to claim \$30,000 in tax credits annually, with an allowable maximum of \$30 million in credits allocated annually statewide. The subcommittee heard this item on May 19th.

Staff Recommendation. Approve placeholder trailer bill language for both the Main Street Hiring Credit and the Homeless Hiring Credit.

Issue 40: Limitations on Debt Collection

Proposal. The Senate proposes language to apply some limitations placed on private debt collectors to the FTB for certain types of court-ordered debt.

Background. Current law limits the ability of private debt collectors to collect debts from individuals who earn low wages or have low bank account balances. The intent of the proposed language is to extend certain of these limitations to FTB's collection activities.

Limitations for private debt collectors.

SB 501 (Wieckowski), Chapter 800, Statutes of 2015 limits wage garnishments by private debt collectors to the lesser of 25 percent of an individual's weekly disposable earnings or 50 percent of the amount by which the individual's disposable earnings for the week exceed 40 times the state or local minimum hourly wage.

SB 616 (Wieckowski), Chapter 522, Statutes of 2019 requires bank levies imposed by private debt collectors to exempt an amount equal to the minimum basic standard of adequate care for a family of four, among other protections.

Collection of government debts by FTB. FTB has broad authority to collect different types of government debts through various means. FTB is currently allowed to garnish up to 65 percent of wages, and levy a bank account to a negative balance. The first Golden State Stimulus payment included statutory language to protect the payments from collection for state debts.

The intent of the language proposed here is to permanently establish additional protections from garnishments and levies for very low-wage earners, by applying two restrictions from SB 501 and SB 616 to certain types of debt collected by the FTB. The language would apply to court-ordered debt, which includes court-imposed fines and restitution, among others, and to vehicle registration debt, including vehicle registration fees, parking fees, and toll fees, among others. The language would not excuse or eliminate this debt, which carries a 10 percent interest. However, it would protect debtors from having the majority of their wages garnished, or from losing access to a bank account.

Staff Recommendation. Approve placeholder trailer bill language.

Issue 41: Donated Fresh Fruits or Vegetables Credit
--

Budget Proposal. Trailer bill language is being consider to extend the Donated Fresh Fruit or Vegetable Credit.

Background. The Donated Fresh Fruit or Vegetables Credit is an income tax credit that allows a qualified taxpayer to receive a credit equal to 15 percent of the qualified value of the qualified donation items of fresh fruits or fresh vegetables donated to a California Food Bank. The current credit ends on January 1, 2022. Extending the credit is projected to result in revenue losses of \$100,000 in 2021-22, growing to \$350,000 in 2023-24.

This tax credit helps enable producers to donate food products to California food banks and get nourishing food into the hands of individuals, children, and families.

Recommendation: Adopt placeholder trailer bill language to extend the Donated Fresh Fruits or Vegetables Credit.

7760 DEPARTMENT OF GENERAL SERVICES

Issue 42: Deferred Maintenance

Request. The Department of General Services (DGS) Facilities Management Division (FMD) requests \$30 million in one-time General Fund for fiscal year 2021-22 to address critical Fire, Life, and Safety (FLS) issues related to Fire Alarm Systems in four state buildings, and elevator deficiencies in one state building owned and operated by DGS.

Background. This request will address critical Fire, Life, and Safety (FLS) issues related to Fire Alarm Systems in four state buildings, and elevator deficiencies in one state building owned and operated by DGS (see table below). Due to the buildings' aging infrastructure, changes in building code requirements, and evolution of technology, the current FLS and conveyance systems are antiquated, prone to failing, and are comprised of obsolete parts. The requested resources will be used to bring four buildings into full compliance with Fire, Life, and Safety regulations and address urgent safety issues related to conveyance systems in one building to avoid costly emergency response situations and risk to public health and safety.

Table 1 - Proposed Statewide Fire-Life-Safety and Elevator Projects

Project Type	Location - Building Name	Amount
FLS	Oakland - Elihu Harris Building	\$6,500,000
FLS	San Francisco - Ronald M. George SOC (Earl Warren Building)	\$4,500,000
FLS	Sacramento - Office Building 8	\$3,100,000
FLS	Sacramento - Office Building 9	\$3,000,000
Elevator	Sacramento - Secretary of State Building	\$12,900,000
Total		\$30,000,000

Staff Recommendation. Approve as requested.

Issue 43: Statewide Property Inventory Modernization Project Planning

Request. The Department of General Services (DGS), Enterprise Technology Solutions (ETS) is requesting a onetime increase of \$214,000 General Fund to fund the planning efforts for the State Property Inventory (SPI) modernization project.

Background. The SPI is a 30-year-old system on a legacy platform that was developed by multiple contractors over the years without adequate system documentation. Systems have changed over the 30-year duration as additional data has been required for reporting purposes and enhancements have been completed at various times by adding modules for data entry. These disjointed efforts have created difficulty in extracting information easily.

The complexity of the system is now at the point that daily use and maintenance requires many manual processes. For example, most of the reports currently required of the system must be manually created and require custom coding each time a given report is run, and then data must be exported and manipulated to achieve the desired results. Additionally, system patches or updates are increasingly difficult because the core system was written so long ago that the older, outdated features do not function correctly after the update. This necessitates individual, manual fixes often requiring technical staff to work overtime after-hours so that the entire system can be taken offline without impacting business functions. Finally, as technology platforms have evolved over the past 30 years, the development platform is no longer widely-used. This makes it extremely difficult to hire trained and experienced staff, and DGS' Enterprise Technology Solutions Office has limited staff that are skilled in developing and maintaining this platform. These critical risks to the system requires immediate re-write and modernization in order to maintain compliance with the Government Code and prevent complete system failure.

Staff Recommendation. Approve as requested.

Issue 44: Sacramento Region: Jesse Unruh Building Renovation

Request. DGS requests \$122.4 million lease-revenue bond authority in 2021-22 for the design-build phase of a project to renovate the historic Jesse Unruh Building, located at 915 Capitol Mall in Sacramento.

Background. The 2018 Budget Act provided \$6.3 million General Fund for the performance criteria phase of the Jesse Unruh Building renovation project, and at the time, total project costs were estimated to be \$89.9 million. However, DGS states that due to construction escalation, as well as mitigation for more hazardous materials found than previously anticipated, as well as repair costs due to more severe water intrusion than previously anticipated, total project cost is estimated to be \$128,727,000 (\$6,335,000 for performance criteria and \$122,392,000 for design-build). However, DGS states that under the traditional design-build model, escalation costs would have increased the total project cost to \$130.6 million; under the progressive design-build model, escalation costs increased the total project cost to \$128.7 million.

The building is located in a prominent area on Capitol Mall, adjacent to the historic Stanley Mosk Library and Courts Building, and the State Capitol. The current occupants of the building

include the State Treasurer's Office, Government Operations Agency, Business, Consumer Services and Housing Agency, and the California State Transportation Agency. The proposed backfill tenant is the State Treasurer's Office.

The Capitol Fountain was completed circa 1928, and is one of three listed contributors to the Capitol Annex National Register Historic District, which also includes the Unruh Building and the Stanley Mosk Library and Courts Building. However, the draft environmental impact report for the Jesse Unruh Building Renovation Project found that there were issues with "electrical shortages in the fountain lighting, failure of mechanical equipment, leaks in the fountain bowl and associated valves, and a possible drain line collapse."¹

The Jesse Unruh building was built in 1929 and is a historical landmark – the proposed renovation will restore the building's historical character and also address critical life safety and other code deficiencies. The proposed \$122.4 million in lease-revenue bond financing would only be enough to renovate the building. To include restoration to the fountain, the total amount needed would \$118.8 million, an increase of \$2 million, and would also include potential modification costs to the Capitol Mall roundabout area as well.

Staff Recommendation. Approve \$124.4 million in lease-revenue bond financing for the design build phase of the renovations to the Jesse M. Unruh Building and the Capitol Plaza, including the restoration of the State Capitol Fountain in accordance with the Secretary of Interior's Standards for treatment of historic properties, and adopting budget bill language that prohibits the demolition of the State Capitol Fountain.

Issue 45: Bonderson Building Swing Space

Request. The Department of General Services (DGS) requests \$11,630,000 from the General Fund in 2021-22 for the design-build phase for improvements to the Paul Bonderson Building, located at 901 P Street in Sacramento. These improvements are in conjunction with the Jessie Unruh building project. Total project cost is estimated to be \$11,630,000. Fire and life safety, accessibility, tenant improvements and hazardous materials removal are required to prepare the building to house the State Treasurer's Office (STO) as swing space in the near term, and to make the building suitable to house future state tenants. The STO is currently located at the Jesse Unruh Building, 915 Capitol Mall, which is scheduled to be renovated in 2021-22, and which must be fully vacated in June 2022.

Background. The Paul Bonderson Building has been identified as requiring fire and life safety and accessibility improvements as part of the Sacramento Region Facility Condition Assessments prepared in 2015 and is ranked third in Sacramento for buildings requiring replacement or improvement. The work must be accomplished within a short timeframe to coordinate with the Jesse Unruh Building Renovation project construction, and continuation of the Ten-Year Sequencing Plan.

¹

<https://www.dgs.ca.gov/-/media/Divisions/RES/Resources/Notices-Information-Resources-for-CEQA/Projects/Sacramento-County/Jesse-M-Unruh-Building-Renovation-Project/Unruh-DEIR-508-compliant.pdf>

The Paul Bonderson Building will be utilized as swing space for the State Treasurer's Office (STO) during the upcoming renovation of the Jesse Unruh Building, scheduled to start on-site construction June 2022. The STO is the primary tenant of the Jesse Unruh Building and will return as the sole tenant upon completion of renovations. Due to the STO's unique space needs, tenant improvements must be completed at the Bonderson Building prior to STO occupancy, which will then trigger additional fire and life safety and accessibility improvements. In addition, in a facility condition assessment completed in 2015, the Paul Bonderson Building was ranked third in Sacramento and fourth statewide for state-owned, DGS-controlled office buildings requiring renovation or replacement. The proposed building improvements will satisfy the majority of the critical repairs identified in the FCA and will allow backfill with future state tenants upon STO returning to the Jesse Unruh Building. The FCA also identified replacement of rooftop air handlers and air distribution and control systems, which is being completed as a separate deferred maintenance project to be completed in tandem with this project. Other standard tenant improvements such as paint, carpet and modular systems furniture is also being completed using existing support funding and in concert with other repairs and improvements.

Staff Recommendation. Approve as requested.

8620 FAIR POLITICAL PRACTICES COMMISSION

Issue 46: Lobbying Audits and Investigations

Request. The Fair Political Practices Commission requests 5 positions and \$637,000 General Fund in 2021-22, and \$602,000 annually thereafter, to implement the redirection of authority from the Franchise Tax Board to perform lobbying audits and field investigations on lobbying reports and statements filed with the Secretary of State pursuant Government Code section 86100. In addition, statutory changes are requested to transfer the authority to conduct the lobbying audits and investigations from the Franchise Tax Board to the Fair Political Practices Commission.

Background. The Commission was created by the Political Reform Act (Act) as an independent non-partisan agency whose objective is to prevent corruption of public officials in the governmental decisionmaking process. The Commission has primary responsibility for the impartial and effective administration and implementation of the Act. The Commission regulates and enforces actions performed by governmental officials and agencies and requires extensive disclosure reports to provide the public with access to government processes.

Existing law authorizes the FTB to perform audits and field investigations with respect to audits and investigations pursuant to Government Code Section 90000, which indicates that the reports and statements of each lobbying firm and each lobbyist employer who employs one or more lobbyists shall be subject to an audit on a random basis with these lobbying firms or lobbyist employers having a 25 percent chance of being audited. When a lobbying firm or lobbyist employer is audited, the individual lobbyists who are employed by the lobbying firm or the lobbyist employer shall also be audited.

The redirection of authority from the FTB to the Commission is to perform lobbying audits and field investigations on lobbying reports and statements filed with the SOS pursuant to Government Code section 86100.

Staff Recommendation. Redirect the resources requested in the proposal to the Franchise Tax Board to continue performing audits, and reject the trailer bill language request.

8860 - DEPARTMENT OF FINANCE (DOF)

Issue 47: Office of Statewide Disaster Cost Tracking, Financial Recovery, and Reconciliation

May Revision. The May Revision proposes \$3,374,000 in American Recovery Plan Act (ARPA) funds and 15 positions to create a new unit in DOF called the Office of Statewide Disaster Cost Tracking, Financial Recovery, and Reconciliation for the purpose of tracking, implementation, and oversight of federal stimulus and disaster relief funds through December 2024. Thereafter, ongoing activities of the unit will be funded by the General Fund and performed by 7 positions.

Background. Since the beginning of the COVID-19 pandemic, California has received nearly \$425 billion in federal stimulus funds according to DOF. For some of the funding, like the \$9.2 billion California received from the Coronavirus Relief Fund (CRF), the federal government has required states to create detailed tracking and accounting systems to ensure the expenditure of funds meet the requirements of federal law and the associated federal guidance. Existing DOF staff were redirected to manage the funding plan and establish tracking and oversight but due to the additional \$27 billion the state will receive from the ARPA, the department believes it is necessary to create a new unit to ensure accountability and transparency.

The unit will also identify opportunities to standardize and streamline accounting and reporting policies and processes to improve the tracking, oversight, and recovery of federal funding, including the state's ability to recover disaster relief funds from the Federal Emergency Management Agency (FEMA).

Staff Recommendation: Approve May Revision.

8940 CALIFORNIA MILITARY DEPARTMENT

Issue 48: State Active Duty Compensation Adjustment

Request. The California Military Department requests an ongoing net increase of \$16,000 (an increase of \$22,000 General Fund and a decrease of \$6,000 Federal Trust Fund) to align the pay of its 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.

Staff Recommendation. Approve as requested.

Issue 49: Deferred Maintenance

Request. The California Military Department requests a one-time General Fund appropriation of \$15 million in fiscal year 2021-22 to address deferred maintenance projects. The requested funding will address deferred maintenance projects on the 2020 Backlog of Maintenance and Repair list.

Background. Below is a list of projects that the Military Department will address with this funding, which total to approximately \$15 million:

Facility Location	Project Title and Description	Estimated Cost
San Bernardino , 266 East 3rd Street, Armory	Fencing	\$ 250,000
San Francisco , End of Zoo Road, Armory	MVSC Roof repairs	\$ 125,000
San Francisco , End of Zoo Road, Armory	Replace fence on east side	\$ 300,000
San Mateo , 400 No Humboldt St., Armory	Security fencing	\$ 250,000
San Mateo , 400 No Humboldt St., Armory	Replace roof on Armory.	\$ 300,000
San Pedro , 891 W 13th Street, Armory	HVAC repair	\$ 200,000
San Pedro, 891 W 13th Street, Armory	Sec Fence/Lighting & Paving, Landscape	\$ 450,000
Santa Ana , 612 E. Warner Ave., Armory	Fence repairs and repairs	\$ 250,000
Santa Ana , 612 E. Warner Ave., Armory	Upgrade HVAC	\$ 125,000
Seaside 140 COL Durham Street, Armory	Repair motorpool gates	\$ 125,000
Stockton , 2000 Stimson Road, AASF	Electrical upgrade	\$ 230,000
Stockton , 8010 So. Airport Dr., Armory	HVAC for Assembly Hall	\$ 200,000
Stockton , 8020 So. Airport Dr., CSMS	restoration and improvements fencing	\$ 500,000
Van Nuys, 17330 Victory Blvd, Armory	HVAC repair	\$ 300,000
Van Nuys, 17330 Victory Blvd, Armory	Fenceline repairs	\$ 250,000
Ventura , 1270 Arundell Ave., Armory	Storefront Door replacement	\$ 75,000
Walnut Creek , 1800 Carmel Drive, Armory	Fencing repairs on Motor pool	\$ 250,000
Walnut Creek , 1800 Carmel Drive, Armory	Re-roof with Cool roof	\$ 150,000
Yuba City , 310 B Street, Armory	Perimeter Fence Survey/Replacement	\$ 175,000

Facility Location	Project Title and Description	Estimated Cost
Apple Valley , 17988 Hyway 18, Armory	New Drill Floor Heaters.	\$ 130,000
Azusa, 1351 West Sierra Madre Ave, Armory	Motorize Side Gates (2) and wrought iron upgrade	\$ 200,000
Barstow , 1601 Armory Road, Armory	Electrical upgrade	\$ 150,000
Barstow, 1601 Armory Road, Armory	Sec Fence/Lighting & Paving, Landscape	\$ 500,000
Chico, 2415 Tom Polk, Armory	Supply Building Roof replacement	\$ 75,000
Colton , 423 East B Street, Armory	Roof Replacement	\$ 500,000
Colton , 423 East B Street, Armory	Electrical upgrade	\$ 100,000
Colton , 423 East B Street, Armory	HVAC	\$ 150,000
El Cajon , 451 N. Pierce Street, Armory	Security fence	\$ 800,000
El Centro , 310 So. 4th Street, Armory	Roof Replacement	\$ 450,000
El Centro , 310 So. 4th Street, Armory	Drill Floor & Office Heaters	\$ 220,000
Fresno (Hammer) 5575 E. Airways Blvd, Armory	Roof leak repair	\$ 450,000
Fresno (Hammer) 5575 E. Airways Blvd, Armory	Security Fence restoration and improvements	\$ 250,000
Fresno, 5140 East Dakota Ave., Armory	Roof	\$ 400,000
Fresno, 5140 East Dakota Ave., Armory	Security fencing	\$ 200,000
Fresno, 5140 East Dakota Ave., Armory	Swamp cooler replacements	\$ 150,000
Fresno, 5565 E. Airways Blvd., TASMG Armory	Security Fencing	\$ 300,000
Fullerton , 400 So. Brookhurst Rd., Armory	Security Fence	\$ 400,000
Fullerton , 400 So. Brookhurst Rd., Armory	HVAC Replacement	\$ 150,000
Glendale, 220 E. Colorado St., Armory,	HVAC Replacement	\$ 300,000
Glendale, 220 E. Colorado St., Armory,	Roof Coating	\$ 300,000
Hollister, 2302 San Felipe Rd., Armory	Security Fence & Paving	\$ 550,000
Hollister, 2302 San Felipe Rd., Armory	Install MVSC Fence and Lighting	\$ 100,000
Hollister, 2302 San Felipe Rd., Armory	Install workspace HVAC	\$ 220,000
Inglewood , 111 Grosvenor Street, Armory	Re-Roof	\$ 400,000
Long Beach , 2200 Redondo Ave., Armory	Fire Alarm Replacement	\$ 200,000
Long Beach , 2200 Redondo Ave., Armory	Elevator interior repair & repairs	\$ 75,000
Madera , 701 E. Yosemite Ave., Armory	Security Fencing	\$ 250,000
Manhattan Beach , 3601 Bell Avenue, Armory	Fence line restoration and improvements	\$ 175,000
National City , 303 Palm Avenue, Armory	Replace Roof	\$ 450,000
Ontario , 950 N. Cucamonga Ave, Armory	Install new Security Fence with motorized Gate	\$ 250,000
Palmdale , 38315 N. 30th Street, Armory	Security Fencing	\$ 275,000
Palmdale , 38315 N. 30th Street, Armory	HVAC Replacement	\$ 300,000
Pomona, 1700 E. 1st Street, Armory	Replace fencing	\$ 500,000
Redding, 3025 South St., Armory	Replace fencing	\$ 250,000
Richmond , 624 Carlson Blvd., Armory	Replace heating & HVAC	\$ 150,000
Richmond , 624 Carlson Blvd., Armory	Fire Alarms installed.	\$ 165,000
Sacramento, 8410 Okinawa St. , Armory	Install rolling gates and repair fence	\$ 130,000

Staff Recommendation. Approve as requested.

Issue 50: Emergency Preparedness and Disaster Response

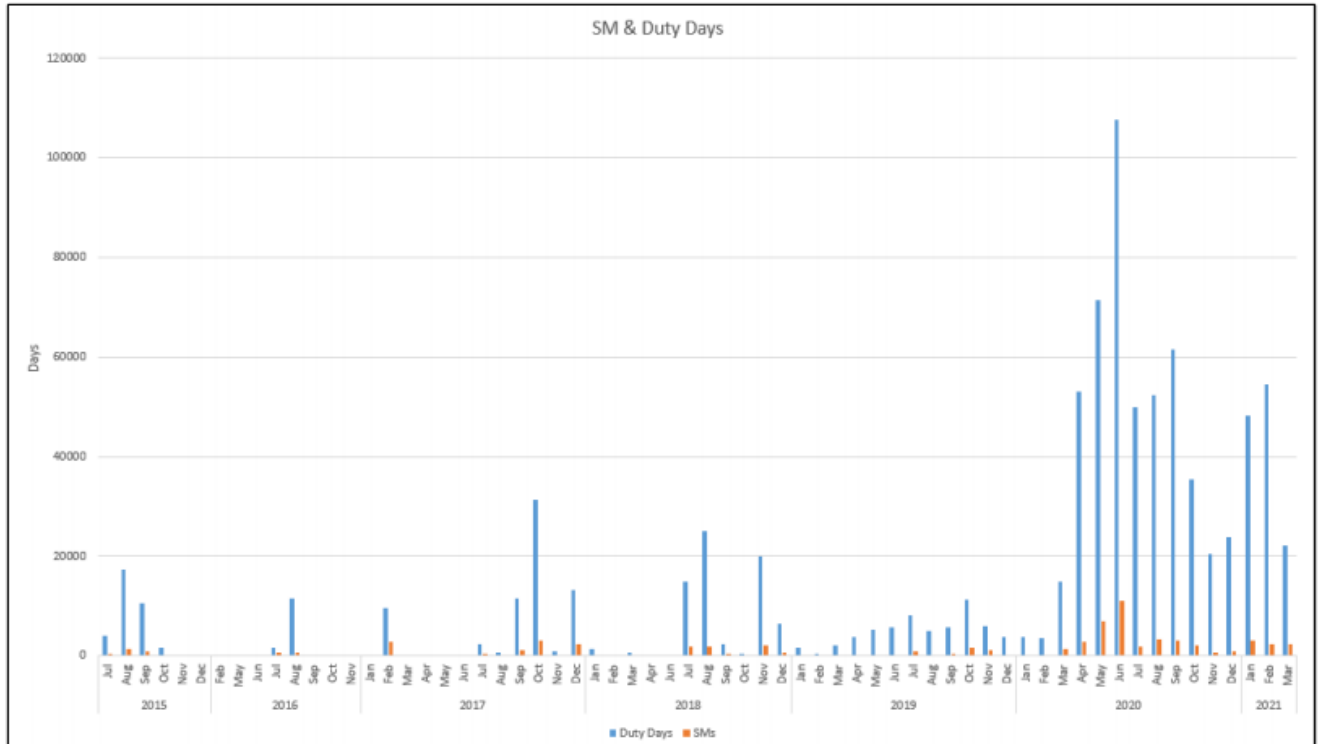
Request. The California Military Department requests 18 positions and \$2.9 million General Fund in 2021-22, and \$2.8 million annually thereafter, to address higher levels in the magnitude, frequency, and complexity of natural disasters and demand for National Guard support. These resources will provide the necessary operational, logistical, administrative, and fiscal support staff required to maintain the readiness of our part time force.

Background. Historically, the CMD has been activated by the state in a response role to provide aviation and ground resources to perform wildfire suppression along with high altitude and hoist capable aircraft to support search and rescue operations. Since 2015, the CMD has supported greater demands across the state for other, more diverse missions such as debris removal, first responder decontamination, commodities distribution, cyber response, emergency evacuations, labor support to food banks and non-profit institutions, along with a vast run on medical support teams to support hospitals, nursing homes, and vaccination sites in the wake of the COVID-19 Pandemic. The strain from these expanded mission demands have been further exacerbated by frequent demands to protect lives, rights, and infrastructure during periods of civil unrest that are becoming much more common.

Besides the new missions, the role and scope of CMD has expanded within traditional wildfire and search and rescue missions. For wildfires, the CMD has evolved from emergency response wildfire suppression capability to a year-round fire detection, prevention and response enterprise. For search and rescue, the CMD now routinely deploys specialized teams to assist incident commanders by equipping civilian ground search teams with military Friendly Force Tracking (FFT) technology and by providing Incident Awareness and Assessment teams to assist in developing search patterns and analyzing visual data gathered from aircraft to identify clues (clothing, objects, etc.).

CMD provides the following chart that shows the number of duty days as well as individual service members activated by month since 2015:

Figure 2 – total number of duty days and individual service members activated by month since 2015



Additionally, CMD provided a breakdown of the number of duty days and personnel activated to support each operation in 2020 and 2021:

COVID-19- 5,998 personnel / 358,545 days	COVID-19- 2,256 personnel / 102,258 days
WLFF- 2,994 personnel / 63,352 days	WLFF- N/A
TF-Rattlesnake- 126 personnel / 9,965 days	TF-Rattlesnake- 328 personnel / 15,750 days
Civil Unrest- 9,889 personnel / 66,024 days	Civil Unrest- 1,783 personnel / 22,552 days
Totals: 19,007 personnel / 497,886 days	Totals: 4,367 personnel / 140,560 days

Staff Comment. This request includes two full-time positions to staff the Friendly Force Tracking program, which uses military-level technology to assist in developing search patterns and analyzing visual data gathered from aircraft to identify clues on the ground. The program is used for search and rescue or search and extraction operations during wildfires or other emergencies where its technology provides critical, lifesaving support.

However, it has also been used to monitor episodes of civil unrest, like the recent protests in June 2020, demonstrations during the presidential election and inauguration, the marches after the Derek Chauvin verdict, and the University of California graduate student strikes at the end 2019 and in the beginning of 2020. CMD provided the below information of when the Friendly Force Tracking system was used during responses to civil unrest:

LOCATION	DATES (-)	AGENCY/UNIT SUPPORTED	# OF FFT PAX	# OF SHOUTS DEPLOYED	# OF GEC20 DEPLOYED
Planned Protest (Aug 2018)					
Berkeley, CA	04AUG18-06AUG18	Berkeley Police Department (BPD)	1	30	2
Planned Protest (Mar 2019)					
Santa Cruz, CA	19MAR19 - 21MAR19	University Of California Santa Cruz Police Department (UCSCPD)	1	15	1
Planned Protest (Apr 2019)					
Santa Cruz, CA	9APR19 - 11APR19	University Of California Santa Cruz Police Department (UCSCPD)	1	20	1
Santa Cruz, CA	30APR19 - 02MAY20	University Of California Santa Cruz Police Department (UCSCPD)	1	20	1
Planned Protest (May 2019)					
Santa Cruz, CA	14MAY19 - 16MAY19	University Of California Santa Cruz Police Department (UCSCPD)	1	24	1
San Francisco, CA	14MAY19 - 16MAY20	University Of California San Francisco Police Department (UCSFPD)	1	60	2
Planned Protest (Nov 2019)					
Santa Cruz, CA	12NOV19 - 14NOV19	University Of California Santa Cruz Police Department (UCSCPD)	1	25	2
Planned Protest (Jan 2020)					
Santa Cruz, CA	05JAN20 - 24JAN20	University Of California Santa Cruz Police Department (UCSCPD)	1	40	2
Planned Protest (Feb 2020)					
Santa Cruz, CA	09FEB20 - 12FEB20	University Of California Santa Cruz Police Department (UCSCPD)	1	30	2
CIVIL UNREST (May-Jun 2020)					

Los Angeles, CA	31MAY20 - 08JUN20	79 IBCT	2	120	4
Los Angeles, CA	31MAY20 - 08JUN21	Los Angeles Police Department (LAPD)	0	0	1
Sacramento, CA	02JUN20 - 08JUN20	49 MP BDE	1	100	4
PRESIDENTIAL ELECTION (Oct-Nov 21)					
Sacramento, CA	29OCT20-30 OCT20	Theater Response Force (TRF)	1	12	2
Southern California	02NOV20 - 06NOV20	79 IBCT	2	100	2
Los Alamitos, CA	02NOV20 - 06NOV20	TRF SOUTH	2	6	1
Moffett AFB, CA	02NOV20 - 06NOV20	TRF NORTH	1	6	1
Fairfield, CA	02NOV20 - 06NOV20	49 MP BDE	2	100	1
Modesto, CA	02NOV20 - 06NOV20	184 IN	1	25	0
Manhattan Beach, CA	02NOV20 - 06NOV20	578 BEB	1	17	0
Richmond, CA	02NOV20 - 06NOV20	143 FA	1	13	0
INAUGURATION (Jan-Mar 21)					
Azusa, CA	15JAN21 - 23JAN21	1/18 CAV	1	0	1
Sacramento, CA	15-Jan-21	1/143 FA	1	0	1
Los Alamitos, CA to Washington D.C.	11MAR21 - 16MAR21	146 AW	1	5	0
Washington D.C.	11MAR21 - 16MAR21	223 MI	1	10	2
Sacramento, CA	15JAN21 - 23JAN21	184 IN	1	25	0
Sacramento, CA	15JAN21 - 23JAN22	270 MP	1	0	1
Sacramento, CA	15JAN21 - 23JAN23	40ID DTAC	2	0	2
Sacramento, CA	15JAN21 - 23JAN24	OVERWATCH	1	4	0
Sacramento, CA	15JAN21 - 23JAN25	578 BEB	1	17	0
Sacramento, CA	15JAN21 - 23JAN26	79 IBCT	2	100	2
Los Alamitos, CA	15JAN21 - 23JAN27	TRF SOUTH	2	6	1
Sacramento, CA	15JAN21 - 23JAN28	TRF NORTH	1	6	1
Sacramento, CA	15JAN21 - 23JAN29	49 MP BDE	4	111	2
CIVIL UNREST (APR 21)					
Sacramento, CA	20APR2021 - 21APR21	270 MP CO	4	20	1
Manhattan Beach, CA	20APR2021 - 21APR21	579 EN BN	4	20	1
Lancaster, CA	20APR2021 - 21APR21	143 MP BN	4	15	0

Staff notes that the National Guard is typically activated by the Governor and mutual aid requests and activities are coordinated by the Governor’s Office of Emergency Services, so decisions to use the Friendly Force Tracking technology on civil unrest episodes could very well be made outside of CMD. The proposal requests permanent, full-time positions to manage the Friendly Force Tracking program given the significant increase in the number of duty days and personnel that have been activated in the past two years. The amount of personnel activated in 2020 for civil unrest exceeds the number of personnel activated for all the other emergencies combined, including COVID-19 and wildfire response, and the number of duty days used for civil unrest comes in second after the number of duty days used for COVID-19 response as a whole, and is more than what was used for wildfire response. It is unclear whether the Administration will continue to activate the National Guard for future events of civil unrest at the level at which it has in 2020 and 2021.

The use of the military Friendly Force Tracking technology during the Administration’s response to civil unrest begs the question of (1) why, (2) whether such use of military-level tracking technology during civil unrest response is necessary and appropriate, (3) exactly what type of information or individuals are being sought, (4) why this technology is needed to find this information or these individuals, and (5) why two full-time positions are necessary to manage a program that is traditionally managed with a “partially staffed” team. Given the short time frame afforded to thoughtfully analyze and review this request, staff is recommending to defer without prejudice the resources requested for the Friendly Force Tracking program.

Staff Recommendation. Deny the two positions and associated resources for the Friendly Force Tracking program, and approve the remaining resources.

Issue 51: Headquarters Complex

Request. The California Military Department (CMD) requests a supplemental appropriation of \$25,855,000 one-time General Fund for the design-build phase of the Sacramento: Consolidated Headquarters Complex project. The additional funds are necessary to secure project management, construction supervision, engineering support and inspection services through the duration of the project, and to address numerous required change orders and contractor re-mobilization activities and related costs. The additional funds will allow the project to be completed in 2021-22.

This subcommittee heard this request at its May 19 hearing.

Staff Recommendation. Approve as requested.

8955 CALIFORNIA DEPARTMENT OF VETERANS AFFAIRS

Issue 52: Deferred Maintenance

Request. The California Department of Veterans Affairs requests \$15 million General Fund in 2021-22 to address deferred maintenance projects at the Veterans Homes of California. The proposed projects include replacing the air handling units at the Veterans Home of California-Barstow (\$14.4 million) and elevator renovations at the Veterans Home of California-Yountville (\$600,000).

Background. This request would fund the following projects:

Facility Location	Project Title and Description	Estimated Cost
Veterans Home of California, Barstow	Replace Air Handling Units (AHU) throughout the Home: The AHUs typically operate 24-hours per day, are over 25 years old, and are at risk of failing. The aging mechanical systems require constant, ongoing maintenance as bearings, motors, and heating and cooling coils have exceeded their life expectancy of 15 years. The AHUs need to be replaced/upgraded and aligned to increase efficiency. They need to be connected to the new control system installed by Honeywell in 2016. Due to the extreme desert temperatures, AHUs are a critical part of the infrastructure. Taking a proactive approach to address this situation before failure will ensure that the VHC-Barstow maintains its compliance with health and safety standards and that policies and procedures are in line with Title 22 and the United States Department of Veterans Affairs regulations.	\$14,400,000
Veterans Home of California, Yountville	Elevator Modernization: The VHC-Yountville has 26 elevators throughout the property. Most of these elevators are very old and routinely fail. These failures have proven costly, resulting in numerous emergency contracts and repairs. In many cases, elevator parts are no longer manufactured and new parts have to be reengineered by specialty manufacturers specifically for the VHC-Yountville, dramatically extending the time before elevators return to operation and increasing the costs for repairs. More importantly, the continuous failures have proven significantly disruptive to resident services, particularly those with limited mobility. To date, only two elevators on the Yountville campus have been modernized. The \$600,000 requested in this proposal will allow the VHC-Yountville to modernize one to two additional elevators.	\$600,000
Total		\$15,000,000

Staff Recommendation. Approve as requested.

Issue 53: County Veteran Service Officers – Legislative Proposal

Request. This subcommittee received a request for \$5.4 million to augment the county veteran service officers (CVSO) funding in local governments. CVSOs provide direct assistance to veterans with obtaining earned Federal benefits, at no cost, for themselves and their families. They assist veterans, including those who are experiencing homelessness or are at risk of becoming homeless, with a range of services. This includes connecting veterans to the appropriate Federal Veterans Affairs (VA) services, treatment, and benefits to assist with housing

and other essential needs. CVSOs are especially helpful to veterans in navigating VA benefits and completing applications for aid, which is normally a complex process.

Staff Recommendation. Adopt this proposal.

9210 LOCAL GOVERNMENT FINANCING

Issue 54: Property Tax Backfill for 2020 Wildfires

Request. The Administration requests \$11 million to backfill property tax losses for the 2020 wildfires. This request would include the counties of Butte, Fresno, Lake, Lassen, Los Angeles, Madera, Monterey, Napa, Nevada, Orange, San Bernardino, San Diego, San Mateo, Santa Cruz, Siskiyou, Solano, Sonoma, Trinity, Tulare, and Yolo.

Staff Recommendation. Approve as requested.

Issue 55: Assessment Appeals Board Deadline Extension

Request. The Administration requests trailer bill language to extend the deadline to allow assessment appeals board to hear cases remotely from March 31, 2021 to December 31, 2021.

Background. The 2020 Budget extended the deadline for decisions in pending assessment appeals cases to March 31, 2021 and provided explicit statutory authority to conduct assessment appeals hearings remotely. These important provisions were intended to allow counties to safely conduct assessment appeals hearings and ensure that boards were able to finalize rulings on appeals that were nearing the statutory deadline. While in a few counties these provisions were sufficient to allow for disposition of backlogged cases, in many others, the backlog has persisted and grown substantially. An extension of the statutory deadline to December 31, 2021 is necessary to ensure the appropriate adjudication of these cases.

Staff Recommendation. Adopt placeholder trailer bill.

BUDGET CONTROL SECTION

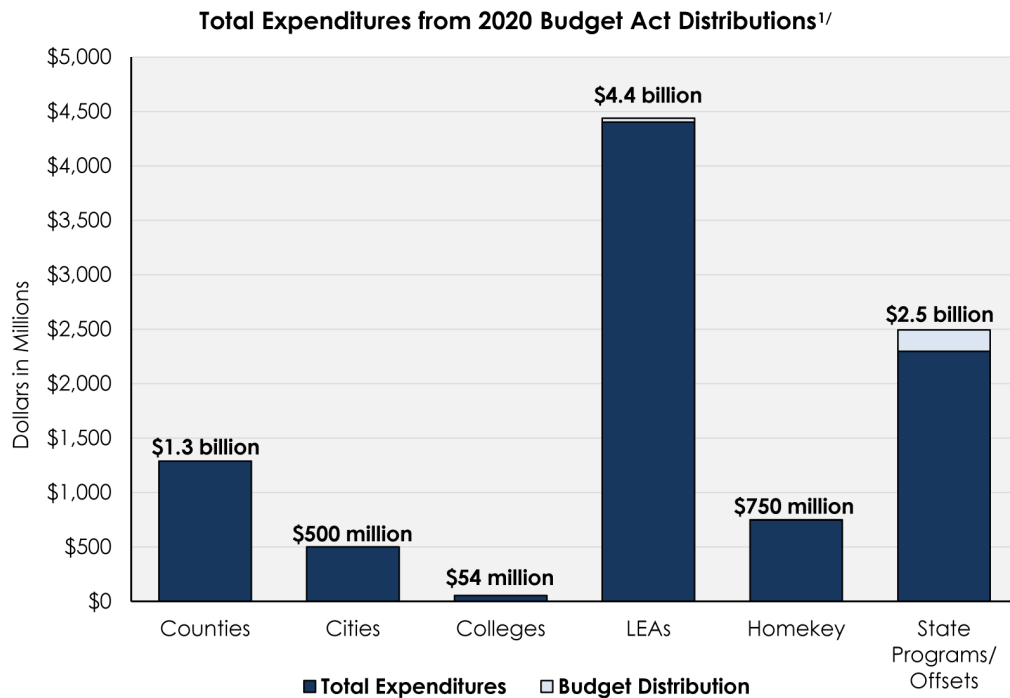
Item 56: Budget Control Section 11.90

Governor's Proposal. The May Revision proposes to include an amended Control Section 11.90 which was originally adopted as part of the Budget Act of 2020-21 for the purpose of allocating federal Coronavirus Relief Funds (CRF) which were part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act (P.L. 116-136). The proposed amendments:

- 1) Authorize the expenditure of federal CRF funds during the 2021-22 fiscal year.

- 2) Extend the deadline to allow cities, counties and community colleges to expend federal CRF funds until September 1, 2021.
- 3) Authorize the expenditure of the interest that was accrued on CRF funds while the funds were in the state treasury.
- 4) Eliminate the reference to General Fund to allow the direct reimbursement of Special Funds for expenditures related to the redirection of state employees to contact tracing.
- 5) Reference Chapter 110, Statutes of 2020, as amended by Chapter 10, Statutes of 2021 as it relates to the expenditure of federal CRF funds by local educational agencies.

Background. The CARES Act, adopted by Congress and signed into law on March 27, 2020, included \$2.2 trillion in federal stimulus for the nation. The CARES Act established the CRF and appropriated \$150 billion to the Fund. California received \$9,525,564,744 from the CRF for expenditures incurred by the state and local governments due to the COVID-19 public health emergency. Control Section 11.90 was added to the 2020-21 Budget Act of 2020-21 to give the Department of Finance the authority to allocate CRF funds as follows:



^{1/} As adjusted pursuant to Control Section 11.90.

Of the \$9.5 billion that California received, \$2.5 billion was allocated to offset direct state costs that were incurred between March 1, 2020 and December 31, 2020 for specified uses and cover costs that were necessary expenditures incurred due to the public health emergency or were not accounted for in the state’s adopted budget. In December 2020, Congress approved a one-year extension, allowing the state and local agencies to offset costs for COVID-19-related expenditures made before December 31, 2021. According to DOF, as of May 5, 2021, counties and community college districts reported all of their funding spent, or nearly \$1.3 billion and \$54 million, respectively. Cities reported almost all (99.9 percent) of their total funding spent, or

nearly \$499 million. Only four cities had unspent funds, a combined total of only about \$30,000. Local education agencies reported over 99 percent of their funds spent or obligated, with less than \$35 million of the \$4.4 billion allocated to schools remaining unspent or unobligated. A total of 1,833 local education agencies reported funds as fully spent or obligated. The Department of Housing and Community Development reported expenditures totaling \$747 million. As of March 31, 2021, the Administration has identified more than \$2.3 billion in direct state offsets for COVID-19-related expenditures which have been paid or reimbursed with CRF monies. Approximately, \$1.1 billion will offset expenditures made through the Disaster Response Emergency Operations Account (DREOA) and approximately \$423 million will offset the costs associated with augmentations made through Control Section 36 in the Budget Act of 2019-20. Control Section 11.90 requires the Director of Finance to notify the Joint Legislative Budget Committee ten days prior to making any changes to the planned expenditures.

As part of the May Revision, the Administration is seeking authority to spend approximately \$40 million in interest that has accrued while the CRF funds have been in the state treasury. Interest accrued can only be used for COVID-19 eligible activities as defined by the U.S. Department of Treasury under section 601(d) of the federal Social Security Act.

Staff Recommendation: Approve May Revision.