

Date of Hearing: June 29, 2022

**ASSEMBLY COMMITTEE ON AGRICULTURE**

Robert Rivas, Chair

SB 1007 (Pan) – As Amended May 19, 2022

**SENATE VOTE:** 37-0

**SUBJECT:** California Exposition and State Fair: direct deposit: funding

**SUMMARY:** This bill requires the state to facilitate monetary transactions to the California Exposition and State Fair (Cal Expo) via direct deposit by electronic funds transfer, as specified. Specifically, **this bill:**

- 1) Requires the state, if the state allocates moneys at any time and in any amount to Cal Expo, to facilitate that transaction via direct deposit by electronic funds transfer.
- 2) Provides that it is the intent of the Legislature to subsequently fund an item in the Budget Act of 2022 relating to Cal Expo.
- 3) Includes an urgency clause to take effect immediately.

**EXISTING LAW:**

- 1) Establishes Cal Expo as a separate independent entity in state government, governed by its board of directors, with sufficient autonomy for efficient operation balanced by appropriate state oversight, as specified.
- 2) Authorizes the Cal Expo board to establish and maintain a checking account or a savings and loan association account, as specified, for depositing funds.
- 3) Authorizes the Cal Expo board to establish a program for paying vendors who contract with Cal Expo.
- 4) Authorizes the Cal Expo board to appoint all necessary marshals and police to keep order and preserve peace at Cal Expo premises on a year-round basis, as specified.
- 5) Requires Cal Expo to provide for an annual fair in one or more seasonal divisions in Sacramento County of the industries and industrial products of the state and commercial products exported and imported through the ports of the state. The fair shall be designated the California State Fair.

**FISCAL EFFECT:** Unknown.

**COMMENTS:** Cal Expo is an independent agency in state government, governed by an 11-member board of directors appointed by the Governor. The current Cal Expo site opened in 1986 on over 350 acres of developed land north of the American River in Sacramento County. State law requires Cal Expo to provide for an annual state fair to promote industries and industrial products of the state and commercial products exported and imported through the ports of the state. According to Cal Expo’s website, its mission is to “create a State Fair experience

reflecting California including its industries, agriculture, and diversity of its people, traditions and trends shaping its future supported by year-round events.”

The COVID-19 pandemic forced Cal Expo to cancel the state fair and other revenue-generating events and transition into front-line COVID-19 testing and vaccination site, Cal Expo’s reserves dwindled. To address this shortfall, the state allocated additional funds to Cal Expo for operating funds, however, according to Cal Expo’s board of directors, these funds, as well as funds previously appropriated for deferred maintenance and resiliency projects, were delivered by check through a separate state agency almost six months after the Legislature had acted.

This bill requires the state to electronically deposit funds directly to Cal Expo whenever the state allocates any amount of money in order to more efficiently facilitate the transfer. The bill includes an urgency clause, to take effect immediately.

According to the author, for over 165 years, Cal Expo has provided a platform to showcase the best of California. They are also one of our major support systems in times of emergency, including providing key operations in the fight against the COVID-19 pandemic. Despite how valuable Cal Expo is to the state, the pandemic threatened to shut down Cal Expo due to a lack of state resources. As their representative, I was able to secure funding that allowed Cal Expo to keep their doors open, but due to antiquated procedures, the funding did not arrive until nearly six months later – further jeopardizing Cal Expo’s operations. This bill will ensure funding is delivered more effectively by requiring any funds allocated by the state to be direct deposited to Cal Expo.

In support of the bill, the California Exposition and State Fair (Cal Expo) writes that, “Cal Expo has received funding over the past four legislative years to assist with deferred maintenance, resiliency projects, as well as operating funds to keep the fairgrounds open to assist the State during the COVID-19 pandemic. All of the funding opportunities were delivered by check through a separate state agency almost six months after the Legislature designated the appropriation. For decades, Cal Expo has relied on its own self-generated revenues, to pay for annual operations, maintenance of the state-owned facilities, capital improvements, and production of the award winning annual State Fair. Over the past five years before the pandemic, we reinvested \$135 million self-generated revenue into operating, protecting, updating, and maintaining the State Fairgrounds. If the State does disburse money to Cal Expo, the delays in receiving the money affects our ability to contract for pertinent services and preparations for the State Fair. An electronic funds transfer would eliminate these delays in our operations when money is disbursed by the State.”

California State Controller's Office has expressed some concerns to both the author’s office and the committee staff. Recent amendments did not resolve the SCO’s concerns. As amended May 19, the urgency bill requires payments to Cal Expo via direct deposit by electronic fund transfer by January 1, 2023. The current form of this bill may result in delayed payments to Cal Expo, complicates current payment processes, and fails to achieve the stated goal of delivering funds more effectively to Cal Expo.

The timeline for delivering electronic fund transfer payments vs. paper warrants is the same timeline. Under current law (*California Prompt Payment Act, Gov. Code 927*), for a standard claim schedule, departments get 30 days and SCO gets 15 days to process the standard claim

submitted for payment. This is a total 45 days allowed, unless the department requests an expedited payment.

SCO cannot process a payment until the department initiates the payment. Because the bill mandates all payments to Cal Expo be made by direct deposit by electronic fund transfer starting January 1, 2023, each department responsible for making payments to Cal Expo on or after January 1, 2023 cannot initiate an electronic fund transfer until the department successfully completes the development and implementation of an electronic claims program. Further, the expedite payment process is not available to the electronic payments.

The electronic claims program takes approximately 4-6 months and cost approximately \$60,000 per program. This estimate is based upon the assumption that the implementing agency has the IT systems, staff, and competencies in place for being able to complete the requisite tasks required for this project. Often times the implementation time can extend beyond 6 months because agencies run into unexpected issues with file formats, data errors, and other resource constraints. In addition, the electronic fund transfer program is designed for departments issuing a large number of payments such as, programs that issue one million or more payments. This program is not a good fit/design for issuing one-off payments to a single entity.

**REGISTERED SUPPORT / OPPOSITION:****Support**

California Exposition & State Fair (Sponsor)

**Opposition**

None on file.

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