

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 11, 2016

9:00 A.M. - STATE CAPITOL, ROOM 447

ITEMS TO BE HEARD		
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ITEMS TO BE HEARD

ISSUE 1: AB 1555

The Subcommittee will hear AB 1555 (Gomez).

BACKGROUND

AB 1555 (Gomez) appropriates \$800 million of Greenhouse Gas Reduction Fund for the following projects:

- \$300 million for low carbon transportation (\$290 million) and active transit and transit passes (\$10 million);
- \$240 million for clean energy communities including:
 - \$100 million for weatherization and rooftop solar,
 - \$100 million for equipment, turf, and toilet replacement,
 - \$10 million for energy efficient ground water pump replacement grants,
 - \$20 million for waste diversion, biogas development and composting programs, and
 - \$10 million for farm energy and water efficiency programs;
- \$100 million for wetland rehabilitation;
- \$85 million for wetland and watershed restoration;
- \$15 million for riparian and revegetation programs;
- \$25 million for urban greening, urban canopies, and brownfield conversion;
- \$10 million for agriculture and rangeland carbon sequestration; and
- \$25 million for urban forestry.

The bill additionally expresses Legislative intent to also set aside \$150 million of Greenhouse Gas Reduction for legislative priorities.

STAFF COMMENTS

The Subcommittee previously discussed Cap and Trade at the April 20, 2016 hearing and held open the issue.

This bill would appropriate \$800 million, approximately half of the current Greenhouse Gas Reduction Fund balance in 2016. While the Greenhouse Gas Reduction fund currently has a \$1.6 billion balance, the underlying revenue for the fund is likely to decline as the number of pollution allowances available for sale declines in future years and 60 percent of all new Greenhouse Gas Reduction funds are continuously appropriated for programs. Therefore, this fund balance would be unlikely to grow in future years and these one-time funds would only be available for one-time purposes.

This proposal has similarities to the Governor's 2016-17 budget proposal, which appropriates \$3.1 billion for various projects. For comparison purposes, the Governor's Budget proposal is provided below:

Governor's 2016-17 Cap-and-Trade Expenditure Plan	
<i>(In Millions)</i>	
Continuous Appropriations^a	\$1,200
High speed rail	500
Affordable housing and sustainable communities	400
State transit assistance	200
Transit and intercity rail capital	100
Transportation	1,025
Low carbon vehicles	460
Transit and intercity rail capital	400
Low carbon road program	100
Biofuel production subsidies	40
Biofuel facilities capital support	25
Carbon Sequestration	280
Healthy forests	150
Wetland and watershed restoration	60
Urban forestry	30
Green infrastructure	20
Carbon sequestration in soils	20
Energy Efficiency and Renewable Energy	200
Low-income energy efficiency and solar	75
UC and CSU energy efficiency	60
Energy efficiency for state buildings	30
I-Bank energy financing program	20
Conservation Corps energy efficiency	15
Short-Lived Climate Pollutants	195
Waste diversion	100
Wood stove replacement	40
Dairy digesters	35
Refrigeration unit replacements	20
Local Climate Program	100
Water Efficiency	90
Water efficiency technology	30
Agricultural water efficiency	20
Rebates for efficient clothes washers	15
Low-income household water efficiency upgrades	15
Commercial and institutional water efficiency	10
Total	\$3,090
^a Continuous appropriations based on Governor's \$2 billion revenue estimate. GHG = Greenhouse gas; CSU = California State University; and UC = University of California.	

Staff Recommendation: No Action, This bill will be placed on the Suspense File of the Full Budget Committee

2660 CALTRANS

ISSUE 2: CAPITAL OUTLAY SUPPORT SPRING FISCAL LETTER

The Department of Finance has proposed a Spring Fiscal Letter to adjust the funding for capital outlay support to reflect both existing funding levels and the Governor’s Transportation Package.

BACKGROUND

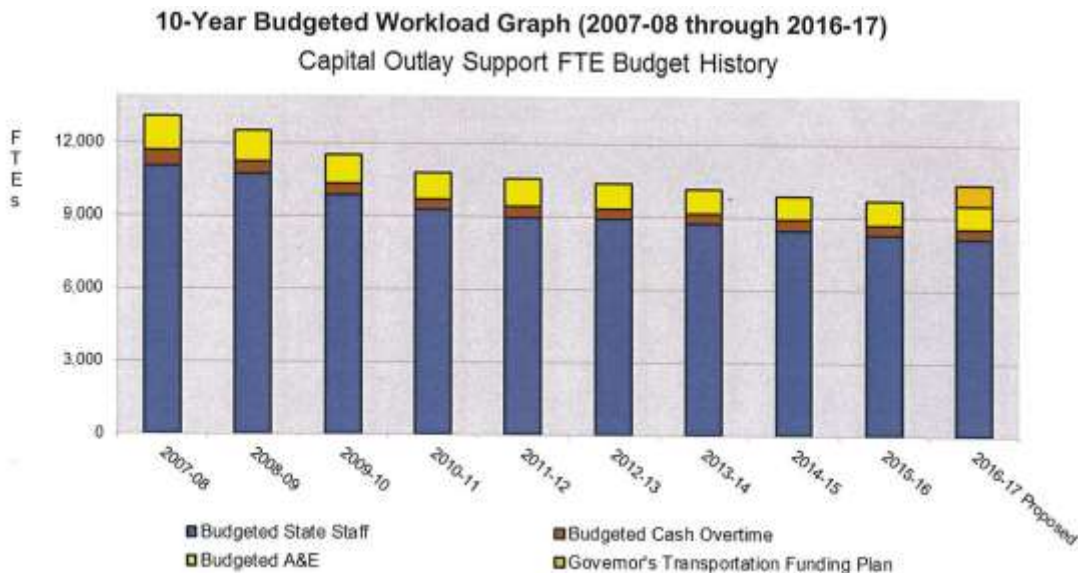
The capital outlay support program at Caltrans provides the staff support necessary to deliver transportation infrastructure projects, such as project design and management.

The level of funding needed by Caltrans mirrors the available funding for transportation projects. As Proposition 1B funding has been exhausted and other funds for transportation have stagnated, the level of staffing has declined.

The Department of Finance has issued a Spring Fiscal Letter that makes two changes to capital outlay support staffing:

- **Adjustment to Capital Outlay Support:** The proposed change to existing capital outlay support would increase overall funding by \$32.5 million and reduce overall staffing by 94 positions. This adjustment reflects the changes to the program as a result of the status quo level of revenue.
- **Governor's Transportation Plan:** The Spring proposal requests \$155.5 million and 877 positions to reflect the workload needs expected from adopting the Governor's Transportation package.

The administration provided the following chart to outline how these two proposal interact in the overall staffing:



The Spring Fiscal Letter also contains budget bill language related to projects deprogrammed from the State Transportation Improvement Program (STIP). The California Transportation Commission has calculated that \$754 million of projects on the current STIP plan must be taken out of the plan to reflect the decline in available State funding for transportation. The budget bill language is provided to exempt some of these projects from State cost-recovery and also provide authority for Caltrans to increase Capital Outlay Support staffing if funding is found to put some or all of these projects back into the STIP.

The proposed language is below:

Proposed Budget Bill Language

17. Of the funds appropriated in Program 1835010-Capital Outlay Support, the Department of Transportation shall exempt Local SB 45 STIP projects deprogrammed from the 2016 STIP from the full cost recovery as outlined in its Indirect Cost Recovery Plan. The Department of Transportation will charge for functional overhead only for these projects.
18. Notwithstanding any other provision of law, should the California Transportation Commission or Legislature take action that will support re-programming of projects removed from the State Transportation Improvement Plan, the Director of Finance may increase the expenditure authority for additional staffing for Program 1835010-Capital Outlay Support after notifying the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations not later than 30 days prior to the effective date of the approval.

LAO COMMENT

The LAO has concerns that the proposed Budget Bill Language as currently written might (1) not achieve the intentions of the Administration and (2) have broader unintended consequences.

STAFF COMMENTS

The Subcommittee has not yet acted on the Governor's Transportation Package and should consider any COS changes in concert with overall plan to fix the transportation funding gap, but could adopt the COS baseline adjustments at this time.

The intent of the proposed Budget Bill Language seems sound, but there have been some discussions at the staff level that the actual language submitted by the Department of Finance may need some technical edits to achieve the goals of the Administration. Staff recommends that the Subcommittee adopt the language as placeholder and ask the staff, the LAO, Caltrans and DOF to meet to discuss the language and make any technical changes necessary to insure the language achieves the intended outcome.

Staff Recommendation: Adopt Spring Fiscal Letter provisions related to baseline COS staffing adjustments, Adopt proposed Budget Bill Language as a placeholder and direct staff to meet with Caltrans, DOF, and LAO to finalize the language. Hold Open the COS staffing changes related to the Governor's Transportation package.
