AGENDA
PART 1

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 18, 2016

10:00 A.M. - STATE CAPITOL, ROOM 437

VOTE-ONLY CALENDAR

ITEMS TO BE HEARD

ITEMS FOR VOTE-ONLY

8660 PUBLIC UTILITIES COMMISSION

VOTE-ONLY ISSUE 1: INCREASE OF HOUSEHOLD GOODS MOVERS CHARGE

A Spring Fiscal Letter requests an increase to the Goods Movers Charge.

BACKGROUND

The Public Utilities Commission (PUC) requests Public Utilities Code (PU Code) language be amended in the Governor's Budget to increase the maximum fee that can be charged to household goods movers to provide revenue to the Transportation Rate Fund (Fund 0412) from 0.7 percent to 1.0 percent. The Public Utilities Commission Transportation Rate Fund's main source of revenue is quarterly fees paid to the Commission by household goods movers. PU Code section 5003.2 currently sets the maximum rate for this quarterly fee at 0.7 percent of household goods mover's gross revenue, which is the rate the PUC currently charges. This rate is not sufficient to cover the costs of these operations and DOF projects a fund deficit for this special fund of $1.3 million in the budget year without this correction.

STAFF COMMENTS

The Subcommittee heard this issue on May 4, 2016.

It does not appear that the PUC has followed through with promises to attempt to bridge the funds structural deficit with additional enforcement. The PUC should first attempt to increase enforcement in the budget year and then reevaluate the need for a fee increase.

Vote Only Action: Reject the proposed Trailer Bill Language

VOTE-ONLY ISSUE 2: SPRING FISCAL LETTER ON PUC LEGAL DISCOVERY COSTS

A Spring Fiscal Letter requests $6 million for additional legal fees associated with compliance with recent State and federal investigations.

BACKGROUND

The PUC requests $6,045,000 in additional funds to retain the services of outside counsel so that the PUC can cooperate with the two criminal investigations currently underway. The State Attorney General's office is leading one of the criminal investigations and, therefore, is conflicted out since they cannot lead and be the respondent in the same case. Moreover, the PUC is a regulatory body, staffing regulatory attorneys who are not equipped with the legal expertise and bandwidth to handle a criminal investigation in-house.

The PUC entered into two contracts with outside legal firms for $6,291,000 in total: 1. DLA Piper ($5,187,000 total contract value). DLA Piper represents the PUC in both criminal investigations. This contract was originally with Sheppard Mullin, which then changed to DLA Piper by assignment of the contract in August 2015. 2. Leone & Alberts, formerly doing business as Stubbs & Leone ($1,104,000 total contract value). This contract was originally for Public Records Act (PRA) litigation, which has now completed; Leone & Alberts now assists with PRA requests related to the two criminal investigations. The original contracts were budgeted for with existing appropriation, through savings in state operations (including vacancies). The criminal and civil investigations of the PUC by state and federal agencies are ongoing and expanding in scope. From the initial two subpoenas and search warrant, the PUC is now responding to a total of eight subpoenas and three search warrants from state and federal criminal investigators. A substantial amount of legal resources has been required to interview witnesses, research and review millions of documents, and in all other ways comply with all applicable legal obligations in the representation of the PUC. This is expected to continue.

STAFF COMMENTS

The Subcommittee heard this issue on May 4, 2016. Since that time, the PUC has clarified that the requested funding is to insure the Commissions compliance with the discovery and document production associated with ongoing investigations.

Staff Recommendation: Adopt Spring Fiscal Letter

VOTE-ONLY ISSUE 3: LIFELINE INCREASE

The May Revision has adjusted the Lifeline program funding increase based upon updated projections.

BACKGROUND

The Governor's 2016-17 budget provides $627 million for the LifeLine program—a $282 million (81 percent) increase over the amount allocated in the 2015-16 budget. The cost increase is largely driven by the administration's projection of nearly 3.8 million subscribers (landline and wireless) by the end of 2016-17, which was developed in coordination with CPUC. In addition, similar to the 2015-16 budget, the proposed 2016-

17 budget includes provisional language that gives DOF the authority to appropriate additional funds, with 30-day notification to JLBC, based on the amount of claims submitted by carriers.

At the request of the Subcommittee, the PUC has updated the Lifeline costs estimates based upon 12 months of actual expenditures and is requesting to reduce the January request by $142 million, more than half of the projected increase requested.

STAFF COMMENTS

The Subcommittee request was at the suggestion of the Legislative Analyst's Office. The Subcommittee previously heard this issue on May 4, 2016.

Staff Recommendation: Adopt May Revision Proposal

VOTE-ONLY ISSUE 4: SERVICE QUALITY

The Governor's Budget requests $1 million to allow PUC to examine telephone service quality.

BACKGROUND

The Governor's Budget proposes $1 million to hire a network engineering consulting firm to examine AT&T's and Verizon's network facilities, and evaluate company policies and practices regarding network construction, maintenance, and repair.

The PUC regulates public utilities to provide for safe and reliable service at reasonable rates (Public Utilities Code §451). General Order (G.O.) 133-C is the CPUC's service quality program and contains five service quality measures and related standards for assessing the quality of telephone service. The Out-of-Service (OOS) metric is to repair 90 percent of outages within 24 hours. The results for this metric are collected monthly and reported quarterly. Neither provides has met this performance metric since it was adopted in 2009.

The proposed $1 million would fund a consultant to evaluate this performance.

STAFF COMMENTS

The Subcommittee heard this issue on May 4, 2016 and it was requested this issue be reconsidered.

Staff Recommendation: Reject proposed funding.

3360 CALIFORNIA ENERGY COMMISSION
8660 PUBLIC UTILITIES COMMISSION

VOTE-ONLY ISSUE 5: CLARIFYING THE PUC AND CEC EXCLUSION FROM ELECTRONIC PRIVACY LEGISLATION

The Subcommittee will consider trailer bill language to clarify that PUC and CEC smart meters are not subject to recent electronic privacy legislation.

BACKGROUND

SB 178 (Leno), Chapter 651, Statutes of 2015 created the California Electronic Communications Privacy Act (CalECPA), which generally requires law enforcement entities to obtain a search warrant before accessing data on an electronic device or from an online service provider. The language in the bill applies to "governmental entities" which could be interpreted to mean the PUC and CEC cannot collect information from smart meters.

On May 5, 2016, the Senate Budget and Fiscal Review Committee Subcommittee #3 approved trailer bill language would clarifies that nothing limits the authority of the California Public Utilities Commission or the California Energy Commission to obtain any energy or water supply and consumption information pursuant to the powers granted to them under the Public Utilities Code or the Public Resources Code and other applicable state laws.

STAFF COMMENTS

The proposed trailer bill language makes it clear that the general references to a “government entity” in SB 178 do not apply to limiting the California Public Utilities Commission or the California Energy Commission to obtain any energy or water supply and consumption information pursuant to the powers granted to them under the Public Utilities Code or the Public Resources Code and other applicable state laws.

The California Energy Commission has indicated support for the Senate's action.

Staff Recommendation: Conform to Senate

3360 CALIFORNIA ENERGY COMMISSION

VOTE-ONLY ISSUE 6: SB 350 IMPLEMENTATION FUND SHIFT

The May Revision proposes to shift the funding source of staff to implement SB 350.

BACKGROUND

The May Revision proposes to shift the funding source for $7.6 million and 26.5 positions proposed in the January Budget from the Cost of Implementation fund to the Air Pollution Control Fund. These positions are associated with the implementation of SB 350.

STAFF COMMENTS

The Subcommittee approved the proposed staffing at the April 20, 2016 hearing.

Staff Recommendation: Adopt May Revision

2660 CALTRANS

VOTE-ONLY ISSUE 7: LEASE REVENUE BOND REFINANCING

The May Revision reflects a $943,000 savings from the refinancing the bonds for the Caltrans San Diego Office.

BACKGROUND

The May Revision reflects a $943,000 savings from the refinancing the bonds for the Caltrans San Diego Office. These bonds were refinanced in the recent Spring bond sale.

STAFF COMMENTS

This budget adjustment is technical.

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 8: TECHNICAL ADJUSTMENTS

The May Revision proposes a technical adjustment to Caltrans budget.

BACKGROUND

In developing the Governor's January budget several items were adjusted incorrected due to a misunderstanding regarding how to reflect these changes in the Fi$Cal system.

STAFF COMMENTS

The proposed change fixes technical errors in the budget bill.

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 9: INTERSTATE 10 AND 110 EXPRESS LANE MAINTENANCE

The May Revision proposes to allow the Los Angeles Metropolitan Transportation Authority to fully reimburse Caltrans for the maintenance of 24 miles of express lanes on Interstate 10 and 110.

BACKGROUND

The California Department of Transportation (Caltrans) requests a permanent increase of $2,377,000 ($1,145,000 in Personal Services and $1,232,000 in Operating Expenses) in Reimbursement funding to support the maintenance of Interstate 10 and Interstate 110 Express Lanes. This request includes operating expenses to rent specialized equipment to support the maintenance of Interstate 10 and the Interstate 110 Express Lanes. The increased level of service for these express lanes will be managed with existing staffing.

The Los Angeles County Metropolitan Transportation Authority will fully reimburse Caltrans for the safety and maintenance of the express lanes with toll revenue. Los Angeles County Metropolitan Transportation Authority does not have the required expertise to safely perform the maintenance of the Interstate 10 and Interstate 110 Express Lanes. In accordance with Street and Highway Code (sections 27 and 149.1-149.9) and various sections in Government Code, Public Utility Code, Vehicle Code, the toll revenues shall be used to pay for the costs of maintaining the managed lanes, as well as debt service related to development of the managed lanes project. Caltrans is requesting a permanent increase in Reimbursement funding in order to develop and implement this comprehensive corridor management.

STAFF COMMENTS

This proposal adjusts the budget bill to reflect this express lane agreement.

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 10: REAPPROPRIATION OF BOND FUNDING

The May Revision request to add bond funding Reappropriation language.

BACKGROUND

Caltrans requests the Budget Act 2010 High-Speed Rail Passenger Train Bond Funds (Proposition 1A) be reappropriated to allow the completion of two local assistance projects and one capital outlay project for Positive Train Control. This reappropriation is for liquidation of current contracts only.

In addition, Caltrans requests a technical change that was inadvertently omitted from the proposed Governor's Budget. It is requested that language be added to Item 2660-494 to reappropriate funds from the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition IB). Proposition IB funds are being used for projects on State Route 99.

The Budget Act of 2010 contained funds in Item 2660-104-6043 (local assistance) and 2660-304-6043 (capital outlay) for three Positive Train Control projects administered by the Southern California Regional Rail Authority (Metrolink). It had been anticipated that these projects could be completed by June 30, 2016, but delays associated with the complexity, the need to coordinate with the Federal Communications Commission, and provide interoperability have resulted in project delays. In recognition of these challenges, the federal deadlines for implementation of Positive Train Control were extended from the original December 2015 deadline to December 2018, in order to allow state and local agencies sufficient time to complete their projects. The Proposition IB reappropriation language was inadvertently omitted from the proposed Governor's Budget. This technical correction will allow existing for Proposition IB projects funded by the State Route 99 bond fund sub-account to continue .

STAFF COMMENTS

Reappropriation of these bonds will ensure that existing projects discussed by the Subcommittee in previous hearings are able to be completed.

Staff Recommendation: Adopt May Revision

VOTE-ONLY ISSUE 11: FASTLANE COMPETITIVE GRANT MATCH BUDGET BILL LANGUAGE

The May Revision request to add budget bill language that will allow the State to match new competitive grant funding for freight projects.

BACKGROUND

The May Revision proposes to add provisional language to allow the CTC to allocate federal and state capital funds to match grant funds as necessary in order to take advantage of any FASTLANE grants awarded to the State of California for Caltrans nominated projects. Permitting the allocation of up to $120 million in combined state and federal funds to act as a match to FAST LANE grant proposals maximizes flexibility and allows the State to compete for up to $180 million in additional federal funds. This represents 20 percent of the annual FAST LANE grant monies planned to be awarded to the states.

STAFF COMMENTS

The May Revision also included a proposal to create a new trade corridor funding program in trailer bill language. The trailer bill language is being considered in Issue 2 to be heard on this agenda.

Staff Recommendation: Adopt May Revision Budget Bill Language

2600 CALIFORNIA TRANSPORTATION COMMISSION

VOTE-ONLY ISSUE 12: PERSONNEL FUND SHIFT

The May Revision adjusts the funding source for 2.8 positions at the California Transportation Commission.

BACKGROUND

The May Revision proposes to shift $522,000 and 2.8 positions from the California Transportation Commission from Proposition 1B to the State Highway Account. This adjustment reflects the actual work performed by commission staff.

STAFF COMMENTS

This change of funding sources is appropriate to accurately reflect the work performed by the Commission.

Staff Recommendation: Adopt May Revision

2740 DEPARTMENT OF MOTOR VEHICLES

VOTE-ONLY ISSUE 13: DMV SELF-SERVICE TERMINALS

The Governor's Budget requests $8 million MVA for self-service terminals.

BACKGROUND

The Governor proposes $8 million from the MVA on an ongoing basis to fund existing and increased costs related to self-service terminals. The proposal is part of an overall plan to expand the use of self-service terminals as an alternative for customers who would otherwise handle their transactions in DMV field offices. The DMV plans to increase the number of self-service terminals by 30 to 50—for a total of between 80 and 100 total terminals statewide. These new terminals would be placed in businesses around the state, such as grocery stores or convenience stores, to provide greater access to DMV services.

Specifically, the proposed $8 million includes the following:

- $4.4 million to support the existing costs of the $3.75 vendor transaction fee at the current level of 1.2 million self-service terminal transactions. These have historically been paid for from existing resources within DMV's base budget.

- $3.6 million to fund increased costs in 2016-17 from the proposed expansion of self-service terminals. This amount includes funding to pay the $3.75 vendor transaction fee for roughly 1 million additional transactions estimated to occur from the expansion, as well as for the installation and training costs related to the new terminals.

The DMV operates 313 facilities, which include customer service field offices, telephone service centers, commercial licensing facilities, headquarters, and driver safety and investigations offices. Over half of DMV facilities are customer service field offices. According to DMV, most of its field offices are programmatically deficient. For example, the department reports that many customer service field offices were built in the 1960s and 1970s and are not sufficiently sized to accommodate the number of customers who currently use the offices. This is primarily because of population increases in the areas served by the offices. In addition, DMV reports that certain customer service field offices are seismically deficient, creating safety risks. The Administration's Five-Year Infrastructure Plan proposes $496 million from the MVA over the next five years to begin the renovation and replacement of deficient field offices and a Sacramento facility, as well as to construct two new consolidated drive test centers.

STAFF COMMENTS

The Subcommittee heard this issue on May 4, 2016.

This proposal from DMV has the potential to achieve that objective by reducing the need for the public to visit DMV field offices, and thus extend the useful life of existing facilities. DMV has a history of successfully implementing technology-based innovations to allow for online and mail based services, reduce wait times through advanced queuing, and other business process innovations. All of these have resulted in less people sitting in crowded DMV offices, which means the existing offices don't have to be expanded through expensive capital projects.

The proposed Supplemental Reporting Language will require DMV to report on the utilization and deployment of these terminals, as well as any projected future costs savings resulting from this effort.

Staff Recommendation: Approve as Budgeted with Supplemental Reporting Language

ITEMS TO BE HEARD

2660 CALTRANS

ISSUE 1: 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

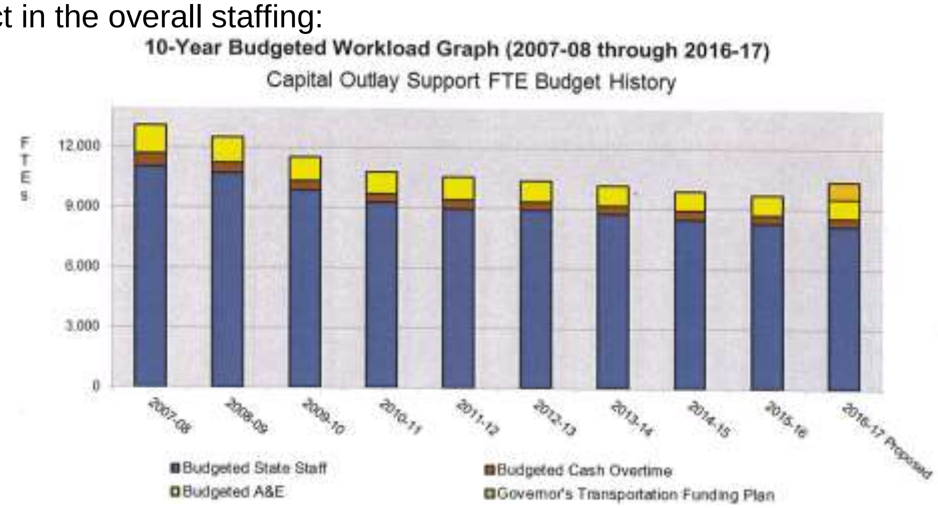
The capital outlay support program at Caltrans provides the staff support necessary to deliver transportation infrastructure projects, such as project design and management.

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 founds to put some or all of these projects back into the STIP.

LAO RECOMMENDATIONS

- ***Reject Proposed Additional COS Resources for 2016-17.*** Even if the Legislature approves new transportation funding in the near future, it is unlikely that this would result in higher COS workload in 2016-17. Accordingly, we recommend that the Legislature reject the proposed increase of 877 FTEs related to the Governor’s funding package.

- ***Approve Baseline COS Level if Intention is to Provide New Funding.*** If the Legislature intends to approve new transportation funding in the near future, we recommend approving the requested baseline level of COS resources. This approach would allow Caltrans to maintain COS program staff that could be needed to implement a higher level of workload associated with increased funding in future years.

- ***Require More Information Beginning in 2017-18.*** We recommend that the Legislature require Caltrans to provide along with its 2017-18 COS budget request a more detailed plan for staffing the COS program that (1) identifies the level of new workload Caltrans can absorb with existing staff, (2) considers the use of temporary staff resources and private consultants to address temporary workload such as project backlogs, and (3) provides a multi-year staffing plan that includes the location and classification of staff needed based on the type of projects Caltrans plans to construct with the new funds. In order for the Legislature to have enough time to review the plan, we also recommend that the Legislature require Caltrans to provide the plan and COS budget request as part of the Governor’s January budget, rather than next May.

STAFF COMMENTS

Given the intent of the Subcommittee to increase funding for transportation in the near future, staff recommends adopting the baseline adjustment but deferring action on staff associated with new funding. 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, which could be larger in scope than the Governor's proposal.

Staff is currently participating in a stakeholder process facilitated by the California Transportation Commission regarding Capital Outlay Support staffing. The LAO is also participating in the process. This group has already produced exhaustive data on Capital Outlay Support and is slated to continue meeting in the summer. Given this effort, staff does not feel that an additional report recommended by LAO on Capital Outlay Support is necessary.

There was some concern that the Budget Bill Language proposed by the administration may have need some technical changes to the wording. The LAO has crafted the following language to address these concerns:

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 if local agencies continue those projects with other funds. The Department of Transportation will not charge for administrative overhead for the portion of the project's funding that was originally planned to come from the STIP before the project was deprogrammed.

18. Notwithstanding any other provision of law, should the California Transportation Commission reprogram projects removed from the 2016 STIP, the Director of Finance may increase the expenditure authority for additional staffing for Program 1835010—Capital Outlay Support to support the reprogrammed projects not sooner than 30 days after notification in writing is made to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations and the state budget. The notification shall include a list of the reprogrammed projects and the additional staffing required for each project.

Staff Recommendation: Adopt Spring Fiscal Letter provisions related to baseline COS staffing adjustments, but do not adopt the additional staff related to the additional transportation funding. Adopt Budget Bill Language crafted by LAO.

ISSUE 2: FEDERAL FUNDING FOR TRADE CORRIDORS

The May Revision proposes a new trade corridor program for new federal funds that are now available to the State.

BACKGROUND

In December 2015, the President signed a new five-year federal surface transportation act known as the Fixing America's Surface Transportation (FAST) Act. The FAST Act includes a Nationally Significant Freight and Highway Projects (NSFHP) program to provide annual funding to states on a formula-basis. California is expected to receive a total $582 million in NSFHP formula funds over the five-year period.

The May Revision proposes Trailer Bill Language to create a new state program funded with California's NSFHP formula funds to support highway, rail, port, and border crossing projects that improve freight transportation. The proposed legislation would require the California Transportation Commission to administer the program and develop program guidelines within six months. The proposal would also require that CTC allocate half of the program's funding for projects proposed by the Caltrans and half for projects proposed by local agencies. In addition, the CTC would be required to ensure that projects funded in the program are consistent with certain plans developed by the administration (such as the Sustainable Freight Action Plan) and to consult with the state Air Resources Board regarding the evaluation of proposed projects. For projects proposed by local agencies, the proposed legislation requires CTC to ensure a reasonable geographic balance and allows CTC to determine through its guidelines whether funding for local projects would be allocated on a formula-basis or a through competitive process.

LAO RECOMMENDATION

In light of the ongoing federal funds that the state anticipates receiving from the NSFHP program, it may make sense for the state to develop a new program to focus on freight transportation. However, the Governor's specific proposal appears to include several substantial policy decisions that may not result in the most effective implementation of funds or best meet the legislative priorities.

First, allocating funding by a formula, such as the proposed 50-50 allocation to the state and local agencies may not result in funding the highest priority projects statewide. It could be the case that mix of state and local projects that are the highest priority and most effective does not align with the proposed 50-50 allocation. In addition, the mix of state and local projects that are the highest priority could change over time.

Second, the proposed legislation would require CTC to develop guidelines based on several administration-developed plans. Administration staff indicates a particular focus of the new program would be to implement the Sustainable Freight Action Plan. However, this plan was only released this month in draft form. Because the plan has only been available for the Legislature to review for a limited time and because the plan is still in draft form, it would be difficult for the Legislature to determine in the next several weeks whether basing the proposed freight program on the Sustainable Freight Action Plan would meet its priorities.

Third, the proposal includes several other significant policy decisions regarding the new program that are different from the way other state transportation programs are typically structured. For example, the proposed legislation would delegate to the CTC the decision of whether local funds are allocated by either formula-based grants or a competitive process. Determining the process for allocating transportation funds is typically defined in state law by the Legislature and not delegated to the CTC.
While creating a new state program focused on freight transportation has some merit, the Governor's specific proposal includes significant policy considerations as described above.

Accordingly, we recommend that the Legislature consider the proposed legislation in its policy committee process. Considering this proposal through the policy process, rather than the budget process, would better allow the Legislature to consider the potentially significant policy implications of the Governor's proposal and ensure that the new program is structured in a way that allocates funding effectively and meets legislative priorities. For example, the Legislature may want to consider requiring some or all of the funding be allocated on a competitive-basis to ensure that the highest priority and most effective projects receive funding.

STAFF COMMENTS

The Assembly Transportation Committee has held several hearings on goods movement and trade corridors over the last year. The Committee recently unanimously passed AB 2170 (Frazier) which would allocate these new federal freight funds through the Trade Corridor Improvement Fund process that was used for Proposition 1B funding and considers the Goods Movement Action Plan.

Staff agrees with the LAO and recommends the administration use this existing policy bill to allocate these new federal funds.

The May Revision had a separate proposal for provisional budget bill language, which was considered separately in Vote Only Issue 11 on this agenda.

Staff Recommendation: Reject proposed May Revision Trailer Bill Language

ISSUE 3: FEDERAL BRIDGE LOAD RATING

The May Revision proposes $4.6 million federal funds and 26 positions to conduct bridge load ratings.

BACKGROUND

The May Revision requests 26 permanent positions and a total of $4,640,000 ($3,653,000 in Personal Services $237,000 in Operating Expenses and a one-time augmentation of $750,000 for Operating Expenses for software updates) in federal reimbursement authority. The Department received a total of 26 five year. Limited Term (LT) positions from two separate requests, one year apart. The first 17 LT positions were for state bridges and expire on June 30, 2016. The second 9 LT positions are for local bridges and will expire on June 30, 2017. Bridge Load Rating work is fully reimbursed by the Federal Highways Administration and this request will not impact state funds.

The Department also requests a one-time appropriation of $750,000 for California's contribution to AASHTOWare software updates to complete federally mandated load rating of state and local bridges. The staffing request is expected to complete the initial bridge load rating of 11,300 State and Local bridges by FY2021-22 to satisfy the requirements in the Plan of Corrective Action with FHWA. The current workload covers the work to rate the state's bridges built prior to 1978 - approximately half the state's inventory. All bridges in California (and nationwide) need load rating. There are approximately 24,000 bridges that need to be load rated, with only 11,300 currently under a Plan of Corrective Action.

All bridges built after 1978 will require load rating once the initial stage of this effort is complete. Caltrans estimates that 24,000 bridges will need to be rated. Load rating of bridges needs to be done on a continuous basis to meet federal regulations. Changes in bridge condition and rating specifications must be reported in order to maintain compliance and assure public safety. There is not a mandatory rating cycle time in the federal code, however, most state agencies match the bridge rating cycle with the inspection cycle typically every 2 to 4 years.

Caltrans indicates that the continuation of the 26 staff is necessary because it has not completed the load rating of bridges as planned. Specifically, Caltrans has updated the load ratings for less than 3,900 bridges, or about one-third of the 11,300 state and local bridges built prior to 1978. With the resources requested in the May Revision, Caltrans plans to complete the load rating of the remaining bridges built prior to 1978 by 2021-22. In addition, Caltrans indicates that FHWA has made the requirements related to bridge load ratings more comprehensive and complex over the last couple of years. For example, Caltrans indicates that it is now required to update the load rating on an additional 12,700 state and local bridges that were built since 1978. Under the proposal, Caltrans plans to use the proposed staff resources to update the load rating of these newer bridges after the initially planned work is completed in 2021-22.

LAO COMMENTS

We have several concerns with the Governor's proposal. First, as mentioned previously, although Caltrans was provided resources to update the load rating for all 11,300 state and local bridges built prior to 1978, the department has only completed about one-third of this workload. Caltrans indicates that the work required to update the load rating of these bridges is significantly more complex than it initially estimated and therefore is taking much longer to complete. For example, Caltrans indicates certain necessary documents, such as engineering records, are not available for many of its older bridges. However, the department also reports that it did not complete any bridge load ratings in either 2010-11 or 2011-12, the first two years the staff resources were provided for this work. It is unclear why it took Caltrans two years to begin addressing this critical workload. It is also unclear whether Caltrans spent the resources provided in 2010-11 and 2011-12 and whether it has fully utilized the resources provided since that time.

Second, it appears unlikely that Caltrans will complete the remaining workload for bridges built prior to 1978 by 2020-21 as assumed in the May Revision proposal. This is because Caltrans is currently only completing around 650 bridge load ratings per year. At this rate, it would take Caltrans another 12 years to complete the remaining workload for bridges built prior to 1978—meaning the load ratings on these bridges would likely not be complete until 2027-28.

Third, we find that the Legislature needs better information about the department's progress and challenges with completing this work in order to determine whether the 26 positions requested in the May Revision are sufficient to complete the required bridge load ratings in a timely manner. For example, Caltrans has not provided a complete explanation for the lack of progress on updating bridge load ratings over the last six years. Without this information it is unclear whether the current lack of progress is because the department has inefficiently handled this workload or whether additional resources might be needed. In addition, Caltrans has not provided information on changes to the FHWA requirements such as requiring updated load ratings for many additional bridges and the level of resources necessary to address this new workload.

LAO Recommendation. In view of the above, we recommend that the Legislature approve the funding proposed by the Governor for only one year. In addition, we recommend that the Legislature adopt budget bill language requiring Caltrans to report to the Legislature by March 1, 2017 with detailed information regarding is efforts to complete bridge load ratings. Specifically, the report should provide (1) an explanation of the delays in completing bridge load ratings, (2) an accounting of how much of the previously provided resources were spent, (3) an update on the number of bridge load ratings completed, and (4) updated workload estimates for completing bridge load ratings of bridges built prior to 1978 as well as estimated workload associated with bridges built since 1978. The Legislature can evaluate the need for ongoing positions and funding based on the additional information provided as part of the 2017-18 budget.

STAFF COMMENTS

The State has lagged in completing the required the federal required load rating and even with these additional resources will not be caught up until 2021. The Subcommittee may wish to consider whether the requested resources are sufficient to meet the need.

Staff agrees with the LAO that further reporting on this programs makes sense. However, given the ongoing workload, staff recommends approving the ongoing funding proposed by the Administration. Approving this funding on a one-time basis will make it more challenging to hire staff and roll out an multiple-year plan to address the bridge inspection backlog.

Staff Recommendation: Adopt May Revision Proposal with Budget Bill Language proposed by LAO

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 4: REAL ID TRAILER BILL PROPOSAL

The Subcommittee will consider trailer bill language change the State's driver's license requirements to conform with federal REAL ID requirements.

BACKGROUND

The May Revision contains Trailer Bill Language that changes the vehicle code that create a new "REAL ID Driver's License and Identification Cards", effective January 1, 2018.

This proposed language makes the following changes:

- Establishes a new "REAL ID Driver's License and Identification Card".
- Requires persons over the age of 62 to renew their license/ID card every 8 years instead of every 10 years.
- Prohibits and individual from having both a REAL ID Driver's License and a REAL ID Identification Card.
- Allows the DMV to cancel REAL driver's license or Real ID identification card to ensure that that an individual has only one of these documents.

LAO COMMENTS

- The Governor proposes budget trailer legislation to make changes to state law effective January 1, 2018 that conform to the federal Real ID act.
- The requested changes appear premature. First, because the provisions of the proposed legislation would not take effect until January 1, 2018 it does not appear that the Legislature needs to take an action on this issue as part of the 2016-17 budget. Second, the administration has indicated that it is still in the process of developing a compliance plan that must be submitted to the federal government. It is possible that additional changes to state law may be needed to comply with Real ID once the state’s compliance package has been finalized and approved by the federal Department of Homeland Security.
- In addition, the proposal does not appear to relate to the state budget as it makes no budgetary changes and does not appear necessary to implement the 2016-17 budget.
- In light of these reasons, we recommend that the Legislature take up the proposal as part of the legislative policy process.

STAFF COMMENTS

The proposed trailer bill was included in the May Revision without any context or description. Given the tight timeframes associated with the May Revision, it seems like such a change is more appropriate in the policy process.

Staff Recommendation: Reject Proposed Trailer Bill

3360 CALIFORNIA ENERGY COMMISSION

ISSUE 5: EXTENSION OF AB 118 EXPENDITURE AUTHORITY

The Subcommittee will consider expanding expenditure authority for an existing Ethanol contract.

BACKGROUND

Alternative and Renewable Fuel and Vehicle Technology Program (AB 118) authorizes the Energy Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change policies. The Energy Commission has an annual program budget of approximately $100 million to support various projects.

Propel Fuels is currently the largest E85 ethanol retailer in California. In 2012 the Propoel was awarded a $10.1 million grant to construct 101 E85 refueling stations. The funds for this grant are set to expire in two trauches, one on June 30, 2016 and another on June 30, 2017.

STAFF COMMENTS

Propel Fuels has requested that the Subcommittee take action to extend the current grant liquidation period by two years so the firm can complete the construction of the fueling stations.
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Staff Recommendation: Adopt Trailer Bill Language to extend the grant liquidation period for an additional two years