AGENDA – PART I

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

TUESDAY, MAY 24, 2016

9:30 AM - STATE CAPITOL, ROOM 437

ITEMS FOR VOTE ONLY

ITEMS TO BE HEARD

ITEMS FOR VOTE-ONLY

8660 PUBLIC UTILITIES COMMISSION

VOTE-ONLY ISSUE 1: GREEN TARIFF TRAILER BILL

Senate Subcommittee 4 took action to remove a sunset on the green tariff shared renewables program.

BACKGROUND

SB 43 (Wolk, Chapter 413, Statutes of 2013) directed the CPUC to approve green tariff shared renewables (GTSR) programs ensuring that customers of Southern California Edison, San Diego Gas &Electric and Pacific Gas & Electric investor-owned utilities (IOUs) have the ability to subscribe up to 600 megawatts of offsite renewable energy projects and receive utility bill credits in return. Shared renewable programs offer access up to 100 percent renewable energy to the many Californians who cannot install renewables on their own property: renters, people whose homes are shaded or poorly oriented, small businesses who lease, space limited public entities, and consumers who lack sufficient credit, among others.

The CPUC adopted a decision implementing parts of SB 43 in mid-2015 that lays out the program design for the three IOU's green tariff programs. In April 2016, the CPUC issued a proposed decision for the enhanced community renewables portion of the GTSR proceeding. It is unknown when the CPUC will issue a final decision for this part of the proceeding. Given how long the rulemaking has taken at the CPUC, 2019 is not an appropriate date to sunset the program.

The sunset in current law would end the statutory requirement that the IOUs offer the Green Tariff Shared Renewable (GTSR) program to customers. This proposal would delete the program sunset of January 1, 2019. The program will now end when the 600 megawatt cap of the program is reached.

STAFF COMMENTS

On May 17, 2016, Senate Subcommittee #2 took action to eliminate the sunset on the Green Tariff Shared Renewable program. Taking a conforming action would eliminate the need to discuss this issue in the Budget Conference Committee process.

Staff Recommendation: Conform to Senate

2720 CALIFORNIA HIGHWAY PATROL

VOTE-ONLY ISSUE 2: COMMERCIAL DRIVER TRAILER BILL

The May Revision includes trailer bill language to change the California Vehicle Code to conform to federal law for assigning motor carrier identification numbers.

BACKGROUND

The May Revision seeks to make a change to the California Vehicle Code (VC) to require motor carriers to obtain a United States Department of Transportation (USDOT) number as a condition of being assigned a California carrier identification number (CA number). The changes proposed in this request would align state law with federal requirements related to obtaining USDOT numbers as contained in the Title 49 of the United States Code of Federal Regulations (CFR). Due to an October 1, 2016 implementation date of United States Congress-mandated Federal Motor Carrier Safety Administration (FMCSA) system change, it is necessary the new statutory requirements become effective prior to the federal system change.

In order to comply with the safety performance-based inspection selection system requirements outlined in Section 34501.12 of the California Vehicle Code (VC), the Department of the California Highway Patrol (Department) currently has the regulated authority to assign USDOT numbers to all motor carriers in California who are not subject to Federal Motor Carrier Safety Administration (FMCSA) oversight. The Department attains these USDOT numbers utilizing a computerized interaction with the FMCSA. The FMCSA issues USDOT numbers to the Department for assignment to California's motor carriers. The assignment of USDOT numbers facilitates recognition of uploaded commercial vehicle and driver safety performance data for inclusion in the FMCSA's Safety Measurement System (SMS); however, as the result of a United States Congress mandate, the FMCSA system will undergo changes which will preclude the automated interaction between the Department and FMCSA beginning October 1, 2016. Consequently, the Department will no longer have the ability to assign USDOT numbers to California motor carriers beginning on that date.

To ensure continued compliance with the requirements of Assembly Bill (AB) 529 (Lowenthal, Chapter 500, Statutes of 2013), and the Basic Inspection of Terminals (BIT) program's safety-performance based inspection selection system as outlined in Section 34501.12 VC, the Department must continue to ensure all California-based motor carriers are identified and tracked using USDOT numbers in addition to CA numbers. The success of the program is dependent on the consistent collection of safety data through enforcement and inspections. Once collected, the data is entered, identified, and shared utilizing a carrier's associated USDOT number in the FMCSA's Safety Measurement System (SMS).

This proposal will permit the Department to continue to comply with requirements contained in Section 34501.12 VC relating to a performance-based inspection selection system associated with the BIT program following the October 1, 2016, implementation of a new FMCSA system to assign USDOT numbers. This proposal will ensure every motor carrier conducting transportation in California is included in the FMCSA's SMS and thereby included in the safety performance scoring mechanism in use nationwide. This proposal is consistent with the guidance the department has received from the Federal Motor Carrier Safety Administration.

STAFF COMMENTS

The State must adopt this change before October 1, 2016 so it is appropriate to adopt this conforming item in the budget process.

Staff Recommendation: Adopt Trailer Bill Language

2660 CALTRANS

VOTE-ONLY ISSUE 3: STATE TRANSPORTATION FUNDING PROPOSAL

The Subcommittee will consider moving the Governor's State Transportation Funding Proposal back to the policy process.

BACKGROUND

The Governor's Budget contains an expansive transportation funding unveiled last year during the Second Extraordinary Session. The ten-year, $36 billion plan is designed to address the funding gap in existing transportation needs. The plan also includes the early repayment of $879 million of loans. The Administration estimates that this proposal would increase costs to the average motorist by about $.25 per day or $7 per month.

The plan has the following elements:

Benefits

- **State Highway and Bridge Repair:** $15.5 billion which should improve highway conditions to 90 percent in "good condition", fix 200 highway bridges, and improve existing graffiti abatement and litter removal efforts.
- **Local Streets and Roads,** $11.3 billion that would benefit cities and counties through a formulaic allocation.
- **Transit and Rail** $4.3 billion in additional transit funding, which could leverage a total of $13.8 billion in transit and rail projects.
- **Trade Corridors** $211 million to Caltrans to fund projects along the State's major trade corridors**.**

Funding

- **Road improvement charge:** a $65 per vehicle charge (including hybrids and electric vehicles). Raises $20 billion over ten years.
- **Increase Gasoline Excise Tax:** Increase and stabilize the existing tax on gasoline to $.36 per gallon, this would be adjusted for inflation. Over ten years, raises $5 billion
- **Diesel Excise Tax:** Increase the current rate to $.24 per gallon, an $.11 increase, this would generate $5 billion over ten years.
- **Greenhouse Gas Reduction Funds:** $5 billion for the Transit and Intercity Rail Program ($4 billion) and the Low Carbon Road Program ($1 billion).
- **Caltrans reforms.** Cost saving reforms that generate over $1 billion in savings over ten years that can be redirected to roads.

Loan Repayment:

- Repays existing loans early with General Fund, redirecting the funding for the following purposes:
  - $132 million for highway maintenance and rehabilitation
  - $265 million for the Transit and Intercity Rail Capital Program
  - $334 million for the Trade Corridor Investment Fund Program
  - $148 million to complete or reimburse projects programmed in the Traffic Congestion Relieve Program of 2000.
  - (Note: Some of these loan repayments were included in the agreement to extend the Managed Care Organization tax earlier this year).

Reforms:

- **Extension of Public-Private Partnership Authority** The Governor's proposal would extend the statutory authority for public-private partnerships for new transportation projects by 10 years, extending the current sunset until 2027.
- **Specific Performance Measures** The Governor's proposal includes specific performance measures against which Caltrans will be held accountable for the investment of new transportation funding.
- **Streamlined Environmental Process** The Governor's proposal includes streamlining provisions to get projects delivered efficiently. They include a limited California Environmental Quality Act (CEQA) exemption; advancing project environmental mitigation to get more project buy-in early and reduce late challenges; and the extension of federal delegation for Caltrans to complete federal and state environmental review concurrently.
- **Procurement Authority** The Governor's proposal authorizes Caltrans to utilize a procurement method, known as Construction Manager/General Contractor (CMGC), for double the amount of projects it is authorized for use today. CMGC is a process in which the design and construction management elements of projects are brought together so projects can be executed more quickly and delivered sooner.
- **Dedicated New Transportation Revenue to Transportation Purposes** The Governor's proposal includes a constitutional amendment to ensure new transportation revenue is dedicated to transportation purposes. The Legislature would not be able to redirect the new revenues to non-transportation purposes.

STAFF COMMENTS

The Governor's proposal has begun a discussion that has been underway in both the Special Session and the regular policy process. In particular, the Assembly is considering AB 1591 (Frazier) which would provide over $7 billion in funding for trade corridors, road maintenance and rehabilitation. Since the budget process must conclude to meet the Constitutional deadline for the State budget passage, it makes sense for this discussion to return to the policy process.

Staff Recommendation: Deny Proposal, without prejudice.

ITEMS TO BE HEARD

0521 TRANSPORTATION AGENCY
0540 NATURAL RESOURCES AGENCY
0650 OFFICE OF PLANNING AND RESEARCH
2640 STATE TRANSIT ASSISTANCE
2660 CALTRANS
2665 HIGH SPEED RAIL AUTHORITY
3340 CALIFORNIA CONSERVATION CORPS
3540 DEPARTMENT OF FORESTRY AND FIRE
3600 DEPARTMENT OF FISH AND WILDLIFE
3860 DEPARTMENT OF WATER RESOURCES
3900 AIR RESOURCES BOARD
3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT
6440UNIVERSITY OF CALIFORNIA
6610 CALIFORNIA STATE UNIVERSITY
7760 DEPARTMENT OF GENERAL SERVICES
8570 DEPARTMENT OF FOOD AND AGRICULTURE

ISSUE 1: THE ASSEMBLY CAP AND TRADE EXPENDITURE PLAN

The Subcommittee will adopt the Assembly Cap and Trade Expenditure Plan.

BACKGROUND

The Governor proposed a $3.1 billion overall expenditure plan for Cap and Trade in the 2016-17 budget.

STAFF COMMENTS

The Assembly Cap and Trade expenditure plan recognizes that details for Cap and Trade will be subject to negotiation in the final budget package. Therefore, the following plan to articulate the principles and priorities of the Assembly to begin that discussion.

1. Adopt the following "Principles for 2016 Cap and Trade Expenditures":

- Create a 2016 portfolio of projects that balance two goals, cost effective emission reduction and meaningful community co-benefits;
- Since Cap and Trade funds are finite, consider a funding level that allow for multi-year investments in the following priorities:
    - Natural Resources, including organics and urban greening
    - Clean Vehicle Rebates

    - Energy Efficiency
    - Transportation and Transit

- Make no changes to the continuous appropriation language currently in statute;

    - Begin efforts to allow the Legislature to provide statutory clarity to the Cap and Trade program post 2020.

2. Adopt the Governor's proposed plan, as amended below, as a starting place for negotiations with the Senate on an expenditure plan to include in the June 15th budget package.

- Redirect the $100 million for Low Carbon Roads to Active Transportation;
- Move $30 million to expand the Enhanced Fleet Modernization Program from the Department of Community Services and Development Energy Efficiency and Weatherization program;
- Require that 25 percent of the Transformative Climate Communities program be set-aside for the City of Fresno;
- Identify certain grade separation projects for funding within the one-time $400 million for Transit and Intercity Rail Capital Program funding;
- Provide $4 million for the Beacon program at the Institute for Local Government to provide technical assistances to local governments to develop programs that reduce Greenhouse Gas Emissions; and
- Provide $1 million for the Green Small Business Program and adopt Trailer Bill to move this program to the California Environmental Protection Agency.

The overall funding level of the Assembly Plan is identical to the Governor's Plan, with the following changes to discretionary appropriations. The table on the next page identifies the changes noted in the bullets above.

Discretionary Cap and Trade Programs	Governor	Assembly
Low Carbon Vehicles--Clean Rebates	230	230
Low Carbon Vehicles- EFMP Plus	30	60
Low Carbon Vehicles- Other	200	195
Transit and Intercity Rail Capital	400	400
Low Carbon Road	100	0
Active Transportation	0	100
Biofuels Production Subsidies	40	40
Biofuels Facilities Capital Support	25	25
Healthy Forests	150	150
Wetland and Watershed Restoration	60	60
Urban Forestry	30	30
Green Infrastructure	20	20
Carbon Sequestration in Soils	20	20
Low Income Energy Efficiency and Solar	75	45
UC and CSU Energy Efficiency	60	60
Energy Efficiency for State Buildings	30	30
I Bank Energy Financing	20	20
Conservation Corp Energy Efficiency	15	15
Waste Diversion	100	100
Wood Stove Replacement	40	40
Dairy Digesters	35	35
Refrigeration Unit Replacements	20	20
Local Climate Program	100	100
Water Efficiency Technology	30	30
Agricultural Water Efficiency	20	20
Rebates for Efficient Cloth Washers	15	15
Low-Income Household Water Efficiency Upgrades	15	15
Commercial and Institutional Water Efficiency	10	10
BEACON Local Government Tech Assistance	0	4
Green Small Business Program	0	1
Total Discretionary Cap and Trade	**1,890**	**1,890**

Staff continues to recommend that in the final budget package the 2016-17 budget appropriate less one-time funding than contained in both this and the Governor's plan.

Staff Recommendation: Adopt the Assembly Cap and Trade Expenditure Plan

8660 PUBLIC UTILITIES COMMISSION

ISSUE 2: 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.

The Subcommittee removed this item from the Vote Only calendar on May 18th and held the item open.

Senate Budget Subcommittee #2 rejected the proposed fee increase on May 17, 2016.

Staff believes that this issue would benefit from further consideration in the Budget Conference Committee process. Therefore, staff recommends the Subcommittee adopt a $1,000 placeholder action to send this item to the Conference Committee process.

Staff Recommendation: Adopt $1,000 for Service Quality

3360 CALIFORNIA ENERGY COMMISSION

ISSUE 3: CLIMATE CHANGE RESEARCH

The Budget includes $15 million General Fund to support research to reduce petroleum use, reduce greenhouse gas emissions, and improve air quality from California's transportation sector.

BACKGROUND

The Budget includes $15 million General Fund to support research to reduce petroleum use, reduce greenhouse gas emissions, and improve air quality from California's transportation sector. These funds would be contracted out by CEC.

According to the CEC, these investments are designed to inform near-term adoption and implementation of low carbon fuels and to address critical research needs not addressed in current research programs. The final research topics will be developed through engagement with other state agencies, the research community, and the public. The research project funding will be awarded via competitive solicitations and support research and pre-commercial development of low carbon alternative fuels, including but not limited to:

Low Carbon Fuel Research:

- Improving the economics of algae-based renewable diesel production
- Hydrogen production from renewable sources combined with fueling infrastructure and onsite storage for load and supply management
- Pathways for cost-effective development and implementation of low-carbon fuels, including innovative economic tools and accounting for multiple benefits and product development

The program could potentially also support other areas of research for advanced light-duty and sustainable freight technologies to further reduce petroleum use in the transportation sector. These additional topics will be vetted through a public comment process and include but are not limited to:

Light-Duty:

- Research on potential opportunities for low cost and efficient hydrogen onboard vehicle storage
- Development of advanced climate control systems (could also be applied in freight applications) to reduce fuel economy penalty

Sustainable Freight:

- Pilot demonstrations of integrated technologies and fuel and operations management for sustainable freight in select trade corridors (e.g., electric switcher cars)

- Maritime transportation and port operations - quantifying the needs, opportunities and benefits for reducing emissions and operating costs from maritime transportation.
- Liquefied natural gas bunkering and electrification of off-road equipment at ports.
- Hybridization for heavy-duty trucks

The Energy Commission requests authority for a two-year encumbrance period and an additional four years to expend these funds

STAFF COMMENTS

The Subcommittee heard this issue on April 20, 2016.

Lawrence Berkeley National Laboratory (LBNL) is assembling an application for the US Department of Energy Bioenergy Research Center program and is seeking state matching funds for their application. This federal funding opportunity would support highly advanced biofuels research that develops solutions for the production of specialty biofuels and other bioproducts from plants with the potential to enable a more bio-based economy. These specialty biofuels are non-food crop derived fuels other than ethanol, and bioproducts that will replace petroleum derived non-pharmaceutical products. The Bioenergy Research Center will involve diverse disciplines in sustainability, feedstock development, deconstruction and conversion. Lawrence Berkeley National Laboratory conducts world leading fundamental research in energy, with a proven track record for research in environmentally sustainable production of drop-in biofuels from non-food crops and wastes.

State investment is key to realizing these benefits, for several reasons:

- **Securing substantial multiyear federal research funding:** State investment is a key factor in securing the renewal of federal US Department of Energy funding. Securing the federal Bioenergy Research Center can draw up to $150 million into California over the next five years.

- **Track record success:** LBNL at its Joint BioEnergy Institute has secured $259 million in DOE funding in the period FY2008-2017, plus $44 million in other federal and private research funding.

- **National Competition**: In 2016, DOE has issued a Federal Opportunity Announcement for the next round of investment in biofuels research. In this round, LBNL will be competing against applications from across the nation as well as the other two existing DOE Bioenergy Research Centers, in Wisconsin and Tennessee: both states have already made significant capital investments in their centers, of $58 million and $72 million respectively. The proposed $15 million investment by California would provide Lawrence Berkeley National Laboratory a competitive foundation to compete for federal funds now and in the future.

- **Synergistic Uses**: These funds will go to one or more of the following areas: state of the art lab equipment, advanced biofuels research, enabling carbon reduction technology, STEM education and commercializing technology.

Staff believes that the State should consider using the General Funds to leverage benefits of the Lawrence Berkeley National Laboratory proposal.

Staff Recommendation: Redirect the CEC General Fund for Research to the Lawrence Berkeley Lab to assist in funding the Bioenergy and Bioproducts Research Center

ISSUE 4: BIOGAS RESEARCH FUNDING

The Subcommittee will consider using a natural gas surcharge to fund biofuel research.

BACKGROUND

The Energy Commission administers the Natural Gas Public Interest Energy Research (PIER) program that was funded with a Public Goods Charge. New funding for this program ended when the authority for the PUC to assess the Public Goods Charge ended in 2011. The PIER program funded an array of research projects.

The State current charges a surcharge on natural gas.

STAFF COMMENTS

The Subcommittee could adopt Trailer Bill Language that would increase the existing surcharge on natural gas to raise $50 million for research, development, and demonstration programs related to the production, distribution and use of biomethane and other forms of renewable gas, and to gas safety and infrastructure.

This funding could be allocated through the statutory language the remains in place for the PIER program.

Staff Recommendation: Adopt placeholder Trailer Bill Language