

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 23, 2018

9:30 A.M. - STATE CAPITOL, ROOM 447

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VOTE-ONLY**2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)**

VOTE-ONLY ISSUE 1: HIGH-SPEED RAIL REIMBURSEMENT AUTHORITY

The Governor's budget requests the extension of 14 existing limited-term positions for an additional two years (beginning July 1, 2019 through June 30, 2021), and \$2.8 million in State Highway Account Reimbursement authority for services rendered on behalf of the California High Speed Rail Authority (CHSRA).

BACKGROUND

The CHSRA entered into a reimbursement agreement years ago with Caltrans to use its expertise in eminent domain, and to take advantage of the cost-effective attorney billing rate of \$88 per hour, versus \$475 per hour for private firms with similar expertise.

There are unique challenges to the High Speed Rail project, and historically, the litigation has been more prolonged than routine highway related eminent domain and inverse condemnation cases. Approximately 580 of the more complex acquisitions remain to be acquired. There are 183 of the 580 parcels currently in the eminent domain process—397 of the 580 parcels are awaiting legal action. It is estimated that 75 percent of the parcels will go through the eminent domain process, and 60 percent of the remaining parcels will proceed through trial. Therefore, the 580 parcels will result in approximately 435 parcels proceeding through eminent domain and approximately 261 being resolved in jury trials. Cases in litigation take, on average, three years to complete trial. These trials are adjudicated with a bench trial on liability, and a jury trial to assess damages.

This request includes \$1,000,000 of additional operating expenses for expert witness contracts, travel, and court filing fees.

STAFF COMMENT

This item was previously heard in Subcommittee No. 3 on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 2: ROAD USAGE CHARGE PILOT PROGRAM CONTINUATION

The Governor's budget proposes \$3.2 million (\$1.4 million State Highway Account and \$1.8 million federal funds) for a two year extension of five positions and \$2.5 million for a demonstration project of a pay-at-the-pump charging station alternative.

BACKGROUND

SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014) was enacted to study the feasibility of a "road usage charge"—an amount charged to individuals for each mile they drive—as an alternative to raising revenue for roads through fuel taxes. SB 1077 required a pilot program be conducted to analyze various methods for collecting road usage data, and a report by June 2018 on the feasibility of implementing a road charge on a statewide basis.

The pilot program enrolled 5,000 vehicles from volunteer participants to test several options for collecting revenues, including: (1) pre-purchased time and mileage permits, (2) manual odometer readings, (3) vehicle plug-in devices, (4) smart phone applications, and (5) a specific built-in technology found in newer vehicles. The pilot program concluded in March 2017, and found that a road usage charge is viable, but identified obstacles that would need to be addressed for each of the methods tested. For example, the two permit options could be difficult to enforce and costly to administer, while the vehicle plug-in devices tested could be obsolete by the time a road usage charge is implemented.

The initial pilot program did not test collecting road usage charges when drivers pay for fuel purchases at the pump. This is because Caltrans determined that cost-effective technology did not exist to transmit mileage data from vehicles to fuel pumps to include in the price of fuel purchases. However, the 2017 Budget Act provided funding to initiate planning for a new pay-at-the-pump pilot program and required the Department to report on its progress in studying a pay-at-the-pump pilot program by July 1, 2018. In early January 2018, Caltrans issued a request for information to gauge market conditions for implementing a pay-at-the-pump pilot program, and received numerous responses, which it is currently reviewing. This proposal would allow Caltrans to implement the new pilot program.

STAFF COMMENTS

This item was discussed in Subcommittee No. 3 on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 3: INDIRECT COST RECOVERY PROGRAM

The Self-Help Counties are seeking an exemption from full cost recovery by Caltrans for work that Caltrans does on their behalf and instead have Caltrans only charge Self-Help counties for direct costs or functional overhead.

BACKGROUND

Caltrans Indirect Cost Recovery Program (ICRP). Caltrans does work on behalf of Self-Help Counties who develop projects on the state highway system, in addition to cities, regional transit and transportation agencies, certain state agencies, and private entities. Caltrans recovers the cost of these services and charges these entities a rate that covers the cost of both administrative and program functional rates.

Several external entities have been exempt from full cost recovery for various reasons. These include the Bay Area Toll Bridge Seismic Retrofit, project initiation documents funded by local agencies (part of a compromise when local agencies were given funding for this work), and work done for the High Speed Rail Authority.

The Self-Help Counties are 24 local county transportation agencies that have passed a countywide sales tax measure to fund transportation projects. These counties are seeking an exemption from full cost recovery for the Caltrans' services they receive, and are requesting to only pay the direct costs. According to Caltrans, an exemption from the administrative portion of the indirect costs would reduce Caltrans' cost recoveries by \$15.2 million. This would be a loss of funding for the State Highway Account that funds the State Highway Operation and Protection Program, which provides funding for major rehabilitation of the State Highway System.

STAFF COMMENTS

This item was discussed in Subcommittee No. 3 on May 2, 2018.

Staff recommends that the Subcommittee adopt placeholder trailer bill language that limits the administrative portion of the indirect costs charged to Self-Help Counties, to no more than 10 percent of the total direct costs. 10 percent is a commonly allowable upper limit for administrative costs. Proposal would sunset in three years.

Staff Recommendation: Adopt placeholder trailer bill language.

VOTE-ONLY ISSUE 4: INFORMATION TECHNOLOGY INFRASTRUCTURE REPLACEMENT

The Governor's budget requests a one-time increase of \$2 million in State Highway Account (SHA) funds to develop an Information Technology Applications Roadmap. Additionally, the Governor proposes budget bill language authorizing up to \$12 million (one-time SHA) to continue replacement of outdated IT infrastructure, contingent upon approval of the Roadmap by the California State Transportation Agency (CalSTA), the California Department of Technology (CDT), and the Department of Finance (DOF).

BACKGROUND

This item was heard in Subcommittee No. 3 on April 11, 2018, and on May 2, 2018, and was approved. Staff recommends the Subcommittee adopt budget bill language requiring JLBC notification prior to any budget augmentation for the replacement of IT infrastructure. This action is intended to conform to the action taken in the Senate.

Staff Recommendation: Adopt Budget Bill Language to conform with Senate.

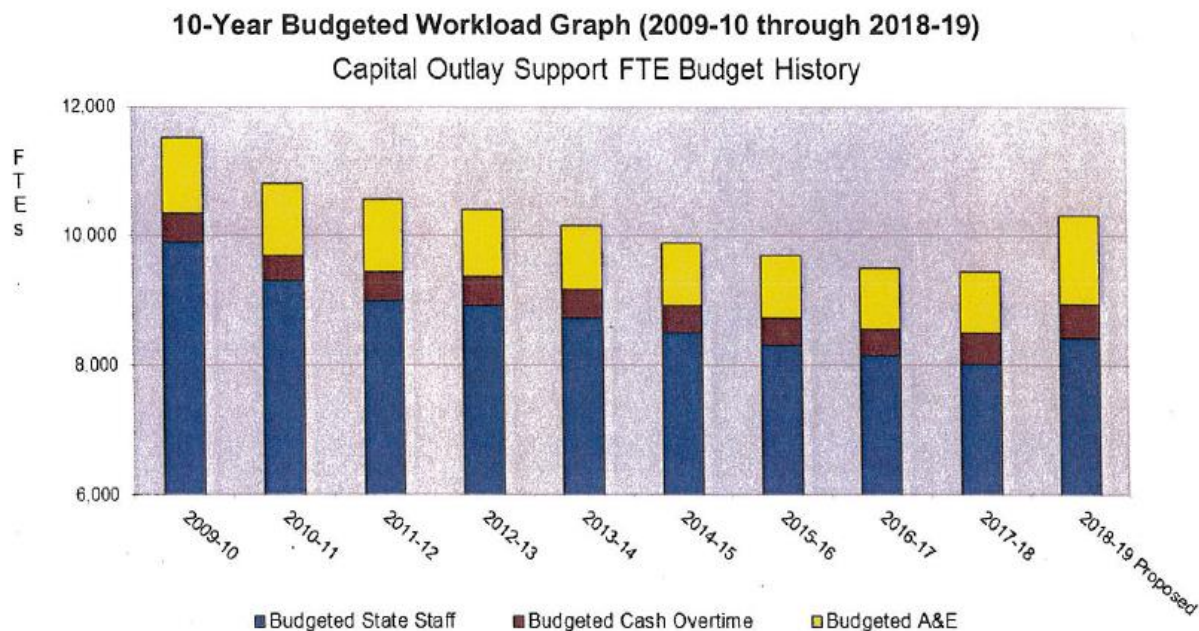
VOTE-ONLY ISSUE 5: CAPITAL OUTLAY SUPPORT

The Administration requests an increase for Caltrans of \$203.1 million from various fund sources for Capital Outlay Support (COS). The Administration also proposes budget bill language that requires Caltrans to report monthly on hiring progress and allows Caltrans to use consulting services as needed to deliver projects when state staffing levels are inadequate. This proposal reflects Caltrans hiring 1,200 staff during 2018-19 with the intent of reaching the traditional split of 90 percent state staff, and 10 percent contract staff, by June 2019.

The Administration also requests \$1.2 million one-time for the Department of General Services to study Caltrans’ facility needs, and \$2 million one-time for increased construction arbitration expenses, including legal resources and expert witness fees.

BACKGROUND

COS staff deliver transportation projects to construction and oversee the construction of projects currently funded or expected to be funded by the California Transportation Commission, or by local partners. The requested increase in the COS program parallels the increase in funding from SB 1. The following chart shows the change in staffing levels at Caltrans over the last decade:



This request is for the equivalent of 872 full time positions. Of the 872 equivalent positions, 393 positions would be state staff at a cost of \$58.7 million, the equivalent of 44 positions would be added from working overtime at a cost of \$24.4 million, and 435 positions would be contractors at a cost of \$112.1 million, as shown on the next page:

Table 1A: Proposed Changes to COS Program Project Delivery Workload*Dollars in Thousands*

COS 1835010	Total Request	Personal Services Regular Staff	Personal Services Cash Overtime	Architectural & Engineering Contracts	Operating Expenses
Dollars	\$203,067	\$58,740	\$24,368	\$112,065	\$7,894
FTEs	872	393	44	435	-

The chart below shows how the positions would be allocated by the type of work performed, and changes relative to the 2017-18 enacted budget:

Table 3: COS Program Workload Changes (Full Time Equivalents)

Workload Categories (Includes all fund sources)	Enacted Budget 2017-18	May Revise 2018-19	Change 2018-19
SHOPP (including SB 1)	5,349	6,417	1,068
Overhead and Corporate	1,800	1,943	143
Partnership (Includes Measure/Locally Funded)	1,104	904	(200)
STIP	786	712	(74)
Toll Bridge Seismic Retrofit Program	117	59	(58)
Real Property Services	109	109	0
High Speed Rail	51	37	(14)
Geotechnical Borehole Mitigation	37	25	(12)
Proposition 1B Bond	35	32	(3)
Traffic Congestion Relief Program	32	54	22
Materials Engineering & Testing Services	27	27	0
Prequalifying Laboratories and Materials	0	[53]	[53]
Compliance with CTC SB1 Guidelines and Project Delivery Improvement Efforts	0	[5]	[5]
Office of Business & Economic Opportunity	0	[3]	[3]
Total Proposed COS Workload	9,447	10,319	872

STAFF COMMENTS

Staff recommends the Subcommittee approve a COS program budget of \$2.026 billion. This includes funding for an additional 872 full time equivalent positions in the program, including a total of \$266.2 million for contract positions. Adopt provisional language requiring Caltrans to adopt a written hiring plan, targeting 153 new hires per month, and to report to the Legislature monthly on progress in meeting these hiring goals. Adopt provisional language allowing Caltrans to augment this request by up to \$36 million, should hiring and work plans require. Require the department to report on its progress

in meeting both its hiring and workload delivery responsibilities, as part of the January budget process. This action is intended to conform to the Senate's action.

Staff Recommendation: Adopt a COS program budget of \$2.026 billion. This includes funding for an additional 872 full time equivalent positions, including a total of \$266.2 million for contract positions. Also, adopt provisional language that allows Caltrans to augment the request by \$36 million.

VOTE-ONLY ISSUE 6: ACTIVE TRANSPORTATION PROGRAM FUNDING EXTENSION

The May Revision requests to extend the allocation and liquidation periods for the \$10 million Greenhouse Gas Reduction Fund provided to the Active Transportation Program by the Budget Act of 2016. The allocation period would be extended to June 30, 2021, and the encumbrance and liquidation period would be extended to June 30, 2024.

BACKGROUND

The 2016 Budget Act provided \$10 million Greenhouse Gas Reduction Funds for the Active Transportation Program. The allocation period for the existing funding is set to expire on June 30, 2018, and the encumbrance and liquidation period is set to expire on June 30, 2020.

Staff Recommendation: Approve as Proposed.

2600 CALIFORNIA TRANSPORTATION COMMISSION**VOTE-ONLY ISSUE 7: ACTIVE TRANSPORTATION PROGRAM EVALUATION (LEGISLATIVE PROPOSAL)**

Evaluate the Active Transportation Program to ensure that it is achieving desired outcomes, and that it is adequately staffed to so.

BACKGROUND

The Active Transportation Program (ATP) was created in 2013. The ATP consolidates funding from various federal and state transportation programs into a single program with the goal of making California a national leader in active (nonmotorized) transportation. Programs consolidated under the ATP include:

- Transportation Alternatives Program
- Recreation Trails Program
- Bicycle Transportation Account
- Safe Routes to School (federal and state)

The ATP is a competitive program with 40 percent of the funding going to Metropolitan Planning Organizations in urban areas, 10 percent to small urban and rural regions, and 50 percent of the funding awarded on a statewide basis.

Funding. Senate Bill 1 (SB 1), the Road Repair and Accountability Act passed in April 2017, added \$100 million per year to the approximately \$125 million in state and federal funds available for ATP annually. This brought the ATP funding total to \$225 million per year.

Concerns. As of December 2017, there are over \$1.1 billion in bicycle and pedestrian projects programmed with ATP funding through 2020-21. Over the years, and as the program has grown, questions have arisen, which include:

- What types of projects, since its inception have been funded, i.e. complete street components, new bike routes, recreational trails, Safe Routes to School, and planning efforts?
- What type of large, “transformative” projects have been funded by ATP?
- What percentage of funding is for non-infrastructure and what are these projects, i.e. bike safety courses, education campaigns?
- What percentage of projects that have been funded are located in or directly benefit a disadvantaged community? How does the disadvantaged communities

requirement in statute compare with the scoring criteria that is being used to award funding? Do the scoring criteria make sense?

- How many applications were submitted by Caltrans or another state agency, and how many ATP-funded projects have benefitted the state highway system? Could these types of projects be funded through other programs such as the State Highway Operations and Protection Program?
- Are project sponsors having problems with implementation, such as change in scope, increased costs, and management issues? How is the CTC dealing with cost overruns?
- Should the CTC or Caltrans develop a statewide needs assessment for ATP?
- Is ATP adequately staffed to administer and evaluate the effectiveness of a program this size?
- What benefits is the State getting, and are the projects funded changing behaviors and resulting in greenhouse gas emission reductions?
- To what extent does the CTC ensure interoperability of the projects that it funds, for example if the CTC awards funds to several bike share programs in Los Angeles, to what extent does it ensure that the programs are interoperable, similar to some transit systems?

STAFF COMMENTS

Staff recommends the Subcommittee adopt Supplemental Reporting Language, directing the LAO to prepare a report that answers the questions posed above, and make recommendations to help ensure the State maximizes the potential benefits of funds invested in the ATP program.

Staff Recommendation: Adopt Supplemental Reporting Language.

2660 CALIFORNIA HIGH-SPEED RAIL AUTHORITY**VOTE-ONLY ISSUE 8: INITIAL OPERATING SEGMENT, SECTION 1 BLENDED SYSTEM EARLY IMPROVEMENTS REAPPROPRIATION**

The Governor's budget requests a reappropriation of \$1.6 billion through June 30, 2022, and extends the liquidation period through June 30, 2024. The request is comprised of:

- \$528.4 million [{\$380.8 million fiscal year 2010 federal funds and \$147.6 million High-Speed Passenger Train Bond Fund (Proposition 1A)] for the Initial Construction Segment (ICS) of the high-speed train, and;
- \$1.0 billion Proposition 1A for the early improvements within the Bay Area and greater Los Angeles regions, also known as the "bookends."

BACKGROUND

The Budget Act of 2012 appropriated \$5.8 billion (\$2.6 billion Proposition 1A and \$3.2 billion federal funds) for the acquisition of land and construction of the ICS, as well as \$1.1 billion Proposition 1A for Bookend projects. This authority expires on June 30, 2018. Due to the complicated nature of these projects, additional time is needed to encumber and liquidate these funds.

The Authority fully expended approximately \$2.5 billion federal funds through 2016-17 and is required to spend approximately \$2.5 billion in matching state funds prior to any liquidation of \$929 million in federal fiscal year 2010 funds per the terms of the Authority's agreement with the Federal Railroad Administration. The Authority is funding current progress of the ICS with Prop 1A funds; however, at its current rate of expenditure, the Authority will not meet the full state match obligation by June 30, 2018.

To date, two Bookend projects have been approved for Proposition 1A funding: the San Francisco Bay Area Caltrain funding plan was approved for \$600 million, and the Southern California Rosecrans-Marquardt rail grade separation project was approved for \$77 million. A total of \$423 million remains available for additional Southern California Bookend Projects. Without a reappropriation, it is currently estimated that over \$1.0 billion of bookend funding will remain unencumbered as of June 30, 2018.

STAFF COMMENTS

This item was previously heard in Subcommittee No. 3 on April 11, 2018.

Staff Recommendation: Approve as Budgeted.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

VOTE-ONLY ISSUE 9: CALIFORNIA LIFELINE LOCAL ASSISTANCE AND STATE OPERATIONS UPDATE, MAY REVISION ESTIMATE

The May Revision includes the CPUC's request for funding based on California LifeLine projections. For the LifeLine Program the CPUC requests \$359.2 million for local assistance and \$30.8 million for state operations.

This update does not alter the request for four additional staff as proposed in the Governor's January budget.

BACKGROUND

The Moore Universal Telephone Service Act, in 1984, set the goal of providing high quality telephone service at affordable rates to low-income households. The Act requires the CPUC to annually designate a class of lifeline service necessary to meet minimum residential communications needs, develop eligibility criteria (currently about 150 percent of the federal poverty level), and set rates for the lifeline services, which are required to be no more than 50 percent of the rate for basic telephone service. Over the years, the definition of a "basic service," has been expanded to include new technologies such as voice, video, and data services.

Revenues to fund the program are collected from a surcharge on telephone bills for non-LifeLine customers. The CPUC adjusts the level of the surcharge based on its projections of the amount of revenue needed to cover the costs of the program. The surcharge is 4.75 percent, effective November 1, 2016.

The Governor's January budget requested \$428.8 million (\$396.9 million for local assistance and \$31.9 million for state operations) for the California LifeLine Program. This includes four new permanent positions. This proposal was a reduction in local assistance costs of \$202.6 million (33.8 percent), and an increase in state operations costs of \$1.3 million (4.4 percent), from the 2017 Budget Act appropriation of \$599.5 million for local assistance, and \$30.6 million for state operations.

Program Participation Falls Further. The updated caseload package shows a further drop from January 2018, in the number of applications and subscribers anticipated in the current year and budget year. The figure on the following page shows the revised totals:

Workload Measure	CY FY 17-18	BY FY 18-19
Applications received/processed	5,633,467	4,800,952
No. of CA LifeLine Wireline subscribers	390,357	335,589
No. of CA LifeLine Wireless subscribers	1,216,118	1,268,742
Total No. of CA LifeLine Wireline and Wireless subscribers	1,606,475	1,604,331

STAFF COMMENTS

The updated caseload estimate shows a further decline in caseload. Last year, CPUC estimated that there would be 3.2 million participants in the program (2.7 million wireless) by the end of 2017-18. However, enrollment is now estimated to total 1.6 million subscribers (1.2 million wireless) at the end of 2017-18—about 50 percent less than what was estimated a year ago.

Earlier this year, concerns were expressed about the significant inaccuracy of the caseload estimate, low renewal rates for wireless subscribers, and the large fund balance available to this program. These concerns are still valid. The Subcommittee may wish to take the following steps to address these concerns:

To address the accuracy of the caseload estimate, the Subcommittee may wish to adopt Supplemental Reporting Language directing the LAO to: (1) review the CPUC's estimate package, specifically the caseload estimate and the underlying assumptions behind the estimate, and (2) direct the LAO to make recommendations about how CPUC could improve the accuracy of its estimate.

To address enrollment and reenrollment concerns, the Subcommittee may also wish to direct the LAO, in its report, to make recommendations about ways to improve enrollment and reenrollment in the program, based on its experience with other caseload programs for low-income persons, such as Medi-Cal and CalWORKs. As part of this process, the LAO should consult with low-income advocacy groups, such as Greenling, in addition to the Low-Income Oversight Board.

Staff Recommendation: Approve as Proposed and Adopt Supplemental Reporting Language.

VOTE-ONLY ISSUE 10: OFFICE OF THE RATEPAYER ADVOCATE NAME CHANGE

The Office of Ratepayer Advocates (ORA) proposes to rename itself the Public Advocate's Office.

BACKGROUND

The ORA has existed in one form or another since mid-last century. It functions as an independent staff within the CPUC, separate and apart from the commissioners' staffs, to advocate on behalf of ratepayers in proceedings before the Commission. More recently, the Legislature has enacted laws: (a) to name the Office in 2013, (b) to make its director an appointment by the Governor and subject to Senate Confirmation, and (c) to require that it have a separate line item in the budget.

The ORA has requested that the Legislature rename it the "Public Advocate's Office" so that its name more accurately conveys its public interest mission. They have indicated that there will be no budget impact related to this name change.

STAFF COMMENTS

The Subcommittee may wish to adopt placeholder trailer bill language to change the ORA's name to the Public Advocate's Office of the CPUC.

Staff Recommendation: Adopt Placeholder Trailer Bill Language.

2720 DEPARTMENT OF MOTOR VEHICLES

VOTE-ONLY ISSUE 11: FRONT END SUSTAINABILITY PROJECT

The Governor's budget requests \$15 million from the Motor Vehicle Account (MVA) in 2018-19 to support the implementation of the Front End Applications Sustainability (FES) project. The annual amount requested, over each of the next four years, will fluctuate and total \$89 million. The proposal includes funding for three permanent positions beginning in 2018-19, and funding for seven limited-term positions from 2018-19 through 2022-23. The budget also proposes \$14.9 million annually beginning in 2023-24 for system maintenance and operation.

In addition, the Governor proposes trailer bill language to authorize the DMV to charge an additional \$1 fee, per transaction, to the private industry partners that work with the department to collect registration fees. The revenue from the fee would fund the business partner's portion of the project.

STAFF COMMENTS

This item was heard in Subcommittee No. 3 on April 11, 2018 and on May 2, 2018.

Staff recommends rejecting the \$14.9 million ongoing funding beginning in 2022-23. The DMV can come back and request this funding when it is needed. This conforms to the action taken by the Senate.

Staff Recommendation: Reject the \$14.9 million ongoing beginning in 2022-23.

VOTE-ONLY ISSUE 12: CALIFORNIA NEW MOTOR VOTER PROGRAM AND ELECTRONIC DRIVER LICENSE APPLICATION: ONE TIME ADDITIONAL SUPPORT

The May Revision proposes \$900,000 (\$225,000 General Fund and \$675,000 Motor Vehicle Account) in one-time funding to extend the contract for information technology (IT) programming and system administration in support of the electronic Driver's License and identification application form and AB 1461 (Gonzalez Fletcher, Chapter 729, Statutes of 2015).

BACKGROUND

AB 1461 required the Secretary of State (SOS) and DMV to establish the California New Motor Voter Program, for the purpose of increasing opportunities for voter registration for qualified voters. The California New Motor Voter Program shifts the voter registration process at the DMV from a system where customers have to opt-in to register to vote, to a system where all eligible voters completing a driver license (DL), identification card (ID), or change of address transaction are automatically registered to vote unless they opt-out. DMV will then electronically transmit to the SOS specified information related to voter registration, including the applicant's name, date of birth, address, digitized signature, email address, telephone number, language preference, and other voter registration related information.

To implement AB 1461, the DMV developed an electronic application for customers completing a DL/ID transaction in field offices. The customer submits the form electronically, so that a DMV technician can electronically retrieve the application and review the information prior to finalizing the transaction.

As part of the eDL-44/AB 1461 project, there were two contracts for the design and build of the Motor Voter application to meet the requirements defined in AB 1461. One contract was for application design services, and the second contract was for the software build, integration, and interface development to SOS. This request is necessary to complete additional features, provide support, and training for the application. Integration of the application to all internal and external systems will require additional analysis, design, development, test and release through the software development lifecycle.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Proposed.

VOTE-ONLY ISSUE 13: CENTRALIZED CUSTOMER FLOW MANAGEMENT AND APPOINTMENT SYSTEMS EXTENSION OF LIQUIDATION

The May Revision proposes a reappropriation to extend the liquidation period of \$5.5 million, to June 30, 2019, for the Centralized Customer Flow Management and Appointment Systems (CCFMAS) Project.

BACKGROUND

The CCFMAS IT Project assists in monitoring and tracking of customer volumes and staffing performance, in order to manage customer flow and service levels throughout the business day. The project was approved and funded in the 2012 Budget Act for a total of \$11.5 million, of which nearly \$10.0 million was appropriated with the contract award. No additional funding is required. This adjustment is necessary in case there is a delay in completing the installation of the applications, which would result in the final vendor payments needing to be made in the next fiscal year. The funding is currently set to expire on June 30, 2018.

As of May 4, 2018, the System has been installed in 147 of 172 field offices. DMV will not pay the vendor until the system is implemented in all DMV field offices with a minimum of 30 error free days.

STAFF COMMENTS

The Subcommittee may wish to get an update on the number of field offices that the system has been installed in and ask DMV when it anticipates installation in all field offices will be completed. Staff has no concerns with the proposal.

Staff Recommendation: Approve as Proposed.

**2720 DEPARTMENT OF MOTOR VEHICLES
2740 CALIFORNIA HIGHWAY PATROL****VOTE-ONLY ISSUE 14: MOTOR VEHICLE ACCOUNT CAPITAL-OUTLAY RELATED PROPOSALS**

The Governor's budget and Spring Finance Letters included various proposals and capital outlay projects that would be funded out of the Motor Vehicle Account. All of these items have been previously heard in Subcommittee No. 3.

STAFF COMMENTS

Regarding these proposals staff recommends the Committee take the following actions:

1. Reject proposal to transfer \$18 million Motor Vehicle Account funds to the Department of Fish and Wildlife.
2. Consistent with past practice, cash-fund all proposed capital outlay projects at CHP instead of using Lease Revenue bond financing as was proposed in the January budget.
3. Approve all capital outlay projects at DMV and CHP as proposed in the Governor's budget and Spring Finance Letters. Direct CHP/DMV/DOF to provide an updated schedule for capital outlay projects for the next five years at both DMV and CHP. If necessary, it is possible a small number of projects may need to be delayed. However, this may occur on the natural given projects of this nature are sometimes delayed. Given the stability of revenues into the Motor Vehicle Account it is possible that a three month reserve in the fund balance is unnecessary. If a smaller reserve were maintained, it is possible that no projects would need to be delayed. Based on information previously provided by DMV, if all proposed projects were cash funded the MVA would maintain a reserve of greater than \$100 million. This may be adequate given the stability of the revenues funding the MVA.

Staff Recommendation:

Reject \$18 transfer from MVA to DFW.

Cash-fund all proposed capital outlay projects at CHP, instead of using lease revenue bonds.

Approve all capital outlay projects and related trailer bill language for DMV and CHP and direct the Administration to provide an updated schedule for CHP and DMV capital outlay projects given these actions and maintenance of a minimum fund balance of \$100 million in the MVA.

2740 CALIFORNIA HIGHWAY PATROL

VOTE-ONLY ISSUE 15: WIRELESS IN-CAR CAMERA SYSTEM WITH BODY-WORN CAMERA EXPANDABILITY OPTION AND EXTENSION OF BODY-WORN CAMERA PILOT

The May Revision proposes \$52.5 million from the Motor Vehicle Account (MVA) over the next three years to implement a wireless in-car camera system with the option to purchase integrated Body-Worn Cameras (BWC) in the future, and a \$14.4 million baseline augmentation beginning in 2021-22 from the MVA to support, operate, and maintain the system.

This proposal requests permanent positions and funding as follows:

- four permanent positions and \$5.0 million in 2018-19,
- five additional permanent positions and \$22.9 million in 2019-20,
- three additional permanent positions and \$24.5 million in 2020-21.

The CHP also requests the reappropriation of the remaining balance, of the initial \$1 million appropriated in the Budget Act of 2015, for a Body Worn Camera pilot study. The existing funding is set to expire on June 30, 2018. This reappropriation will provide the CHP with resources to continue the existing pilot through 2018-19, to better understand implementation issues, such as alternatives for addressing privacy concerns, camera battery and charging options, potential cost efficiencies, and integration with CHP's new wireless in-car camera system. The initial pilot was conducted in Stockton and in Oakland.

STAFF COMMENTS

The manufacturer will no longer support the existing camera system after June 30, 2018 and the proposed purchase provides the flexibility to integrate body worn cameras in the future. Staff has no concerns with this proposal.

Staff Recommendation: Approve \$52.53 million in MVA funding over three years for the wireless in-car camera system. Approve the reappropriation of funds for the body worn camera pilot. Reject the \$14.381 million in ongoing maintenance and operations funding.

VOTE-ONLY ISSUE 16: TRACY: AREA OFFICE REPLACEMENT—BUILD TO SUIT LEASE

The May Revision requests trailer bill language to allow the Tracy Area Office Replacement project to proceed as a Build to Suit Lease. Authority for this project was initially provided in the 2008 Budget Act and has since expired. Restoration of this authority will allow this priority project to proceed expeditiously.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Proposed.

3360 CALIFORNIA ENERGY COMMISSION**VOTE-ONLY ISSUE 17: ENERGY RESOURCES PROGRAMS ACCOUNT STRUCTURAL DEFICIT RELIEF**

The May Revision requests a series of actions to reduce the Energy Resources Programs Account (ERPA) structural deficit by \$10.6 million in 2018-19, and \$11.8 million in 2019-20. Requested actions are:

- ERPA cost reduction of \$7.3 million, by shifting eligible expenditures from ERPA to the Cost of Implementation Account (COIA), and Energy Facility License and Compliance Fund. The proposal also reduces expenditures from the Renewable Resource Trust Fund by \$2.1 million by shifting eligible expenditures to COIA.
- ERPA cost reduction of nearly \$2.0 million by shifting Department of General Services' funded activities to the Environmental License Plate Fund.
- Increasing the electricity consumption surcharge from the current rate of \$0.00029 per kilowatt hour, to the statutory maximum of \$0.0003 per kilowatt hour to generate approximately \$1.25 million in additional revenue in 2018-19 for ERPA, and an additional \$2.5 million annually in the out-years.

BACKGROUND

ERPA was established to provide funds for ongoing energy programs and energy projects. The primary source of revenue is from a statutory surcharge on electricity consumption that generates about \$72.5 million annually.

ERPA has had a structural deficit since 2014-15, which resulted from the state's aggressive climate change policies that have held revenue flat for the program (as energy consumption has remained flat over time), and simultaneously increased expenditure pressure. To reduce pressure on the fund, several actions were taken in the 2017-18 Budget Act, including requiring the proposal of a longer-term solution to reduce the structural deficit.

STAFF COMMENTS

The proposed actions are a step in the right direction to reduce cost pressure on ERPA, and better align activities with appropriate fund sources; however, it does not fully address the structural deficit, and the fund is projected to have a deficit again in 2022-23. The report prepared by the Energy Commission on this issue highlighted two other activities that ERPA funds, which could possibly, and more appropriately, be funded by other sources. These include activities at the California Alternative Energy and Advanced Transportation Financing Authority (\$500,000) and the Department of Water

Resources (\$3.3 million). The Subcommittee may wish to ask if the Commission plans to further explore shifting these costs, and ask if it has identified potential alternative funding sources for these activities.

Staff Recommendation: Approve as Proposed.

VOTE-ONLY ISSUE 18: AGRICULTURAL ENERGY EFFICIENCY PROJECTS

The May Revision proposes an increase of \$30 million General Fund, on a one-time basis, to fund innovative projects that reduce energy costs, increase efficiency, and reduce greenhouse gas emissions in the food processing sector. Funded technologies will accelerate the adoption of advanced energy efficiency and renewable energy technologies, and help to contribute to meeting the state's energy efficiency and greenhouse gas reduction goals. This amount is in addition to the \$34 million in Greenhouse Gas Reduction Funds proposed in January, bringing the total amount available to be awarded to \$64 million in 2018-19.

Staff Recommendation: Approve as Proposed.

VOTE-ONLY ISSUE 19: DISADVANTAGED COMMUNITY ADVISORY GROUP

The May Revision proposes trailer bill language be added to provide reimbursement for reasonable expenses and a per diem for members of the Advisory Group, authorized under the Clean Energy and Pollution Reduction Act of 2015 (Chapter 547, Statutes of 2015).

STAFF COMMENTS

Reimbursement for travel expenditures will enable proper rural and urban, cultural and ethnic, and geographic representation. Advisory group members are not paid to participate, which could hinder participation for certain groups. The budget does not propose a new appropriation for these expenses.

Staff Recommendation: Reject this proposal.

VARIOUS DEPARTMENTS

VOTE-ONLY ISSUE 20: VARIOUS RESOURCES AND ENVIRONMENTAL PROTECTION INVESTMENTS

This item was heard in the Subcommittee on May 2, 2018. The requested investments in the areas of natural resources and environmental protection are listed below:

State Water Resources Control Board:

- \$10 million GF for SWRCB to provide emergency relief funding for wells and septic systems.
- \$3.5 million GF for SWRCB to provide emergency relief funding for water tanks.
- \$10 million GF for SWRCB's Drinking Water for Schools Program.
- \$10 million GF for SWRCB to conduct lead testing in water at child care centers, remediation activities and technical assistance.
- \$9 million GF for SWRCB for emergency repairs to the Oxnard Waste Water Treatment Plant.

California Department of Food and Agriculture:

- \$5 million GF for CDFA and CalFire to coordinate and conduct prevention and suppression activities relating to the invasive shot hole borer beetle.
- \$10 million GF to augment CDFA's Citrus Pest and Disease Prevention Program BCP.
- \$10 million GF for CDFA's Nutrition Incentive Program.
- \$5 million GF for CDFA to provide grants to applicant small businesses and corner stores located in food deserts to purchase energy-efficient refrigeration units.
- Trailer bill language to codify the Alternative Manure Management Program and the State Water Efficiency and Enhancement Program, and to create a pilot technical assistance program. \$750K GF to fund the technical assistance program.
- \$10 million Prop 68 funds for CDFA for Cal EXPO deferred maintenance.
- \$9.6 million GF address statewide invasive species issues. Specifically, \$5 million for the Invasive Species Fund, \$2 million to UCANR, and \$2.5 million to CDFA.

Ocean Protection Council:

- \$7.5 million GF for the Ocean Protection Council to fund projects to reduce risk of whale and sea turtle entanglement in California's state managed fisheries.

Department of Pesticide Regulation:

- Nine positions for the DPR to reduce the backlog of biopesticide applications.

- Placeholder trailer bill language to remove from review certain drinking water contaminants that have not been detected in California for a long time.

California Department of Forestry and Fire Protection:

- \$16 million GF to augment CalFire's Mobile Equipment Replacement BCP.
- \$3 million GF for CalFire to provide to the five contract counties for capital outlay projects.
- \$500,000 GF for CalFire for the County of San Bernardino for a Type 3 Wildfire Engine.

Wildlife Conservation Board:

- \$3 million GF to the Wildlife Conservation Board to provide grants and technical assistance for the purpose of recovering and sustaining populations of monarch butterflies and other pollinators.

State Coastal Conservancy:

- \$500K GF to augment SCC's Explore the Coast BCP.
- \$6 million GF for SCC to implement a beneficial reuse pilot program.

California Natural Resources Agency:

- \$25 million GF for CNRA for lower Los Angeles River community restoration and revitalization projects. Allow funds to be available for encumbrance or expenditure through the end of 2022-23.
- \$1 million GF for CNRA for infrastructure improvements to a section of unincorporated territory within the City of Santa Ana.
- \$1.5 million GF for CNRA for the design, engineering, and preliminary permitting for redevelopment of the Maritime Museum site at Star of India Wharf, in the San Diego Harbor.
- \$10 million GF for CNRA to provide the Midpeninsula Regional Open Space District for the acquisition of ~1,000 acres of land in the Upper Guadalupe, Los Gatos, Saratoga Creek Watershed.
- \$25K GF for CNRA for the Muckenthaler sprinkler system.
- \$5 million GF for CNRA for beach improvements to provide first responder access at Tunitas Creek.
- \$1 million GF for CNRA to restore public access at Martins Beach in San Mateo County.
- \$5 million Prop 68 (SB 5 80114(a)) for CNRA to provide the Sutter Butte Flood Control Agency to conduct sediment management in the Feather River.
- \$40 million Prop 68 (SB 5 80137(a)) for CNRA to provide competitive grants.
- \$5 million GF for the Natural Resources Agency to provide UC Campus collaborators on the California Conservation Genomics to continue work on a landscape genomic database.
- Trailer bill language to implement the CNRA's AB 142 report, which recommends adding 37 miles of the upper Mokelumne River to the California Wild and Scenic Rivers System.

- \$510,453 GF for CNRA for a roof replacement at the Agoura Hills/Calabasas Community Center.
- \$5 million GF for CNRA for the City of San Francisco for the Seawall Earthquake Safety and Disaster Prevention Program.
- \$4 million GF for CNRA for the City of Santa Ana to replace its existing water metering system with an advanced metering infrastructure.
- \$8.5 million GF for CNRA for the City of Lassen to make capital improvements to the former Lassen Courthouse.
- \$1.5 million GF for CNRA for the City of Daly City for the Doelger Center Complex
- \$600,000 GF for CNRA for the City of Colton for the Fireman's Paseo project.

State Lands Commission:

- \$500K GF for States Lands Commission to implement AB 691(2013)

California Environmental Protection Agency:

- \$1 million GF for CalEPA for the Green Business Network Program.

California Conservation Corps:

- \$3 million GF for the California Conservation Corps to provide to the Local Conservation Corps.

Department of Fish and Wildlife:

- \$5 million GF for DFW's California Waterfowl Habitat Program to include working agricultural rice fields.
- Trailer bill language to require the Fish and Game Commission to provide a live video broadcast of commission meetings on their website.

Department of Water Resources:

- Include provisional language in DWR's Flood Control Infrastructure's BCP to allocate \$10 million one-time of the requested General Fund for levee repairs in Reclamation District 800.

Department of Parks and Recreation:

- \$500K GF for DPR and BBL to require DPR to develop a pedestrian and bicycle access plan from North Broadway to Los Angeles State Historic Park, or identify alternative solutions for pedestrian and bicycle access issues to the park from North Broadway.
- \$250K GF for DPR for the AIDS Monument project in West Hollywood.
- Budget bill language to make DPR eligible for receipt of both direct and grant funds to the Salton Sea Recreation Area for the purpose of developing boating access.
- \$1.4 million GF for DPR for the City of Whittier for rehabilitation of several parks and a trail.

- \$400K GF for DPR for the City of Whittier for rehabilitation of the La Mirada Theatre for Performing Arts.
- \$1.7 million GF for DPR for the City of Los Angeles to develop an old landfill site into the Cesar Chavez Park.

Air Resources Board:

- \$50 million ELPF annually for two years for ARB to provide the Local Air Districts to implement AB 617.

Wildlife Conservation Board:

- \$10 million Prop 68 (SB 5 80321(e)) for the Wildlife Conservation Board to provide grants for wildlife corridor infrastructure projects.

CalTrans – Reduced-Fare Transit Pass Programs Study:

- \$100K GF for University of California, Institute for Transportation Studies to conduct a study to look at the efficacy of reduced-fare transit pass programs.

Staff Recommendation: Approve investments.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

VOTE-ONLY ISSUE 21: REAPPROPRIATION FOR EXIDE TECHNOLOGIES CLEAN-UP

A May Revision proposal requests to reappropriate the balance of the original \$176.6 million appropriated from the Toxic Substances Control Account pursuant to AB 118 (Chapter 10, Statutes of 2016). DTSC also requests authority to expend the funding through June 30, 2021 to complete remediation activities at properties around the Exide Technologies facility in Vernon.

This item was heard in the Subcommittee on May 16, 2018. The current pace of cleanup is slow, with many questions still outstanding. Questions include how DTSC intends to minimize potential future delays, and what oversight mechanism DTSC intends to put in place for the contractors. The Subcommittee may wish to reappropriate the funds with an augmentation to address the cleanup of parkways, and conduct an oversight hearing in August of 2018 to get an update on the outstanding questions, and receive a progress report from the department on cleanup activities.

Staff Recommendation: Approve as proposed with an augmentation of \$16 million from the Lead Acid Battery Fund for the cleanup and testing of parkways. Adopt placeholder trailer bill language to clarify the use of cleanup funds for residential parcels and parkways.

ITEMS TO BE HEARD

VARIOUS DEPARTMENTS

ISSUE 1: ASSEMBLY CAP AND TRADE 2018-19 EXPENDITURE PLAN

The Governor's budget proposed a \$1.25 billion Cap and Trade Expenditure Plan consistent with the priorities specified in AB 398 (Eduardo Garcia, Chapter 135, Statutes of 2018), and the statutory requirements that at least 35 percent of expenditures benefit disadvantaged and low-income communities.

The May Revision augmented that proposal by adding \$26.8 million and 79 positions for CalFIRE, to complete additional fuel reduction projects and treat 60,000 acres per year. The May Revision also added \$20 million for the Natural Resources Agency, to provide block grants to support regional implementation of landscape-level forest restoration projects that leverage non-state funding.

The Assembly proposes the following 2018-19 Cap and Trade Expenditure Plan:

	2018-19 (In Millions)	
	Governor's Proposal	Assembly Proposal
Cap and Trade Expenditure Plan		
AB 617 Community Air Protection	\$250	\$250
Technical assistance to Community Groups	5	5
Clean Vehicle Rebate Project	175	175
HVIP Clean Truck Buses and Off Road Freight	160	150
Demonstration Projects		30
Pilot Projects		50
Enhanced Fleet Modernization	100	100
Low Carbon Fuel Production	25	0
Ag Diesel Engine Replacement and Upgrades	102	85
Ag Energy Efficiency	34	34
Healthy Soils	5	5
Renewable Energy	4	4
Healthy and Resilient Forests	160	160
Prescribed Fire and Fuel Reduction	26.8	26.8
Northern, Coastal, and Southern California Regional Forest Health Projects	20	20
Local Fire Response	25	25
Methane Reduction	99	99
Waste Diversion	20	40
Transformative Climate Communities	25	25
California Integrated Climate Investment Program	20	20

Energy Corps	6	6
CA Climate Change Technology and Solutions Initiative	35	35
Low income weatherization	0	20
SWEEP	0	5
Urban Forestry	0	20
Urban Greening	0	60
Wetlands	0	20
Coastal Adaptation	0	6
Natural Lands Adaptation	0	20
Ports	0	50
BEACON	0	1
Totals	\$1,296.8	\$1,546.8

STAFF COMMENTS

The Assembly's Cap and Trade plan largely builds on the Administration's proposal and makes additional investments in high-priority areas. The staff recommendation is to: (1) approve the Assembly's proposed Cap and Trade expenditure plan; (2) adopt placeholder trailer bill language; and (3) provisional language that does not allow the funding proposed for the ports to be used to purchase fully automated cargo handling equipment.

Staff Recommendation: Approve the Assembly Cap and Trade Expenditure Plan and adopt placeholder trailer bill language and provisional language.

**3360 CALIFORNIA ENERGY COMMISSION
3900 AIR RESOURCES BOARD****ISSUE 1: ZERO EMISSION VEHICLES (ZEV) AND CHARGING INFRASTRUCTURE PROPOSALS**

The Governor issued Executive Order B-48-18, establishing new goals and a \$2.5 billion investment plan over eight years to reduce carbon emissions from transportation.

The plan includes:

- 5 million zero-emission vehicles (ZEV) on the road by 2030 (\$1.6 billion over eight years), and;
- 250,000 ZEV chargers, including 10,000 fast charging stations, and 200 hydrogen fueling stations by 2025 (\$900 million over eight years).

Zero Emission Vehicle Infrastructure Initiative

The Governor's budget proposes a total of \$235 million at the California Energy Commission, through the Alternative Renewable Fuel and Vehicle Technology Program (ARFVTP), for electrical vehicle charging and hydrogen fueling infrastructure projects.

Specifically, it makes the following funding shifts:

- Directs \$77 million from various AB 118 programs to ZEV charging infrastructure.
- Directs a fund balance of \$70 million (\$15 million from the Air Resources Board's Air Quality Improvement Fund and \$55 million from ARFVTP) to ARFVTP.
- Transfers \$88 million from the New Solar Homes Partnership Program to ARFVTP.
- Removes the current limits on annual expenditures for hydrogen fueling stations of \$20 million, or 20 percent of the amount appropriated by the Legislature.

In addition, budget bill language and trailer bill language are proposed to make certain changes.

Zero Emission Vehicles

The Governor's Cap and Trade proposal (discussed in more detail in the Cap and Trade section) provides \$200 million annually from GGRF through 2025 for rebates to California residents for the purchase or lease of ZEVs and plug-in hybrids, including \$25 million for low-income consumers.

STAFF COMMENT

Staff recommends the Subcommittee take the following actions:

Strategy for EVs:

- Adopt placeholder trailer bill language (TBL) to require Energy Commission (CEC) to conduct an annual EV market study.
 - Model market projection to at least 2030.
 - Include projected sales figures, impact of federal policy changes, sales price difference from non-EV, assessment of marketing efforts by car makers, availability of charging infrastructure, cost of ownership, and ownership by low income/disadvantaged communities.
 - The report shall also include survey results of consumer awareness and acceptance of EVs and awareness of charging station locations. The survey questions and methodology should be substantially similar as to allow for long-term trend analysis.
 - Model several CVRP rebate scenarios given data provided in order to provide recommendations on adjustments to the rebate program, to maximize rebate effectiveness.
 - Due November each year.
- Adopt placeholder TBL language.
 - Codifies new goal of 5 million cars by 2030.
 - Requires the Air Resource Board (ARB) to use the CEC study to estimate the total State rebate investment necessary to reach the 2030 goal, of 5 million EVs, and to establish for each upcoming fiscal year the level of funding for the CVRP.
 - Requires the ARB to use the study to recommend annual changes to the CVRP structure and rebate levels based on market demands in order to meet the goal of 5 million EVs by 2030.
 - Requires the ARB to develop and maintain a customer buying guide that includes information about makes and models of ZEV and PZEVs available to consumers, as well as information on incentives available from federal, state, and local sources including those from utilities.

Strategy for EV Charging Infrastructure:

- Approve the Administration's funding proposal for ZEV infrastructure and alternative fuel vehicles, but not backfill the low-carbon fuel production with \$25 million Cap and Trade funding. Instead, for 2018-19 only, provide \$12.5 million from ARFVTP, so total funding for ZEV's from ARFVTP would be \$64.5 million.
- Adopt placeholder TBL that requires the CEC, to include in their annual study of gaps in EV infrastructure, a statewide assessment of the electric vehicle charging infrastructure needed to support the levels of EV adoption necessary for the state to meet the following two goals: (1) putting at least 5 million zero-emission vehicles on the road by 2030, including zero-emission medium and heavy duty vehicles; and (2) reducing emissions of greenhouse gases (GHGs) to 40 percent below 1990 levels by 2030.
 - CEC shall, in preparing the assessment, work with the ARB and the California Public Utilities Commission (CPUC).
 - Includes assessment of need for facilities that service medium and heavy duty electric vehicles, and an estimate by region of the amount of funding needed for medium and heavy duty charging infrastructure investments.
 - States intent that CEC will use its study to inform funding provided for ZEV charging infrastructure.
 - Due November each year.
- Adopt placeholder trailer bill language that removes the prohibition on ARB from enacting regulations that would require the building of hydrogen fueling stations. This prohibition was established by AB 8 (Perea, Chapter 401, Statutes of 2013).
- Require the CEC to develop a standard information label for all public charging stations to help consumers make informed choices when they purchase electricity.

Staff Recommendation: Adopt the Assembly Proposal.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

ISSUE 1: TRANSPORTATION-RELATED LEGISLATION (LEGISLATIVE PROPOSALS)

Below are two transportation-related trailer bill language proposals.

Reimbursement of Future Year Local Streets and Roads Funding. Allows cities and counties to borrow from other internal city and county revenue streams, and reimburse themselves with future year SB 1 apportionments.

Construction Manager/General Contractor Project Delivery Method for Golden Gate Bridge. The proposed language would clarify that the Golden Gate Bridge District could use the Construction Manager/General Contractor (CM/GC) project delivery method. The CM/GC project delivery method allows an owner to engage a construction manager during the design process to provide constructability input. The Construction Manager is generally selected on the basis of qualifications, past experience, or a best-value basis. During the design phase, the Construction Manager provides input regarding scheduling, pricing, phasing and other input that helps the owner design a more constructible project. This method would better enable the Golden Gate Bridge seismic retrofit project to move forward in concert with the ongoing construction of the suicide deterrent net.

Staff Recommendation: Adopt Placeholder Trailer Bill Language for these proposals.
