AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

TUESDAY, MAY 15, 2018

9:30 A.M. - STATE CAPITOL, ROOM 444

ITEMS TO BE HEARD

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2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

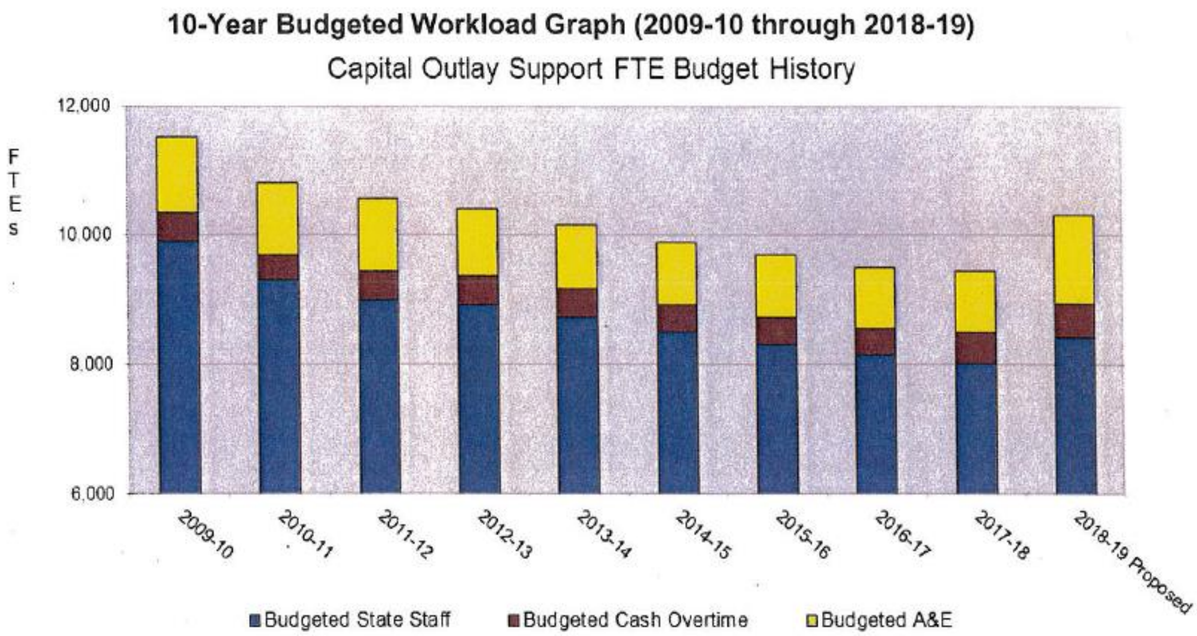
ISSUE 1: CAPITAL OUTLAY SUPPORT

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 below:

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

Caltrans has a significant task ahead of it—hiring 1,200 state staff (mostly engineers) in a single year. Civil engineers are some of the most highly sought-after professionals. The intent of the proposal is that state COS staff will be brought on as quickly as possible so that the amount of work contracted out for is reduced as quickly as possible, to reach the historical split of 90 percent state staff and 10 percent contracted out resources, since this will keep state costs lower.

Staff Recommendation: Hold open

ISSUE 2: 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 COMMENTS

The Subcommittee may wish to ask how much of the $10 million has not been allocated and why. Also, the Committee may wish to ask why this request proposes a three-year encumbrance and liquidation period, rather than the two years originally provided. The request states that the "additional time is needed to allow projects to reach the point at which project sponsors can request allocations."

Staff Recommendation: Hold open

ISSUE 3: 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?

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: Hold Open.

2720 CALIFORNIA HIGHWAY PATROL (CHP)

ISSUE 1: 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: Hold Open.

ISSUE 2: 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: Hold Open.

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: 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/AB1461 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

The Subcommittee may wish to ask why additional resources are necessary, and if the need for these resources was originally anticipated.

Staff Recommendation: Hold Open.

ISSUE 2: 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: Hold Open.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

ISSUE 1: 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 state operations and $30.8 million for local assistance.

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 4.0 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.

Staff Recommendation: Hold Open.

3360 CALIFORNIA ENERGY COMMISSION

ISSUE 1: 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 include:

- 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.

EPRA 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: Hold Open.

ISSUE 2: 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: Hold Open.

ISSUE 3: 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 has no concerns with this proposal.

Staff Recommendation: Hold Open.