AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 4, 2016

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

CONSENT CALENDAR – SPRING FINANCE LETTERS (SFLS)		
ORG CODE	**DEPARTMENT**	**SUMMARY**
3480	**DEPARTMENT OF CONSERVATION**	**TECHNICAL ADJUSTMENTS: REAPPROPRIATIONS, REVERSIONS AND NEW ITEM.** THIS REQUEST WILL ALLOW ADDITIONAL TIME TO PROVIDE AGRICULTURAL LAND CONSERVATION GRANTS TO LOCAL GOVERNMENTS AND NON-PROFIT LAND TRUSTS TO PROTECT NATURAL RESOURCES AND AGRICULTURAL LANDS.
3600	**DEPARTMENT OF FISH AND GAME**	**FEDERAL FUND AUTHORITY ADJUSTMENT.** RECENTLY, THE RECEIPT OF FEDERAL FUNDS FOR THE FEDERAL SPORT FISH RESTORATION PROGRAM AND THE WILDLIFE RESTORATION AND HUNTER EDUCATION PROGRAM HAS INCREASED SIGNIFICANTLY. THIS REQUEST ALIGNS THE APPROPRIATE AMOUNT WITH THE ANTICIPATED ONGOING AWARDS.

ITEMS FOR VOTE-ONLY

ITEMS TO BE HEARD

ITEMS FOR VOTE-ONLY

2660 CALTRANS

VOTE-ONLY ISSUE 1: FEDERAL DATA REPORTING

The Governor's Budget requests $2.4 million in federal funds for required data reporting.

BACKGROUND

The Budget includes an increase of $2.4 million federal funds to meet federal, MAP 21, requirements supporting a single geographic reference for all roads, providing improved safety, incident tracking and better asset management. On August 7, 2012, the Federal Highway Administration announced an expansion of reporting requirements to include all roads eligible for Federal Aid. This reporting supports several federal systems, including the National Bridge Inventory, the Fiscal Management Information System and the Highway Performance Monitoring System. It also supports traffic records data collection and reporting, certified public mileage reporting, and asset management as defined in the Moving Ahead for Progress in the 21st Century Act (MAP 21). The expansion will increase the Caltrans maintained Linear Referencing System from 15,000 miles to 225,000 center lane miles.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 2: LOCAL RISK-BASED MONITORING

The Governor's Budget requests $1 million to perform federally required oversight.

BACKGROUND

The Governor's Budget includes an increase of $1 million federal funds and five positions for federally required oversight for consultant contracts, directing the Local Assistance Program to implement a risk-based monitoring program. Audits have been conducted and deficiencies identified in the procurement of architectural and engineering consultant contracts by local agencies. The Local Assistance Program's Process Review, approved July 7, 2014, found a significant level of non-compliance, or a potential for non-compliance, with various federal regulations. The review identified multiple deficiencies and recent audits have resulted in over $5.4 million in penalties (returned by local agencies) due to non-compliance with federal Procurement, Management, and Administration of Engineering and Design-Related Services requirements. These Local Assistance Program efforts reduced total penalties to local agencies by $16,591,012.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 3: PROPOSITION 1B WORKLOAD

The Governor's Budget requests continued funding associated with Proposition 1B workload.

BACKGROUND

The Governor's Budget proposes funding to continue the administration of the workload associated with Caltrans' responsibilities under Proposition IB, the "Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006". This request represents a five (5) year funding plan beginning in 2016-17 and extending through 2020-21. In addition, this request reduces the current Proposition IB staffing level of 42 positions by three (3) positions in 2016-17, and by a total of 16 positions by 2020-21. The positions would continue to be funded with Proposition 1B bond proceeds. Funding for the current Proposition 1B positions expires on June 30, 2016.

LAO COMMENTS

The LAO finds that the level of resources included in the Governor's budget for Proposition 1B administrative staff in 2016-17 and 2017-18 appear reasonable. The proposal also recognizes that Caltrans' need for administrative staffing will decline as workload is completed for the Proposition 1B programs. However, the LAO finds that the Governor's approach of requesting administrative staff and funding over a five-year period is subject to considerable uncertainty - particularly after 2017-18. This is primarily because several factors can change the timing and amount of administrative work that Caltrans must perform in the future. For example, savings on projects that finish under budget can be redirected to fund additional projects, resulting in additional administrative work for Caltrans.

STAFF COMMENTS

On April 14, 2016, Senate Committee on Budget and Fiscal Review Subcommittee #2 adopted the Administration proposal, but only for a two-year basis, consistent with past practice.

Staff Recommendation: Conform to Senate

VOTE-ONLY ISSUE 4: TOLL COLLECTION SERVICES

The Governor's Budget requests to transfer the Toll Collection Services function.

BACKGROUND

The Governor's Budget requests to transfer Toll Collection Services from the Traffic Operations Program to the Maintenance Program to consolidate resources, improve departmental efficiencies, and provide flexibility for the operation of toll collection services during peak commute travel times.

Staff Recommendation: Approve as Budgeted

2670 BOARD OF PILOT COMMISSIONERS

VOTE-ONLY ISSUE 5: SPRING FISCAL LETTER

The Department of Finance has submitted a Spring Fiscal Letter that requests $298,000 for the Board of Pilot Commissioners.

BACKGROUND

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC) requests a total budget augmentation of $298,000 from the Board of Pilot Commissioners' Special Fund. This includes a one-time budget augmentation of $185,000 to finance increased rent and costs associated with simultaneously testing and training new pilots, and an ongoing budget augmentation of $113,000 to finance statutorily mandated maritime pilot/trainee medical assessments and pilotage rate/surcharge audits.

Staff Recommendation: Adopt Spring Fiscal Letter

2600 CALIFORNIA TRANSPORTATION COMMISSION

VOTE-ONLY ISSUE 6: IMPLEMENTATION OF RECENT LEGISLATION

The Governor's Budget requests $191,000 to support California Transportation Commission staff.

BACKGROUND

The Governor's Budget requests an increase of one position and $191,000 from the State Highway Account and Public Transportation Account to support the California Transportation Commission's expanded role in transportation planning, as prescribed in SB 486 (DeSaulnier, Chapter 917 of 2014), and SB 64 (Liu, Chapter 711, of 2015). In addition, the Commission is requesting to use its existing reimbursement authority for potential reimbursements from the Department of Transportation (Caltrans) for the processing of any high-occupancy toll lane applications that it may receive per AB 194 (Frazier, Chapter 687 of 2015).

Staff Recommendation: Approve as Budgeted

0521 CALIFORNIA TRANSPORTATION AGENCY

VOTE-ONLY ISSUE 7: TRAFFIC RECORDS PROGRAM

The Governor's Budget requests one position to support the Traffic Records program at the Transportation Agency.

BACKGROUND

The Budget includes $159,000 and one position to establish a full-time Traffic Records Program Manager at the Transportation Agency who is responsible for leading statewide traffic safety data improvement projects in the state, to engage stakeholders (owners, users and collectors of each of the datasets and systems) in these efforts, and to manage and/or oversee the progress of individual projects. The Traffic Records Program Manager would serve as the single point of contact for data improvement projects and would collaborate directly with those involved. Additionally, the Traffic Records Program Manager will increase traffic safety for Californians through improved traffic safety data that can only be achieved by aligning the state's numerous traffic records systems.

Staff Recommendation: Approve as Budgeted

2665 HIGH SPEED RAIL AUTHORITY

VOTE-ONLY ISSUE 8: HIGH SPEED RAIL BUDGET CHANGE PROPOSALS

The Governor's Budget includes two High Speed Rail budget requests.

BACKGROUND

- **Auditor Positions**. The Governor's Budget proposes $826,000 in Proposition 1A Bond funding to establish six auditor positions. Four of the auditor positions would perform audits of contract costs that have been billed and reimbursed. Two of the auditor positions would address the increased workload due to Board of Directors' audit requests. According to the Authority, these audits assist the Authority in complying with the general requirements of the federal grant to carry out the project in a sound, economical, and efficient manner, in accordance with the provisions of the grant agreement.

- **Reappropriation of Prior Year Funds**. The Budget proposes the Reappropriation of unspent $145.2 million federal and Proposition 1A Bond funds for continuation of environmental review and preliminary design tasks necessary for development and certification of project-level Environmental Impact Reports/Environmental Impact Statements as well as the drafting of requests for proposals.

Staff Recommendation: Approve as Budgeted

2740 DEPARTMENT OF MOTOR VEHICLES

VOTE-ONLY ISSUE 9: FIELD OFFICE REPLACEMENTS

The Governor's Budget requests approval of appropriations related to three field office replacement projects.

BACKGROUND

The Governor's budget includes $3.8 million of funding for three field office replacement projects:

- Inglewood: $1,027,000 to fund the working drawings phase of the Inglewood DMV Field Office Onsite Replacement Project. The preliminary plan phase was funded in FY 2015/16 for the amount of $1,017,000 and the construction phase is to be funded in FY 2017/18 for $13,115,000. The total project cost is estimated to be $15,159,000.

- Delano: $1,483,000 to fund the preliminary plans phase ($688,000) and the working drawings phase ($795,000) with two year expiration for the Delano DMV Field Office Replacement Project. The acquisition plan phase was funded in FY 2015/16 in the amount of $1,022,000. The construction phase will be requested to be funded in FY 2018/19 for $9,320,000.

- San Diego Normal Street: $1,318,000 to fund the preliminary plan phase of the San Diego Normal Street DMV Field Office Onsite Replacement Project. The working drawing phase is to be funded in Fiscal Year (FY) 2017/18 for $1,295,000 and the construction phase is to be funded in FY 2018/19 for $16,644,000. The total project cost is estimated to be $19,257,000.

STAFF COMMENTS

The Subcommittee previously approved the commission of the Delano and Inglewood Field Office Replacements. The San Diego Normal Street request is a new request.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 10: SANTA MARIA FIELD OFFICE REPLACEMENT

The Governor's Budget requests $1.8 million to continue the Santa Maria Field Office Replacement Project.

BACKGROUND

The Governor’s budget request for $1,811,000 to fund the preliminary plan phase ($897,000) and the working drawing phase ($914,000) for the Santa Maria DMV Field Office Replacement Project.

The acquisition plan phase was funded in FY 2015/16 in the amount of $2,637,000. The construction phase will be requested to be funded in FY 2018/19 for $11,573,000. The total project cost is estimated to be $16,021,000.

STAFF COMMENTS

The Subcommittee approved the commission of this project in the 2015-16 budget.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 11: DRIVER'S LICENSE AND IDENTIFICATION CARD PRODUCTION COST INCREASE

The Governor's Budget requests $6.9 million in additional funds to reflect an increase in driver's license production costs.

BACKGROUND

The Department of Motor Vehicles (DMV) is requesting $6.9 million for fiscal year (FY) 2016/17 and on-going. Additional funding of $6.9 million over current base is required to fund the increase in card production costs as a result of the system software and hardware replacement to improve upon existing Driver License, Identification and Special Permit services. The current contract expired on October 31, 2015, and the card cost increased from $1.385 per card to an average of $1.920 per card over a four (4) year period.

Staff Recommendation: Approve as Budgeted

8660 PUBLIC UTILITIES COMMISSION

VOTE-ONLY ISSUE 12: IMPLEMENTATION OF AB 1266

The Governor's Budget proposes $160,000 and two half time positions to implement AB 1266 (Gonzalez, Chapter 599, Statutes of 2015) Excess Compensation.

BACKGROUND

The Governor's Budget requests funding of $160,000 annually from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for two (2) new permanent half-time positions: 0.5 Public Utilities Regulatory Analyst III, and 0.5 Administrative Law Judge II to implement the provisions of AB 1266. These two positions will administratively manage the interplay between a triggering event, any related PUC Order Instituting Investigation, Memo Account, and Rate Case, and the potential legal risks for claims of retroactive ratemaking, pursuant to AB 1266

STAFF COMMENTS

This proposal does not include a statutory sunset provision.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 13: IMPLEMENTATION OF SB 541

The Governor's Budget proposes $372,000 and limited term positions to implement SB 541(Hill, Chapter 718 of 2015) For Hire Transportation Carriers.

BACKGROUND

Pursuant to SB 541 (Chapter 718, Statutes of 2015), the Governor's Budget proposes $372,000 for limited-term staffing needed to develop educational and outreach materials, schedule, coordinate and conduct statewide outreach to law enforcement and carriers, and establish and maintain lines of communication with law enforcement to notify Commission of enforcement activities. The statute also includes a requirement for CPUC to hire a consultant (up to $250,000) to assess the CPUC Transportation Enforcement Program (TEB), and prepare and submit a report to the Legislature by January 1, 2017. The limited-term PURA II position and the consultant will be funded via the Public Utilities Commission Transportation Reimbursement Fund (Fund 0461).

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 14: IMPLEMENTATION OF SB 793

The Governor's Budget proposes $160,000 and limited term positions to implement SB 793 (Wolk, Chapter 587 of 2015) Green Tariff Renewables.

BACKGROUND

The Governor's Budget requests a total of $160,000 from the Public Utilities Commission Utilities Reimbursement Account each year for three years (2016-17 through 2018-19) to fund limited-term staff to administer the Green Tariff Shared Renewables (GTSR) program as modified by SB 793. SB 793 requires the CPUC to create "a nonbinding estimate of reasonably anticipated [GTSR] bill credits and bill charges...for a period of up to 20 years."

There are a number of GTSR bill credits and charges that must be included in this estimate. These include:

- The price of a given amount of solar generation.
- The class average generation rate (i.e., the price of a utility's ordinary portfolio of energy).
- The Power Charge Indifference Adjustment (PCIA) - a fee that is intended to capture the above-market cost of generation in a utility's portfolio for a given year.
- Renewable Integration Charge (RIC).

- The Resource Adequacy (RA) charge and credit for a given solar facility or portfolio of facilities.
- Grid Management Charges and other fees.
- Time-Of-Use (TOU) credits for a given solar facility.
- Program Administration and Marketing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 15: IMPLEMENTATION OF AB 693

The Governor's Budget proposes $262,000 and 1.75 positions to implement AB 693 (Eggman, Chapter 582, Statutes of 2015) Multifamily Affordable Housing Solar Program.

BACKGROUND

The Governor's Budget requests $262,000 and 1.75 permanent positions funded from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to administer and evaluate the Multifamily Affordable Solar Roofs Program. The Multifamily Affordable Housing Solar Roofs Program is funded with proceeds from the electrical corporations' sale of greenhouse gas (GHG) allowances and is expected to result in $1 billion in expenditures over ten years.

The PUC proposes the following staff to administer this new program:

- 1 Public Utilities Regulatory Analyst (PURA) IV positon to provide analysis and support for a Commission rulemaking, and manage program implementation and administration.
- 0.5 Administrative Law Judge II to open a Commission rulemaking to establish the program and modify it as necessary.
- 0.25 Administrative Assistant I - Range A to assist in processing for filings, rulings and decisions.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 16: SPRING FISCAL LETTER ON RAIL SAFETY STAFFING INCREASE

The Department of Finance has issued a Spring Fiscal Letter to increase PUC rail safety staffing.

BACKGROUND

The Department of Finance has issued a Spring Fiscal Letter that seeks an increase of $701,000 (Public Transportation Account, State Transportation Fund- 0046) for five Transit Safety positions and four DGS truck leases (for three inspectors and one supervisor), to enable the PUC to maintain safety inspection and accident investigation levels to keep up with the expansion of rail transit systems.

The PUC Rail Transit Safety Branch ensures that rail transit agencies construct, maintain, and operate their lines in a manner which promotes and safeguards the health and safety of its employees, passengers, and the public. The number of rail transit systems has increased from 12 in 2009 to 14 in 2015. Similarly, ridership has also increased: In the Los Angeles County Metropolitan Transit Authority system alone, ridership has increased from 327 million in 2009 to over 500 million in 2015. With ten rail transit line extension projects in various stages of construction and at least four public authorities pursuing streetcar projects, these numbers will continue to increase. Along with the number of rail transit systems and riders, the number of accidents, injuries, and fatalities has also increased. The PUC is charged with ensuring safe and reliable infrastructure. PUC Transit Safety Inspectors are critical with regard to mitigating public safety risks, and additional Transit Safety staff are necessary to keep up with this growth.

Staff Recommendation: Adopt Spring Fiscal Letter

VOTE-ONLY ISSUE 17: SPRING FISCAL LETTER TO IMPLEMENT SB 1414

The Department of Finance has issued a Spring Fiscal Letter to provide $131,000 and one position to implement SB 1414 (Wolk, Chapter 627, Statutes of 2014).

BACKGROUND

The Department Finance has issued a Spring Fiscal Letter that requests an increase from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) by $131,000 for one (1) permanent Public Utilities Regulatory Analyst (PURA) III position to continue to implement certain provisions of SB 1414, a demand response (DR) related bill enacted in 2014. Some SB 1414 provisions (e.g., DR as resource adequacy) were already being implemented by the Public Utilities Commission (PUC) prior to passage of the bill, and that implementation continues with existing resources. Other provisions (e.g., consumer protection related) began implementation prior to passage of the bill but are anticipated to be expanded considerably as DR grows as a third-party implemented resource. Still other provisions (e.g., back up generation rules (BUGs) and DR as a transmission and distribution resource) are only just now beginning implementation. The current PURA III position is a limited term position that is due to expire on June 30, 2016. While the resource adequacy-related DR work can continue without additional resources, the consumer protection and BUGs provisions cannot be fully implemented without additional resources. This workload is expected to continue for the foreseeable future; thus the request is for a permanent position.

Staff Recommendation: Adopt Spring Fiscal Letter

VOTE-ONLY ISSUE 18: IMPLEMENTATION OF SB 350

The Governor's Budget includes $3.35 million and 23 positions for the PUC to implement provisions of SB 350 (de León, Chapter 547, Statues of 2015).

BACKGROUND

The Governor's Budget requests 23 permanent full-time positions to implement SB 350. Among the new activities created by this bill are:

- Expansion of renewable procurement and energy efficiency targets;
- Create a new integrated resource planning structure;
- Establish new policies and procedures for transportation electrification; manage the regionalization of the California Independent System Operator;
- Consider impacts on disadvantaged communities;
- Provide oversight, as well as legal, technical and policy support, for a minimum of five new and four amended rulemaking proceedings as well as for an expected 5-10 new utility applications annually, and
- Facilitate the processing of a minimum of 350 advice letters.

The 23 positions are: 2 Program and Project Supervisors, 4 Public Utility Regulatory Analyst V, 3 Public Utility Regulatory Analyst IV, 5 Public Utility Regulatory Analyst III, 1 Public Utility Regulatory Analyst II, 1 Public Utility Regulatory Analyst I, 2 Administrative Law Judge II, 1 Hearing Reporter, 1 Legal Secretary, 1 Public Utilities Counsel III, and 2 Systems Software Specialist III. The total cost for FY 2016-17 is $3.35 million Public Utilities Commission Utilities Reimbursement Account (Fund 0462).

Staff Recommendation: Approve as budgeted

VOTE-ONLY ISSUE 19: SPRING FISCAL LETTER REGARDING IMPLEMENTATION OF AB 327

A Spring Fiscal Letter requests $679,000 to convert five limited term positions to permanent positions to support the ongoing implementation of AB 327 (Perea, Chapter 611, Statutes of 2013).

BACKGROUND

A Spring Fiscal Letter requests $679,000 to convert five limited term positions to permanent positions to support the ongoing implementation of AB 327 (Perea, Chapter 611, Statutes of 2013). These positions will support decisions for rulemaking proceedings and new applications; convene and manage workshop; review and evaluate testimony and comments; conduct in-depth technical, legal, and policy analysis; review and approve advice letter filings; draft resolutions for Commission approval; and, in all other ways, administratively manage the implementation of select provisions of AB 327.

According the PUC, while some of the AB 327 work has been completed, superseded, or can be implemented by existing resources, other ongoing work cannot be completed without additional resources, necessitating this request for these five positions to continue implementation of select AB 327 positions. These positions will support decisions for rulemaking proceedings and new applications; convene and manage workshops; review and evaluate testimony and comments; conduct in-depth technical, legal, and policy analysis; review and approve advice letter filings; draft resolutions for Commission approval; and, in all other ways, administratively manage the implementation of certain AB 327 provisions.

Staff Recommendation: Adopt Spring Fiscal Letter

3340 CALIFORNIA CONSERVATION CORPS

VOTE-ONLY ISSUE 20: EXPANSION OF RESIDENTIAL CENTERS

The Governor's budget proposes $400,000 (General Fund) to begin implementation of a five-year plan for expansion of CCC residential centers. This amount consists of funding for the acquisition phase of residential centers in Napa ($200,000), Pomona ($100,000), and Ukiah ($100,000). Acquisition phase costs can include an investigation of the condition of a property, surveys, title costs, appraisal fees, and staff time. For Napa, Pomona, and Ukiah, the administration plans to use lease revenue bonds (generally repaid from the General Fund) for construction. The Subcommittee held this item open at its March 16, 2016, hearing.

LAO Recommendation. *We recommend the Legislature wait until there is more information on corpsmember outcomes before approving the acquisition phase for new* *residential centers in Napa and Pomona. We believe the Legislature should take steps to ensure that it will have sufficient information in the future to make informed decisions about whether to go forward with the residential center expansion. We recommend the Legislature approve the request for $100,000 to begin the acquisition phase of a project to replace the current residential center in Ukiah.*

STAFF COMMENTS

Staff agrees that the CCC's residential facilities offer unique experiences and outcomes that are unavailable at their non-residential counterparts. Residential facilities are available to individuals from throughout the state and eliminate barriers to success such as unreliable commuting options and unstable housing. Further, these facilities provide stable and positive environments for homeless youth, young people aging out of foster care, and those from neighborhoods with high level of gang violence.

However, given that the five-year expansion plan is estimated to cost $170 million, staff concurs with LAO that it would be prudent to wait until there is more information on corpsmember outcomes before approving the acquisition phase for new residential centers in Napa and Pomona. With regards to Ukiah, since the Department of General Services will not renew the current lease due to the disrepair of the buildings, staff supports moving forward with the request for $100,000 (General Fund) to begin the acquisition phase of a project to replace the current residential center in Ukiah.

Staff Recommendation: Deny proposal without prejudice for the acquisition phase for the new residential center in Napa and Pomona. Approve $100,000 (General Fund) to begin the acquisition phase of a project to replace the current residential center in Ukiah.

VOTE-ONLY ISSUE 21: BUTTE FIRE CENTER

The Governor's budget request $2,654,000 in FY 2016-17 and $2,341,000 ongoing in General Fund to fund 12.5 positions, 47 corpsmembers, as well as one-time and permanent operational costs of a CCC residential center in Butte County (Magalia). The Butte County center will be converted from an existing California Department of Forestry and Fire Protection's (CalFire's) facility in Magalia that was closed due to budget cuts in 2004, for which CalFire's May Revision was approved for $3.1 million in General Fund in FY 2015-16 to renovate the closed facility in Magalia. The Subcommittee held this item open at its March 16, 2016, hearing.

Cal Fire has identified Butte Fire Center as strategically important to address forest health, fire prevention and response for the immediate communities surrounding Magalia and Paradise and the large rural counties (Tehama, Glenn, Colusa, Yuba, and Plumas). There is one road in and out for communities living within forested lands with increasing risk for fire with thick underbrush and the mass die off of trees caused by drought and beetle infestation. Given the continuous drought plaguing California, there is an immediate need to prepare for wildfires, as well as work on projects to conserve water.

Staff Recommendation: Approve as Budgeted

3480 DEPARTMENT OF CONSERVATION

VOTE-ONLY ISSUE 22: CALIFORNIA FARMLAND CONSERVANCY PROGRAM

The Governor's Budget requests a one-time local assistance appropriation of $1.142 million from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund of 2002 (Proposition 40). Funds will be used by the California Farmland Conservancy Program (CFCP) to provide grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements.

Prop 40 specifically identifies $75 million in funding for the preservation of agricultural lands, grazing lands, and oak woodlands conservation. This request is not for new funding, but for Prop 40 local assistance funds previously appropriated to the CFCP and not expended.

VOTE-ONLY ISSUE 23 : ORPHAN WELL REMEDIATION (SFL)

The Governor's Budget requests an increase of $1,000,000 from the Oil, Gas, and Geothermal Administrative Fund (OGGA) to remediate hazardous orphaned wells. Additionally, Conservation requests provisional language to increase the expenditure limit on orphan well remediation. No position authority is requested. However, it could impose higher assessment fees on the oil and gas industry.

Currently, the Division is aware of 108 orphan wells in the State based on a survey of district deputies. The cost to plug and abandon wells can vary significantly. Over the past three fiscal years, the Department spent an average of $130,000 per well (range from $43,000 to $619,000 per well).

This proposal facilitates the remediation of 108 existing wells and new orphan wells, decreases liability that exists due to orphan wells (possible blowouts or groundwater contamination), and decreases the dangers associated with orphan wells.

Staff Recommendation: Approve Issues 22 & 23

3720 CALIFORNIA COASTAL COMMISSION

VOTE-ONLY ISSUE 24: PROTECT OUR COAST AND OCEANS LOCAL ASSISTANCE AND OUTREACH

The Governor's Budget requests $430,000 from voluntary contributions on the state tax return to the "Protect Our Coast and Oceans Fund" to the Coastal Commission's budget as a one-time appropriation. Of this amount, $365,000 would be a one-year Local Assistance budget line item to provide Whale Tail® grants. The remaining $65,000 would be a one-year State Operations budget line item to support outreach and promotion for the "Protect Our Coast and Oceans" Fund.

There is a significant demand for marine and coastal education grants. The Coastal Commission's WHALE TAIL® Grants Program allocates funds from sales and renewals of the WHALE TAIL® License Plate to organizations conducting marine education and related programs. Each year the WHALE TAIL® Grants Program receives far more worthy proposals than it is able to fund. In FY 2014/15 the Coastal Commission was only able to fund less than one-third of grant proposals received. By increasing the pool of money available for WHALE TAIL® Grants, the Protect Our Coast and Oceans Fund will ensure that funding is available for many additional worthy projects

VOTE-ONLY ISSUE 25: REAPPROPRIATION OF LOCAL ASSISTANCE LCP GRANTS

The Governor's Budget requests the reappropriation of Local Assistance funds included in the 2013-14 and 2014-15 Budgets for Local Coastal Program (LCP) grants to local governments. This request would allow local governments to complete Local Coastal Program work that is underway under grants and contracts.

VOTE-ONLY ISSUE 26: RELOCATION OF THE SOUTH COAST DISTRICT GRANTS (SFL)

The Governor's Budget requests $451,000 (General Fund) to be used for one-time moving and set up expenses for the relocation of the South Coast District Office in Long Beach and ongoing General Fund funding of $411,000 for increased rent. The owner of the building, where the South Coast District Office is currently housed, has given notice to the Department of General Services that the lease will not be renewed under any circumstances.

The baseline funding increase would supports the increased staffing levels at the South Coast District office. Because staffing levels have grown, space is a concern. Therefore, this request includes the cost for additional office space and a larger file space for a total of 11,452 square feet. In addition, the current location has mostly "built-in" office furniture. As a result, there is an added expense of both purchasing and installing new modular systems furniture, as well as conventional office furniture for the private offices.

VOTE-ONLY ISSUE 27: CLIMATE RESILIENCE GRANTS (SFL)

The Governor's Spring Finance Letter requests $500,000 (Coastal Trust Fund) for Climate Change Adaptation and Climate Resiliency planning and project work. These funds were originally part of the enacted budget for FY 2014-15 as a transfer from the Environmental License Plate Fund (ELPF) to the Coastal Trust Fund for these purposes. Due to shortfalls in the ELPF for FY 2014-15, the Commission was directed to not to spend $500,000 in FY 2014-15. These funds were ultimately not needed to correct the ELPF shortfall, and the Commission requests an appropriation for their intended use.

Staff Recommendation: Approve Issues 24-27

3760 STATE COASTAL CONSERVANCY

VOTE-ONLY ISSUE 28: PROPOSITION 1

The Governor's Budget requests an appropriation of $5,418,000 (Proposition 1) as an incremental increase above the $15,000,000 in local assistance funding already approved in the Conservancy's budget. The requested funds would be spent by the Conservancy on a broad range of projects on the coast and in the San Francisco Bay Area within its programmatic authority, and consistent with goals of Proposition 1.
Proposition 1 expressly allocates $100,500,000 to the Coastal Conservancy for competitive grants for multibenefit ecosystem and watershed protection and restoration projects. No new support staffing would be required in this fiscal year.

Staff Recommendation: Approve as Budgeted

3835 BALDWIN HILL CONSERVANCY

VOTE-ONLY ISSUE 29: ACQUISITION AND IMPROVEMENT PROGRAM

The Governor's Budget requests $6,000,000 (Proposition 40) local assistance funding to provide grants for acquisitions and capital improvements pursuant to the bond.

Staff Recommendation: Approve as Budgeted

3860 DEPARTMENT OF WATER RESOURCES

VOTE-ONLY ISSUE 30: DELTA HABITAT CONSERVATION AND CONVEYANCE PROGRAM

The Governor's Budget requests the conversion of 38 limited-term positions to permanent positions. These positions are intended to carry out the preliminary design phase activities within components of the Delta Habitat Conservation and Conveyance Program (DHCCP). This proposal includes no funding request as the positions are funded by the State Water Project (SWP) and have no impact on the State's annual Budget Act. These positions are estimated to cost the SWP approximately $6.9 million. The Subcommittee held this item open at its March 16, 2016.

The Administration is amending its January proposal to address Subcommittee concerns, requesting the following:

- the conversion of only three positions (the only ones currently filled) to permanent to be consistent with prior Legislative action to not approve as permanent until filled; and
- the extension of 17 of the limited term positions for two additional years.

According to the Department, since the development of the January BCP, the timeline for when the Environmental Impact Report (EIR) will be final, and subsequently when the Department will begin filling the positions, has been identified as Fall 2016. Since the staffing need will not be for a complete fiscal year, the Department has reduced the overall number of positions that would be needed in FY 2016-17, and is also proposing that those be limited-term to ensure appropriate oversight before they would be made permanent.

Staff Recommendation: Approve the conversion of only three positions to permanent and approve the extension of 17 of the limited term positions for two additional years.

3900 AIR RESOURCES BOARD

VOTE-ONLY ISSUE 31: PROPOSALS TO ACHIEVE POST-2020 GHG GOALS

The Governor's budget includes a total of $3.2 million (Cost of Implementation Account) and 13 permanent positions to implement three proposals related to the Clean Truck and Bus standards, the Advanced Clean Cars program, and the short-live climate pollutant (SLCP) strategy. The additional resources would be used for the following activities:

- ***Clean Truck and Bus Standards.*** Develop more stringent GHG and criteria pollutant standards for trucks and buses, as well as improve compliance monitoring for existing standards. For example, of the resources requested, two positions and $490,000 are requested to develop more stringent GHG standards to achieve the Governor's long–term GHG goals.
- ***Advanced Clean Cars Program.*** Develop regulations to increase the number of zero–emission vehicles and reduce criteria pollutants and GHGs from light duty vehicles.
- ***SLCP Strategy.*** Develop and implement policies to reduce methane and fluorinated gases, improve monitoring of fluorinated gases, and improve enforcement of existing and near–term SLCP strategies.

The Subcommittee held these items open at its April 20, 2016, hearing due to concerns that certain activities do not appear consistent with current statutory direction and may be premature.

STAFF COMMENTS

The LAO raised numerous concerns with these proposals. Fundamentally, ARB believes they have clear authority to pursue post-2020 GHG reductions. However, there is concern that the ARB may be pushing the bounds. LAO points out:

> *"Although the Legislature has adopted major policies intended to achieve substantial GHG reductions beyond 2020—such as establishing a 50 percent renewable portfolio standard and doubling energy efficiency savings in electricity and natural gas by 2030—we are not aware of any statutory direction for ARB to develop regulations to achieve more stringent post–2020 GHG targets."*

LAO further raises concern about the appropriateness of using COIA for activities that are specifically targeted to reducing non-GHG pollutants. This concern mostly applies to clean car and bus and truck standards that limit criteria or toxic pollutants (rather than GHGs). Staff concurs with the LAO recommendation described below.

Staff Recommendation: SLCP request: reject. Clean Bus and Truck request: (1) reject two positions and $490,000 to develop GHG standards to achieve Governor's long-term GHG goals and (2) convert fund source for one position and $570,000 related to developing lower NOx emission standards from Cost of Implementation Account to the Vehicle Inspection and Repair Fund (VIRF). Advanced Clean Cars request: convert fund source from Cost of Implementation Account to Air Pollution Control Fund.

3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 32: HIGH-SPEED RAIL AUTHORITY EXPEDITED PERMITTING (SFL)

The Governor's Budget requests $387,000 in annual reimbursement spending authority and 3.3 permanent positions to address federally required water quality 401 certification needs and oversight of the High Speed Rail (HSR) project in order to meet the High Speed Rail Authority's (HSRA) requested permitting schedule.

The scheduled 401 Certification work requested by the HSRA will require approximately 17,500 hours of work over and above normal 401 Certification workload, and then oversight once project certification is completed, as construction continues.

ISSUE 33: WATER RIGHTS PERMITTING AND LICENSING AUGMENTATION

The Governor's Budget seven positions and $851,000 (Water Rights Fund) to process applications to appropriate water, petitions to change existing rights, wastewater change petitions, and licensing of water rights. The Subcommittee held this item open at its March 16, 2016, hearing.

Approval of this proposal will assist in reducing the Water Right Permitting and Licensing backlog, resulting in more rapid action on new water rights, water right change petitions, wastewater petitions and water rights licensing. Granting these additional resources will boost water supply (Including new storage and recycled water) to help with drought resiliency and provide water right conditioning protective of fish and wildlife public trust resources.

The Water Rights Program is funded through fees charged to water right permit and license holders. The SWRCB estimates that this proposal would increase Water Right's Permits, Licenses, and application fees by approximately 8 percent.

Staff Recommendation: Approve as Budgeted Issues 32-33

VOTE-ONLY ISSUE 34: INCREASE BOARD MEMBER PER DIEM

The Governor proposes $335,000 (various special funds) for increased regional board member per diem payments and budget TBL. The proposal increases Regional Water Board member per diem from $100 to $500. It also authorizes Board members to receive one day's per diem to review materials in preparation for board meetings. Further, it deletes provisions stating that Board members receiving unrelated salary are not eligible for per diem and caps total statewide expenditures for Board member per diem in lieu of the current cap for each regional board. This cap is in accordance with the increased per diem payments proposed and assumes each regional board meets once monthly. The Subcommittee held this item open at its March 16, 2016, hearing due to concerns about the amount of the per diem increase.

Staff Recommendation: Reduce the increase in Regional Water Board member per diem to $250 instead of $500. Approve the remainder of the proposal as budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

VOTE-ONLY ISSUE 35: BEVERAGE CONTAINER CITY/COUNTY PAYMENT PROGRAM (CCPP) ACCOUNTABILITY

The Governor's Budget proposes $110,000 (Beverage Container Recycling Fund) and one position to provide programmatic and fiduciary oversight of CCPP expenditures by recipient agencies. Proposed activities include conducting outreach, providing training and technical assistance to participants, and reviewing participant reports.

***LAO Recommendation**. Eliminate the CCPP. We recommend that the Legislature eliminate the CCPP given the concerns with the structure of its funding allocation and the lack of information on its effectiveness. Eliminating the program would also provide $10.5 million in savings to the BCRF, which would reduce the structural deficit by 14 percent based on the department's most recent quarterly report.*

The LAO's analysis is persuasive. However, the elimination of the CCPP should not be considered in isolation, but rather in a broader context of BCRF reform. In the past two years, the Administration has taken a number of steps to ease the pressure on the Fund, such as focusing on efforts to reduce fraud and increasing program integrity and oversight activities. At this point, it appears that the Department has produced as much reform and reduced expenditures as it can without legislative change.

The most recent quarterly report projects the fund balance fall below the prudent cash reserve sometime in 2017–18. Because it appears the Administration is not advancing a broader reform of the BCRP this year, staff suggests rejecting this proposal rather than eliminating the CCPP, as LAO suggests.

Staff Recommendation: Reject proposal.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

VOTE-ONLY ISSUE 36: GREENHOUSE GAS LIMITS STUDY

The Governor's Budget requests three positions and $200,000 per year in annual contracts for a total of $645,000 annually. These resources will be used to analyze the benefits and impacts in disadvantaged communities of greenhouse gas (GHG) emission limits. More specifically, Governor Brown has issued a directive to the California Environmental Protection Agency for OEHHA to prepare a report analyzing the benefits and impacts in disadvantaged communities of the GHG limits. The initial report is due December 1, 2016, and must be updated at least every three years. This will be a new activity for OEHHA.

Staff Recommendation: Approve as Budgeted

ITEMS TO BE HEARD

2660 CALTRANS

ISSUE 1: GOVERNOR'S TRANSPORTATION FUNDING PACKAGE

The Governor's Budget includes a comprehensive Transportation Funding Package.

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.

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 proposed Transportation funding package was introduced in the Legislative Special Session that was declared by a proclamation of the Governor on June 16, 2016.

Earlier this year, AB 113 (Assembly Budget Committee, Chapter 2 of 2016), included $173 million to repay traffic congestion relief loans.

Staff Recommendation: Hold Open

2660 CALTRANS
6440 UNIVERSITY OF CALIFORNIA

ISSUE 2: UC INSTITUTE OF TRANSPORTATION STUDIES

The University of California has requested $9 million to fund the Institute for Transportation Studies.

BACKGROUND

The Legislature established the Institute for Transportation and Traffic Engineering in 1947. The Institute for Transportation Studies (ITS, as it is now known) teams University of California (UC) researchers from more than 30 disciplines to advance the state of the art in transportation engineering and planning, to serve as a source of information to state, regional and local transportation agencies, and to provide knowledge transfer and continuous education to practicing transportation engineers and planners in California. ITS has four branches—UC Berkeley, UC Davis, UC Irvine, and UCLA. ITS staff explore problems ranging from chronic traffic congestion to persistent air pollution, increasing climate change, impacts of local and global goods movements, and access for disadvantaged areas and groups.

The UC Regents have approved a request for a total ongoing funding augmentation of $9 million from the Public Transportation Account (PTA) that would be phased-in over three years in $3 million increments beginning in 2016-17, and includes an annual inflationary augmentation for future years. According to UC, this request provides funding sufficient to establish permanent, ongoing programmatic infrastructure that will allow ITS to respond to state policy makers' requests for ad hoc guidance and to engage actively with California governments at all levels. ITS expenditures since 2010-11 by category of research are shown in the figure below. According to UC, this level of funding is inadequate for core functions and results in ITS being highly reactive to external funding opportunities and consequently its research is not explicitly focused on the state's transportation needs and priorities.

STAFF COMMENTS

UC is asking for three years of budget increases and an ongoing inflation adjustment to this funding for ITS. While this proposal may have merit, staff recommends that if the Subcommittee only consider adopt the 2016-17 component of this proposal, which would be $3 million, and defer action on further investment after seeing how this first augmentation translated into additional ITS services for the State. This would allow the Subcommittee to revisit this investment in 2017-18 to consider if an additional $3 million augmentation has value.

Staff Recommendation: Adopt $3 million of PTA funding for ITS.

2640 STATE TRANSPORTATION ASSISTANCE

ISSUE 3: STATE TRANSIT ASSISTANCE ALLOCATIONS

The California Transit Agency has requested Trailer Bill Language to overturn a recent reinterpretation of current law that has resulted in a reallocation of existing funding.

BACKGROUND

The Transportation Development Act (TDA) provides two major sources of funding for public transportation: the Local Transportation Fund and the State Transit Assistance Fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales and transit performance.

STA funds are generated by the sales tax on diesel fuel, and the amount of money available for transit agencies varies from year to year based on the ups and downs of diesel prices. The State Controller's Office (SCO) appropriates STA funds to the 26 regional transportation planning agencies (RTPAs) across the state as follows:

- Fifty percent of STA funds are allocated based on their share of the population as defined by Public Utilities Code (PUC) 99313.
- Fifty percent of STA funds are allocated based on transit operators' revenues as defined by PUC 99314. Operators have full discretion over the use of TDA and most of STA apportioned to them.

Funds may be used by transit operators for both capital projects and transit operations. For most smaller transit agencies, TDA and STA are their main sources of operating funds.

The SCO recently reinterpreted the statutes that define how STA funds are distributed and implemented a significant change in the way STA program funds are allocated. This change went into effect the first quarter of 2015-16 for payments which were issued in January of 2016. The change altered the way STA funds have been distributed for decades and created winners and losers among transit operators. For example, the changes to the STA payments have resulted in net windfalls in unanticipated funding for some transit operators, for others the change resulted in major reductions in funding.

STAFF COMMENTS

The California Transit Association has requested trailer bill language to undo the recent Controller interpretation of STA allocations and return to the old allocation methodology for three fiscal years (2015-16, 2016-17, and 2017-18). This action would allow the California Transit Association time to pursue an ongoing fix to issue in the policy process, but provide stability in the funding while these discussions moved forward.

There are winners and losers from the SCO reinterpretation of the STA allocation language. There are some strong arguments for some of these winners to be able to claim a share of the transit funds that they were previously denied. On the other hand, there are some double-counting and unintended outcomes that are also stemming from this administrative action that unduly punish some of the losers. The California Transit Association is proposing a pathway to allow the Legislature to weigh in on who should get this transit funding and how it should be distributed. Staff believe a deliberate policy discussion would be the best manner to settle this issue.

Staff Recommendation: Adopt Placeholder Trailer Bill Language .

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 4: MOTOR VEHICLE FEE INCREASE

The Governor's Budget includes provisions to increase the Motor Vehicle Fee by $10 per vehicle to address a structural imbalance in the Motor Vehicle Account.

BACKGROUND

The Motor Vehicle Account (MVA) is a special fund supports the state's activities related to the administration and enforcement of laws regulating the operation or registration of vehicles used on public streets and highways, as well as to mitigate the environmental effects of vehicle emissions. It is the primary revenue source for about 90 percent of the activates at the Department of Motor Vehicles and California Highway Patrol, as well as a small portion of staff at the Air Resources Board. Vehicles registration and driver's license fees fund the MVA. The also MVA receives roughly $70 million in miscellaneous revenues that are not limited in their use by the California Constitution. Under existing law, these revenues are transferred to the General Fund, making them unavailable to support MVA expenditures.

Increases in costs for both CHP and the DMV and contributed to the MVA developing an ongoing operating shortfall. The Administration estimates a MVA operational shortfall of about $310 million in 2016-17 (assuming no new revenue or expenditures). If unaddressed, the ongoing shortfalls would result in the MVA becoming insolvent in 2017-18.

To fix this imbalance, the Governor's Budget proposes Trailer Bill Language to increase the base vehicle registration fee by $10 (from $46 to $56), effective January 1, 2017. In addition, this language would index the base registration fee to the Consumer Price Index (CPI), beginning in 2017-18, allowing the fee to automatically increase with inflation, similar to the CHP fee and the driver license fee. The Governor's budget assumes that the increased fee will generate about $80 million in 2016-17, and about $360 million upon full implementation in 2017-18.

LAO COMMENTS

The LAO finds that the Legislature will need to take steps to address the ongoing shortfall in the MVA and prevent insolvency. While the Governor's approach is one way of addressing the shortfalls in the near term, there are alternatives, and under the Governor's approach, the LAO estimates that the MVA would likely face an operational shortfall in the tens of millions of dollars by 2019-20. Based on this, the LAO recommends the Legislature consider taking actions to ensure that the MVA is sufficiently balanced in both the near and long-term. The Legislature could address such shortfalls by adopting a mix of the following strategies:

• <u>Reduce or Limit MVA Expenditures</u>. One approach to addressing the shortfalls in the MVA is to reduce expenditures or slow the pace of spending growth. Even a modest reduction to the pace of spending growth could significantly help the MVA's condition in the future. For example, the Legislature could defer the start of new capital projects to replace CHP and DMV facilities, or approve fewer new projects in future years than are included in the 2016 Five-Year Infrastructure Plan.

• <u>Increase MVA Revenues</u>. As proposed by the Governor, the Legislature could increase the vehicle registration fee. In determining an appropriate fee increase, it will want to consider the potential fiscal impacts on vehicle owners. The Legislature could also choose to increase non– registration MVA fees, such as driver license fees.

• <u>Eliminate General Fund Transfer</u>. As mentioned earlier, the MVA receives roughly $70 million in miscellaneous revenues that are not limited in their use by the California Constitution. Under existing law, these revenues are transferred to the General Fund, making them unavailable to support MVA expenditures. The Legislature could change state law in order to keep these revenues in the MVA.

STAFF COMMENTS

The Subcommittee has been aware of the MVA structural issue for several years, as it framed decisions regarding DMV's Capital Outlay requests in previous hearings. While the LAO lays out several theoretical options for avoiding insolvency, it is hard to see a pathway to avoid insolvency that does not involve a fee increase given the imbalance.

Staff Recommendation: Adopt Placeholder Trailer Bill Language to Increase the Motor Vehicle Registration Fee.

ISSUE 5: DMV SELF-SERVICE TERMINALS

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

BACKGROUND

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

Specifically, the proposed $8 million includes the following:

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

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

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

LAO COMMENTS

The LAO recommends that the Legislature reject the Governor's proposal for $8 million from the MVA to support the costs of existing self-service terminals, as well as those of additional terminals. The LAO notes that DMV could continue to fund the existing self-service terminals and expand the number of terminals without this funding augmentation. The LAO also recommends that the Legislature require DMV to develop a detailed plan on the use and expansion of self-service terminals. In order to ensure the Legislature receives the plan in a timely manner, the LAO recommends adopting budget bill language requiring DMV to submit the plan by January 10, 2017. The language should also specify that DMV shall not proceed with its expansion plan until it is submitted to and reviewed by the Legislature.

Specifically, the plan should include (1) a sequencing strategy (including the approach and timing for increasing functionality of the terminals and how that relates to expanding the number of terminals), (2) DMV's assessment of which locations are good candidates for self-service terminals and the criteria DMV used to determine these locations, and (3) how DMV intends to account for the cost savings generated from the use of self-service terminals and identify the adjustments necessary to reflect a reduction in field office workload. As the Legislature evaluates this plan, it will also want to consider the potential benefits and limitations of passing the cost of self-service terminals on to the customers who benefit from the convenience of using the kiosks, rather than spreading these costs among all registered vehicle owners.

STAFF COMMENTS

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

For a lesser department, the LAO concerns seem well-founded. But DMV is among the strongest, if not the strongest, administered departments in the State. Given the track record of success in implementing business technology DMV has demonstrated, staff believes it should be given the chance to show what it can do with self-service terminals.

However, the LAO is correct that if this new approach to DMV transactions is going to continue to expand in future years, more data is needed. Therefore Staff Recommends adding Supplemental Reporting Language to have DMV report the locations a utilization of self-service terminals, as well as any costs savings resulting from the diversion of transactions through these terminals.

Staff Recommendation: Approve as Budgeted with Supplemental Reporting Language

2660 CALTRANS
2740DEPARTMENT OF MOTOR VEHICLES

ISSUE 6: CONSTRUCTION AND MAINTENANCE ZONE ENFORCEMENT FUNDING

The Governor's Budget shifts the $50 million in funding for two safety programs from the State Highway Account to the Motor Vehicle Account.

BACKGROUND

The Governor's Budget proposes to use $50 million of MVA funds to support the Construction Zone Enhanced Enforcement Program (COZEEP) and Maintenance Zone Enhanced Enforcement Program (MAZEEP), which provide a CHP presence at Caltrans' work zones. These programs are currently funded by Caltrans using State Highway Account funding.

LAO COMMENTS

The Governor's proposed fund shift for Caltrans construction enforcement services raises concerns. While the proposal is somewhat unclear, it appears that the responsibility for determining when enforcement services are needed would be retained by Caltrans. If this is the case, then decisions about the use of these services would no longer be linked to their costs. Under this approach, Caltrans would no longer face the fiscal constraints that currently incentivize the department to use enforcement services only when warranted. Because Caltrans has the necessary information, such as the planned work of the department's contractors, to determine when enforcement services are needed, it also would not appear to make sense to shift the responsibility for determining when enforcement services are needed to CHP. Under the proposed shift it could also be difficult for Caltrans to fully account for the cost of construction projects, since the enforcement costs related to projects would no longer be within Caltrans' budget. In addition, the Governor's proposal shifts additional costs to the MVA at a time when the account is facing insolvency.

In light of the above concerns, we recommend that the Legislature reject the proposed fund shift. This would allow Caltrans to continue to contract with CHP for enforcement services needed on highway construction projects.

STAFF COMMENTS

The proposed shift has raised concerns from some advocates that the structural imbalance in the Motor Vehicle Account could continue. In addition, advocates argue that the shift could expose the California Highway Patrol for liability for traffic related claims that are currently only borne by Caltrans.

Staff Recommendation: Hold Open

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 7: HOV GREEN AND WHITE STICKERS

The Governor's Budget includes a trailer bill language provisions to extend existing HOV Green and While decal programs.

BACKGROUND

The Governor's budget proposes trailer bill language would make the following changes to current law related to the Green and White High-Occupancy Vehicle (HOV) Decal Program:

1. Remove the limit of 85,000 on the number of decals available for the green vehicle decal program and allow eligible vehicles to receive decals until the program's expiration on January 1, 2019.
2. Extend the white sticker program until October 1, 2025 making it consistent with current federal law that was amended by the federal Fixing America's Surface Transportation (FAST) Act.
3. Require Caltrans to prepare and submit a report to the Legislature, on or before December 1, 2017, on the degradation status of the HOV lanes on the state highway system.

AB 71 (Cunneen), Chapter 330, Statutes of 1999, authorized allowing single-occupant, clean air vehicles access to HOV lanes. The intent of the initial and subsequent legislation was to incentivize the purchase of clean air vehicles. Currently, the DMV distributes two types of decals.

- White Clean Air Vehicle decals are available to an unlimited number of qualifying federal Inherently Low Emission Vehicles. Cars meeting these requirements are typically certified pure zero emission vehicles (100 percent battery electric and hydrogen fuel cell) and compressed natural gas vehicles. An unlimited number of decals are available for these vehicles.

- Green Clean Air Vehicle decals are available to applicants that purchase or lease cars meeting California's transitional zero emission vehicles requirement, also known as the enhanced advanced technology partial zero emission vehicle requirement. Per SB 853 (Committee on Budget and Fiscal Review), Statutes 2014, Chapter 27, the green decal limit was increased by 15,000 to 55,000 decals effective July 1, 2014. Per AB 2013, (Muratsuchi), Chapter 527, Statutes of 2014, effective January 1, 2015, an additional 15,000 decals were made available for a new maximum of 70,000. The cap was increased in the 2015 Budget Act and the current cap on Green Clean Air Vehicle decals is 85,000.

Recent studies of the impact of Green and White sticker vehicles on HOV lanes found that these vehicles had a small impact on overall traffic in these lanes at peak periods. Thus, the expansion of these programs is not expected to have substantial impact on congestion on these lanes.

STAFF COMMENTS

The proposed Trailer Bill Language would provide a clear path forward for these two sticker programs for the near term. However, the Subcommittee may wish to consider whether it is appropriate to grant a nine-year extension to uncapped white stickers given the pace of technological change automobile manufacturing. It may be more appropriate to consider such a far-reaching change in the policy process.

Therefore, staff recommends amending the proposed trailer bill language to extend the white sticker program to 2019 (instead of 2025), which would still provide certainty to the program but allow the policy process to consider the long-term trajectory of this program.

Staff Recommendation: Adopt Proposed Trailer Bill Language, but amend the language to extend the White Sticker program until 2019.

ISSUE 8: NEW MOTOR VOTER PROGRAM

The Governor's Budget requests $3.9 million it implement the New Motor Voter Program.

BACKGROUND

The budget includes a proposal for 3.7 positions and $3.9 million to implement the New Motor Voter Program established in AB 1461 (Gonzales, Chapter 729 of 2015). This bill creates an automatic voter registration process for specified individuals who apply for a driver license (DL) or identification (ID) card, or submits a change of address to the DMV. The bill requires DMV to electronically transmit to the California Secretary of State 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, as well as whether the applicant affirmatively declined to register to vote.

DMV notes in its budget documents that it intends to submit a second budget request to implement this bill later in the budget process after some of the details on the program have been finalized.

ADVOCATE CONCERNS

A coalition of advocates have sent a letter to the Subcommittee concerning DMV's implementation of the New Motor Voter legislation.

> *The new system being implemented at DMV field offices is problematic, however, and important work remains to be done to achieve a better system. A major difficulty is that registering to vote during in-person DMV transactions is a two-step process. First, the driver license or ID applicant is asked on the DL 44 application form about his or her eligibility and whether he or she wishes to register to vote, to change address, or to update his or her registration. If the basic answer is "yes," the information required to complete a voter registration application is electronically transferred to the Secretary of State and that person is registered to vote. However, voter registration involves additional, optional questions about party preference, language preference for election materials, whether one wishes to be a permanent Vote by Mail voter, and whether one wishes to be a poll worker.* ***Those important questions are not asked at the DMV unless and until the applicant goes to a separate room and logs in to a touchscreen terminal—the touchscreens that are used to give drivers license applicants their written test.*** *Early signs indicate that about* ***a third of people who choose to register to vote under the new system do not complete the touchscreen process.*** *Important information such as party and language preference will not be recorded for them. The one-third estimate is consistent with the number of people who are not required to go to the*

touchscreen terminal as part of their regular DMV transaction. For applicants who skip the touchscreen, the Secretary of State will send a follow-up letter telling them they can complete their optional information. However, to do that, these voters will have to re-register to vote on their own initiative (either online or by seeking out and obtaining a voter registration card). We believe the bifurcated, two-step registration process at DMV field offices should be an interim phase in the DMV's modernization effort, and we ask that you help provide the mechanism for moving the DMV to a seamless, preferably fully electronic, system as part of its implementation of AB 1461.

The advocates therefore request the Subcommittee take the following action:

1) Require the DMV to provide a plan to achieve a more seamless, electronic registration process for persons registering or reregistering at the DMV; and

2) Implement legislative oversight and accountability mechanisms to ensure that those funds are spent to optimize the voter registration experience for Californians doing business with the DMV

STAFF COMMENTS

The Subcommittee could fix the current process by adopting Trailer Bill Language requiring the DMV to change its process to eliminate the need for a "two-step process" to complete all of the fields on a standard voter registration application.

The proposed recommendation below includes an implementation date consistent with that of AB 1461, but staff has not assessed whether DMV has the capacity to meet such a deadline.

Staff Recommendation: Approve as Budgeted and Adopt Trailer Bill Language Requiring the Department of Motor Vehicle to Implement a One-Step Voter Registration Process by July 1, 2017

ISSUE 9: APRIL FINANCE LETTER TO IMPLEMENT REAL ID

The Governor's Budget requests $4.6 million to implement the federal REAL ID requirement.

BACKGROUND

The Department of Finance has issued an April Finance Letter requesting $4.6 million MVA and 70 positions on an ongoing basis to begin the process of implementing AB 1465 (Gordon), Chapter 708, Statutes of 2015. AB 1465 authorizes DMV to require proof of residency for all original driver license and identification (DL/ID) card applications beginning July 1, 2016. The proposal also requests that budget bill language be added to allow the Administration to increase this item when necessary, with JLBC notification, to support activities associated with federal REAL ID compliance.

Congress enacted and the President signed H.R. 1268-"Real ID Act of 2005" on May 11, 2005, which is designed to improve the security of driver's licenses and identification cards issued by individual states. The act includes certain minimum document and license issuance requirements, and it provides that only persons with legal presence status can be issued a DL/ID card. A state, however, can issue a DL/ID card to an undocumented immigrant, providing the license meets certain appearance requirements and clearly states that it cannot be used for any other official purpose. DMV receives approximately 1.5 million original DL/ID card applications annually and does not require proof of residency for the issuance of a card; however, that will change with the implementation of AB 1465. Currently the only DLs that mandate proof of residency are for what is commonly referred to as “AB 60 applicants”. AB 60 (Alejo), Chapter 524, Statutes of 2013, requires DMV to issue an original driver’s license to an applicant who is unable to demonstrate proof of legal presence in the United States, if that person meets all other qualifications for licensure and provides satisfactory proof of identity and California residency. An AB 60 driver’s license is valid only for driving purposes and cannot be used for identification or federal purposes.

Existing state law generally requires applicants to submit satisfactory proof of legal presence status under federal law, such as a birth certificate or approved immigration documents. Applications for the issuance or renewal of a DL/ID card must contain a section for the applicant's social security number (SSN). DMV is prohibited from accepting an application without a verified SSN unless the application was submitted with documents establishing legal presence and the Department of Homeland Security (DHS) verifies that the person is in the country legally, but not authorized to work. However, REAL ID standards go beyond these requirements. Initially compliance with REAL ID standards was to take effect January 15, 2013. However, federal DHS has determined that 21 states meet REAL ID Act standards, but the remaining states, including California, have been granted a deferment until October 1, 2020.

STAFF COMMENTS

DMV will provide an update on the implementation of REAL ID and outline the possible circumstances that could generate the need to request funding in the middle of the fiscal year.

Staff Recommendation: Adopt Spring Fiscal Letter

ISSUE 10: SPRING FISCAL LETTER ON DRIVER'S LICENSE ISSUANCE

The Department of Finance has issued a Spring Fiscal Letter requesting $1.4 million for the DMV's implementation of AB 60.

BACKGROUND

The Department of Motor Vehicles (DMV) is requesting an additional $1.4 million in FY 2016/17 for program costs related to the implementation of Chapter 524, Statutes 2013 (AB 60, Alejo), which commenced on January 2, 2015.

Since DMV started accepting driver license applications from undocumented Californians on January 2, 2015, the DMV has issued about 660,000 driver licenses through February 2016. Leading up to the implementation, the DMV opened four Driver License Processing Centers, hired nearly 1,000 new employees, developed regulations detailing documents required to prove identity and residency, extended office hours, added Saturday service, and participated in more than 200 public outreach events across the state.

Prior to AB 60 implementation it was determined that there needed to be processes identified to include additional reviews as necessary. This Finance Letter request funding for positions associated with this review workload for AB 60 licenses and also request funding for the four Driver's License Processing Center (DLPCs) field offices that were leased to handle the increased volume of customers due to the implementation of AB 60. The funding will provide costs for the lease of the facilities through December 31, 2016.

As a result of AB 60 implementation, the Department has received an additional workload relating to the Secondary / Administrative Review of AB 60 documents. If the driver's license applicant does not provide acceptable identity / residency documents at the time they applied for their driver's license or if the record needs additional review the applicant will receive a Secondary Review Referral Notice from the field office technician informing them that further review of their documents must take place. This additional review may include the applicant meeting with DMV staff or just having their record reviewed or both.

STAFF COMMENTS

Given the monumental scope of implementing AB 60, staff has included this item on the agenda to all the Subcommittee to receive an update on DMV's efforts overall. Staff has no concerns with this specific proposal.

Staff Recommendation: Adopt Spring Fiscal Letter

3900 CALIFORNIA AIR RESOURCES BOARD

ISSUE 11: SYNERGY OF CLIMATE CHANGE POLICIES IN FRESNO

The City of Fresno will present a plan for leveraging existing Cap and Trade program funding to create transformative change in their community.

BACKGROUND

The City of Fresno has developed an over $1 billion plan for a 2020 climate and revitalization initiative. The proposed plan seeks to leverage $671 million already identified by the City with $370 million of other funding to achieve this investment. The proposal includes investments in catalytic housing, multimodal transportation, urban greening, and energy efficiency. As one of California's most disadvantaged communities, Fresno is hoping that investment from Cap and Trade funded programs will help bridge the funding gap.

As previously discussed at the April 20, 2016 Cap and Trade hearing, California's approach to meeting the emission reduction goals of AB 32 are based upon a variety of approaches (table provided by LAO):

Regulations	MMTCO2E Reduction
Cap–and–trade	23
Low carbon fuel standard	15
Energy efficiency and conservation	12
33 percent renewable portfolio standard	12
Refrigerant tracking, reporting, and repair deposit program	5
Advanced clean cars	3
Reductions in vehicle miles traveled (SB 375)	3
Landfill methane control	2
Other regulations	5
Total	**78**

MMTCO2E = million metric tons of carbon dioxide equivalent.

The City of Fresno's approach illustrates how the various approaches can achieve synergy to make transformative change to communities that are not captured by the programmatic-silos that frame the climate change conversation. In the case of Fresno, the investment in High Speed Rail, Affordable Housing and Community Services, and other Cap and Trade funded programs leverage other funding to allow the City to develop urban infill development, thus achieving the goals of SB 375 to reduce vehicle miles traveled.

STAFF COMMENTS

The City of Fresno's proposal demonstrates how the State's climate change goals can permanently transform communities across California in ways that not only reduce pollution, but also spur economic growth. The City's proposal to develop the downtown would reverse a fifty year trends of suburban sprawl and this is possible due to investments that emulate from Cap and Trade and the High Speed Rail project.
The City of Fresno proposal is realistic in its funding request, given that the funding is expected over a five year period. However, this proposal depends upon available funds in future years, which will depend upon how much of the Greenhouse Gas Reduction Fund is available after this year's appropriation.

The Subcommittee may wish to consider how other proposals for Cap and Trade funding compare with the City of Fresno proposal in terms of leveraging other funding and lasting impacts.

Staff Recommendation: Hold Open

3480 DEPARTMENT OF CONSERVATION
3900 AIR RESOURCES BOARD
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT
8660 PUBLIC UTILITIES COMMISSION

ISSUE 12: ALISO CANYON AND IMPLEMENTING THE GOVERNOR'S EMERGENCY PROCLAMATION (SFL)

The Governor's Spring Finance Letter requests that various items be changed and added as follows to (1) implement the Governor's Emergency Proclamation, and (2) enhance efforts to improve public safety statewide.

Department of Conservation—requests $4,172,000 and 20 positions in the Division of Oil, Gas, and Geothermal Resources (DOGGR) to support increased regulatory activities at underground gas storage facilities.

Air Resources Board (ARB)—requests $2,276,000 and four positions to support neighborhood air quality monitoring near oil and gas facilities and enhance ARB's emergency response capabilities. Of this amount, $1,357,000 is for one-time equipment purchases in 2016-17. Beginning in 2017-18, ongoing costs will be $915,000 annually for staff support and equipment maintenance. It is also requested that trailer bill language be adopted to make ARB an authorized user of the Oil, Gas, and Geothermal Administrative Fund for these purposes.

Office of Environmental Health Hazard Assessment—requests $350,000 and two positions to coordinate with and support ARB's neighborhood air quality monitoring near oil and gas facilities. The resources will enable OEHHA to support ARB in the identification of chemical hazards and the characterization of potential risks in California communities related to ongoing oil and gas production activities and from unanticipated events such as the natural gas leak at Aliso Canyon. It is also requested that trailer bill language be adopted to make the Office of Environmental Health Hazard Assessment an authorized user of the Oil, Gas, and Geothermal Administrative Fund for these purposes.

Public Utilities Commission—requests $1,479,000 and 10 positions for increased workload related to regulating natural gas storage facilities. It also is requested that Item 8660-001-0462 be increased by $1,694,000 and 11 positions to create the Division of Safety Advocates (Division) within the Public Utilities Commission (PUC). This Division will be focused on safety issues, testify in hearings and proceedings, and advocate for the protection and safety of California residents as a party to PUC proceedings.

BACKGROUND

DOGGR supervises the drilling, operation, maintenance, and plugging and abandonment of onshore and offshore oil, gas, and geothermal wells. Among the injection wells DOGGR regulates are those that inject fluids or gas into large underground reservoirs for storage before the gas is later withdrawn for sale during peak load periods. The Division is required to maintain surveillance over these facilities to ensure that the original reserves are not lost, that drilling of new wells is conducted properly, and that no damage occurs to the environment by reason of injection and withdrawal of gas.

Below is a table of current gas storage projects throughout the State, by District. There are 342 active wells, the majority of which are located in the Northern District.

GAS STORAGE PROJECTS in CA				
District	**County**	**Field**	**Operator**	**Active Well Count**
Southern	Los Angeles	Playa del Rey	So Cal Gas	22
		Aliso Canyon	So Cal Gas	92
		Honor Rancho	So Cal Gas	32
Coastal	Santa Barbara	La Goleta Gas	So Cal Gas	17
Inland	Madera	Gill Ranch Gas	Gill Ranch Storage LLC	12
Northern	Butte	Wild Goose Gas	Wild Goose Storage LLC	17
	Colusa	Princeton Gas	Central Valley Gas	8
	Contra Costa	Los Medanos Gas	PG&E	20
	San Joaquin	Lodi Gas	Lodi Gas Storage	9
		Lodi Gas	Lodi Gas Storage	8
		McDonald Island	PG&E	81
	Solano	Kirby Hill Gas	Lodi Gas Storage	9
		Kirby Hills Gas	Lodi Gas Storage	9
	Yolo	Pleasant Creek Gas	PG&E	7
Totals	**9 Counties**	**12 Fields**	**6 Operators**	**343 Active GS Wells**

The Aliso Canyon Natural Gas Storage Facility (Aliso Canyon) has operated for decades as a critical part of the natural gas transmission and distribution system in the Los Angeles region. Aliso Canyon provides gas supplies to 11 million customers for home heating, hot water and cooking fuel. The facility also provides gas supplies to natural gas-fired power plants that play a central role meeting regional electrical demand. Aliso Canyon is critical to meeting peak gas usage demands in winter months and helping to meet peak electrical demands during the summer months.

In late October 2015, a leak was discovered expelling natural gas from a well at the Aliso Canyon. The well, which was being used for injection and storage of gas by its operator Southern California Gas Company (SoCalGas), was located in close proximity to residential neighborhoods. The Porter Ranch community, one of the closest, experienced some of the most severe effects. According to SoCal Gas, at least 3,400 households were temporarily displaced due to adverse reactions to the odorant in the natural gas.

SoCalGas, in conjunction with state oversight agencies, attempted to plug the leak using conventional methods. However, these initial efforts were not successful, and in early December a more complex solution (i.e., the drilling of a relief well) was initiated. Ultimately, the leak was plugged in February 2016, five months after it was discovered.

According to ARB, the Aliso Canyon leak emitted almost 100,000 tons of methane, a potent greenhouse gas, into the atmosphere from October 2015 to February 2016. ARB estimates that the leak added approximately 20 percent to statewide methane emissions over its duration. Both CPUC and DOGGR both have ongoing investigations. DOGGR has eight staff working on a "root cause analysis." Enforcement actions will follow depending on the results of the investigations.

As part of the state's response to Aliso Canyon, the Governor's Emergency Proclamation was issued in early January to direct multiple oversight agencies to focus on the following main principles: (1) addressing the immediate threat to public health and safety by directing efforts to plug the leak, (2) ensuring that accountability falls on the operators of the Facility, (3) taking steps to prevent a similar event from occurring in the future, and (4) implementing necessary actions to ensure energy reliability.

DOGGR Duties. Specifically, the Emergency Proclamation directed DOGGR to promulgate emergency regulations imposing safety and reliability standards for all underground gas storage facilities in California, including requiring:

- At least a daily inspection of gas storage well heads, using gas leak detection technology such as infrared imaging.
- Ongoing verification of the mechanical integrity of all gas storage wells.
- Ongoing measurement of annular gas pressure or annular gas flow within wells.
- Regular testing of all safety valves used in wells.
- Establishing minimum and maximum pressure limits for each gas storage facility in the State.
- Each storage facility to establish a comprehensive risk management plan that evaluates and prepares for risks at each facility, including corrosion potential of pipes and equipment.

Consistent with the mandate of the Governor's emergency proclamation, the Division finds that there is an immediate need to require implementation of performance standards specifically designed to require that operators of underground gas storage facilities are properly mitigating risks and taking all appropriate steps to prevent uncontrolled releases, blowouts, and other infrastructure-related accidents. The operation of existing underground gas storage facilities without the immediate implementation of such standards presents a direct and ongoing threat to public health, safety, and the environment.

The funds included in this proposal will support 20 DOGGR staff to:

- Develop a comprehensive risk management plan structure for operators and ensure operator compliance with the risk management plan;
- Conduct regular risk assessment reviews and document necessary mitigation measures;
- Act as lead monitor and evaluate well mechanical testing results;
- Conduct annual project reviews;
- Verify and monitor injection and production rates and pressures for compliance;
- Witness the mechanical integrity tests for each well used in an underground gas storage project;
- Conduct wellhead inspections and verification of normal annulus pressures as part of overall field inspection activity; and
- Annual physical inspections and tests of pipelines at gas storage facilities throughout the State

ARB Component. The Aliso Canyon leak highlights the need to better understand the current emissions at oil and gas facilities as well as the levels of air pollution in and around neighborhoods adjacent to such operations. Although many air pollution control districts have regulations to limit volatile organic compound (VOC) emissions, the potential for increases in emissions due to aging wells and use of enhanced oil recovery methods is unknown. In addition, residents of disadvantaged communities near oil and gas activities have raised concerns about toxic compound exposure, particularly to children in nearby schools.

This proposal seeks resources to conduct enhanced air quality monitoring, source testing, and health risk assessment in communities in and around oil and gas facilities such as production fields and storage facilities, particularly in disadvantaged or highly impacted communities. Air monitoring conducted in specific communities of concern and the data generated from the effort would serve as a basis for identifying and prioritizing the need for further mitigation at such facilities. In addition to providing much needed information on toxic pollutant levels in affected communities, the requested resources will allow ARB to more rapidly respond to incidents such as the Aliso Canyon natural gas leak with focused, short-term monitoring studies in and around communities.

OEHHA Request. Information regarding air pollutant exposures and impacts to communities near oil and gas facilities is lacking. The Aliso Canyon leak highlighted the need to better understand the nature and extent of the public health risk posed by the oil and gas production industry in California. While ARB will decide the order and timing of sites that are selected for community monitoring, the proposal directs OEHHA to provide consultation to inform these choices. The use of OEHHA' s CalEnviroScreen will also help inform site selection. OEHHA proposes to use the community-based monitoring data collected by ARB to conduct health risk assessments to estimate cancer and noncancer risk from oil and gas-related production and processing emissions in communities near oil and gas facilities and other industrial sources.

LAO COMMENTS

LAO provided the following comments on the CPUC portion of this request.

> ***Convert Funding for 3 Positions for Activities Related To Aliso Canyon Gas Leak From Permanent to Three-Year Limited-Term.*** *The CPUC requests $1.5 million and 10 permanent positions for regulatory activities related to the recent natural gas leak at Aliso Canyon and natural gas infrastructure and electricity reliability. We recommend the Legislature convert a portion of this request—$444,000 associated with 3 positions in the Energy Division—from permanent to three-year limited term. According to the CPUC, these positions will analyze impacts of natural gas inventories on electric system reliability, provide technical support to Administrative Law Judges in regulatory proceedings, and review natural gas infrastructure spending proposals. Although we find there is adequate workload justification for these positions over the next few years, the level of ongoing workload is unclear at this time. For example, the extent to which natural gas storage inventories will represent a significant threat to electricity reliability in the long-term is unclear. Also, the proceedings used to approve utility infrastructure spending—also known as general rate cases—generally occur every three years. Three-year limited term positions would ensure resources would be available to support the analysis needed for at least one general rate case for each utility. At this time, it is unclear what level of resources would be needed beyond the three-year period. More information about the long-term regulatory activities and associated workload at CPUC should be available in the future.*

STAFF COMMENTS

Many of California's gas storage facilities have been in operation for decades, and the aging wells and infrastructure need to be constantly monitored, inspected, and evaluated for potential threats to health and safety. The massive natural gas leak at Aliso Canyon has highlighted shortcomings in the existing regulations and associated oversight of gas storage facilities and operations.

The Governor's emergency declaration directed seven state agencies to respond to the incident on a multitude of fronts. This proposal represents the Administration's attempt to address gaps in state oversight and strengthen enforcement of natural gas storage facilities to ensure that all aspects of the gas storage operations are in compliance and the operations are safe.

The Subcommittee may wish to ask the Administration for an update on various issues related to the Aliso Canyon leak, including:

- With Aliso Canyon gas supply constrained as never before due to the leak, what is being done to address the uncertainty and concerns regarding energy reliability in the greater Los Angeles area?
- Given concerns reliability and the impacts to electric grid, does it make sense to continue to be so reliant on one storage facility for natural gas?
- Should CPUC and CEC be directly to diversify storage options.
- The Governor's emergency declaration directed seven state agencies to respond to the incident on a multitude of fronts. How much did the state spend and will the state be seeking reimbursement from SoCalGas for these costs?
- SoCalGas has committed to develop and implement a plan to mitigate the greenhouse gas emissions of the leak, at their expense – not at the expense of our customers. How will this be done?

Staff Recommendation: Approve Spring Fiscal Letters

3480 DEPARTMENT OF CONSERVATION

ISSUE 13: OIL AND GAS STUDIES (SFL)

A Spring Finance Letter requests a two-year limited-term appropriation of $2,950,000 in 2016/17, and $2,500,000 in 2017/18 from the Oil, Gas and Geothermal Administrative Fund. Funding will be used to contract for services to conduct and complete additional Independent Scientific Studies.

BACKGROUND

SB 4 (Pavley), Chapter 313, Statutes of 2013, required the Secretary of the California Natural Resources Agency to conduct and complete an independent scientific study on well stimulation treatments. The study would evaluate potential hazards and risks that all aspects of well stimulation treatments pose to natural resources and public, occupational, and environmental health and safety. The study must follow the well established standard protocols of the scientific profession, including, but not limited to, the use of recognized experts, peer review, and publication.

The California Natural Resources Agency commissioned the California Council on Science and Technology (CCST) to conduct the independent scientific assessment of well stimulation treatments, including hydraulic fracturing, in California. The purpose of the report was to synthesize and assess the available scientific information associated with well stimulation treatments in California. The review surveyed hydraulic fracturing, matrix acidizing, and acid fracturing as they are applied both onshore and offshore for oil and gas production in the State. The CCST released the report to the public on July 9, 2015.

In the study, the CCST collaborated with the steering committee and made several recommendations for future studies based on the findings of the original study as follows:

- Study 1 - Identify opportunities for water conservation and reuse in the oil and gas industry;
- Study 2 - Determine if there is a relationship between wastewater injection and earthquakes in California
- Study 3 - Subsidence in California due to oil and gas operations
- Study 4 - Analysis and consultation; and
- Study 5 - Oil Production Wastes

This proposal would fund these additional Independent Scientific Studies.

STAFF COMMENTS

California is the fourth largest oil-producing state in the nation, producing about 625,000 barrels per day. There are approximately 90,000 active or idle production and injection wells in the State. Recent information indicates that over 700 wells are hydraulically fractured every year, with perhaps another 1,100 wells receiving other types of well stimulation techniques.

This proposal would providing funding to conduct all five studies to identify opportunities for water conservation and reuse in the oil and gas industry, determine if there is a relationship between wastewater injection and earthquakes, and subsidence in California due to oil and gas operations.

Staff Recommendation: Adopt Spring Fiscal Letter

ISSUE 14: OIL AND GAS TRAINING PROGRAM

The Governor's Budget requests two positions and a baseline appropriation increase of $1,331,000 ($1,306,000 ongoing) from the Oil, Gas, and Geothermal Administrative Fund. Funding will be used to develop, implement, and conduct a comprehensive training program designed for the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) regulatory staff.

BACKGROUND

SB 4 (Pavley), Chapter 313, Statutes of 2014, elevated DOGGR's profile, responsibilities, and enforcement role significantly. To respond to this statutory change, DOGGR's position authority was increased by 65 positions in 2014-15. DOGGR currently has 266 positions. BCPs have added 101 regulatory positions since 2010-11.

The Department does not have a standard regulatory staff training program. Existing training programs are geared toward administrative functions at headquarters (i.e., procurement, prevention of a hostile work environment and sexual harassment prevention). Regulatory staff are relied upon to bring educational knowledge and oil and gas geologic or engineering experience to the job, but are not provided specific job-related training on DOGGR's field standards of health and safety and regulatory functions. The training that is provided is informal and "passed down" from other regulatory staff, sometimes even new staff train newer staff, and provide "best practice" training. This method of training is not standardized, it is not measurable, and it is extremely challenging to establish accountability for errors in the field. The training and development of regulatory staff is limited to reactive training, rather than preventative training. There is not a standardized training program that can be administered, and staff development cannot be monitored based on a standard performance expectation.

Under this proposal, DOGGR will solicit bids from private industry and universities to purchase the customized content and materials from the vendor to use to train regulatory staff. Preliminary research indicates a budget of $1.0 million is needed to develop a comprehensive and thorough training program that addresses current oil and gas technology and California's regulations. This will cover adapting the training as changes occur to technology, the regulatory environment, and DOGGR needs. These costs do not include the costs for the two requested positions.

DOGGR is requesting $1 million annually for the purpose of training staff in current and newly enforced industry standards on an ongoing basis. DOGGR has 182 engineering positions that require annual training. That equates to an average of $5,495 per position.

LAO COMMENTS

Overall, we find the Governor's proposal to implement a training program for DOGGR's regulatory staff has merit. We recommend approval of the two permanent positions. With regard to the proposed funds for purchasing curriculum we recommend approval of $1 million a year for three years, instead of as ongoing funding as proposed by the administration. The training modules will be developed over three years and updated as needed thereafter. It is unclear why $1 million would be needed annually to update the curriculum as this should entail less work than its initial development. In addition, we recommend the Legislature require the department to report at budget hearings on the feasibility of providing the training to all existing staff over a shorter time period than three years envisioned by the proposal. Specifically, the department should address whether the curriculum could be developed in less than two years and whether training could be completed by all staff in less than two years. We also recommend the department report at budget hearings on the feasibility of providing training that takes into account the level of experience of the staff receiving the training.

STAFF COMMENTS

Staff is dumbfounded that the Department doesn't have a standard training program for regulators in DOGGR. According to the Department, regulatory staff are relied upon to bring educational knowledge and oil and gas geologic or engineering experience to the job, but are not provided "specific job-related training on DOGGR's field standards of health and safety and regulatory functions." To date, the training that is provided at DOGGR is informal and "passed down" from other regulatory staff, sometimes even new staff train newer staff, and provide "best practice" training. The Department concedes that this "method of training is not standardized, it is not measurable, and it is extremely challenging to establish accountability for errors in the field."

Since 2010-11, DOGGR has received 101 new regulatory positions. Staff strongly supports establishing a formal training program at DOGGR for its regulatory staff. DOGGR makes the case well:

"DOGGR needs to establish a regulatory training program geared to its regulatory role and needs. It is imperative for DOGGR to provide up-to-date industry training to retain the expertise and experience of existing staff, and train and develop the competencies and skills of new staff filling new positions. It is imperative that DOGGR staff are trained and maintain knowledge of new and emerging practices, techniques, technological advancements, regulations, and safety requirements to prevent costly errors, injuries, and the highest cost of all, death."

DOGGR has been maligned in recent years for numerous shortcomings overseeing the state's oil industry. Given this and the dramatic increase in staffing it has received over the past five years to address these issues, the Subcommittee may wish to ask the Department why it is just now realizing the obvious need to train these new staff. Staff supports the LAO recommendation outlined above.

Staff Recommendation: Approve funding for two positions and $1 million a year for three years, instead of on-going, for the purchase of training curriculum.

ISSUE 15: TEST SENSITIVE GAS PIPELINES (AB 1420)

The Governor's Budget requests 10 positions and a baseline appropriation increase of $1,420,000 ($1,214,000 ongoing) to the Oil, Gas, and Geothermal Administrative Fund (3046). Positions and funding will be used to prevent possible pipeline releases by requiring sensitive gas pipelines are tested on a periodic basis, pipelines are mapped accurately to determine potential threats, provide transparency to the public as to the location of gas pipelines relative to urban areas, and to review and update existing regulations as required by AB 1420 (Salas), Chapter 601, Statutes of 2015.

BACKGROUND

AB 1420 requires DOGGR to obtain important information about oil and gas pipelines in close proximity to communities that could be impacted by leaks. When leaks do occur, AB 1420 helps expedite the discovery and corrective action related to the sources of potential hazards . There are several potential threats from gas pipeline leaks. These include the risk of fire or explosion from leaking hydrocarbons, a risk of health concerns if exposed to toxic gases, and a risk of damage from the rupture of a high pressure line. Depending on the type of gas that is being transported through the pipeline, a variety of health issues could occur, including individuals getting physically sick and nauseous from the effect of hydrogen sulfide, and could even include death if the gas is in a high enough concentration. High levels of CO2 could cause a lack of oxygen and serious brain damage or death.

AB 1420 requires DOGGR to review and, if necessary, update its existing regulations for active gas pipelines within its jurisdiction by January 1, 2018. This includes pipelines that are four inches or less in diameter, are ten years old or older, and are within sensitive areas. Under existing regulations, the Arvin pipeline was considered a "low-risk" pipeline, even though it was located in a sensitive area. While DOGGR regularly reviews and updates regulations, AB 1420 requires DOGGR to focus on regulations for pipelines that are currently exempt from mechanical integrity testing, and could potentially threaten surrounding inhabitants or communities, such as the Arvin pipeline. AB 1420 also requires operators to submit up-to-date mapping and pipeline data in a format specified by DOGGR.

This proposal requests 10 positions to verify the accuracy and completeness of operator submitted pipeline locations, and witness pipeline testing activity, verify test data, pipeline plans, and pipeline locations to ensure compliance with existing law. Staff will witness pipeline testing and investigate pipeline releases, and assist in the development of pipeline regulations, and receive and upload digital map files submitted by operators.

Staff will also conduct quality control review of the data, and will conduct more complex quality control review of data submissions. This review will include facility site visits to verify location, grade, and condition of sensitive gas pipelines. Staff will organize data for reporting and tracking of pipeline testing. Legal staff will prepare enforcement actions against operators and assist in the development of regulations, as needed and will handle submissions and enforcement letters, monitor program objectives, review prepared reports, and assist with processing Public Information Act Requests.

STAFF COMMENTS

Funding this proposal would allow the Division to obtain important information about oil and gas pipelines in close proximity to communities that could be impacted by leaks. It would also help expedite the discovery and correction of leaks if and when they occur. Finally, this request would give the Division resources to interpret and process pipeline mapping data, to perform random inspections to verify operator-submitted data, to take enforcement actions, as needed, and to review and update existing regulations.

Staff Recommendation: Approve as Budgeted

3720 CALIFORNIA COASTAL COMMISSION

ISSUE 16: LOCAL COASTAL PROGRAMS

The Governor's Budget requests $3 million in baseline funding (General Fund) to continue the Commission's Local Coastal Program (LCP) and climate adaptation planning pilot program. The pilot funding LCP enhancement program (FY 13-14, FY 14-15, and FY 15-16) included 25 limited term positions and $3 million in state operations. This BCP requests conversion of those 25 positions to permanent baseline positions for the enhancement of Local Coastal Program work.

BACKGROUND

Land use planning in the coastal zone, as in the rest of the state, is the primary responsibility of local governments. However, the Coastal Act imposes a number of requirements on land use in the coastal zone. Most significantly, the act requires local governments to adopt Local Coastal Programs (LCPs) to govern development of land in their jurisdictions that lie within the coastal zone.

In preparing to develop LCPs, many local governments have chosen to divide their coastal zone territory into several segments. This is done when a local government's coastal jurisdiction encompasses several distinct regions with different land use issues. A separate LCP is developed for each coastal segment. There are currently 128 coastal segments within the 76 coastal cities and counties.

An LCP must contain (1) a land use plan and (2) zoning ordinances to implement the land use plan. In general, LCPs must be designed to ensure maximum public access to the coast, provide recreational facilities, protect the marine environment, and otherwise promote the goals and objectives of the Coastal Act.

The Coastal Commission reviews and certifies LCPs for conformity with the act. As originally passed, the act required all local governments in the coastal zone to have submitted LCPs to the commission by January 1, 1980. However, this deadline has been extended several times, and today some jurisdictions still have not submitted LCPs to the commission.

The Commission’s status of LCP review includes:

- 92 LCP segments are certified.
- 79 of 92 certified LCP segments (86 percent) were certified more than 20 years ago.
- 24 of 92 certified LCP have been comprehensively updated.

Much of the developed California coast is susceptible to the impacts of sea level rise. In recent events, high tides inundated parts of the Pacific Coast Highway, Huntington Beach and other low-lying areas of Southern California. Parts of the San Francisco Bay Area also experienced flooding, including portions of Highway One in Marin County. These very high tides are considered a good indicator of the possible impacts of sea level rise and create challenges for local planners and developers in low lying areas.

Many of the areas without certified LCPs are at sea level, with significant development. These include most of the City of Los Angeles, including the airport, as well as parts of San Pedro and Venice. Also among the non-certified LCPs are the Santa Ana River, San Diego's Mission Bay and the City of Santa Monica.

Sea level rise has added urgency to the issue of outdated, incomplete and uncertified LCPs. Local planning and preparation are critical if the State is to maintain its coastal development zones and prepare for possible inundations. Creating a local plan is part of every coastal jurisdiction's responsibility to determine how to preserve life and property along the California coast.

The 2013-14 Budget included a $4 million augmentation of the Coastal Commission's budget for Local Coastal Programs ($3 million state operations for 25 limited term staff positions and operating expenses and $1 million for local assistance grants to local governments) to address the number of uncertified and outdated LCPs and address climate change and sea level rise in those plans. The augmentation enabled the Commission to jump-start more effective planning both through the local assistance grants for LCP work, and by increasing the planning staff capacity to work with local governments on necessary LCP completion, updates, and amendments.

The Commission also created and implemented the new Local Assistance LCP Grant Program to support certification of new LCPs, LCP updates, and LCP planning related to climate change. In August 2013, the Commission adopted priorities and criteria for eligibility and allocation of the new grant monies, and by January 2014, the Commission had awarded the first 11 LCP grants totaling the $1 million available under the augmentation. The second round of Commission LCP grants totaling $1 million was awarded in November 2014. The 2014-15 Budget included approval of an additional two-year pilot program (FY 2014-15 and FY 2015-16) of $3 million per year of state operations and 25 limited term staff positions.

This proposal seeks the conversion of the pilot program of 25 limited term positions and $3 million in state operations funding to permanent baseline funding. This would result in a total of 167 authorized positions in the Coastal Commission's budget as compared to the peak of 212 staff positions in FY 1980-81 during the first peak Local Coastal Program workload.

STAFF COMMENTS

The Commission estimates that it would need 771 total personnel years to address projected LCP certifications, LCP updates with climate change adaptation strategies, and currently pending LCP work. The pilot program, which began in 2014 has significantly reduced the LCP application processing time (from an average of 368 days to 75 days). This proposal addresses the significant workload of LCP planning items, including certifying currently uncertified LCP segments, updating out-of-date LCPs to address climate change and sea level rise, and ensuring the success of over $5 million of LCP local assistance grants ($2 million administered; an additional $3 million available through FY 2017-18).

Staff Recommendation: Approve as Budgeted

8660 PUBLIC UTILITIES COMMISSION

ISSUE 17: SELF-GENERATION INCENTIVE PROGRAM

The Subcommittee will consider options to resolve recent issues with an allocation of Self-Generation Incentive Program funds.

BACKGROUND

The Self-Generation Incentive Program (SGIP) provides financial incentives for the installation of clean and efficient distributed generation technologies. SGIP is a ratepayer-funded rebate program, overseen by the California Public Utilities Commission, and available to retail electric and gas customers of the four California investor-owned utilities (Pacific Gas & Electric, Southern California Edison, Southern California Gas and San Diego Gas & Electric). CSE is the program administrator for SDG&E territory.

The 2014 Resources Trailer Bill required PUC to adopt new SGIP standards to account for avoided greenhouse gas emissions based on the most recent data available to the State Air Resources Board by July 1, 2015.

On February 23, 2016, $44.5 million of SGIP incentives were made available, and the PUC received nearly $210 million in incentive requests. This demonstrated unprecedented demand for SGIP incentives, particularly for the Emerging Technologies and Renewables funding in which over six-times the amount of funding was requested.

In February, the PUC used an online portal for submissions of applications for the incentives, on a first-come, first-served bases. This process did not go smoothly. The online portal vendor, Energy Solutions, reported that the server received 28,000 requests in the first 10 minutes. The first 56 applications the portal received were from one applicant. As a result, one applicant could receive 40 percent of the total funding.

STAFF COMMENTS

The Public Utilities Commission will provide the Subcommittee with an update on February SGIP allocation and the forthcoming SGIP decision on new program guidelines.

Since the PUC has issued the funding for the February 2016 round of SGIP funding prior to the adoption of the new SGIP rules, which contradicts the provisions of the 2015 Resources Trailer Bill, the Subcommittee take action that would negate the February 2015 round of SGIP allocations. The Subcommittee could eliminate the unencumbered 2015-16 funding for the programs and reappropriate those funds in 2016 with budget bill language that clarifies that the funds should be used meet these new guidelines.

Staff Recommendation: Hold Open

ISSUE 18: PUC IT RESTRUCTURING

PUC has two IT-Related Budget Requests.

BACKGROUND

The PUC has proposed two IT-related requests that are outlined in this issue.

- **PUC IT Restructuring** A Spring Fiscal Letter issued by the Department of Finance requests $3.4 million to add 24 new full time staff as part of an effort to improve the overall IT unit at PUC

- **EFast** The Governor's Budget included a $5.35 million proposal and 6.3 positions in 2016-17 to develop and deploy a web-based platform solution—eFiling Administration Support (eFAST), which will serve as the common, scalable, CPUC enterprise-wide foundation upon which business program applications will be built and deployed. The platform will be configured for the Transportation Carrier Portal (TCP), Informal Submissions Portal (ISP), and Program Claims Management System (PCMS), subordinate projects to create business program specific applications. The platform will serve as a hub for customer interaction with the CPUC, including submitting filings (documents and data), maintaining customer accounts, making payments for fees and programs, and submitting inquiries.

STAFF COMMENTS

The Subcommittee has previously express concern regarding the effectiveness and efficiency of the internal operations of PUC. The Commission has been responding to these concerns with several efforts to improve their administrative core functions. This IT unit augmentation is central to the effort to make the PUC a more modern and transparent entity overall.

Progress has already been made. The PUC has recently hired a CIO that had previous IT executive management experience at CHP, which is regarded as one of the State's strongest departments in terms of implementing and deploying technology. The PUC's approach to IT seems consistent with the staffing models and approach used successfully in other departments.

Also, as part of its modernization efforts, PUC is in the process of informally categorizing its business processes. Such an effort can provide the framework for future technology improvements or, the creation of performance metrics that will allow greater transparency into the performance of the Commission. Therefore, staff recommends that in addition to approving these two proposals, the Subcommittee adopt Placeholder Trailer Bill Language to ask PUC to report on its business process inventory efforts in March of 2017. This will allow the Subcommittee to continue the conversation with the Subcommittee on possible improvements to the PUC's operations.

Staff Recommendation: Adopt Spring Fiscal Letter for the IT, Approve the EFast as Budgeted, and Adopt Placeholder Trailer Bill Language requiring PUC to report on its Business Process Inventory Efforts.

ISSUE 19: DIVISION OF SAFETY ADVOCATES

A Spring Fiscal Letter establishes the Division of Safety Advocates the PUC.

BACKGROUND

The PUC requests to establish a Division of Safety Advocates in response to unprecedented failures of utility infrastructure over the past five years that threaten the safety of Californians. This need has been further highlighted by the 2015 gas leak at the Aliso Canyon Storage Facility. Creation of a Division of Safety Advocates would allow the PUC to have a division dedicated to establishing a safety focus, testifying in hearings, and exclusively prioritizing and advocating for the protection and safety of Californians as a party to PUC proceedings. The intent of the Safety Advocates it to mirror the Office of Ratepayer Advocates structure and function, but with a mission to protect safety.

There are no stakeholder groups that are solely dedicated to public safety that are willing to appear before the Commission and actively participate in relevant proceedings. The lack of such groups and the increasing number of incidents due to aging utility infrastructure compel the Commission to create a new Division of Safety Advocates within its own body to highlight safety.

Part of the Division of Safety Advocates' role will be to determine whether additional safety improvements are required and, if so, who should bear the costs. If the necessary safety improvements are needed even though the utility has prudently managed its assets, reasonable costs for these improvements would be recovered from ratepayers. However, costs for needed improvements due to past imprudence or failure to comply with statutes and regulations should be paid by shareholders.

As part of this request PUC is asking for 11 permanent positions and $1,694,000 to create this Division

STAFF COMMENTS

The PUC proposal reflects feedback given by the Subcommittee in previous years to make safety more of a priority within the Commission. The creation of this new Division will raise the profile of safety within PUC by creating an independent safety advocate to fill the void in the current discussions.

Staff Recommendation: Adopt Spring Fiscal Letter

ISSUE 20: SPRING FISCAL LETTER ON PUC LEGAL FEES

A Spring Fiscal Letter requests $6 million for additional PUC legal fees.

BACKGROUND

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

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

STAFF COMMENTS

Unfortunately, the PUC continues to need legal defense because of actions of past leaders who are no longer at the Commission have triggered these investigations. However, the PUC needs to have adequate representation to insure that these investigations are fair. These resources should not be needed in the first place, but there is nothing that can be done now to avoid these costs.

Staff Recommendation: Adopt Spring Fiscal Letter

ISSUE 21: 211 TELEPHONE REFERRAL SERVICES

The Subcommittee will consider Budget Bill Language permitting the PUC to expand the 2-1-1 telephone referral services to the 21 counties the currently lack the access to the service.

BACKGROUND

The 2-1-1 Telephone referral services provides a free, confidential referral and information helpline for health, human service, and disaster-related needs. In California, 37 counties current operate a 2-1-1 service, covering 97 percent of the State population.

The remaining 21 counties, in consultation with 2-1-1 advocates, have expressed interest in opting in to the program. These advocates have requested Budget Bill Language that will allow the PUC to allocate funds to expand the 2-1-1 service to these counties.

Add the following provisional language to 8660-101-0493:

2. Notwithstanding any other provision of law, the Public Utilities Commission may allocate funds appropriated in this Item to a designated 211 service lead entity in order to procure the required switching, routing, and related data base services necessary to establish 211 service in those counties and localities that do not yet have 211 service.

STAFF COMMENTS

The proposed Budget Bill Language is permissive, but does not require PUC to pay for the data services to expand the service.

Staff Recommendation: Adopt Budget Bill Language

ISSUE 22: INCREASE OF HOUSEHOLD GOODS MOVERS CHARGE

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

BACKGROUND

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

STAFF COMMENTS

Like the MVA issue in DMV, increasing the fee is necessary to cover the costs of PUC's oversight activities.

Staff Recommendation: Adopt Trailer Bill to Increase the Fee Cap

ISSUE 23: THE FUTURE OF THE PUC WORKFORCE

The Governor's Budget requests two positions to execute strategic workforce planning

BACKGROUND

The Governor's Budget proposes $672,000 from Public Utilities Commission Utilities Regulation Account (Fund 0462) and two full-time permanent positions (one Training Officer I and one Training Officer ill) to execute strategic planning initiatives in the areas of workforce planning, succession planning, and workforce training.

The Workforce and Succession Planning initiatives focus on recruitment and retention efforts. This initiative focuses on key knowledge transfer of core functions and expanding the technical, supervisory, managerial, and leadership capabilities of staff.

This request emerged from analysis of past training needs assessment reports from 2005 and 2011, and an analysis of the work output over the 2014-2015 year. Further, the CPUC's overall training needs assessment identified, through internal and external reports, the number of staff necessary to effectively execute the critical training/employee development needs in support of the CPUC's mission. These reports concluded that the roie of the training function within the CPUC must address greater divisional support. The industry, legal, and policy-specific divisions of the CPUC all have similar yet varied training needs; the variety of their training support generally is due to the specific nature of the work that each division executes. Report findings include and suggest:

- "Budget is very limited for divisions to provide industry-specific trainings and to capture and provide on-demand."
- "A lack of coordination, resources, and time hinders implementation of divisional-specific training."
- "Division's subject matter experts, though they may help in training development, already have too much work as it is to execute the initiative."
- "Many divisions have training materials that may be useful, but they are not in a format easily shared."
- "Divisions have specific training needs requiring the assistance of a training resource development team to fully execute."
- "Core training competencies have been identified. Current training efforts are able to address only the top-twenty percent."

This proposal addresses both a short-term and long-term need to recruit, develop, and retain the future generation which Is the PUC's workforce. The short-term need would focus more on critical gaps in the workforce and succession plan, with specific strategies to mitigate such deficiencies with outreach and targeted training. The long-term need would develop training, mentoring, coaching, and leadership programs to identify and develop employees early in their career as future leaders of the PUC.

STAFF COMMENTS

This proposal addresses the Subcommittee's desire to improve the core operations of PUC. Staff training and workforce planning have been identified as a central deficiency of the PUC, which has resulted in uneven performance from a workforce that has one of the State's most impressive portfolio of knowledge, skills and abilities.

In addition, Staff recommends the Subcommittee adopt placeholder trailer bill language to require PUC to report on options to expand PUC operations and staff outside of the San Francisco headquarters. The purpose of this report is to explore options for leveraging additional facilities in areas of the State, like Sacramento, which would allow the PUC to collaborate with other departments and also allow staff more opportunities for growth in promotion in the other state departments.

Staff Recommendation: Approve as Budgeted and adopt Placeholder Trailer Bill Language

ISSUE 24: LIFELINE INCREASE

The Governor's Budget includes a significant increase to Universal Lifeline service funding to reflect a recent PUC decision.

BACKGROUND

The Governor's 2016-17 budget provides $627 million for the LifeLine program—a $282 million (81 percent) increase over the amount allocated in the 2015-16 budget. The cost increase is largely driven by the administration's projection of nearly 3.8 million subscribers (landline and wireless) by the end of 2016-17, which was developed in coordination with CPUC. In addition, similar to the 2015-16 budget, the proposed 2016-17 budget includes provisional language that gives DOF the authority to appropriate additional funds, with 30-day notification to JLBC, based on the amount of claims submitted by carriers.

The Moore Universal Service Telephone Act of 1987 establishes the goal of offering basic telephone service at affordable rates to the greatest number of California residents. To help achieve this goal, state law directs CPUC to develop the California Lifeline program (LifeLine) to provide basic telephone service at a discounted cost to low-income households. In order to administer this program, CPUC is required to establish rules for (1) the minimum level of service a telephone plan would need to provide, (2) the rates and charges program participants would have to pay for discounted service, and (3) eligibility criteria to qualify to receive that service. State law also requires that rates for LifeLine enrollees be no more than 50 percent of basic telephone service rates.

To qualify for California's LifeLine program, a household must have income below 150 percent of the federal poverty level (for example, about $36,000 annually for a family of four in 2016) or be enrolled in certain government programs for low-income households, such as Medi-Cal. For each household enrolled in the program, CPUC provides telephone companies (carriers) a maximum monthly state subsidy that is based on 55 percent of the most expensive basic landline service from the four largest carriers. The subsidy is meant to offset the lower rate charged to the consumer. In 2016, the maximum state subsidy is about $13 a month. The federal government also administers the federal Lifeline program that provides a monthly discount of about $9. In addition, the state provides (1) a per enrollee monthly payment to cover carriers' administrative costs, (2) a one-time connection subsidy for new enrollees or enrollees that switch plans, and (3) a subsidy to cover other telephone taxes and surcharges for LifeLine enrollees. The 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.

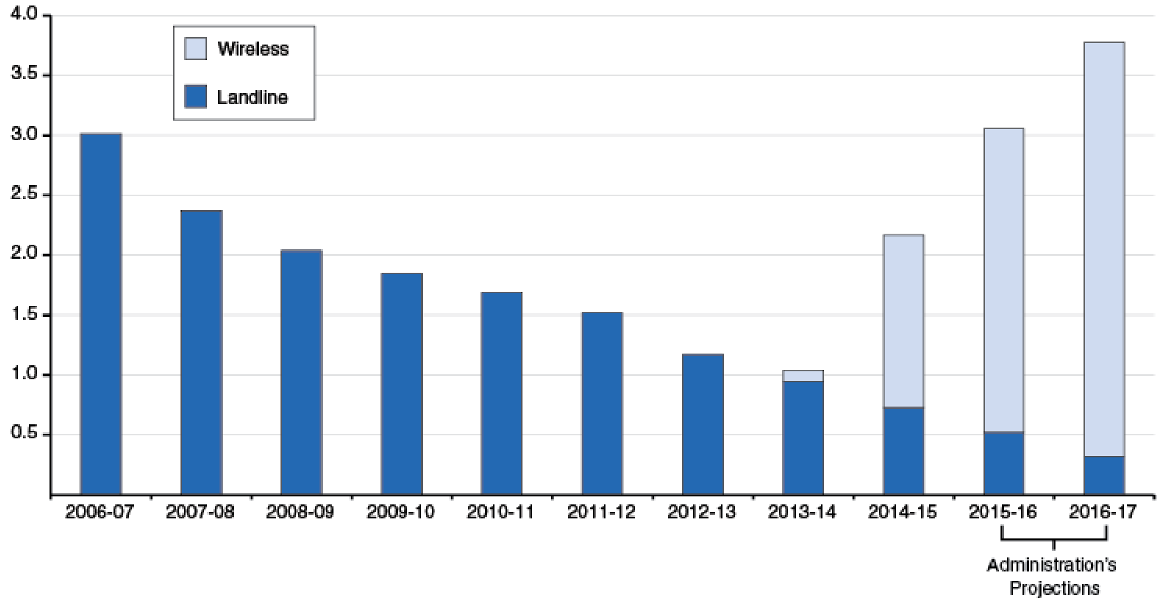
Historically, LifeLine has included only traditional wireline (landline) service. Chapter 381 of 2010 (AB 2213, Fuentes) made changes to state law that gave CPUC the authority to allow LifeLine customers to choose between wireline and wireless service. In January 2014, CPUC expanded the program to allow wireless carriers to offer LifeLine service. Participating wireless plans are eligible for the same monthly subsidy amount as for traditional landline plans (about $13 per enrollee in 2016). Wireless carriers participating in the program must offer plans that meet minimum requirements set by CPUC, such as including a minimum of 1,000 monthly voice minutes to be eligible for the entire $13 state subsidy. The $9 federal subsidy and other state payments for administration, connection charges, and taxes and surcharges are also provided for wireless service, just as they are for landline service.

As shown in Figure 1 on the next page, program enrollment had been steadily declining prior to adding wireless service in 2014. After adding wireless service, program enrollment has increased significantly. The additional enrollment has also contributed to significant cost increases. For example, the 2015-16 budget provided $346 million for the LifeLine program, which is more than twice 2012-13 LifeLine expenditures. The 2015-16 budget also included budget bill language that gave the Department of Finance (DOF) the authority, with 30-day notification to the Joint Legislative Budget Committee (JLBC), to appropriate additional funds for the program if costs were higher than projected. To cover the additional program costs, CPUC has increased the surcharge used to fund the program from about 1 percent of non-LifeLine customers' intrastate telephone bills to over 5 percent.

Figure 1

Landline Enrollment Decreasing and Wireless Enrollment Increasing

In Millions of Households



A diverse set of wireless plans are available for LifeLine customers. Although all plans currently include at least 1,000 monthly voice minutes, plans offer different monthly rates, additional voice minutes, text messaging, and data. As of August 2015, there were 34 LifeLine wireless plans available and 21 of the available plans (62 percent) were offered at no cost to customers. Of the 21 plans that were offered for no cost:

- 14 plans included unlimited voice minutes.
- 14 plans included unlimited text messages.
- 7 plans included some data.

LAO COMMENTS

We recommend the Legislature withhold action on the proposal at this time and direct the administration to provide updated caseload and cost estimates for the LifeLine program with the Governor's May Revision. There is significant uncertainty regarding future enrollment and costs for the program. Updated information would allow the Legislature to have greater confidence that the amount of funding allocated in the Governor's 2016-17 budget reflects the best available cost estimates. The Legislature might also want to consider the degree to which CPUC has established the LifeLine program in a way that is consistent with legislative intent and priorities.

STAFF COMMENTS

Staff agrees with the Legislative Analyst's Office and suggests that PUC provide an updated caseload and cost estimate in the May Revision.

Staff Recommendation: Hold Open

ISSUE 25: 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

AT&T has argued that it could never meet the performance standard set by PUC in 2009. The company notes that it has met the previous service standard that was in place prior to 2009.

Staff Recommendation: No Recommendation

ISSUE 26: BIOGAS STUDY TRAILER BILL

The Governor's Budget includes a trailer bill provision that requests the California Council on Science and Technology perform a study regarding the heating value specifications for biomethane before it can be injected into the common carrier gas pipeline.

BACKGROUND

The Governor's Budget includes a trailer bill provision that requests the California Council on Science and Technology perform a study regarding the heating value specifications for biomethane before it can be injected into the common carrier gas pipeline

The California Council on Science and Technology is a nonprofit agency that provides expert advice on science and technology and includes the membership of California's research institutions: the University of California, California State University, CalTech, Stanford, and USC.

The proposal Trailer Bill Language authorizes the PUC to seek reimbursement for the costs of this study from gas corporation operating the common carrier pipeline.

STAFF COMMENTS

The proposed Trailer Bill Language is very similar to AB 2206 (Williams) which is currently moving through the policy process.

Staff Recommendation: Hold Open