

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, FEBRUARY 10, 2021

9:30 A.M. - STATE CAPITOL, ROOM 437

Due to the regional stay-at-home order and guidance on physical distancing, seating for this hearing will be very limited for press and for the public. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://www.assembly.ca.gov/todaysevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub3@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957, access code: 131 54 37***

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Please note that public comment will take place after all issues have been heard.

ITEMS TO BE HEARD

8660 PUBLIC UTILITIES COMMISSION

OVERVIEW

The Public Utilities Commission (PUC) has three budget change proposals in the Governor's budget. In addition, the Subcommittee will discuss broadband issues that are of interest to the members and contained as a priority in the December 2020 Budget Blueprint.

ISSUE 1: BROADBAND

While the Governor's January Budget Summary contains a section discussing the challenges of broadband access across the State, there is no proposal in the budget itself.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Commissioner Martha Guzman Aceves, California Public Utilities Commission
- Rob Osborn, California Public Utilities Commission
- Ross Brown, Legislative Analyst's Office
- Damien Mimnaugh, Department of Finance
- Eamon Nalband, Department of Finance
- Mark Monroe, Department of Finance

BACKGROUND

The Governor's Budget Summary contained a one-page narrative that acknowledges the challenge of the lack of statewide broadband access and includes a description of the Governor's 2019 Executive Order for "Broadband For All," as well as the subsequent "Broadband Action Plan," which it reports was recently completed.

The proposed budget contains two positions at the Department of Technology to continue to support the "Broadband For All" workgroup. However the budget does not include a proposal for resources or policy initiatives to expand broadband access.

The PUC oversees the California Advanced Services Fund program to encourage deployment of high-quality advanced communications services to all Californians that will promote economic growth, job creation, and the substantial social benefits of advanced information and communications technologies. Existing law authorizes the Commission to impose a surcharge to collect \$330,000,000 for deposit into the California Advanced

Services Fund beginning January 1, 2018, and continuing through the 2022 calendar year. The California Advanced Services Fund is currently supported with a 1.019 percent charge on the intrastate portion of a customer's telecommunications bill.

STAFF COMMENTS

While the State is in a position to leverage resources to assist in expanding broadband, there is no natural approach or state governance structure to equitably, quickly, reliably, and effectively use these resources for that purpose.

Currently, there are several legislative efforts underway exploring increasing state resources to expand access to broadband in underserved areas.

- AB 14 (Aguiar-Curry) broadens and expands the current surcharge for the California Advanced Services Fund, specifies the allocation of the funding, allows the PUC to seek bond funding, and expands the eligible uses of the California Advanced Services Fund to local governments.
- AB 34 (Muratsuchi) Proposes a bond for the 2022 ballot for broadband infrastructure development.
- SB 4 (Gonzalez) proposes making changes and extending surcharges to provide more robust and ongoing funding for the California Advanced Services Fund and creates a Broadband Bond Financing and Securitization Account to facilitate the use of California Advanced Services Fund revenue for local government broadband infrastructure investment.

All three of these proposals seek to increase resources to improve broadband access and include references to the expanded use of local governments at entities that could facilitate projects in these areas. Two of these bills, AB 14 and SB 4, extend the existing surcharge and seek to increase it through different mechanisms—a percentage versus a flat fee.

The main challenge facing these legislative proposals is timing; the increased revenue and/or bond funds would take time to materialize and the funding mechanisms that are proposed for local governments may take years to develop. However, given the current state surplus in both revenue and cash, the state budget may offer a mechanism to jump start these proposals to address the urgent need in less time. This could be accomplished with a general fund expenditure for broadband, or could also likely be structured as a no-cost General Fund financing mechanism that uses the State's strong cash position to advance funding for the California Advanced Access Fund that could be repaid with surcharge revenue in future years.

The Subcommittee may also wish to explore the extent to which local governments are prepared to intervene to address their local broadband deficiencies. Underserved areas are disconnected through distance and geography, such as rural areas, or due to the legacy of institutional racism that has created pockets of disadvantaged communities in

more urbanized parts of California. If the State's programs require the governmental institutions that must apply for these communities to have professional grant writers or the ability to construct complicated financing models to securitize revenues, this funding may sit unused or may not reach the neediest communities—a problem the Subcommittee has confronted with State climate investments. The CASF program currently uses its administrative budget to fund technical assistance grants to California tribes. Grant funds are available for feasibility studies, market studies, and/or business plans to improve communications systems. Grant funding also may be used to assess communication assets, spectrum and wireless coverage studies, locate nearby fiber optic internet routes, pricing and various other studies. The state may need to consider extending this technical assistance program to ensure as many marginalized communities are supported as possible. In addition, since the local governments are likely going to depend on an internet service provider to construct and manage broadband in some way, the Subcommittee may wish to ask:

1. How can the State help local governments be in the best bargaining position to insure they can get the best price for the best service in any agreement to build these networks?
2. Is there groundwork that PUC and locals could be engaged in now to ensure that broadband expansion funds could quickly be used to expand access?

While the policy process is positioned to consider three bills that are the results of years of deliberations among stakeholders, the Subcommittee can consider the ways in which the budget process could either help expedite these efforts, or help provide resources to get the groundwork in place for funding that will arrive in the near future.

Staff Recommendation: Expansion of broadband to underserved communities is a priority for the Assembly. The Subcommittee may wish to explore whether the 2021 budget should include related resources and/or statutory changes.

ISSUE 2: OTHER PUC BUDGET PROPOSALS

The Governor’s January Budget Summary contains three budget proposals for PUC. These are all discussed in the panel at today’s hearing.

PANEL

The following individuals will participate virtually in the discussion of this issue:

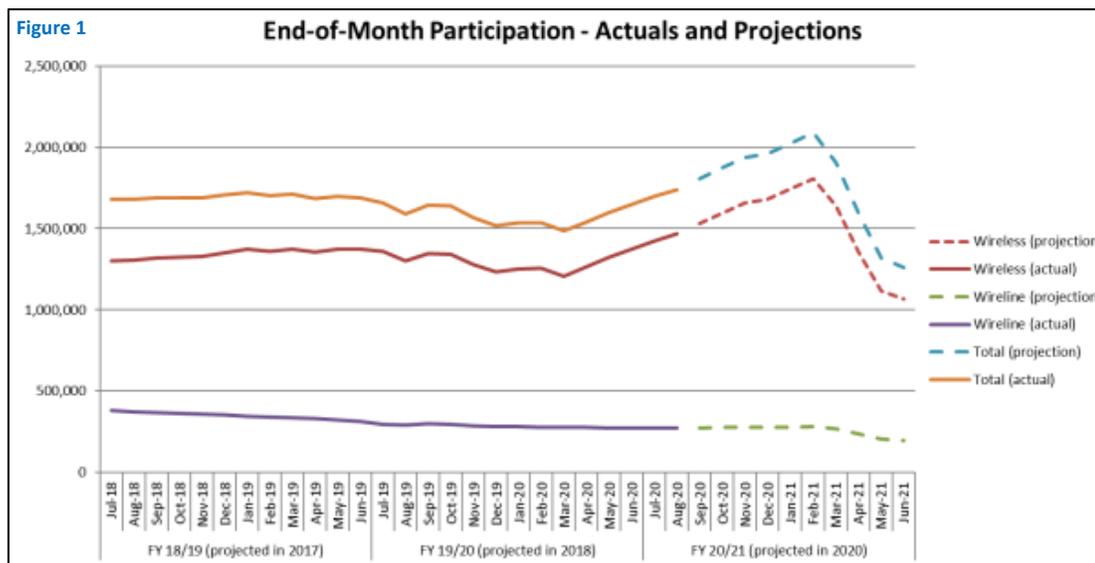
- Jonathan Lakritz, California Public Utilities Commission
- Jen Kalafut, California Public Utilities Commission
- Ross Brown, Legislative Analyst’s Office
- Damien Mimnaugh, Department of Finance
- Eamon Nalband, Department of Finance
- Mark Monroe, Department of Finance

BACKGROUND

The PUC has put forward three budget change proposals in the January Budget:

1. LifeLine Estimate

The California LifeLine program provides affordable wireline and wireless phone service to approximately 1.5 million low-income customers. The PUC has provided an updated estimate on the LifeLine program utilization for the budget year, for a total of \$398 million, with \$371.6 million for funding for claims from service providers and \$26.5 million to administer the program. Due to COVID-19, the program is projected to see a drop off in program utilization towards the end of the budget year, reflecting a drop in new enrollments, as depicted in the figures below obtained from PUC.



2. Implementing the Program Claims Management System

The PUC requests \$1.7 million to restart the Programs Claims Management System, an IT project that has been on hold since 2017. The Programs Claims Management System is designed to automate the Public Purpose Programs, which includes telecommunications universal access programs. According to the PUC, a system was constructed in 2017 for this purpose as part of a bigger “EFast” solution that included two other PUC computer systems, but was never utilized because of the end of support by the vendor of certain components of the system and a loss of key staff at PUC that was trained in the platform’s architecture. The PUC has been transiting these systems to a cloud-based vendor, to restart the system. The proposed restart of the Program Claims Management System follows an approach that successfully restarted the Transportation Carrier Portal project.

3. Transportation Electrification and School Energy Efficiency Oversight (Implementation of AB 841 of 2020)

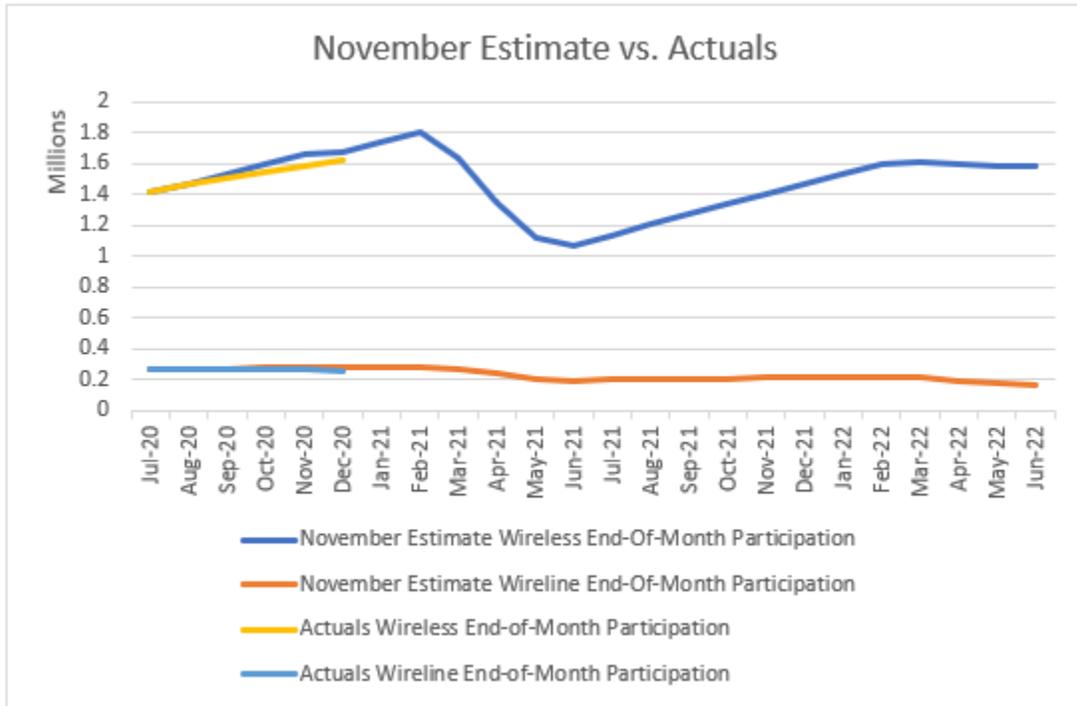
AB 841 (Chapter 372, Statutes of 2020, Ting) requires the PUC to create a new ratepayer-funded tariff to deploy electric distribution infrastructure needed to support electric vehicle (EV) charging, and a new program to upgrade air conditioning, ventilation, and plumbing equipment at existing public schools. The PUC requests \$338,000 for fiscal year 2021-22 and \$336,000 for 2022-23 and ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) for two (2.0) permanent positions to implement the new law.

STAFF COMMENTS

LifeLine

The 2020 budget included a \$300 million loan from the Universal Lifeline Telephone Service Trust Fund to the General Fund as a budget solution. The Governor’s budget assumes this loan is repaid in the next 18 months, but advocates for increasing LifeLine program have expressed concern that this loan would limit the program.

The 2020-21 budget expenditure plan for LifeLine assumed this loan. Given recent utilization trends, shown from November data provided by PUC, staff does not believe this loan will impact the level of the program (see November data on the following page).



AB 841 Implementation

The proposed resources to implement AB 841 are slightly lower than the \$463,000 estimated to administer that the PUC provided for the Assembly Floor Analysis for the bill last year.

Staff Recommendation: Subcommittee staff recommends these proposals be approved when budget actions are taken.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION**OVERVIEW**

In the Governor's 2021 Budget, the Energy Commission proposes 3 Budget Change Proposals, as well as three trailer bill provisions.

On March 17th, 2021, the Subcommittee will discuss the most significant proposal, the reauthorization of the Clean Transportation program and related statutory changes, which is a major new policy proposal contained in the Governor's budget that spans several departments.

The other CEC items appear more ministerial and are discussed in a panel at today's hearing.

ISSUE 3: CEC BUDGET PROPOSALS

The Governor's budget includes two proposals related to the Energy Commission implementing recent legislation.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Drew Bohan, California Energy Commission
- Natalie Lee, California Energy Commission
- Ross Brown, Legislative Analyst's Office
- Damien Mimnaugh, Department of Finance
- Eamon Nalband, Department of Finance
- Mark Monroe, Department of Finance

BACKGROUND**Budget Proposals:**

The proposed budget includes two budget proposals:

1. Continuation of School Bus Replacement (SB 110, Chapter 55, Statutes of 2017)

The Energy Commission requests authority for two-year funding of \$0.75 million annually for five temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF) to continue school bus replacement activities under the Clean Energy Job Creation Program (Chapter 55, Statutes of 2017, SB 110).

2. School Energy Efficiency Stimulus Program and Elective Vehicle Charing Infrastructure Workforce Activities (AB 841)

The Energy Commission requests authority for 23.0 permanent positions and \$3.65 million from the School Energy Efficiency Program Fund to administer two new grant programs: the School Reopening Ventilation and Energy Efficiency Verification and Repair Program (SRVEVR) and the School Noncompliant Plumbing Fixture and Appliance Program (SNPFA). The SRVEVR and SNPFA programs are funded by monies reassigned from large electrical and gas corporations' energy efficiency rolling portfolio budgets. Additionally, this request includes authority for 0.6 permanent position and \$90,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund to support safety analysis and joint public workshops to determine if the Electric Vehicle Infrastructure Training Program (EVITP) curriculum and testing should be supplemented.

Trailer Bills:

The Governor's budget proposes three trailer bill provisions:

1. EPIC Follow-on Funding

The CEC is requesting to amend the Public Resource Code section 25711.5(h)(1) to clarify that the CEC can award follow-on funding for select EPIC projects based on a prior competitive solicitation. Provisional language was included in the 2020-21 Budget Act (Chapter 40, Statutes of 2020) that gave the CEC the authority to award follow-on funding for successful projects funded through the EPIC program and also established the criteria for the CEC to award follow-on funding. TBL proposes an ongoing solution beyond 2020-21 while maintaining the provisions included in the 2020-21 Budget Act. The proposed language would allow the CEC to use a streamlined process to award follow-on funding under EPIC instead of going through a second competitive solicitation process, the latter of which is typically a 12-month process which is too long of a time frame for most clean energy start-up companies to stay afloat without new funding coming in.

2. Continuous Appropriation for Public Interest Energy Research (PIER) Natural Gas Funds

The CEC is requesting a statutory change to continuously appropriate funds regardless of fiscal year from the Public Interest Energy Research (PIER), Natural Gas Subaccount. The CEC's PIER Natural Gas R&D Program funds research projects that support state energy policy and focus on energy efficiency, renewable technology, environmental issues, and natural gas pipeline and storage infrastructure safety. Funding for the Natural Gas R&D Program is \$24 million annually. The NG subaccount funds build up beyond the \$24 million authorized for the CEC to spend over time as

previously awarded research projects come in under-budget, or are canceled or terminated, and the interest earned from Surplus Money Investments accumulates. According to CEC, a continuous appropriation will alleviate delays and ensure the accumulated funds are promptly available to fund NG related research and development projects.

3. Continuous Appropriation Authority for the School Energy Efficiency Program Fund (AB 841)

The CEC is requesting continuous appropriation authority for the newly created School Energy Efficiency Program Fund (AB 841). The School Energy Efficiency Stimulus Program is funded by monies reassigned from large electrical and gas corporations' energy efficiency rolling portfolio budgets. The IOUs will submit an advice letter to the CPUC on February 1 each year identifying the two elements of the program budget by each of the contributing utilities (PG&E, SCE, SoCal Gas, and SDG&E): unspent and unencumbered funds from the prior year; and the current year difference between approved energy efficiency program budgets (set in September each year through advice letters) and the maximum authorized energy efficiency budgets. CPUC must approve the advice letters by March 1 each year. The IOUs will transfer funds quarterly to the CEC beginning in April 2021. Continuous appropriation authority is requested because total funding provided by the utilities to the CEC will vary and will be determined annually as the utilities complete their annual budget process and as they identify the unexpended portion of rolling portfolio efficiency monies from the prior year. Due to the unknown and varying levels of funding, a continuous appropriation will ensure the CEC has the necessary authority to award these funds as soon as they become available to schools.

STAFF COMMENTS

The proposed cost to implement AB 841 is below the \$5 million estimate given in the Assembly Appropriations analysis last year, which noted the Energy Commission needed further information to determine the actual level of administrative resource needs.

The proposed trailer bill was released on February 1st, thus not giving staff adequate time to fully analyze the proposals before this hearing. Typically, a continuous appropriation would provide the funding flexibility cited by the Commission in the justification for the proposal, but it also removes an element of legislative involvement and oversight into spending. The Subcommittee may wish to explore this trade off in discussions in the hearing.

Staff Recommendation: Absent member questions or input from the public relating to the budget requests at this hearing, Staff recommends these items be considered as for a vote-only calendar whenever the Committee takes action. Staff recommends holding open the proposed trailer bill issues to allow time for further analysis.
