AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3

RESOURCES AND TRANSPORTATION

Assemblymember Richard S. Gordon, Chair

WEDNESDAY, JANUARY 26, 2011
STATE CAPITOL, ROOM 447
9:00 A.M.

2660 – DEPARTMENT OF TRANSPORTATION (CALTRANS)

ISSUE 1: TRANSPORTATION GAS TAX SWAP RELATED PROPOSALS

Governor's Budget: The Governor's budget includes the following package of proposals to maintain funding levels for transportation and transit and to protect $1.6 billion in General Fund savings in the current year and $944 million in 2011-12 that were approved in the Transportation Gas Tax Swap (Tax Swap) in last year's budget from potential risks due to the passage of Propositions 22 and 26:

1) Use vehicle weight fees, rather than excise tax revenues, as approved in the Gas Tax Swap to fund general obligation bond debt service. This shift is being proposed because Proposition 22 restricts the State from using fuel excise tax revenues for general obligation bond debt service. It is anticipated that this proposal would allow $262 million in savings to continue in the current year and roughly $700 million in the budget year;
2) Use $77.5 million in transportation revenues that are not restricted by the California Constitution (non-article XIX), such as revenue from rental property, for general obligation bond debt service payments for Proposition 116 bonds in 2011-12;
3) Loan $494 million in weigh fee revenues to the General Fund in 2010-11 and $166 million in 2011-12;
4) Reenact the Tax Swap proposal with a 2/3rds vote in order to protect transportation revenues and General Fund relief provided in the 2010-11 Budget Act. Proposition 26 requires that any tax measure passed after October of 2009 needs to obtain a 2/3rds vote approval to continue. This action will maintain $812 million in 2010-11 General Fund solutions adopted in last year's budget.
5) Make changes to keep local transit assistance funding near the target of $350 million that was approved in the Gas Tax Swap. The Swap increased the diesel sales tax by 1.75% and changed the allocation formula of the total sales tax so that 75% of revenues would be provided to Local Transit Assistance and 25% would be allocated to Caltrans' inner city rail and transit STIP programs. Additionally, the Tax Swap committed $23 million in 2010-11 and $12 million in 2011-12 from non-article XIX funds to local transit.

   Following, Proposition 22 was approved and changed the allocation formula for only 4.75% of the sales tax (the portion that was in existence prior to the Gas Tax Swap) to a 50/50 split between the State Transit Assistance Program and the Caltrans transit program. Further the Governor's budget is proposing to use all of the non-article XIX funds for bond debt services. In order to make up this loss in revenue for local transit, the Governor is proposing to allocate the additional 1.75 percent increase approved in the Tax Swap (roughly $120 million) entirely to local transit on an ongoing basis and allocate on a one-time basis roughly $20 million in Public Transportation Fund balance to transit to make up for the use of Non Article XIX revenues for general obligation bond debt services.

Lastly, the Administration is proposing to make a 1-year increase of .04% to the diesel sales tax, and equal decrease in diesel excise tax. Revenue from this shift will be provided to local transit in order to meet funding goals outlined in the Tax Swap.

Staff Comments: The Governor's budget proposal would make changes to the Tax Swap in order to retain most of the General Fund savings for the current year and ongoing that were scored in last year's budget. This proposal will also bring funding to local transit almost back to the amounts that were agreed upon last year. Overall, approval of this proposal with a 2/3rds vote would maintain transportation funding at current levels. If it is not approved, however, a majority of these General Fund savings would be in jeopardy as well as the continuation of various transportation spending formulas that were impacted by Proposition 22.

At the hearing, the LAO will be presenting to the Legislature some alternative options to this proposal that would achieve even greater General Fund savings. These options were not available at the time of preparing this agenda; otherwise they would have been included in this write up. In total, staff supports the direction of the Governor's proposal but would recommend that the subcommittee hold off action for the time being until the LAO's recommendations can be examined further.

Staff Recommendation: Hold open

ISSUE 2: AIR QUALITY MANDATES

Governor's Budget: Caltrans is requesting the approval of an augmentation of $63.2 million from the State Highway Account (SHA) on a one-time basis to comply with various air quality control mandates. The Department developed this request based on the joint compliance agreement between the California Air Resources Board (ARB) and the Department. This funding is intended to address the required replacement and repower of the Department's affected equipment to ensure compliance with the mandates adopted by the ARB and the United States Environmental Protection Agency (US EPA). The following Table summarizes the costs:

Summary of Equipment Compliance Costs				
Mandate	**Compliance Strategy**	**# of Equip.**	**Cost (in 000s)**	**Type of Request**
ARB On-Road Heavy Duty Diesel Vehicles (On-Road)	Replace	497	$60,381	One-Time
ARB Air Toxic Control Measures (ATCM)	Replace	3	$1,404	One-Time
	Repower	1	$40	One-Time
ARB Large Spark Ignition (LSI)	Replace	7	$295	One-Time
US EPA Diesel Emission Standards (US EPA 10)		128	$1,152	One-Time
Total		**636**	**63,272**	

Background: The 2010-11 budget appropriated $57.3 million to bring 435 vehicles into compliance. Following the passage of the budget, it was determined that the Department's overall compliance plan did not actually bring the Department into compliance with the ARB. Subsequently, the Department worked with the Air Resources Board to develop a new compliance plan.

Staff Comments: When the Department and the ARB revised their diesel regulation compliance plan, the Legislature was made aware that the Department would only need roughly $10 million in the current year of the total $57 million that was appropriated in the budget. To date, it is unclear to staff how the Administration is planning on addressing last year's excess appropriation authority for regulatory compliance in the current budget. Additionally, it is unclear whether the agreed upon plan for Caltrans is being fully followed in the current year and whether the overall plan actually brings the Department into compliance. At the hearing, the Administration may want to clarify these issues but in light of these ongoing uncertainties, staff recommends that the Subcommittee act to hold these issues open without prejudice until the spring.

Staff Recommendation: Act to defer item without prejudice until a later period.

ISSUE 3: FUEL COST INCREASE

Governor's Budget: Caltrans is requesting a permanent augmentation of $1.7 million from the State Highway Account (SHA) to address higher fuel costs. The Department uses diesel, gasoline, and alternative fuels to power its fleet. The Department's current fuel budget is based on a $3.06 per gallon. This proposal would align their budget with a $3.19 price per gallon budget.

Staff Comments: Staff recommends that the Subcommittee defer action on this proposal without prejudice to a later date so that fuel cost estimates can be more accurate in light of increasing gas prices.

Staff Recommendation: Defer action without prejudice to the spring

ISSUE 4: LOAD RATING OF LOCAL BRIDGES

Governor's Budget: Caltrans is requesting an increase of 9 positions and $1.3 million in funding for a 6-year limited term to complete the load rating on 3,564 locally-owned bridges in order to comply with federally-mandated load rating evaluation requirements. This proposal will be funded essentially through Federal Funds that would otherwise be allocated to local governments for local transportation funding.

Background: California has 11,850 city and county-owned bridges in the National Bridge Inventory. The Department inspects and provides load ratings for all of these bridges except those owned by the counties of Los Angeles and Santa Clara who inspect and load rate their own bridges. Load rating of bridges is performed to determine the loads (vehicles) that structures can safely carry. These loads are typically legal loads, which are defined in the vehicle code, and extra-legal weight loads that are issued under permit by the Department. The Federal Highway Administration also requires that specific load ratings be reported annually. A bridge load rating consists of the following activities:

- Office review of available design, construction and inspection data;
- Coordination with other disciplines within the Department;
- Structural analysis of the bridge to generate load rating results;
- Writing and transmitting load rating summary report;
- Quality control and quality assurance of calculations and data.

Staff Comments: Last year, the Subcommittee augmented staffing to accelerate load ratings on State-owned bridges from a 10 year period to a six-year period. This proposal requests roughly the same staff-to-workload ratio as was approved last year.

Staff Recommendation: Approve as budgeted.

ISSUE 5: PIDS PROGRAM ZERO-BASED WORKLOAD

Governor's Budget: Caltrans is proposing to increase its baseline budget for reviewing, approving and developing Project Initiation Documents (PID) from 242 positions and $2.4 million to 260 positions and $33 million. Additionally, the Budget is proposing to shift 66 positions that are currently funded from the State Highway Account to reimbursements from local agencies.

Background: The Department utilizes its transportation system and regional planning process and planning documents such as Regional Transportation Plans, transportation concept reports, corridor system management plans, and the 10-year SHOPP Plan to set broad plans to improve and maintain the State Highway System (SHS). Potential projects that can be developed and constructed within this larger plan must have a preliminary planning document, known as a PID developed to measure its feasibility, cost and whether it fits within the overall plan for the SHS. PIDs contain specific information including the identification of the transportation problem that is to be addressed an evaluation of potential alternatives to address the problem, and the justification and description of the preferred solution. Each PID also includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

Projects for the SHS are funded from both State and Local Funds. Currently, the Department funds all workload related to the development and review of PIDs for projects that are to be located on the State Highway System. This proposal would shift some of that workload cost to local agencies under the rational there is a proportional share of PID workload that is driven by local agencies rather than the state planning process.

Staff Comments: In last year's budget discussions, the Administration proposed to shift 96.5 positions and $12.5 million from State funds to local reimbursements. This shift was ultimately rejected by the Budget Conference Committee however supplemental report language was approved to require that the Department report back to the Legislature on PID workload during 2009-10 and 2011 so that there would be a stronger basis for evaluating the proposed policy shift. Following the passage of the budget, the Governor vetoed $7.4 million and 63 positions from PID staffing. This proposal would add back 18 of those positions then shift the costs for a total of 66 positions to local agencies. Staff has concerns at this time that there is not adequate information on PID workload to warrant approval of the Governor's proposal. Staff recommends the Subcommittee should reserve action on this proposal until the Department is able to provide the workload report required by last year's budget.

Staff Recommendation: Hold Open

ISSUE 6: PROPOSITION 1A COMMUTER AND URBAN RAIL STAFFING

Governor's Budget: Caltrans is proposing an internal redirection of one position over a two-year period to provide oversight of commuter rail line and urban rail system capital improvement projects as set for the Proposition 1A, the High Speed Rail Bond. This position will be responsible for oversight of contract development, agency and project certifications, programming actions, project monitoring and reporting requirements and will be funded from the High Speed Passenger Bond Fund. This proposal results in an identical savings in the Public Transportation Account (PTA) where the position was formerly funded from.

Background: Prop 1A is a $9.95 billion bond measure that includes $950 million for capital projects on other passenger rail lines to provide connectivity to the high-speed train system and for capacity enhancements and safety improvements to those lines. At the May 19, 2010, California Transportation Commission (CTC) meeting, the CTC adopted the Proposition 1A program of intercity rail projects for 2010-11 to 2012-13. The adopted program of projects includes the intercity rail services run by Caltrans in cooperation with Amtrak, as well as regional-run rail services around the state.

During last year's subcommittee process, staff was made aware that about $234 million in intercity rail capital projects adopted by the CTC were to be ready for an allocation in 2010-11. The Legislature subsequently approved a $234 million appropriation to support these projects. The Governor further vetoed all but $100 million of this appropriation to fund positive train control. (There is an additional $27 million included in this budget as well for positive train control). In his veto message, the Governor cited a need for, "the High Speed rail Authority, Caltrans and local jurisdictions to work together to develop a statewide strategy and an associated list of projects that will best accomplish the goal of moving passengers between destinations around the state in the quickest, most efficient and cost effective way, buy utilizing these funds to advance the construction of facilities for joining use wherever possible and by providing better connectivity to the future high-speed rail system."

Staff Comments: Staff has no issues with the proposed redirection of resources however the Subcommittee may want to ask the Department whether the policies represented in the Governor's veto message are the current policies of the new Administration and whether they have begun to engage in such discussion.

Staff Recommendation: Approve the budget proposal as budgeted but hold open discussion on whether there is a need for a Proposition 1A appropriation in this budget.

ISSUE 7: PROPOSITION 1B CAPITAL NEEDS

Governor's Budget: Caltrans is requesting a total of $2.3 billion in capital funding for projects within the following 1B programs.

Corridor Mobility Improvement Account	$631 million
Trade Corridor Improvement Fund	$972,344
Public Transportation Modernization, Improvement and Service Enhancement Account, Intercity Rail ---	$117 million
State-Local Partnership Program	$200 million
Local Bridge Seismic Retrofit Account	$22 million
State Route 99 Acct	$391.9 million

The Department states that this is a zero-based budget and is based on projects in each program where the project proponent expects to request an allocation of funds in 2011-12.

Staff Comments: This proposal represents the fifth year of expenditures from what is planned to be a 10-year bond expenditure program. This proposal was developed to meet the anticipated capital needs of the different Proposition 1B programs. Recently, the Administration announced that it won't be pursuing a spring bond sale. At the hearing, the Department should be prepared to discuss what impacts the cancelation of the bond sale will have on proposed and current year bond expenditures.

Additionally, it is unclear at the moment whether there will be a fall bond sale. Because of this uncertainty and because in prior years, Caltrans' early estimates of project funding needs have changed by the end of the budget process, the Subcommittee may want to either withhold action on this item until a later date or approve this proposal with the expectation that additional adjustments to the appropriation amount may occur later in the budget process.

Staff generally does not have any concerns with the proposed expenditures but does recommend that the Subcommittee work through the year to accurately line up Proposition 1B appropriation with expected need.

Staff Recommendation: Defer Action without prejudice until later.

ISSUE 8: PRSM LIQUIDATION PERIOD EXTENSION

Governor's Budget: Caltrans requests an extension of the liquidation period for the Project Resource and Schedule Management (PRSM) system. This consists of extending the liquidation period for the total remaining encumbrance of $8.3 million within current operating expenses in the Capital Outlay Support Program through Fiscal Year 2011-12 when the program is expected to be complete.

Background: The Department plans that PRSM will enable the Department to effectively manage State employee project time in the $1.8 billion Capital Outlay Support Program that funds environmental studies, design services, construction engineering and right-of-way acquisition services for the State Highway System. This project provides a commercial-off-the-shelf software system to provide project managers and first line supervisors, vital information including the amount of dollars programmed for each project, amounts expended to date, dollar estimate to complete work and amount remaining in the project budget. This information is tied to the department's timekeeping systems so that employees who are not assigned to work on a project cannot charge costs to that project.

Staff Comments: During last year's Subcommittee hearings, there was extensive discussion on concerns raised by the LAO with the Department's ability to report and track and justify Capital Outlay Expenditures. At the hearing, in presenting this proposal, the Department should discuss how this Program will allow them to improve their management of COS projects. Additionally, it is unclear to staff why this project continues to be delayed. The Department should be prepared to discuss the nature of these delays and whether it is still anticipated that they will implement the program within this budget year.

Staff Recommendation: Approve as budgeted.

ISSUE 9: FEDERAL JOB ACCESS AND REVERSE COMMUTE/NEW FREEDOM PROGRAM

Governor's Budget: Caltrans is requesting an extension of 3 previously approved temporary positions and $274,000 in Federal Funds to support on-going administration of the Federal Transit Administration Job Access and Reverse Commute and New Freedom grant programs. Both programs are mandated by the Safe, Accountable, Flexible, and Efficient Transportation Equity Act – Legacy for Users (SAFETEA-LU).

The staff currently being used to support these programs was approved on a limited-term basis set to expire on June 30, 2011 while the grant funds will continue until a new federal legislature is passed.

Background: The SAFETEA-LU mandates each state implement the JARC and New Freedom programs in small urbanized and non-urbanized areas of California using a formula based on the percentage of population, respectively. Public and private transportation agencies, social service agencies, community-based non-profit agencies, tribal governments, faith-based organizations, and private for profit agencies are eligible to be potential applicants for funding.

The JARC program provides funding for various types for transportation services including, but not limited to, vehicles, equipment, and transit operations for access to training, employment and childcare services for qualified welfare and low-income citizens. The New Freedom program is designed to provide transportation services that are beyond requirements of the American with Disabilities Act.

Staff Comments: Staff has no concerns with this proposal as it is extending federal funds to support federally required activities.

Staff Recommendation: Approve as budgeted

ISSUE 10: ENTERPRISE RESOURCES PLANNING FINANCIAL INFRASTRUCTURE STAFF REDUCTION

Governor's Budget: Caltrans is proposing a permanent decrease of 35 positions and $3 million in the Administration program as a result of the implementation of the Enterprise Resources Planning Financial Infrastructure (E-FIS) which has replaced various departmental legacy information technology systems.

Staff Comments: When this project was approved in the 2006-07 budget, it was assumed that the project would result in the reduction of 35 positions due to efficiencies gained through implementation of the system. The Department has reported that after additional review, it continues to estimate that 35 positions is the correct reduction for the implementation of the system. At the hearing, the Department may want to present on the current roll-out of this new program. Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted

ISSUE 11: PROPOSITION 1B REDISTRIBUTION AUDITS

Governor's Budget: Caltrans is requesting a one-time-net zero revision to the distribution of resources among the Proposition 1B bond programs/funds authorized for the Division of Audits and Investigations to meet the projected workload for auditing services in FY 2011-12 performed by the State Controller's Office on behalf of the Department under an interagency agreement.

Background: In order to meet its fiduciary responsibility over the administration of public funds, Department's administering bond funds conduct internal audits of bond program expenditure as well as contracts with the Department of Finance or the Controller to audit the expenditure of bond funds.

The 2010-11 Budget included funding for the Controller to conduct audits on all eight of the Proposition 1B programs administered by the Department. The Department reports that after additional review, an audit for one of the programs is no longer necessary because internal audit efforts have been deemed sufficient. Additionally, the Department has determined that there are increased audit needs for other bond program above last year's appropriation levels. This proposal would eliminate funding for the audit of one of the programs and shift that funding to increase audits of other programs. Staff has no concerns with this proposal.

Staff Recommendation: Approve as budgeted.

ISSUE 12: CAPITAL OUTLAY – EUREKA FIRE, LIFE SAFETY AND INFRASTRUCTURE REPAIRS

Governor's Budget: Caltrans is requesting an appropriation of $8.7 million from the State Highway Account to fund the construction phase for the Eureka district office building fire, life safety and infrastructure repairs project. The total project cost is 410.1 million which includes $695,000 for preliminary planning, $687,000 for working drawings and 48.7 million for construction.

Background: The Department is proposing to repair infrastructure deficiencies as identified by the Department of General Services (DGS) for the existing 81,000 gross square feet at the Eureka District Office Building (District 1). These deficiencies are associated with California building code compliance and building life cycle repairs. The Department of General Services have determined that the Department must correct various Fire, Life Safety and additional ADA code compliance violations as well as other building life cycle improvements such as: Fire sprinkler expansion; fire suppression system replacement; north stairway repairs for ADA compliance; heating and ventilation replacement; electrical upgrades and; replacement of caulking on exterior windows.

Staff Comments: Staff does not have any concerns with this proposal. The proposed renovations are needed for code review and for basic maintenance of the property. Additionally, the repair of the building is programmed in the SHOPP program and will not require any lease revenue bond indebtedness.

Staff Recommendation: Approve as budgeted.

2665 – CALIFORNIA HIGH SPEED RAIL AUTHORITY (HSRA)

ISSUE 1: PROGRAM MANAGEMENT OVERSIGHT

Governor's Budget: The High Speed Rail Authority is requesting $3 million from the Safe, Reliable High-Speed Passenger Rail Bond (Proposition 1A) to support an expansion of the current contract for oversight and review of the Program Management Team's work products and schedule.

Background: The HSRA is currently contracting with TY Lin International until 2013 to serve as the Program Management Oversight Team (PMO) to provide the day-to-day oversight of the Project Management Team (PMT) and regional Contractors working on the project. The PMO is required to report to the Board monthly on the progress of the project as well as the ability of the PMO and contractors to meet critical milestones.

Currently, the HSRA has $8 million built into their baseline to support their PMO contract. This proposal would increase that amount to $11 million.

Staff Comments: As raised last year by the LAO for a majority of the HSRA's proposals, workload data was not provided with the proposals so that staff could have adequate time to review this proposal. The HSRA was able to provide information to staff prior to the hearing, but without adequate time for review.

From discussions with the HSRA, the proposed workload appears to be attributable to increased requirements placed on the authority by the Federal Rail Administration for the ARRA grants that have been awarded to the state.

Because at this time it is not certain that the resources requested in the proposal align with the actual needs of the PMO, staff recommends that action be deferred on the proposal without prejudice until a later point. At the hearing, however, the Subcommittee may want to engage with the HSRA on what changes need to be made internally or with the overall budget change proposal schedule so that annual proposals that are included in the budget are delivered with adequate workload data for review. Staff recognizes that the lengthy timeline of the January budget development may make it difficult for the HSRA to have accurate workload data in time for the budget. To address this, it may be necessary to consider moving forward requests, similar to the capital outlay support program at Caltrans, until later in the year so that the Legislature is provided with fully developed requests.

Staff Recommendation: Defer action without prejudice until a later date.

ISSUE 2: PUBLIC INFORMATION AND COMMUNICATIONS SERVICES

Governor's Budget: The HSRA is requesting $1.8 million in Proposition 1A funding to continue the contract with Ogilvy Public Relations Worldwide (Ogilvy) for statewide public information and communications services. This request is equal to the amount appropriated in last year's budget.

Background: The HSRA currently has two positions that manage public relations responsibilities for the agency. Additionally, the HSRA signed a five-year $9 million contract with Ogilvy Public Relations Worldwide (Ogilvy) to provide day-to-day public relations services including the coordination of various regional outreach activities related to the environmental review process and supplements those efforts with statewide communications including but not limited to stakeholder outreach, web site and social media activities, legislature tracking, event planning, and the production of written materials such as fact sheets.

Generally, the HSRA contracts for public relations services to help address issues that arise at a local level. Staff understands that the contracted public relations firm generally locates its own, or contracted staff, near the segments that are being developed to organize required outreach duties and respond to different public information needs.

The HSRA's current contract with Ogilvy is scheduled to expire in 2012.

Staff Comments: This proposal is identical to a budget proposal from last year that was ultimately approved by the Legislature. In the last year, however, new federal funds and direction that they be used in the Central Valley have generally expanded the frequency of issues being raised to the Authority by the Board. At this time, staff feels that the Subcommittee may want to defer action without prejudice on this issue to allow for further review of this shifting workload.

Staff Recommendation: Defer action without prejudice until a later date.

ISSUE 3: FINANCIAL PLAN AND PUBLIC PRIVATE PARTICIPATION PROGRAM

Governor's Budget: The Administration requests a total of $750,000 from Prop 1A bond funds for the 2011-12 cost of financial consulting services, including development of a Public Private Partnership Program (P3) plan.

Background: A total of $1.0 million was provided in the 2010-11 budget for this same purpose. The HSRA reports that Price Waterhouse Coopers was selected in the Request-For-Proposal (RFP) process, and should be under contract soon.

Staff Recommendation: Defer action without prejudice until a later date.

ISSUE 4: BASELINE ADJUSTMENT

Governor's Budget: The Administration requests an augmentation of $1.1 million in Prop 1A bonds to add to base funding of $359,000 for inter-departmental legal and general services performed by the Department of Justice (DOJ) and the Department of General Services (DGS).

Background: The HSRA indicates that workload performed by DOJ is increasing substantially due to the preparation of the draft and final project level documents on multiple corridors. DGS provides records service, automobile rental, purchasing and real estate services, and human resource services. The Authority indicates that this workload increase is partially the result of increased legal and contracting needs that result in additional workload for state control agencies.

Staff Comments: The funding requested in this proposal are for costs that the HSRA has limited control over however, the Subcommittee may wish to hold this item over till a later date so that these costs can be considered with the entire HSRA budget.

Staff Recommendation: Defer action without prejudice until a later date.

2740 – DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: FACILITY RELATED PROPOSALS

Governor's Budget: The Administration has two requests related to office facilities. DMV operates a mix of State-owned and leased facilities.

1) **Grass Valley Field Office Replacement Project –** State-owned Facility (Preliminary Plan Phase): The Administration requests $648,000 (various special funds) for the preliminary-plan phase of the Grass Valley Field Office replacement project. The budget request indicates that future costs will include working drawings at a cost of $531,000, and construction at a cost of $6.7 million. Total project cost is estimated at $7.8 million. The new facility would be approximately four times the size of the existing facility.

2) **Southern Los Angeles Commercial Driver License Test Center –** Leased Facility (BCP #5): The Administration requests a one-time augmentation of $20,000 (Motor Vehicle Account) to begin the process of establishing a consolidated Commercial Driver License (CDL) Test Center at a leased facility in the southern Los Angeles area. The DMV believes separate CDL locations promote efficiency and public safety by not bringing larger commercial vehicles to the standard field office locations. If this request is approved, the southern Los Angeles CDL Test Center would be the fifth consolidated location, following San Bernardino, West Sacramento, Escondido and the Central Valley. The $20,000 requested would cover Department of General Services planning fees. The estimated costs in 2012-13 would be $85,000, and move-in would occur in 2013-14 with half-year operations costs of $1.1 million.

Staff Comments: At this early point in the budget year, it is difficult to make accurate fund condition estimates for the MVA. Staff recommends that this proposal be held until later in the year so that there is time to consider the longer term condition of the MVA and the General Fund.

Staff Recommendation: Defer action without prejudice until a later date

ISSUE 2: IID WORKLOAD STAFFING INCREASE

Governor's Budget: The Administration requests a continuation of funding ($511,000 Motor Vehicle Account) and the conversion of 9 limited-term positions to permanent. The positions are associated with the ignition interlock device (IID) workload, which is a program that DMV took over from the courts in 2009-10 pursuant to SB 1388 (Torlakson), Chapter 404, Statutes of 2008. The program provides for the installation of IIDs in specified circumstances when the car owner has a conviction for Driving Under the Influence (DUI). The 2009-10 budget provided a total of 26 new positions, with 9 of these two-year limited terms. DMV has monitored the workload, and reports their initial workload estimates were accurate and that the 9 limited term positions should be converted to permanent. The cost of the positions and program is fully support by fees on program participants.

Staff Comments: Staff has no concerns with this proposal. These positions are fully supported by fees from participants of the program and the cost is within the scope of the original legislation.

Staff Recommendation: Approve as budgeted.

ISSUE 3: TEMPORARY OPERATING PERMIT WORKLOAD STAFFING INCREASE

Governor's Budget: The Department is requesting a continuation of funding for $369,000 (Motor Vehicle Account) and the conversion of 7 expiring limited-term positions to 2 permanent positions and 5 2-year limited-term positions. The positions are associated with the Temporary Operating Permit (TOP) Program, which was established in 2009-10 pursuant to AB 2241 (Saldaña), Chapter 451, Statutes of 2008.

Background: The TOP program provides for a temporary operating permit when a certificate of smog compliance is required. The Department issues serialized TOPS so that law enforcement personnel can verify that they are valid. Positions funded in this BCP are supported through a $50 fee for each temporary operating permit issued. The 2009-10 budget provided a total of 7 new positions, with all of these two-year limited terms. DMV has monitored the workload, and reports their initial workload estimates were accurate and that the 7 limited term positions should be retained as specified. The cost of the positions and program is fully support by fees on program participants.

Staff Comments: Staff has no issues with this proposal. The Department states that their review of workload for these positions warrant that 2 positions be made permanent while the remaining 5 continue as temporary.

Staff Recommendation: Approve as budgeted

ISSUE 4: PRIVACY AND SECURITY ENHANCEMENT PROJECT

Governor's Budget: The Department is requesting an augmentation of $918,000 to procure consultant services to enhance the security of processes and technologies involved in the collection, storage, maintenance, and transmission of Personally Identifiable Information (PII). The DMV received a grant from the US Department of Homeland Security in the amount of $1.8 million for improving access controls to protect Personally PII data. In FY 2010-11, the Department received grant spending authority for $900,000. This request will allow for the use of the remainder of the grant.

Staff Comments: Staff has no concerns with this proposal. The augmentation is funded through a federal grant and will be used to strengthen privacy protection.

Staff Recommendation: Approve as budgeted

ISSUE 5: IMPLEMENTATION OF AB 2499 (PORTANTINO) – TRAFFIC VIOLATOR SCHOOL PROGRAM

Governor's Budget: The Department is requesting an augmentation of $2.3 million (Motor Vehicle Account) to fund third-party contractors to monitor the Traffic Violator School (TVS) industry. The DMV is assuming this role for home-study TVSs from the courts pursuant to AB 2499 (Portantino), Chapter 599, Statutes of 2010.

Background: Under AB 2499 (Portantino), the DMV took responsibility from the Courts for monitoring the TVS industry. The Administration anticipates the third party contractors will be used to conduct an annual review of business practices of 600 businesses and bi-annual monitoring of TVS training conducted at 2,500 classrooms and through approximately 200 home study/Internet courses. The cost of the program is fully support by fees on program participants.

Staff Comments: Staff has no concerns with this proposal as it is within the scope of AB 2499 (Portantino) and it is fully supported by its own fee source.

Staff Recommendation: Approve as budgeted.

2600 – CALIFORNIA TRANSPORTATION COMMISSION

ISSUE 1: PUBLIC PRIVATE PARTNERSHIP PROJECT REVIEWS STAFF

Governor's Budget: The California Transportation Commission (CTC) is requesting a three year adjustment of $400,000 per-year to provide the Commission with expertise, advice, representation, and assistance in order to fulfill the Commission's responsibilities delineated in Section 143 (public Private Partnership Projects) of the Streets and Highway Code.

Background: The CTC is responsible for programming and allocating funds used in transportation projects throughout California. Before allocating funds for a project, the CTC must do an analysis to determine whether the Department is choosing the most cost effective financing option and whether there will be funding available for the life of a project as to avoid a project stoppage – this includes an evaluation of the accuracy of project timelines and total cost estimates. This proposal would give the Commission needed expertise to do this evaluation for P3 and Design Build projects which they currently do not have since these are fairly new development strategies to the State.

In 2008, the Legislature approved two-year funding of $100,000 per-year for 2008-09 and 2009-10 for consultants to review High Occupancy Toll (HOT) projects associated with AB 1467 (Nuñez), Chapter 32, Statutes of 2006. Reviews in that program cost about $50,000 per project; however, the scope of review was less broad because it only included the feasibility of toll revenues being sufficient to fund the cost of the project – not the contract terms of a P3.

In last year's Budget, the CTC received a one-time appropriation of $200,000 (Non General Fund) to contract out with fiscal consultants to provide cost/benefit and financial feasibility reviews for State Public Private Partnership (P3) and Design Build transportation projects. In last year's proposal, the Commission cited that due to greater breadth of review from prior year reviews, the cost to review a P3 was estimated to be closer to $80,000 per project.

Staff Comments: At the time of preparing this proposal, the CTC had expended $162,000 of last year's appropriation on reviewing the Doyle Drive Presidio Parkway Project for which Caltrans recently signed into a P3 contract. The CTC cites ongoing revisions and modifications to the project as a significant cost driver and from the Presidio Parkway Project experience, the CTC has adjusted per-project estimate to be $200,000-$250,000 per project. While it is reasonable that the Commission should update their cost estimates as they encounter new P3 experience, staff has concern that the numbers driven by Doyle Drive might be higher than other projects because of borne complexities of the project.

Additionally, the budget proposal further is based on the assumption that up to two P3 projects will be submitted for approval per year. In discussions with staff, the Department of Transportation has not indicated that there is a ready list of additional P3 that will be pursued by the Administration. Additionally, there continues to be questions as to whether the Administration is authorized to pursue additional P3s that are not toll based because last year's budget provided narrow authority for only Doyle Drive to move forward. Staff has concern that providing these resources at this point for a three year period might be premature given the limited outlook for state sponsored.

Staff Recommendation: Defer without prejudice until a later date.

3900– CALIFORNIA AIR RESOURCES BOARD

ISSUE 1: CONTINUING PROGRAM IMPLEMENTATION FOR PROPOSITION 1B

Governor's Budget. The Governor's budget requests (1) technical adjustments for reappropriations and reversions for Proposition 1B Goods Movement Emission Reduction Program, and (2) TBL to allow a timeframe to encumber Proposition 1B funds through June 30, 2013, and to allow liquidation of encumbrances until June 30, 2019 (up to 6 years).

Background. Proposition 1B of 2006 includes $1 billion, upon appropriation by the Legislature and subject to such conditions and criteria contained in a statute enacted by the Legislature, to the State Air Resources Board for emission reductions for activities related to the movement of freight along California's trade corridors.

In 2008, the Air Board adopted Program guidelines and awarded the first year grant funds (approximately $250 million) to local agencies. Due to the bond freeze of 2009, among other factors, the board's allocation of funds slowed, resulting in the request for reversion and reappropriations.

Staff Comments: To date, the ARB has only been able to spend roughly $500 million of the total $1 billion due to work stoppages resulting from the bond freeze and cash shortages since this program has not been a high enough priority within the Administration to be fully funded from recent bond sales. Under this program, the ARB awards funds to local Air Districts who actually implement projects. The ARB has reported to staff that they generally have projects ready to go for these funds but have to wait for cash to be dispersed from bond sales to this program prior to actually executing contracts for projects.

Under typical bond appropriations, the time in which the Board would be able to liquidate funds would be 3 years. This allows the Legislature the opportunity to review and provide oversight for extensions of liquidation beyond 3 years in the budget process, and to adjust programs should departments not meet the Legislature's expectations for disbursement of funds. The ARB is requesting an extension of this period to 7 years to allow some of their projects a realistic time frame for completion. At the hearing, the Subcommittee may want to discuss the impacts that providing a 3 year, rather than 7, liquidation period would have on those projects that have a longer completion time need. Staff feels that the Subcommittee may want to consider rejecting the 7 year liquidation period so that the Legislature can review this program in 3 years if this action would not adversely impact contracting for projects with longer timelines.

Staff Recommendation: Approve reversions and reappropriations as proposed. Reject Extension of Liquidation period to 7 years.

3980– OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

ISSUE 1: PROPOSITION 65 FUND SHIFT

Governor's Budget: The Administration proposed to shift $1.1 million in baseline funding for the Office from Special Funds to the General Fund because of what were anticipated revenue shortfalls in the fund.

Staff Comments: The Administration has updated its projections for the Safe Drinking Water and Toxic Enforcement Fund (SDWTEF) and has concluded that there are sufficient revenues in the fund to support their program – making the proposed General Fund shift unnecessary. In order to sustain current funding, the Subcommittee would need to act to add back appropriation authority in the amount of $1.137 million for the office from the SDWTEF.

Staff Recommendation: Deny proposal and increase appropriation authority to the Office from the SDWTEF by $1.137 million.

3940 – STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: PACIFIC LUMBER COMPANY LITIGATION DEFENSE

Governor's Budget Proposal: The State Water Resources Control Board (State Board) is requesting a $1.6 million General Fund augmentation to continue to fund the defense of litigation filed by Pacific Lumber Company alleging that the State of California had breached the Headwaters Agreement.

In last year's budget, the State Board was provided a $2.7 million appropriation for this purpose marking a significant increase in legal costs for the on-going litigation because the case entered active discovery and will be set for trial soon. The State's potential liability in this case is claimed to exceed $671 million.

Background: In December 2006, Pacific Lumber Company and Scotia Pacific Company filed a lawsuit in Fresno Superior Court against the State of California, the State Board, and the North Coast Regional Board claiming that the State Board and North Coast Regional Board breached the Headwaters Agreement through their regulation of discharges of sediment and other waste associated with forestry activities.

In the summer of 2009, Pacific Lumber and Scotia Pacific Company went through bankruptcy, were sold to the Mendocino Redwood Company and reorganized into the Humboldt Redwood Company. Through this reorganization, the Humboldt Redwood Company assumed nearly all assets of the bankrupt companies while existing litigation assets from Scotia Pacific were acquired by the SPC Litigation Trust. SPC Litigation Trust will represent the interests of note holders that held various notes in which Scotia Pacific Company identified its land holdings as collateral.

Staff Comments: The State Board and North Coast Regional Board have been the state's lead on this case since it was filed in 2009. During this time, the State Board has been funding its legal activities with Waste Discharge Permit funds as the lawsuit was tied directly to the regulation of water discharge on the Headwaters property. As this case moves forward to trial and costs for the defense of this case escalate, there is not enough funding in the Waste Discharge Permit Fund to support the ongoing defense costs. Staff feels that the proposed use of the General Fund is appropriate considering the potential liabilities that could result from this lawsuit as well as the fact that the case involves many departments that were party to the Headwaters Agreement.

Staff Recommendations: Approve as budgeted.

ISSUE 2: NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM WASTEWATER PROGRAM FUND CHANGE

Governor's Budget. The Governor proposes to remove $1.4 million GF from the national Pollutant Discharge Elimination System Wastewater (NPDES) program and replace it with an equal amount from the fee-supported Waste Discharge Permit Fund (WDPF) so that the program would be entirely funded by the WDPF.

Background. The NPDES program is authorized by the Clean Water Act and administered by the Water Boards under an agreement with the United States Environmental Protection Agency that requires the Water Boards to help protect water quality by reviewing and renewing discharge permits, monitoring discharge reports, and issuing enforcement actions on permit violations.

In FY 2006-07 the State Water Board redirected $4 million in NPDES federal funds to a different program. The Legislature and Governor later acted to offset this fee increase by partially backfilling the $4 million with $1.4 million in GF. This proposal would remove the GF and increase fees to replace it.

Staff Comments: This proposed shift would require a subsequent fee increase for fee payers – primarily local sanitation districts and industry. The funds collected from this fee increase will be used directly for the regulatory activities of the program. Additionally, the LAO has consistently recommended approval of this proposal based on the polluters-pay concept. Because of this, staff feels that this is an appropriate policy considering the state of the General Fund.

Staff Recommendation: Approve as budgeted

ISSUE 3: IRRIGATED LAND REGULATORY PROGRAM FUND SHIFT

Governor's Budget. The Governor proposes to remove $1.8 million General Fund (GF) from the Irrigated Land Regulatory Program (ILRP) and replace it with an equal amount from the fee-supported Waste Discharge Permit Fund (WDPF) so that the program would be entirely funded by the WDPF.

Background. The ILRP regulates discharges from irrigated agricultural lands in order to prevent impairment of the waters that receive the discharges. For example, discharges can affect water quality by transporting pollutants including pesticides, sediment, nutrients, salts (including selenium and boron), pathogens, and heavy metals from cultivated fields into surface waters. Regional Water Boards issue conditional waivers of waste discharge requirements to growers that contain conditions requiring water quality monitoring of receiving waters and corrective actions when impairments are found.

When the ILRP fee schedule adopted by the State Water Board in June 2005, failed to raise the anticipated level of revenue, the Legislature allocated $1.8 million GF in FY 2006-07 to make up the difference. This proposal would remove the GF and increase fees to replace it.

Staff Comments: This proposed shift would require a subsequent fee increase for agricultural fee payers. The funds collected from this fee increase will be used directly for the regulatory activities of the program.

The Legislative Analyst's Office has also consistently recommended funding core regulatory programs with fees based on the polluter pays funding principle. Shifting the funding of the balance of these core regulatory activities from the General Fund to fees would save the General Fund $1.8 million in the budget year. Staff feels that this is an appropriate policy considering the state of the General Fund.

Staff Recommendation: Approve as budgeted

ISSUE 4: WATER RIGHTS PROGRAM FUND SHIFT

Governor's Budget. The Governor proposes to remove $3.2 million GF from the Water Rights Fund (WRF) and replace it with an equal amount from the fee-supported WRF.

Background. From its inception in 1914 until FY 2003-04, the Water Rights Program (WRP) was primarily supported by the General Fund (90 to 95 percent). However, due to an earlier fiscal crisis, program funding was cut and eventually shifted entirely onto a fee-supported special fund—the Water Rights Fund (WRF). Subsequently, fee payers challenged the statutes authorizing the WRF and the fees that are deposited into it. While a superior court upheld the fee statutes and associated regulations in their entirety, the Court of Appeal found that in some specific instances (about 30 percent of activities associated with pre-1914 and riparian rights), the benefits accruing to the fee payers were not sufficiently proportional to the size of the fee, and the related regulations were overturned. An appeal of this decision is currently pending with the Supreme Court, which has not yet scheduled oral arguments.

Staff Comments: The General Fund currently provides $4.3 million of the water right program budget of $16.2 million. Most of this support is for work that the Board feels can be supported by Water Rights Fund and for which both the Superior Court and the Court of Appeal have determined is appropriately supported by water rights fees.

The Legislative Analyst's Office has also consistently recommended funding core regulatory programs with fees based on the polluter pays funding principle. Shifting the funding of the balance of these core regulatory activities from the General Fund to fees would save the General Fund $3.2 million in the budget year. Because of this, staff feels that this is an appropriate policy considering the state of the General Fund.

Additionally, the Subcommittee may want to discuss with the Board options for including pre-1914 or riparian rights into the fee base for the program.

Staff Recommendation: Approve as budgeted and hold open the discussion on pre-1914 riparian rights until a later period.

ISSUE 5: BASIN PLANNING FUND SHIFT

Governor's Budget. The Governor requests to shift $6.1 million and 37 positions supported by the General Fund (GF) with the same about in the Waste Discharge Permit Fund (WDPF) resources. Additionally, $746,000 and 8.5 personnel-years supported by Reimbursements will be replaced with WDPF. The proposal requires Trailer Bill Language to add Total Maximum Daily Load (TMDL) development, basin planning, and other water quality management activities to the list of activities for which fees can be assessed.

Background. The Basin Planning program sets the minimum water quality level that must be achieved in the waters of the state for the protection of beneficial uses. Federal regulations require a triennial review and update of each basin plan; however, according to the State Water Board, a lack of staffing has kept it from fully complying with this requirement. As a result, the State Water Board indicates it has experienced difficulty moving forward with regulatory decisions and is at an increased risk for litigation. The requested augmentation would address this deficiency.

The preparation, adoption, and regular updating of Regional Water Boards' basin plans provides the foundation for all the Water Boards' regulatory action and is required by state law as well as the federal Clean Water Act. Basin plans designate beneficial uses, establish water quality objectives, and specify a program of implementation needed for achieving these objectives for both surface and groundwater.

Staff Comments. The Legislative Analyst's Office has also consistently recommended funding core regulatory programs with fees based on the polluter pays funding principle. Shifting the funding of the balance of these core regulatory activities from the General Fund to fees would save the General Fund $6.1 million in the budget year. Because of this, staff feels that this is an appropriate policy considering the state of the General Fund. Staff agrees with the LAO and feels that this is an appropriate policy considering the state of the General Fund.

Staff Recommendation: Approve as budgeted

ISSUE 6: DEPARTMENT OF DEFENSE – EDWARDS AIR FORCE BASE

Governor's Budget: The Governor requests a one-year extension of federal authority in the amount of $327,000 (Federal Funds) and 2.1 limited-term positions (2.0 PYs) originally authorized in FY 2009-10 for regulatory oversight of the expedited cleanup at Edwards Air Force Base. The Air Force has committed sufficient funds for regulatory oversight as well as environmental restoration at the base which corresponds to workload (reimbursable) by the regional water board staff for review and site inspection.

Staff Comments: Staff has no concerns with this proposal as it is funded through federal funds

Staff Recommendation: Approve as budgeted.

ISSUE 7: CONTINUING PROGRAM IMPLEMENTATION FOR PROPOSITIONS 13, 50, AND 84

Governor's Budget: The Administration is requesting various technical adjustments for local assistance appropriations and reappropriations for Propositions 13, 50, and 84 so that funding that has been appropriated in prior years for projects can continue to be available for ongoing projects. The Board cites that these extensions are needed due to delays caused by the 2008 bond freeze where the state was not able to sell bonds over an extended period of time and funding for most statewide bond programs was stopped.

Staff comments: Staff does not have any concerns with this proposal. The appropriations that are being extended were approved in prior year budgets and this action will allow the completion of projects in the State Water Pollution Control Revolving Fund, Agricultural Water Quality Grant Program, urban Stormwater Grant Program, clean Beaches Grant Program and Water Recycling Program

Staff Recommendation: Approve as budgeted.

3960 – DEPARTMENT OF TOXIC SUBSTANCES CONTROL

ISSUE 1: LAND TRANSFER AT SANTA SUSANA FIELD LABORATORY TO THE STATE

Governor's Budget: The Department is requesting to convert 3.0 limited term positions to permanent reimbursable positions to support oversight of contracted investigation, feasibility study, and cleanup phases of the Santa Susana Field Laboratory project, scheduled for completion in 2017.

Background: Santa Susana is the site of widespread chemical and radioactive contamination that poses a serious public health hazard. Contamination was caused by the National Aeronautics and Space Administration application of a hazardous material to wash off rockets after testing. Boeing and the US Department of Energy have been determined are the responsible parties.

Staff Comments. The proposal is consistent with DTSC's role as an oversight agency and these positions will be authorized for limited term and funded by responsible parties. Staff has no concerns with the position request to support investigation, feasibility study and cleanup phases at the site.

Additionally, while the title of this proposal cites a land transfer to the State, the Department indicates that this was an error and there will be no land transfer to the state as a result of this proposal. Staff feels that the Subcommittee should approve budget bill language prohibiting the transfer of this land to the state as a result of the approval of this proposal.

Staff Recommendation: Approve as budgeted with budget bill language to be developed with the Department.

ISSUE 2: STATE CERTIFIED UNIFIED PROGRAM AGENCY REIMBURSEMENTS

Governor's Budget: The Governor requests reimbursement authority in order to expend funds available to the Certified Unified Program Agency (CUPA) from other state agencies and through reimbursement agreements with business in Imperial and Trinity Counties. Reimbursement agreements would continue to be reviewed as part of the budget process.

Background: The Unified Program consolidates, coordinates, and makes consistent the administrative requirements, permits, inspections, and enforcement activities of six environmental and emergency response programs. The state agencies responsible for these programs set the standards for their program while local governments implement the standards. Cal/EPA oversees the implementation of the program as a whole. The Unified Program is implemented at the local level by 83 government agencies certified by the Secretary of Cal/EPA.

Staff Comments: The Department currently acts as the CUPA for Trinity and Imperial County. The proposal would streamline administrative processes while allowing for legislative and administrative oversight of the CUPAs. Staff has no concerns with the reimbursement request.

Staff Recommendation: Approve as budgeted.

ISSUE 3: CAPITAL OUTLAY – STRINGFELLOW NEW PRE-TREATMENT PLANT

Governor's Budget: The Governor requests $1.6 million GF to fund the working drawing activities for the construction of a new pre-treatment plant to treat contaminated groundwater from the Stringfellow site.

Staff Comments: The proposal is consistent with the long-term plan for remediation and treatment of contaminated groundwater at the Stringfellow site. Staff has no concerns with the reimbursement request.

Staff Recommendation: Approve as budgeted