

February 25, 2015

Budget Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:
Assembly Subcommittee No. 3
On Resources and Transportation
Hon. Richard Bloom, Chair





Resources and Environmental Protection Budget Summary

(Dollars in Millions)

Agency	Actual 2013-14	Estimated 2014-15	Proposed 2015-16 ^a	Change From 2014-15	
				Amount	Percent
Natural Resources					
General Fund	\$2,177	\$2,497	\$2,561	\$64	3%
Bond funds	953	2,477	1,608	-870	-35
Special and federal funds	1,044	2,043	1,559	-484	-24
Totals	\$4,175	\$7,017	\$5,727	-\$1,290	-18%
Environmental Protection					
General Fund	\$45	\$79	\$70	-\$10	-12%
Bond funds	156	521	321	-200	-38
Special and federal funds	2,564	3,168	3,280	112	4
Totals	\$2,765	\$3,768	\$3,670	-\$98	-3%
Food and Agriculture					
General Fund	\$64	\$70	\$76	\$7	10%
Bond funds	—	1	1	—	—
Special and federal funds	220	297	284	-13	-4
Totals	\$284	\$368	\$362	-\$6	-2%
Public Utilities Commission					
Special and federal funds	\$1,098	\$1,269	\$1,462	\$194	15%
Totals	\$1,098	\$1,269	\$1,462	\$194	15%

^a Does not include General Fund proposed in Control Section 6.10 for deferred maintenance projects at the Department of Parks and Recreation (\$20 million), California fairs (\$7 million), Department of Forestry and Fire Protection (\$2 million), and Food and Agriculture (\$2 million).



Major Budget Changes— Resources and Environmental Protection

- ☑ **Bond Spending.** Expenditures from bonds for resources and environmental protection programs is proposed to decrease by a combined \$1.1 billion in 2015-16, compared to estimated current-year expenditures. Much of this decrease is a product of how bond funds are accounted for in the budget, making year-over-year comparisons difficult. The budget does include a couple of significant new bond proposals.
 - **Proposition 1E of 2006 (Flood Protection).** The budget includes \$1.1 billion to spend the remainder of funds provided by voters for various flood protection activities. The Governor requests ten-year appropriation authority and flexibility to shift funds among categories of spending.
 - **Proposition 1 of 2014 (Water Bond).** The budget includes \$533 million for the first water bond appropriations, particularly for watershed protection and restoration, water recycling and desalination projects, and improvements to drinking water quality.

- ☑ **Special Fund Spending.** The budget includes a few significant changes to state special funds in 2015-16.
 - **Energy Commission Funds.** Spending on the Electric Program Investment Charge Fund and Alternative and Renewable Fuel and Vehicle Technology Fund are proposed to decrease by a combined \$309 million, largely reflecting carryover of prior year funds.
 - **Underground Storage Tank Cleanup Fund.** The budget includes an increase of \$187 million in the State Water Resources Control Board to implement Chapter 547, Statutes of 2014 (SB 445, Hill), which increased fees on petroleum sales for the state's underground storage tank cleanup program.



Major Budget Changes— Resources and Environmental Protection

(Continued)

- **Universal Lifeline Telephone Service Fund.** The budget includes an additional \$143 million for the Public Utilities Commission to implement a 2014 commission decision to allow low-income households to subscribe to wireless service providers at discounted rates.



General Fund Spending Largely Unchanged. Total General Fund spending on resources, environmental, and food and agriculture programs is proposed to increase by about \$60 million (2 percent). This reflects a variety of changes, including increased spending on debt service. This total does not include \$31 million included in Control Section 6.10 to reduce backlogs of deferred maintenance projects at the Department of Parks and Recreation, state fairs, Department of Forestry and Fire Protection (CalFire), and Department of Food and Agriculture.



Other Important Proposals for Legislative Review

- Cap-and-Trade Auction Revenues.** Estimated to be \$650 million in 2014-15 and \$1 billion in 2015-16, but likely to be significantly higher. Some of the higher revenues would be continuously appropriated, while the remainder would be available for appropriation by the Legislature.
- Insolvent Funds.** The budget includes proposals to address shortfalls in special funds, including the Environmental License Plate Fund and three special funds used to support surface mining regulation in the Department of Conservation.
- CalFire Helicopters.** CalFire requests budget language stating that it shall proceed with its procurement effort to replace its helicopter fleet. This procurement could cost hundreds of millions of dollars from the General Fund, but the department has not yet provided the Legislature with important information regarding the full costs, schedule, or specifications.
- Southern California Consolidation Project.** The Air Resources Board requests the first stage of funding to construct a new consolidated emissions testing facility in Southern California, a project that it estimates will cost \$366 million. The administration has not provided the Legislature with a full analysis of the need for the project, a full analysis of viable alternatives, or a funding plan.
- Public Utilities Commission Zero-Based Budget.** The commission submitted an “informational zero-based budget” document concurrent with the budget. While descriptive, this document does not appear to meet legislative intent because of the lack of analysis typically associated with zero-based budgets. The Legislature will want to consider whether additional reporting requirements are necessary to achieve its intended purpose.



Transportation Budget Summary— Selected Funding Sources

(Dollars in Millions)

	Actual 2013-14	Estimated 2014-15	Proposed 2015-16	Change From 2014-15	
				Amount	Percent
Department of Transportation					
General Fund	\$83.4	\$83.4	\$84.0	\$0.6	0.7%
Special funds	4,854.5	3,735.4	3,633.6	-101.8	-2.7
Bond funds	1,334.7	559.2	562.4	3.1	0.6
Federal funds	3,771.4	4,759.8	4,627.1	-132.7	-2.8
Local funds	819.3	1,139.4	1,595.3	455.9	40.0
Totals	\$10,863.4	\$10,277.2	\$10,502.3	\$225.1	2.2%
High-Speed Rail Authority					
Bond funds	\$48.4	\$50.2	\$1,354.5	\$1,304.3	2597.5%
Federal funds	1,291.1	616.1	1,224.0	608.3	98.7
Greenhouse Gas Reduction Fund	—	250.0	250.0	—	0.0
Reimbursements	—	1.0	—	—	—
Totals	\$1,339.5	\$917.3	\$2,828.9	\$1,911.6	208.4%
California Highway Patrol					
Motor Vehicle Account	\$1,836.9	\$2,043.9	\$2,174.3	\$130.4	6.4%
Other special funds	164.7	180.1	182.9	2.8	1.5
Federal funds	15.5	19.9	19.8	—	-0.1
Totals	\$2,017.1	\$2,243.9	\$2,377.0	\$133.1	5.9%
Department of Motor Vehicles					
Motor Vehicle Account	\$975.1	\$1,058.7	\$1,049.8	-\$8.9	-0.8%
Other special funds	46.7	48.1	47.2	-0.9	-1.9
Federal funds	4.1	4.1	2.9	-1.2	-29.7
Totals	\$1,025.9	\$1,110.8	\$1,099.9	-\$11.0	-1.0%
State Transit Assistance					
Public Transportation Account	\$408.1	\$385.9	\$387.8	\$1.9	0.5%
Bond funds	278.4	649.2	150.0	-499.2	-76.9
Greenhouse Gas Reduction Fund	0.0	25.0	50.0	25.0	100.0
Totals	\$686.5	\$1,060.1	\$587.8	-\$472.3	-44.6%



Major Transportation Budget Issues

- Road Usage Charge Pilot Program.** The Governor's budget proposes \$9.6 million to implement recently enacted legislation that requires the development and implementation of a road usage charge pilot program. This pilot program will test the concept of charging individuals for each mile they drive as an alternative to the gas tax system. The Legislature will want to ensure that the budget appropriately funds the development and implementation of the program as it envisioned.

- Motor Vehicle Account (MVA) Expenditures.** The Governor's budget includes various proposals that would create additional cost pressures on the MVA in 2015-16 and thereafter. For example, the budget includes proposals to replace field offices at both the California Highway Patrol and the Department of Motor Vehicles. In reviewing these proposals, the Legislature will want to consider their impact on the condition of the MVA.

- High-Speed Rail Project Oversight.** The first phase of the high-speed rail project began in the Central Valley in 2012 on a 130-mile segment, known as the Initial Construction Segment, which is estimated to be completed in 2018. Given the state's significant investment in the project, the Legislature will want to provide adequate oversight to ensure this timeline is met.