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STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 0690	Department Office of Emergency Services	Priority No. 5
Budget Request Name 0690-004-BCP-DP-2016-GB		Program 0385	Subprogram

Budget Request Description
 Reduction of \$20 million in State Fiscal Year 2016-17 and \$80 million in State Fiscal Year 2017-18 local assistance appropriation for the Proposition 1B program

Budget Request Summary

The California Governor's Office of Emergency Services requests a reduction of \$20 million in State Fiscal Year 2016-17 and \$80 million in State Fiscal Year 2017-18 Proposition 1B Bond funding local assistance appropriation to balance administrative costs expended over the course of the program which were allowed pursuant to Government Code section 8879.50(b) and to close out the program.

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed N/A	
Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance. <input type="checkbox"/> FSR <input type="checkbox"/> SPR Project No. Date:		

If proposal affects another department, does other department concur with proposal? Yes No
 Attach comments of affected department, signed and dated by the department director or designee.

Prepared By <i>ASmith</i>	Date <i>12/22/15</i>	Reviewed By <i>Le SR7</i>	Date <i>12/28/15</i>
Department Director <i>Walskill</i>	Date <i>12/29/15</i>	Agency Secretary	Date

Department of Finance Use Only	
Additional Review: <input type="checkbox"/> Capital Outlay <input type="checkbox"/> ITCU <input type="checkbox"/> FSCU <input type="checkbox"/> OSAE <input type="checkbox"/> CALSTARS <input type="checkbox"/> Dept. of Technology	
BCP Type: <input type="checkbox"/> Policy <input type="checkbox"/> Workload Budget per Government Code 13308.05	
PPBA <i>B</i>	Date submitted to the Legislature <i>1/7/16</i>

Analysis of Problem

A. Budget Request Summary

The California Governor's Office of Emergency Services (Cal OES) requests a reduction of \$20 million in State Fiscal Year (SFY) 2016-17 and \$80 million in SFY 2017-18 Proposition 1B Bond funding local assistance appropriation to balance administrative costs expended over the course of the program that were allowed pursuant to Government Code section 8879.50(b) and to close out the program.

B. Background/History

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by the voters as Proposition 1B at the November 7, 2006 general election, authorizes the issuance of \$19.9 billion in general obligation bonds over the course of ten years for specified purposes including grants for transit system safety, security and disaster response projects. Government Code section 8879.23(h) directs that \$1 billion be deposited in the Transit System Safety, Security, and Disaster Response Account (TSSSDRA). The Proposition 1B program, administered by Cal OES, draws funding from the TSSSDRA and allocates \$100 million each year over the course of 10 years.

As indicated in Government Code section 8879.50(b), administrative costs, including audit and program oversight costs for agencies, commission, or department administering program funded pursuant to this chapter, recoverable by bond funds shall not exceed three percent of the program's cost.

Four staff (three Associate Governmental Program Analysts and one Staff Services Manager) currently administer and oversee the Proposition 1B program. Support staff from the Accounting Branch, the Financial Accountability & Compliance Division, and the Grants Processing Unit are also incorporated into the administrative costs of the Proposition 1B program.

SFY 2016-17 is the final fiscal year for Cal OES to allocate funding for the program. With one year to encumber the funds and two years to liquidate, Cal OES will have an additional three years to administer the program (through SFY 2018-19), along with program oversight, monitoring, and overall management of the program. Cal OES estimates only approximately \$20 million of the allowable \$30 million is needed to manage the program.

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	2,458,000	2,480,000	2,563,000	2,555,000	2,659,000
Actual Expenditures	1,416,066	2,287,535	2,014,849	1,188,512	839,271

*PY-4, PY-3, and PY-2 included Port and Maritime Security Program

C. State Level Considerations

This proposal is concurrent with Cal OES' policy of ensuring integrity of the grant programs and that grant funds are sufficiently being monitored by staff until the projects have been completed. Cal OES estimates only approximately \$20 million of the allowable \$30 million is needed to manage the program, which includes the amounts needed to reimburse Department of Finance, Office of State Audits and Evaluations for program audits.

D. Justification

This proposal is necessary to carry out the duties detailed in Government Code section 8879.50 and ensure compliance of Government Code section 8879.50. As the administrative agency under Government Code section 8879.50(c)(2) for the Transit System Safety, Security, and Disaster Response Account, Cal OES is required to oversee project activities, expenditures, and outcomes. Grant recipients are required to report on the progression of their project(s), all project expenditures, interest accrued (if applicable), and equipment received to Cal OES on a semi-annual basis. This information is compiled and reported to the Department of Transportation and posted on the Bond Accountability website. Staff also conduct on-site assessments to ensure compliance with program guidelines, as well as State and local policies.

Analysis of Problem

Without this funding, staff cannot carry out the fundamental oversight activities on projects funded by Proposition 1B to ensure the accountability of public funds.

E. Outcomes and Accountability

The expected outcome is to ensure compliance of all Proposition 1B grant-funded activity and allow for staff to fully close out projects that fulfill the program requirements. The program allows administrative costs of up to three percent of the \$1 billion appropriated under TSSSDRA, totaling \$30 million throughout the life of the program. Cal OES expects to expend no more than \$20 million in administrative costs, reflecting only 66 percent of the maximum allowed administrative costs for this grant program.

F. Analysis of All Feasible Alternatives

Reduction of \$20 million in SFY 2016-17 and \$80 million in SFY 2017-18 Proposition 1B Bond funding local assistance appropriation to balance administrative costs expended over the course of the program that were allowed pursuant to Government Code section 8879.50(b) and to close out the program. This alternative will ensure compliance of all Proposition 1B grant-funded activity and allow for staff to fully close out projects that fulfill the program requirements.

G. Implementation Plan

- July 1, 2016 – the last year of allocation for the Proposition 1B program; no other grant guidelines or allocations will be released.
- June 30, 2017 – the last day to encumber SFY 2016-17 Proposition 1B program funds.
- June 30, 2019 – the last day to liquidate SFY 2016-17 Proposition 1B program funds.

H. Supplemental Information

There is no supplemental information to report.

I. Recommendation

Approve the reduction of \$20 million in SFY 2016-17 and \$80 million in SFY 2017-18 Proposition 1B Bond funding local assistance appropriation to balance administrative costs expended and to close out the program.

	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions						
Permanent	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0
Exempt	0.0	0.0	0.0	0.0	0.0	0.0
Board	0.0	0.0	0.0	0.0	0.0	0.0
Total Positions	0.0	0.0	0.0	0.0	0.0	0.0
Salaries and Wages						
Earnings - Permanent	0	0	0	0	0	0
Earnings - Temporary	0	0	0	0	0	0
Earnings - Statutory/Exempt	0	0	0	0	0	0
Overtime, Holiday, Other	0	0	0	0	0	0
Total Salaries and Wages	\$0	\$0	\$0	\$0	\$0	\$0
Staff Benefits						
Dental Insurance	0	0	0	0	0	0
Disability Leave	0	0	0	0	0	0
Health Insurance	0	0	0	0	0	0
Life Insurance	0	0	0	0	0	0
Medicare Taxation	0	0	0	0	0	0
OASDI	0	0	0	0	0	0
Retirement	0	0	0	0	0	0
Unemployment Insurance	0	0	0	0	0	0
Vision Care	0	0	0	0	0	0
Workers Compensation	0	0	0	0	0	0
Staff Benefits - Other	0	0	0	0	0	0
Total Staff Benefits	0	0	0	0	0	0
Total Personal Services	\$0	\$0	\$0	\$0	\$0	\$0
Operating Expenses and Equipment						
General Expense	0	0	0	0	0	0
Printing	0	0	0	0	0	0
Communications	0	0	0	0	0	0
Postage	0	0	0	0	0	0
Insurance	0	0	0	0	0	0
Travel	0	0	0	0	0	0
Training	0	0	0	0	0	0
Facilities Operations	0	0	0	0	0	0
Utilities	0	0	0	0	0	0
Consulting and Professional Services	0	0	0	0	0	0
Departmental Services	0	0	0	0	0	0
Consolidated Data Centers	0	0	0	0	0	0
Information Technology	0	0	0	0	0	0
Central Administrative Services	0	0	0	0	0	0
Office Equipment	0	0	0	0	0	0
Other	0	0	0	0	0	0
Unclassified/Special Adjustment	0	-20,000,000	-80,000,000	0	0	0
Total Operating Expenses and Equipment	\$0	-\$20,000,000	-\$80,000,000	\$0	\$0	\$0
Total Budget Request	\$0	-\$20,000,000	-\$80,000,000	\$0	\$0	\$0
Fund Source - State Operations						
General Fund	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Other/Special Funds	0	0	0	0	0	0
Total State Operations Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Fund Source - Local Assistance						
General Fund	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Other/Special Funds	0	-20,000,000	-80,000,000	0	0	0
Total Local Assistance Expenditures	\$0	-\$20,000,000	-\$80,000,000	\$0	\$0	\$0