

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

Fiscal Year 2016-17	Business Unit 3540	Department Forestry and Fire Protection (CAL FIRE)	Priority No.
Budget Request Name 3540-101-BCP-DP-2016-A1		Program 10	Subprogram

Budget Request Description
 SB 295 and AB 864 – Intrastate Pipeline Inspection Staffing

Budget Request Summary

The Department of Forestry and Fire Protection (CAL FIRE) requests a \$1.137 million spending authority increase to the California Hazardous Liquid Pipeline Safety Fund and 17 permanent positions starting in Fiscal Year 2016-17 to support the Office of the State Fire Marshal Pipeline Safety Division. The proposal would provide for sufficient staffing levels to develop, implement, and oversee new requirements related to Senate Bill 295 (Chapter 607, Statutes of 2015) and Assembly Bill 864 (Chapter 592, Statutes of 2015).

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
---	--

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.

FSR 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	Date	Reviewed By	Date
<i>Anthony P. Faura</i>	3/22/16	<i>M. Laine</i>	3-22-16
Department Director	Date	Agency Secretary	Date
<i>Anthony P. Faura</i>	3/22/16	<i>R. St...</i>	3/24/16

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA Original Signed by Amanda Martin	Date submitted to the Legislature 4-1-16
---	---

BCP Fiscal Detail Sheet

BCP Title: Intrastate Pipeline Inspection Staffing

DP Name: 3540-101-BCP-DP-2016-A1

Budget Request Summary

	FY16					
	CY	BY	BY+1	BY+2	BY+3	BY+4
Positions - Permanent	0.0	17.0	18.0	18.0	18.0	18.0
Total Positions	0.0	17.0	18.0	18.0	18.0	18.0
Salaries and Wages						
Earnings - Permanent	0	301	321	321	321	321
Total Salaries and Wages	\$0	\$301	\$321	\$321	\$321	\$321
Total Staff Benefits	0	324	164	143	164	164
Total Personal Services	\$0	\$625	\$485	\$464	\$485	\$485
Operating Expenses and Equipment						
5301 - General Expense	0	2	2	2	36	95
5302 - Printing	0	2	2	2	2	2
5304 - Communications	0	2	2	2	2	2
5306 - Postage	0	2	2	2	2	2
5320 - Travel: Out-of-State	0	255	255	228	118	0
5322 - Training	0	2	2	2	2	2
5324 - Facilities Operation	0	2	2	2	2	2
5326 - Utilities	0	2	2	2	2	2
5346 - Information Technology	0	2	2	2	2	2
5368 - Non-Capital Asset Purchases - Equipment	0	241	0	0	0	0
Total Operating Expenses and Equipment	\$0	\$512	\$271	\$244	\$168	\$109
Total Budget Request	\$0	\$1,137	\$756	\$708	\$653	\$594
Fund Summary						
Fund Source - State Operations						
0209 - California Hazardous Liquid Pipeline Safety Fund	0	1,137	756	708	653	594
Total State Operations Expenditures	\$0	\$1,137	\$756	\$708	\$653	\$594
Total All Funds	\$0	\$1,137	\$756	\$708	\$653	\$594
Program Summary						
Program Funding						
2460 - Office of the State Fire Marshal	0	1,137	756	708	653	594
Total All Programs	\$0	\$1,137	\$756	\$708	\$653	\$594

Personal Services Details

Positions	Salary Information			CY	BY	BY+1	BY+2	BY+3	BY+4
	Min	Mid	Max						
1139 - Office Techn (Typing) (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
2278 - Pipeline Safety Engr (Eff. 07-01-2016)				0.0	11.0	11.0	11.0	11.0	11.0
2581 - Supvng Pipeline Safety Engr (Eff. 07-01-2016)				0.0	2.0	2.0	2.0	2.0	2.0
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
5795 - Atty III (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
7418 - Research Program Spec I (Eff. 07-01-2016)				0.0	1.0	1.0	1.0	1.0	1.0
8966 - Div Chief (Eff. 07-01-2017)				0.0	0.0	1.0	1.0	1.0	1.0
Total Positions				0.0	17.0	18.0	18.0	18.0	18.0
Salaries and Wages				CY	BY	BY+1	BY+2	BY+3	BY+4
1139 - Office Techn (Typing) (Eff. 07-01-2016)				0	10	10	10	10	10
2278 - Pipeline Safety Engr (Eff. 07-01-2016)				0	200	200	200	200	200
2581 - Supvng Pipeline Safety Engr (Eff. 07-01-2016)				0	50	50	50	50	50
5393 - Assoc Govtl Program Analyst (Eff. 07-01-2016)				0	12	12	12	12	12
5795 - Atty III (Eff. 07-01-2016)				0	15	15	15	15	15
7418 - Research Program Spec I (Eff. 07-01-2016)				0	14	14	14	14	14
8966 - Div Chief (Eff. 07-01-2017)				0	0	20	20	20	20
Total Salaries and Wages				\$0	\$301	\$321	\$321	\$321	\$321
Staff Benefits									
5150350 - Health Insurance				0	175	74	59	74	74
5150450 - Medicare Taxation				0	1	1	1	1	1
5150500 - OASDI				0	3	3	3	3	3
5150600 - Retirement - General				0	100	58	54	58	58
5150630 - Retirement - Public Employees - Miscellaneous				0	39	22	20	22	22
5150800 - Workers' Compensation				0	6	6	6	6	6
Total Staff Benefits				\$0	\$324	\$164	\$143	\$164	\$164
Total Personal Services				\$0	\$625	\$485	\$464	\$485	\$485

A. Budget Request Summary

The Department of Forestry and Fire Protection (CAL FIRE) requests a \$1 137 million increase to the spending authority for the California Hazardous Liquid Pipeline Safety Fund (CHLPSF) (see Attachment A), and 17 permanent positions starting in Fiscal Year (FY) 2016-17 to hire sufficient staff to increase the inspection interval of every intrastate hazardous liquid pipeline, and the operators of those pipelines as mandated by Senate Bill (SB) 295 (Chapter 607, Statutes of 2015). In addition, these staff will research best available leak detection and automatic shutoff technologies for pipelines, review pipeline operators risk assessments, verify hazardous liquid pipelines near ecologically and environmentally sensitive areas of the coast, and manage leak detection and automatic shutoff technologies as required by Assembly Bill (AB) 864 (Chapter 592, Statutes of 2015).

While the basic platform for inspections already exists within the CAL FIRE Office of the State Fire Marshal (OSFM) Pipeline Safety Division, implementation of SB 295 will require the development of new regulations, as well as the equipping and training of new staff necessary to carry out the increased inspection workload.

Implementation of AB 864 will also require the OSFM Pipeline Safety Division to develop new regulations, as well as equip and train new staff necessary to carry out the continuous research of best available leak detection and automatic shutoff technologies, review new and retrofit pipeline construction plans near ecologically and environmentally sensitive areas of the coast, and manage inspection of pipeline leak detection and automatic shutoff systems.

B. Background/History

Resource History
(Dollars in thousands)

Program Budget	PY - 4	PY - 3	PY - 2	PY - 1	PY
Authorized Expenditures	\$3,192	\$3,169	\$3,301	\$3,396	\$3,523
Actual Expenditures	\$2,107	\$1,953	\$1,735	\$2,404	\$2,702
Revenues	\$3,245	\$3,221	\$3,029	\$2,746	\$3,043
Authorized Positions	19.6	19.6	19.6	19.6	19.6
Filled Positions	14.5	14.3	13.7	13.0	11.8
Vacancies	5.1	5.3	5.9	6.6	7.8

Workload History

Workload Measure - Hours	PY - 4	PY - 3	PY - 2	PY - 1	PY	CY
Conduct pipeline inspections; construction inspections; investigations; respond to pipeline accidents/spills; pipeline mapping; prepare reports; research pipeline technologies; review plans; testify in hearings/court; assist pipeline operators; and respond to public and other agencies requests.	14,171	12,237	11,531	13,101	12,099	19,781
Pipeline Safety Training (USDOT PHMSA training; on-job training; and web-based training).	5,387	6,966	6,605	5,035	4,437	1,556
Administration/Operation support.	6,223	6,223	6,223	4,978	4,445	5,778
TOTAL	25,781	25,426	24,359	23,114	20,981	27,115

Federal pipeline safety statutes allow states to assume safety authority over the intrastate hazardous liquid pipeline through certifications and agreements with United States Department of Transportation (USDOT) and Pipeline Hazardous Materials Safety Administration (PHMSA) under 49 U.S.C. 60105-60106. In 1981, the California Legislature established the Hazardous Liquid Pipeline Safety Act with the intent that the OSFM shall exercise exclusive safety regulatory and enforcement authority over intrastate hazardous liquid pipeline, which is pipeline that is located entirely within state borders, including offshore state waters. The USDOT PHMSA has exclusive federal authority over interstate pipeline, which is pipeline that crosses state borders or begins in federal waters.

The OSFM currently regulates the safety of approximately 6,500 miles of intrastate hazardous liquid pipeline which includes 2,000 miles of "out-of-service" pipeline through the certification from PHMSA. The OSFM assumes inspection and enforcement responsibility with respect to intrastate facilities over which it has jurisdiction under state law. With certification, the OSFM may adopt additional or more stringent standards for intrastate pipeline facilities provided such standards are compatible with federal regulation. The OSFM Pipeline Safety Division staff inspects pipeline operators to ensure compliance with federal and state pipeline safety laws and regulations, and consists of engineers, geographical information system (GIS)/mapping staff, analytical staff, and clerical support located throughout California.

As a condition of PHMSA certifying a state to participate as a pipeline safety program and to delegate its inspection and enforcement authority, the state must agree to and abide by minimum program inspection standards to ensure consistency across the country. Each state agency should be staffed with qualified personnel that are experienced in pipeline safety operations and/or have an educational background in engineering or related technical fields. Personnel with less than these minimum qualifications may be employed provided the state agency takes immediate steps to provide training opportunities to meet the required level of competency. OSFM staff is not permitted to conduct independent activities until it is determined that they have demonstrated the ability and proficiency to perform their duties satisfactorily. USDOT PHMSA audits the OSFM Pipeline Safety Program annually to ensure the program meets the minimum requirements established in the certification including pipeline inspections, staffing levels, inspector training, and program expenditures.

The current USDOT PHMSA certification requires the OSFM to conduct six different types of inspections on pipeline operators once every five years, and two different types of inspections on each pipeline system every five years. These inspections focus on specific sections of federal pipeline safety regulation and consist of a thorough records inspection, a procedure review, and a pipeline system field inspection component. There are currently 40 intrastate hazardous liquid pipeline operators in California. In addition to the required inspections, OSFM must also respond to intrastate pipeline accidents, investigate significant intrastate pipeline releases, inspect pipeline construction and relocation projects, respond to train derailments near pipelines, and meet with state and local governments to discuss various pipeline safety issues.

The OSFM has generally not met the minimum federal inspection requirements for inspecting operators and pipelines every five years due to significant recruitment and retention issues related to the pay and classification of the Pipeline Safety Engineers (PSE). This resulted in the OSFM not receiving the full amount of the annual federal reimbursement grant that was available, which ultimately had a negative financial impact to the CHLPSF. The recruitment and retention issue was resolved through higher compensation packages in July 2015, as approved by the California Department of Human Resources (Cal HR), and the OSFM is in the process of filling the vacant PSE positions to meet the minimum federal inspection requirements.

The OSFM receives funding from three annual fees structured in the California Code of Regulations (CCR), 19 CCR § 2040, and a federal grant. The fees include a \$6,000 annual operator fee imposed on each intrastate pipeline operator (currently 40), a \$550 per pipeline mile annual fee (currently 6,500 miles), and a \$1,500 annual fee on each OSFM approved hydrostatic test company (currently 19). The federal funding is a USDOT PHMSA reimbursement grant for qualified expenditures that is based on the accomplishment of set performance goals. This grant reimbursement is dependent on congressional funding, but over the last 10 years has averaged 50 percent of the program's qualified expenditures.

C. State Level Considerations

The proposal to augment the staffing level is consistent with the CAL FIRE 2012 Strategic Plan goals and objectives:

Goal: Seek to improve operational efficiency and effectiveness by shaping, enhancing, and adapting to changing circumstances.

Goal: Cultivate and strengthen relationships with stakeholders, governing bodies, cooperators, and the public.

Objective: Review research and development, and leverage the use of evolving technology.

Objective: Be responsive and receptive to the concerns and needs of the public, as well as local, state, and federal cooperators, the Board of Forestry and Fire Protection, State Board of Fire Services and other stakeholders.

To meet the above goals and objectives, the proposal will provide the OSFM Pipeline Safety Division the proper staffing to operate and protect the public and the environment.

D. Justification

The May 2015 pipeline incident at Refugio Beach in Santa Barbara County spilled over 100,000 gallons of crude oil and impacted over 25 miles of coastline and ocean water. The impacts from the spill were devastating, both environmentally and economically. To prevent similar incidents from occurring on intrastate hazardous liquid pipelines, the Governor signed into law pipeline safety bills SB 295 and AB 864.

The requirements in these bills would significantly increase the workload for the OSFM Pipeline Safety Division. SB 295 requires the OSFM to conduct annual inspections (instead of the previous requirement of every five years) of pipeline operators and their pipelines beginning January 1, 2017, adopt regulations regarding annual inspections by January 1, 2017, and revise the fees assessed on pipeline operators in order to pay for the increase inspection workload. Further, AB 864 requires the OSFM to develop regulations by July 1, 2017, which would include researching the use of best available technology on pipelines to reduce the amount of oil released in a spill, create a definition of automatic shutoff systems, develop a process to assess the adequacy of the pipeline operator's risk analysis, and develop a process by which an operator may request confidential treatment of information submitted in their plan or contained in any documents associated with the risk analysis, and determine how near to an environmentally and ecologically sensitive area a pipeline is located to be subject to regulation based on the likelihood of the pipeline impacting those areas.

The OSFM PSE staff are trained and authorized to inspect pipeline operators and their pipeline systems. Current staffing levels are insufficient for the existing inspection workload, and the more stringent demands of SB 295 and AB 864, which require the increased inspection interval. Cal HR has recently adjusted the salaries to a competitive level for PSEs and Supervising Pipeline Safety Engineers (SPSE) to resolve current recruitment and retention issues. OSFM is in the process of filling the vacant PSE positions and has filled two of these vacancies in February 2016, with the remaining four vacant positions being filled in July 2016.

The new laws create a significant increase of the inspection and research workload and the positions currently allotted to the OSFM Pipeline Safety Division are insufficient to carry out the new mandates. To address the new workload, the OSFM will need the following additional positions:

2 SPSE, 11 PSE, 1 Research Program Specialist I - GIS (RPS I), 1 Associate Governmental Program Analyst (AGPA), 1 Staff Attorney III (SA III), 1 Office Technician - Typing (OT).

The requested resources will be funded at least through FY 2020-21 with the existing fee structure given the anticipated fund balances within CHLPSF, and the anticipated USDOT PHMSA 50 percent federal grant funding of qualified expenditures. The OSFM has been in contact with the USDOT PHMSA regarding the planned staff expansion related to SB 295 and AB 864. The OSFM will closely monitor the grant application process, and when a new fee structure is required, promulgation of regulations will be initiated to cover the higher expenditures. In the meantime, the OSFM will work collaboratively with its stakeholder group to discuss the issues related to potential fee increases.

The following positions will fulfill the statutory requirement of both SB 295 and AB 864:

The 2 SPSE's, under the general direction and supervision of the existing OSFM Division Chief, will oversee, supervise, plan, organize, and direct the Pipeline Safety Division's Annual Risk Based Inspection Program, and Risk Analysis and Leak Detection Program. This includes the pipeline operator's risk analysis assessment; research and evaluation of both new and existing leak detection technology; providing technical advice/supervision to engineers as it pertains to best available pipeline technology; pipeline risk analysis; design; construction; investigations; and inspections. The SPSE is responsible for all aspects of the program including planning; evaluation; organization; fiscal management; guiding and directing administrative personnel including progressive discipline; training; and staff development; overall program revenue control; review/approval/oversight of enforcement investigations and reports; working with local, State and federal agencies on issues relating to the program including inspections and testing, attending meetings of pipeline safety organizations, assisting the public, fire officials, and industry; and maintaining positive working relationships with all stakeholders, and administering the application of all pipeline safety laws and regulations of the OSFM.

The 11 PSEs, under the supervision of the SPSE, will be responsible for researching the current use of best available technology on pipelines to reduce the amount of oil released in an oil spill that will be incorporated into forthcoming regulations; continual research and evaluation of existing and potential new leak detection technology to determine the effectiveness and engineering feasibility of these technologies over the current requirements by consulting with industry, academia, local, State and federal government; assess the adequacy of an operators risk analysis plan; review an operators plans for new, replaced, and retrofit of existing pipelines near coastal State waters with the best achievable leak detection technology and automatic shutoff systems; conducting annual risk based inspections on pipeline operators and their intrastate pipeline systems; conducting investigations, writing investigation reports, testifying in court or administrative hearings; working with local, State and federal agencies on issues relating to the program; providing training to pipeline operators; assisting the public, fire officials, federal and local agencies, and industry in all facets of the program; and maintaining positive working relationships with all stakeholders.

The 1 AGPA was administratively established on April 1, 2016, and for the first year this position will be responsible for the following: coordinate and facilitate meetings for regulation workgroups; monitor and track the regulation process; space planning for new staff; develop training procedures for new inspection staff; vehicle and equipment acquisition for new inspection staff; participate in the regulation development regarding the annual inspections; best available leak detection technology requirement and fee increase; and participate in the regulation development regarding the confidential treatment of information submitted in the risk analysis plan or contained in any documents associated with the risk analysis.

On an ongoing basis, the AGPA will work under the direction of the SPSE and will be responsible for the administrative functions of the Annual Risk Based Inspection Program and the Risk Analysis and Leak Detection Program including developing policies and procedures; coordinating and managing the necessary documentation including reports; violations; enforcement actions; reviewing and making recommendations on issues relating to the program; monitoring staff training; drafting annual progress report; participating in PHMSA annual audit and OSFM workshops; participating in the budget process and the OSFM Pipeline Safety Advisory Committee meetings; assisting the public, fire officials, federal and local agencies, and industry; maintaining positive working relationships with all stakeholders; and independently interact with federal, State and local government agencies and the industry for issues related to the OSFM Public Safety Division.

For the first year the RPS I will be responsible for the following: develop a risk model; identify software and hardware needed to develop model; develop a pipeline release impact model; participate in the regulation development regarding the annual inspections, best available leaked detection technology requirement and fee increase; participate in the regulation development regarding the confidential treatment of information submitted in the risk analysis plan or contained in any documents associated with the risk analysis; test and refine the pipeline release impact model; and utilize a mapping database to track and analyze risk analysis.

On an ongoing basis the RPS I will work under the direction of the SPSE and will be responsible to provide the lead responsibility for oversight of the Pipeline Safety Division's Inspection Scheduling and Data Management GIS; coordinate the collection of data that includes both spatial and non-spatial pipeline data used for the pipeline inspection risk model and the pipeline release impact model; capture data for the annual inspections to identify leak trends based on inspection findings, and PHMSA annual report; perform analyses, prepare reports and statistical data; respond to public inquiries related to the regulated pipeline; maintain the program website related to the mapping program; serve as the designated project manager to CAL FIRE Information Technology for projects associated with improving the Division database; evaluate, acquire, and maintain GIS software to complete Annual Pipeline Risk Analysis and other Pipeline Safety Division database applications; provide technical advice regarding pipeline mappings; and make recommendations as appropriate.

On an ongoing basis, the 1 OT under the direction of the SPSE will serve as administrative support to the OSFM Pipeline Safety Division and independently perform the following duties to support the Annual Risk Based Inspection Program and the Risk Analysis and Leak Detection Program: ensure that administrative functions and processes for the Pipeline Safety Division are carried out efficiently; prepare and process intra-office requisitions; responsible for non-IT procurement orders, arranging maintenance and repairs of office equipment; conduct cursory review and process travel expense claims for staff; respond to and direct phone calls from industry, other governmental agencies, and the public to the appropriate staff; initiate and type correspondence as directed by staff and as needed, review incoming mail and direct to appropriate staff, and process outgoing mail; maintain filing systems, data, reports, and records for the office, and enter associated data into the database; and track and distribute staff equipment and Personal Protective Equipment (PPE) used for inspections and investigations.

Additionally, SB 295 and AB 864 will require 1 SA III. The SA III position will start on March 1, 2016 and under the general direction of the CAL FIRE Chief Counsel will initially participate in the regulation workgroup, provide legal advice to the regulation workgroup, develop enforcement procedures for new inspection staff, develop procedures for the confidential treatment of the risk analysis submitted by pipeline operators, and provide legal advice for the final draft of the regulations. Once this one-time workload has been completed and new regulations are promulgated by January 1, 2017, the SA III will provide legal advice and guidance to Pipeline Safety staff regarding annual risk based inspection enforcement activities and the risk analysis and leak detection inspection enforcement activities; research, analyze, appraise, and apply legal principles, facts, and precedents to legal problems involving pipeline safety enforcement, respond to Public Records Act requests; assist in the prosecution of violators and prepare cases for court for all pipeline safety violations or litigations, provide legal advice for confidential treatment of the risk analysis submitted by pipeline operators for new construction or relocations; and, advise on best available technology, risk analysis, design, construction, investigations, and annual inspections.

The total CHLPSF expenditure authority necessary for FY 2016-17 existing pipeline workload and the mandates of SB 295 and AB 864 is \$9,457,850. After receipt of anticipated Federal Funds, the CHLPSF expenditure level would be \$4,728,925. The FY 2016-17 Governor's Budget CHLPSF expenditure authority is \$3,592,000. Therefore, a \$1.137 million spending authority increase (\$4,728,925 - \$3,592,000) is necessary starting in FY 2016-17 to account for the ongoing cost of existing workload and new workload for this proposal (refer to Attachment A).

Budget bill language is also requested. The budget language is necessary to make adjustments to the CHLPSF expenditure authority should there be changes in the anticipated 50 percent Federal grant funding.

E. Outcomes and Accountability

Projected Outcomes

Workload Measure - Hours	CY	BY	BY+1	BY+2	BY+3	BY+4
Conduct pipeline inspections; construction inspections; investigations; respond to pipeline accidents/spills; pipeline mapping; prepare reports; research pipeline technologies; review plans; testify in hearings/court; assist pipeline operators; and respond to public and other agencies requests. 1	19,781	46,740	46,438	45,398	50,598	52,678
Pipeline Safety Training (USDOT PHMSA training; on-job training; and web-based training). 1	1,556	6,600	8,680	9,720	4,520	2,440
Administration/Operation support .1	5,778	10,224	10,224	10,224	10,224	10,224
TOTAL	27,115	63,564	65,342	65,342	65,342	65,342

1. Existing and requested authorized positions are included in the projected outcomes.

Since the anticipated new workload will be implemented statewide, the additional positions will be used to fulfill the statutory mandates. The requested resources will be measured utilizing an existing department database and an annual progress report. This progress report will be submitted to PHMSA as a requirement of the USDOT PHMSA reimbursable grant, and will include a list of all inspections.

investigations, enforcement activities and training. If the proposal is approved, the OSFM Pipeline Safety Division will be able to do the following:

- Improve the service to pipeline operators
- Provide necessary inspections and investigations of pipeline operators
- Hire adequate staff to enforce laws and regulations relating to hazardous liquid pipelines
- Further assist in public safety and provide the public with ongoing education efforts
- Increase inspection frequency for intrastate pipelines
- Reduce the risk of hazardous liquid oil spills.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve a \$1.137 million increase to the spending authority of the CHLPSF, and 17 permanent positions starting in FY 2016-17 to hire sufficient staff to inspect intrastate pipeline operators as mandated by SB 295 and AB 864 (refer to Attachment A).

Cost:

- \$1.137 million

Advantages:

- Allows OSFM to comply with the regulatory development and pipeline operator plan review and inspections as required by SB 295 and AB 864.
- Ensures compliance with federal and State regulations, enhances public safety, protects California's vital natural resources, and reduces the risk of future oil spills from intrastate pipelines.
- Reduces the risk of economic consequences related to State beaches, parks, and local fishing areas closing due to a large oil spill.

Disadvantages:

- This alternative will require higher industry fees at some point in the future.

Alternative 2: Do not provide funding and position authority for OSFM to comply with AB 864 and SB 295.

Cost:

- \$0

Advantages:

- This alternative would not require higher industry fees at some point in the future.

Disadvantages:

- Does not allow OSFM to comply with the regulatory development and pipeline operator reviews and inspections as required by SB 295 and AB 864.
- Results in inadequate staffing to conduct inspection and enforcement activities.
- Increases the potential of costly future litigation related to enforcement responsibilities.
- Does not reduce the risk of future oil spills from intrastate pipelines.
- Could potentially result in litigation against the State from non-compliance with the law.

G. Implementation Plan

OSFM will meet the July 2017 implementation deadline by hiring qualified SPSE and PSE staff that have the minimum training required by USDOT PHMSA and sending those SPSE and PSE staff that do not have the minimum training to the required training. The USDOT PHMSA requires each inspection staff to have knowledge of minimum federal pipeline safety regulations before they are allowed to independently conduct inspections. Each PSE must complete six required USDOT PHMSA 40 hour courses within a period of three years from the start of the first available course in the pipeline safety curriculum.

The PSE appointment list was available to fill positions by March 2016. By July 2016, the Department will fill the requested positions of 2 SPSE's, 11 PSE's, 1 AGPA, 1 RPS I, 1 SA III, and 1 OT.

Existing SPSEs and PSEs will immediately begin participating in the regulatory process in order to fulfill the strict regulation adoption deadlines identified in the new laws. The newly hired non-USDOT qualified SPSEs and PSEs will immediately begin on-the-job training, assist USDOT qualified PSEs on pipeline inspections, research best available technologies for hazardous liquid pipeline leak detection systems and automatic shutoff systems, and will start required USDOT PHMSA training.

The RPS I will immediately begin developing a pipeline inspection risk model for 2017 inspection schedule using existing inspection, enforcement, and leak history. This pipeline inspection risk model will be continuously edited by the RPS I based on subsequent inspection findings and leak trends. The RPS I will begin working with the existing Pipeline GIS Team to identify software and hardware needed to develop a pipeline release impact model that will identify all pipelines that have the potential to affect coastal waters of the state if a release occurs. The RPS I will work with the regulation workgroups and staff from other state agencies including the Department of Fish and Wildlife to identify and obtain additional spatial data necessary to develop the pipeline release impact model. By July 2017, the RPS I will develop, test, and refine the pipeline release impact model and provide the results to PSE staff. Beginning January 2018, the RPS I will utilize the existing State Pipeline Mapping System and other Department databases to track and analyze each pipeline operators' risk analysis submission and verify the Department received a risk analysis for all pipelines subject to the regulations. The RPS I will administer the spatial and non-spatial data for the OSFM Pipeline Safety Division and will continue to work with PSEs and other state agencies to improve and update the spatial and non-spatial pipeline data for the pipeline inspection risk model and the pipeline release impact model. The RPS I will also supply the AGPA information for annual progress reports and annual pipeline operator questionnaires.

The AGPA will immediately begin organizing and facilitating the regulation workgroups and begin tracking all documents associated with inspections including reports, violations, enforcement actions, and hearings. The AGPA will also register all newly hired staff for required training and manage all documentation for these training classes including out-of-state travel requests. Beginning July 2017, the AGPA will manage documents associated with the pipeline operators risk analysis along with new and retrofit construction projects on those pipelines. The AGPA will compile and draft the annual progress reports and annual pipeline operator questionnaires. The AGPA will also schedule and organize the annual USDOT PHMSA audits of the OSFM Pipeline Safety Program, organize annual pipeline safety workshops, and coordinate facility and PSE equipment maintenance.

The OT will file and organize inspection reports, prepare purchasing and billing associated to the program, and process program correspondence.

The SA III will immediately work with the regulatory workgroup to develop regulations including identifying a process by which an operator may request confidential treatment of information submitted in the retrofit plan or contained in any documents associated with the risk analysis. The SA III will also provide opinions to management on legal issues related to pipeline accident and pipeline safety enforcement actions; represent the Department during hearings, appeals, and litigation; respond to legal correspondence.

The requested resources will be measured utilizing an existing Department database and an annual progress report. This progress report will be submitted to PHMSA as a requirement of the USDOT PHMSA reimbursable grant, and will include a list of all inspections, investigations, enforcement activities, and training. The grant funds provided by PHMSA are based on this progress report and the findings from a PHMSA audit of the Department.

By January 2017 the annual inspections regulation required by SB 295 will be adopted by OAL. By July 2017, the following regulations associated with AB 864 will be adopted by OAL including: a definition of automatic shutoff systems; a process to assess the adequacy of the operator's risk analysis; a process by which an operator may request confidential treatment of information submitted in the retrofit plan or contained in any documents associated with the risk analysis; and a determination of how near to an environmentally and ecologically sensitive area a pipeline must be to be subject to the requirements of this section based on the likelihood of the pipeline impacting those areas.

H. Supplemental Information

CAL FIRE is requesting one-time funding in FY 2016-17 for the purchase of 13 vehicles. Of the 13 vehicles, two will be for the new SPSE positions, and 11 will be for the new PSE positions. These vehicles are needed in order to oversee, administer, and enforce the increased inspection requirements. These functions require PSEs to go off road where a 4-wheel drive vehicle is essential. PSE staff needs to be able to drive at all hours of the day and night, in all road conditions, including off-road, hills, marsh, etc., and in all types of weather conditions (rain, snow, mud, etc.). There are no additional vehicles that can be redirected due to the current cap on vehicles, so funding in FY 2016-17 is necessary to acquire and pay for new vehicles.

Additional Out-of-State Travel (OST) funding of \$255,000 in FY 2016-17 through FY 2017-18, \$227,500 in FY 2018-19, and \$117,500 in FY 2019-20 is also requested for all newly hired non-USDOT PHMSA trained staff to obtain the required training out of state.

Further, CAL FIRE is also requesting one-time funding for a per-position facility component, consistent with State Administrative Manual §6453, to account for the marginal adjustments of staff; therefore, it is not necessary to coordinate this request with the CRUISE Form 9. The current infrastructure is insufficient for the additional staff.

I. Recommendation

Approve a \$1.137 million increase to the spending authority of the CHPLSF, and 17 permanent positions starting in FY 2016-17 to hire sufficient staff to increase the inspection interval of every intrastate hazardous liquid pipeline, and the operators of those pipelines as mandated by SB 295 and AB 864. This proposal will provide the OSFM Pipeline Safety Division the proper staffing to operate and protect the public and the environment.

Proposed Budget Bill Language for Item 3540-001-0209:

X. Notwithstanding any other provision of law, upon request of the Department of Forestry and Fire Protection, the Department of Finance may augment this item to account for changes in federal grant funding of qualified expenditures received by the State on a calendar year basis that result in expenditures exceeding the expenditures authorized in this item. This authorization shall occur not less than 30 days after the Department of Finance files written notification thereof with the Chairperson of the Joint Legislative Budget Committee, and the chairpersons of the fiscal committee in each house of the Legislature, or no sooner than any lesser time the chairperson of the joint committee, or his or her designee, may in each instance determine.

Intrastate Pipeline Inspection Staffing Spring Finance Letter
FY 2016-17 Multi-Year Funding Plan

Personal Services	FY 2015-16		FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20		FY 2020-21	
	PY	\$ Total	PY	\$ Total Ongoing								
DC	0.0	\$ -	0.0	\$ -	1.0	\$ 162,179	1.0	\$ 162,179	1.0	\$ 162,179	1.0	\$ 162,179
SPSE	3.0	\$ 645,063	5.0	\$ 1,075,105	5.0	\$ 1,075,105	5.0	\$ 1,075,105	5.0	\$ 1,075,105	5.0	\$ 1,075,105
PSE (2 starting 1/1/16)	6.0	\$ 1,059,047	21.0	\$ 4,447,999	21.0	\$ 4,447,999	21.0	\$ 4,447,999	21.0	\$ 4,447,999	21.0	\$ 4,447,999
RPS I (GIS)	0.0	\$ -	1.0	\$ 112,486	1.0	\$ 112,486	1.0	\$ 112,486	1.0	\$ 112,486	1.0	\$ 112,486
AGPA	1.0	\$ 102,401	2.0	\$ 204,803	2.0	\$ 204,803	2.0	\$ 204,803	2.0	\$ 204,803	2.0	\$ 204,803
RA II (GIS)	1.0	\$ 107,499	1.0	\$ 107,499	1.0	\$ 107,499	1.0	\$ 107,499	1.0	\$ 107,499	1.0	\$ 107,499
RA I (GIS)	1.0	\$ 89,401	1.0	\$ 89,401	1.0	\$ 89,401	1.0	\$ 89,401	1.0	\$ 89,401	1.0	\$ 89,401
SSA	0.25	\$ 21,282	0.25	\$ 21,282	0.25	\$ 21,282	0.25	\$ 21,282	0.25	\$ 21,282	0.25	\$ 21,282
OT	1.5	\$ 93,797	2.5	\$ 156,329	2.5	\$ 156,329	2.5	\$ 156,329	2.5	\$ 156,329	2.5	\$ 156,329
SA III	0.5	\$ 53,132	1.0	\$ 106,263	1.0	\$ 106,263	1.0	\$ 106,263	1.0	\$ 106,263	1.0	\$ 106,263
PSE RA	1.0	\$ 127,706	1.0	\$ 127,706	1.0	\$ 127,706	1.0	\$ 127,706	1.0	\$ 127,706	1.0	\$ 127,706
TOTAL	15.25	\$ 2,299,329	35.75	\$ 6,448,873	36.75	\$ 6,611,052						

Operating Expenses

	\$ Total	\$ Total	\$ Total	\$ Total	\$ Total	\$ Total Ongoing
DC	\$ -	\$ -	\$ 130,000	\$ 62,000	\$ 62,000	\$ 62,000
SPSE*	\$ 129,000	\$ 392,458	\$ 247,860	\$ 247,860	\$ 247,860	\$ 247,860
PSE (2 starting 1/1/16)**	\$ 238,000	\$ 1,925,019	\$ 1,083,730	\$ 1,083,730	\$ 1,083,730	\$ 1,083,730
RPS I (GIS)	\$ -	\$ 57,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
AGPA	\$ 34,000	\$ 91,000	\$ 68,000	\$ 68,000	\$ 68,000	\$ 68,000
RA II (GIS)	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
RA I (GIS)	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
SSA	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500	\$ 8,500
OT	\$ 51,000	\$ 108,000	\$ 85,000	\$ 85,000	\$ 85,000	\$ 85,000
SA III	\$ 57,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000	\$ 34,000
PSE RA***	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Out-of-State Travel	\$ -	\$ 255,000	\$ 255,000	\$ 227,500	\$ 117,500	\$ -
TOTAL	\$ 655,500	\$ 3,008,977	\$ 2,084,090	\$ 1,988,590	\$ 1,878,590	\$ 1,761,090

Total PS & OE Pipeline Program	\$ 2,954,829	\$ 9,457,850	\$ 8,695,142	\$ 8,599,642	\$ 8,489,642	\$ 8,372,142
Less Federal Funds****	\$ 1,477,414	\$ 4,728,925	\$ 4,347,571	\$ 4,299,821	\$ 4,244,821	\$ 4,186,071
Total Pipeline Program Authority	\$ 1,477,414	\$ 4,728,925	\$ 4,347,571	\$ 4,299,821	\$ 4,244,821	\$ 4,186,071
Existing Pipeline Program Authority	\$ 3,693,000	\$ 3,592,000				
Finance Letter Authority Request	\$ -	\$ 1,136,925	\$ 755,571	\$ 707,821	\$ 652,821	\$ 594,071

Note: For the PSE positions, 4 of the 21 total in FY 2016-17 are from filling vacant positions, so new PY for all positions for this request is 17.

* Assumes 3 (filled), then 5 (2 starting 7/1/16) vehicles, with Veh Ops of \$8,000 per vehicle annually for 3, and 2 new vehicles starting 7/1/16.

** Assumes 6 vehicles with Veh Ops of \$8,000 annually, including the 2 vacant starting 1/1/16, then 10 vehicles with the 4 vacant starting 7/1/16; assumes new vehicles purchased for the 11 starting 7/1/16.

*** Assumes 2 vehicles with Veh Ops of \$8,000 per vehicle annually.

**** Program provided the federal grant funding percentage of 50%.