

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

Fiscal Year 2016	Business Unit 8660	Department Public Utilities Commission	Priority No. 002
Budget Request Name 8660-002-BCP-BR-2016-A1		Program 6690046 – TRANSPORTATION LICENSING & ENFORCEMENT	Subprogram

Budget Request Description
 Public Utilities Code Language Change

Budget Request Summary

The Public Utilities Commission (PUC) requests Public Utilities Code (PU Code) language be amended in the Governor's Budget to increase the maximum fee that can be charged to household goods movers to provide revenue to the Transportation Rate Fund (Fund 0412) to 1.0 percent.

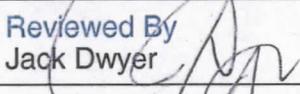
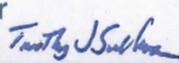
The Public Utilities Commission Transportation Rate Fund's (Fund 0412) main source of revenue is quarterly fees paid to the Commission by household goods movers. PU Code section 5003.2 currently sets the maximum rate for this quarterly fee at 0.7 percent of household goods mover's gross revenue, which is the rate the PUC currently charges. The PUC requests the following PU Code language be amended in the 2016-17 Governor's Budget to allow for the increase in the fee cap up to 1.0 percent to allow for continued solvency of the fund.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed PU Code section 5003.2	
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 Ryan Dulin 	Date 3/29/2016	Reviewed By Jack Dwyer 	Date 3/29/2016
Department Director Timothy J. Sullivan 	Date 3/29/2016	Agency Secretary	Date

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: Ellen Moratti Date submitted to the Legislature APR 01 2016

Analysis of Problem

A. Budget Request Summary

The Public Utilities Commission Transportation Rate Fund's (Fund 0412) main source of revenue is quarterly fees paid to the Commission by household goods movers. PU Code section 5003.2 sets the maximum rate for this quarterly fee at 0.7 percent of household goods mover's gross revenue, which is the rate the PUC currently charges. The PUC requests the following PU Code language be amended in the 2016-17 Governor's Budget to allow for the increase in the fee cap up to one and one half percent:

Current PU Code 5003.2 (c)

(c) The commission may raise the fee imposed by Section 5003.1 upon those persons and corporations subject to that section for whom the commission establishes minimum or maximum rates or requires rates to be on file, up to a maximum of **seven-tenths of 1** percent of gross operating revenue, if the commission decides this increase is necessary to maintain adequate financing for the Transportation Rate Fund.

Requested Amendment to PU Code 5003.2 (c)

(c) The commission may raise the fee imposed by Section 5003.1 upon those persons and corporations subject to that section for whom the commission establishes minimum or maximum rates or requires rates to be on file, up to a maximum of **one** percent of gross operating revenue, if the commission decides this increase is necessary to maintain adequate financing for the Transportation Rate Fund.

The increase in the fee cap is needed to allow the PUC to generate additional revenue to the Transportation Rate Fund (TRF), which does not have a sufficient fund balance or projected revenues to remain solvent. Without an increase to the fee cap, the PUC has no way to increase revenues to meet current expenditures against the fund, which include personnel, operating expenses, and agency overhead expenses (rent, utilities, etc.). Until revenues increase and an adequate fund reserve is established, overhead charges that would normally be charged to this fund must be reallocated to other PUC special funds.

B. Background/History

The PUC's work to license and regulate household goods carriers that move household goods and personal effects over the public highways within California is funded by the Public Utilities Commission Transportation Rate Fund (TRF, Fund 0412). PU Code sections 5101 – 5313 give the PUC the responsibility to regulate and license household goods movers in the state. The PUC is the fund Administrator for the TRF which currently supports the equivalent of 15 full-time staff (15.2 PYs) to license and regulate household goods movers. Household goods moving companies obtain permits from the PUC after showing financial and safety fitness. They must also prove to the PUC that they have adequate insurance, and they are subject to criminal background clearance by the California Department of Justice and Federal Bureau of Investigation. The PUC also maintains a list of licensed movers for the public, and helps with complaints against moving companies.

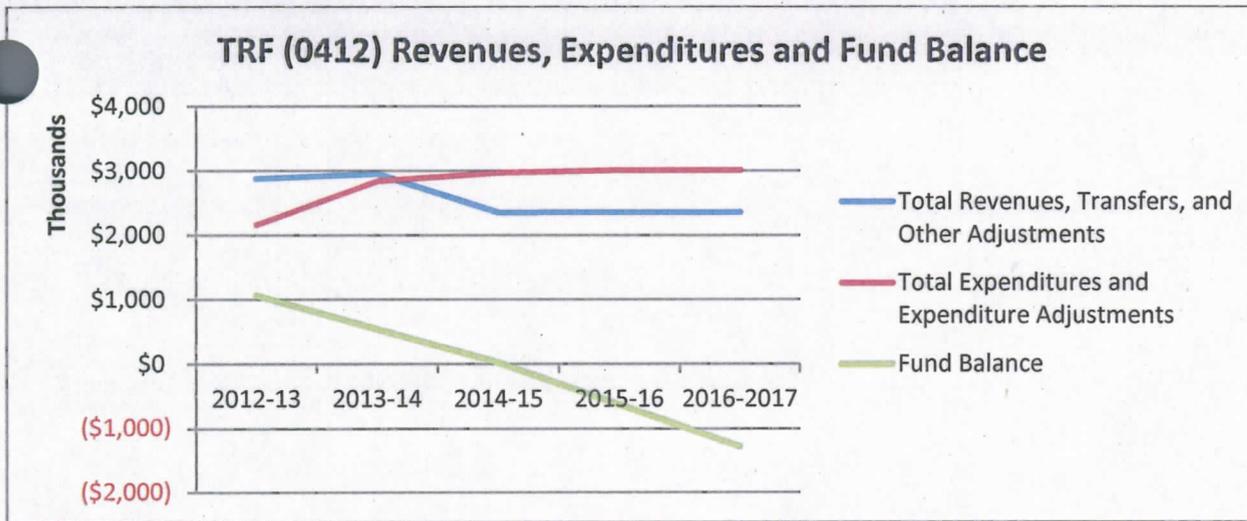
The TRF's main revenue source is quarterly fees paid to the Commission by household goods movers. PU Code section 5003.2 sets the maximum rate for this quarterly fee at 0.7 percent of household goods mover's gross revenue, which is the rate the PUC currently charges:

Current PU Code 5003.2 (c)

(c) The commission may raise the fee imposed by Section 5003.1 upon those persons and corporations subject to that section for whom the commission establishes minimum or maximum rates or requires rates to be on file, up to a maximum of seven-tenths of 1 percent of gross operating revenue, if the commission decides this increase is necessary to maintain adequate financing for the Transportation Rate Fund.

Quarterly fees are based on gross reported household goods mover's income, and revenues received by the PUC have decreased in recent years. Increases in fund expenditures over the past four years have been gradual, not due to program growth but, instead, to increases in employee compensation and adjustments to the PUC overhead charged to the fund.

Analysis of Problem



The TRF also transfers approximately \$22,000 annually to the Motor Safety Improvement Fund (0293). The fund reserve at the end of 2014-15 was \$19,580:

0412 Transportation Rate Fund

	2012-13	2013-14	2014-15	2015-16*	2016-2017*
BEGINNING BALANCE	\$360,085	\$1,061,078	\$536,068	\$19,580	(\$636,873)
Prior year adjustments	-19,393	-616,059**	104,394		
Adjusted Beginning Balance	\$340,692	\$445,019	\$640,461	\$19,580	(\$636,873)
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS					
Revenues:					
120600 Quarterly Public Utilities Commission Fees	2,808,609	2,861,391	2,274,306	2,274,000	2,274,000
4126800 - Public Utilities Commission - Penalties on Quarterly Fees (1207)	409	109	4,572	4,572	4,572
125700 Other Regulatory Licenses and Permits	76,935	86,662	87,205	92,000	92,000
150300 Income From Surplus Money Investments	1,795	2,065	1,579	2,000	0
Transfers and Other Adjustments:					
TO0293 To Motor Safety Carriers Safety Improvement Fund per Public Utilities Code Section 5003.1	-13,695	-4,000	-22,025	-22,025	-22,025
Total Revenues, Transfers, and Other Adjustments	\$2,874,054	\$2,946,228	\$2,345,635	\$2,350,547	\$2,350,547
Total Resources	\$3,214,746	\$3,391,247	\$2,986,097	\$2,370,127	\$1,713,674
EXPENDITURES AND EXPENDITURE ADJUSTMENTS					
Expenditures:					
660 Public Utilities Commission State Operations	2,138,788	2,825,162***	2,964,516	3,005,000	3,005,000
8880 Financial Information System for CA (State Operations)/ SCO/MyCalPays	12,880	12,018	2,000	2,000	2,000
Total Expenditures and Expenditure Adjustments	\$2,151,668	\$2,837,179	\$2,966,516	\$3,007,000	\$3,007,000
FUND BALANCE	\$1,061,078	\$536,068	\$19,580	(\$636,873)	(\$1,293,326)

Analysis of Problem

This table represents the baseline projected budget for 2015-16 and 2016-17 before any additional adjustments were made in the proposed Governor's Budget. The proposed budget for current year (2015-16) and budget year (2016-17) each included a necessary decrease in the appropriation of the fund of \$1 million in each year, to ensure the fund remains solvent. This decrease in appropriation will greatly reduce the amount of overhead that the PUC can charge to the TRF; consequently, the PUC must reallocate overhead to other special funds. Staff is still researching the best methodology for how to do this.

**A one-time prior year adjustment necessary to align the fund with the State Controller's Office (SCO) records when the PUC submitted its first DF303 report for the fund.

***In 2013-14, the PUC implemented an updated cost allocation plan, which increased overhead charged to the fund compared to previous years (reducing savings that the fund had experienced in previous years).

Resource History (Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Authorized Expenditures	2,766	2,695	2,703	2,758	2,839	3,005
Actual Expenditures	2,128	1,719	2,139	2,825	2,965	2,005
Revenues	1,936	2,035	2,874	2,946	2,346	2,351
Authorized Positions*	15	15	15	15	15	15
Filled Positions*	14	14	14	14	14	14
Vacancies*	1	1	1	1	1	1

*Authorized positions to the TRF are based on recent CALSTARs staff allocations; staff working in the Transportation Enforcement Branch (TEB) of the Safety Enforcement Division (SED) within the PUC split their licensing and enforcement efforts between household goods movers (work funded by the TRF) and other transportation carriers, including transportation network companies (work funded by PUCTURA). The filled positions and vacancies associated with the fund are estimated based on overall vacancies within the TEB.

C. State Level Considerations

If this fee cap is not increased, the TRF will no longer be solvent and will not be able to support the PUC's household goods regulation work at current levels. It is also expected that the fund, at some point in the next two years, will not be able to make its transfer to the Motor Safety Carriers Safety Improvement Fund per PU Code section 5003.1.

D. Justification

The requested change in statute to allow an increase in the cap of what the PUC can charge household goods carriers is needed to fund the TRF in support of PUC's household goods regulation efforts. Without a significant increase in revenues over time to maintain the fund, the PUC may have to continue to reduce spending on salaries, benefits, and operating expenses within the fund, the consequence of which would be reduced regulatory oversight of the household goods moving program.

E. Outcomes and Accountability

Increasing the cap that the PUC may charge household goods carriers will allow the Commission to consider the appropriate level at which to set the new fee. The chart below illustrates the projected changes in revenue and fund condition due to different changes in the fee. If this proposal is accepted and the fee cap is increased, the PUC Budget Office will likely recommend that the Commission adopt that 1.0 percent increase for fiscal year 2016 (an increase of ~0.03). At this rate, the PUC could slowly build a fund reserve, the goal of which, for the TRF, is set at 50 percent of annual operating expenses (or approximately \$1.5 million for 2016-17).

Analysis of Problem

Rate	Projections	Year (Dollars in thousands)				
		2016-17	2017-18	2018-19	2019-20	2020-2021
0.70%	Revenue	2,274	2,342	2,413	2,485	2,559
	Fund Balance	-659	-1,436	-2,237	-3,062	-3,912
1.00%	Revenue	3,249	3,346	3,446	3,550	3,656
	Fund Balance	316	642	977	1,323	1,678
1.001%	Revenue	3,252	3,349	3,450	3,553	3,660
	Fund Balance	319	648	987	1,336	1,696

This projection assumes a 3 percent growth in both annual revenues and expenditures against the fund. This is a conservative projection and there is a likelihood that revenues could flatten or decline.

F. Analysis of All Feasible Alternatives

Alternative #1: Approve an increase in the cap greater than 0.7 percent, but less than 1.0 percent

Granting a lower increase in the rate cap would be met with less resistance by the household goods mover industry.

Alternative #2: Loan PUCURA funds to the TRF

As a short-term solution, PUCURA funds could be loaned to the TRF to keep the fund balance positive for a set number of years. This approach would require no change in rate to household goods movers, and PUCURA currently has a large fund reserve. However, without a permanent increase in revenue to cover fund expenditures, expenditures against the TRF will eventually eat away at this reserve and would unlikely be unable to repay the loan.

Alternative #3: Reduce program budget and staff

Cutting back on the budget and staff devoted to the household goods licensing and enforcement program could ensure the continued solvency of the fund. This could be achieved through the elimination of vacancies, reallocation of overhead to other programs, etc. The advantage to this alternative is that the rate would not be increased. The disadvantage, on the other hand, would be significant negative impact to the PUC's efforts to perform core household goods licensing and regulation activities required by the PU Code.

G. Implementation Plan

If PU Code language is modified to increase the cap on fees, the PUC budget office will immediately propose to the Commissioners an increase to the TRF fees charged quarterly to household goods movers, with the change to go into effect as of July 1, 2016

H. Recommendation

The PUC recommends that PU Code section 5003.2 be amended to increase the maximum rate for TRF quarterly fees to 1.0 percent of household goods mover's gross revenue. The alternatives are either short-term fixes or require a significant cutting back of services.