

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/17)

Fiscal Year 2018-19	Business Unit 3540	Department Forestry and Fire Protection	Priority No.
Budget Request Name 3540-306-BCP-2018-A1		Program 2461—OFFICE OF THE STATE FIRE MARSHAL	Subprogram 2461019-CALIFORNIA UNDERGROUND FACILITIES SAFE EXCAVATION BOARD

Budget Request Description
 California Underground Facilities Safe Excavation Board Loan Repayment Extension

Budget Request Summary

The Department of Forestry and Fire Protection (CAL FIRE) requests budget bill language to extend the California Underground Facilities Safe Excavation Board (Board) loan repayment due date by two years, from July 1, 2019 to July 1, 2021, to provide a more reasonable repayment schedule from the non-profit one-call center fee payers' (private and municipal utilities) rates over three years instead of one.

In addition, trailer bill language is needed to clean up a technical drafting error in statute made when the Board was initially authorized through Chapter 809, Statutes of 2016 (SB 661) and in 2017 trailer bill language (Chapter 26, Statutes of 2017 (SB 92)). This change will (1) clarify that the Board cannot take enforcement action until July 1, 2020 and (2) authorize the Board to undertake investigations prior to July 1, 2020 consistent with the previous funding approved for the Board, which included authorization of 12 investigator positions starting on July 1, 2018.

Requires Legislation <input checked="" type="checkbox"/> Yes <input 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 No	Code Section(s) to be Added/Amended/Repealed	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 project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No. Project Approval Document: Approval 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
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only

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

PPBA	Original Signed By: Stephen Benson	Date submitted to the Legislature MAR 29 2018
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Analysis of Problem

A. Budget Request Summary

The Department of Forestry and Fire Protection (CAL FIRE) requests budget bill language to extend the California Underground Facilities Safe Excavation Board (Board) loan repayment due date by two years, from July 1, 2019 to July 1, 2021, to provide a more reasonable repayment schedule from the non-profit one-call center feepayers' (private and municipal utilities) rates over three years instead of one.

In addition, trailer bill language is needed to clean up a technical drafting error in statute made when the Board was initially authorized through Chapter 809, Statutes of 2016 (SB 661) and in 2017 trailer bill language (Chapter 26, Statutes of 2017 (SB 92)). This change will (1) clarify that the Board cannot take enforcement action until July 1, 2020 and (2) authorize the Board to undertake investigations prior to July 1, 2020 consistent with the previous funding approved for the Board, which included authorization of 12 investigator positions starting on July 1, 2018.

B. Background/History

The Dig Safe Act of 2016 (SB 661, Chapter 809, Statutes of 2016) created the Board, and the 2017-18 Budget Act authorized a startup loan of \$7.406 million¹ to fund the first two years of operations. Currently, the loan is slated for repayment on or before July 1, 2019.

All owners of underground infrastructure (with the exception of the Department of Transportation (Caltrans)) are required to be members of and pay the costs for operating the state's two one-call centers (Government Code section 4216.1). Membership comes with the responsibility to locate and mark the utility's underground infrastructure within two days of an excavator notifying the one-call center of the intent to dig. Government Code section 4216.16 also requires the private and municipal utility members to fund the Board's operations. The Board is currently developing regulations to assess fees on the one-call center members, but those regulations will not likely be in effect until early 2019.

Given the timing of these regulations and the current loan repayment date of July 1, 2019, the Board would ultimately be required to recover three years of operating costs in one year to fund repayment of the two-year start-up loan as well as the Board's 2019-20 operating expenses. These members already pay approximately \$11 million per year in fees to fund the operations of the two one-call centers, and the assessment the Board would need to levy with the current loan repayment date would increase one-call program costs over 50 percent for the 2019 calendar year.

C. State Level Considerations

This proposal to extend the Board's startup loan repayment date two years is consistent with the comprehensive public utilities reform package announced by Governor Brown on June 27, 2016. This announcement included a commitment to increase oversight of excavation and improve enforcement of dig-in safety laws,² a commitment that was underscored in the Governor's signing message to Chapters 805 (AB 2168), 806 (SB 62), 807 (SB 215), 808 (SB 512), and 809 (SB 661), Statutes of 2016.

This proposal is also consistent with the goals of CAL FIRE's 2012 Strategic Plan:

- Goal: Recognize and scale to changing budgetary, fiscal, and regulatory conditions.
- Goal: Seek to improve operational efficiency and effectiveness by shaping, enhancing, and adapting to changing circumstances.
 - Objective: Aligning resources and redesign organizational Units, Regions, and Headquarters to better reflect operational needs.
- Goal: Promote a highly motivated and well-trained workforce.

¹ From the High-Cost Fund-B Administrative Committee Fund (0470, administered by the Public Utilities Commission)

² <https://www.gov.ca.gov/2016/06/27/news19461/>

Analysis of Problem

D. Justification

Adopting a reasonable repayment schedule will aid the Board in gaining the respect of its utility stakeholders during its nascent first year, helping it to achieve solid footing. Extending the loan repayment until July 1, 2021 will still result in an increase over what private and municipal utilities currently pay to operate the one-call centers, but the rates will be significantly lower than if three years of operating costs needed to be recovered in one fiscal year.

The current condition of the California High-Cost Fund-B Administrative Committee Fund is sufficient to sustain the loan repayment extension. Additionally, the Public Utilities Commission indicates it has no concerns with the repayment extension with the inclusion of budget bill language that has been mutually agreed upon allowing for earlier repayment of all or part of the loan upon approval of the Department of Finance under specified conditions.

Extending the loan repayment date by two years will significantly reduce the fee pressures for private and municipal utilities. Providing local governments more time to prepare for Board fees and spreading them out over multiple years will allow them to better plan for and manage the additional costs associated with the Board's fee. The fee pressures created by not granting this loan extension could have several consequences, including undermining private and municipal utility engagement in the Board's activities in its early years of operation. Additionally, a potential doubling of private and municipal utility cost responsibility in a single year might lead these utilities, which make up the one-call center governing boards and make relevant funding determinations, to cut costs to the "call before you dig" efforts at the centers, delaying technological upgrades and reducing their education and outreach commitments.

E. Outcomes and Accountability

The Board remains subject to legislative review on or after January 1, 2020.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve budget bill language to extend the Board loan repayment due date by two years, from July 1, 2019 to July 1, 2021, to provide a more reasonable repayment schedule from the non-profit one-call center fee payers' (private and municipal utilities) rates over three years instead of one. Also, make necessary technical statutory language changes originating from a drafting error in previous legislation.

Costs:

- At the current interest rate, approximately \$180,000 more in interest costs, assuming the loan is fully funded for the additional two years, which will be absorbed within the fund balance of the Safe Energy Infrastructure and Excavation Fund.

Advantages:

- Improves public safety by reducing cost pressures on utility locate and mark services and one-call center operations.
- Will not cause a potential reduction of municipal utility participation in the Board's activities during its formative years of operation.

Disadvantages:

- None.

Alternative 2: Do not extend the existing July 1, 2019 loan repayment date.

Costs:

- None

Advantages:

- None.

Analysis of Problem

Disadvantages:

- Exacerbates private and municipal utility cost pressures in a safety-critical cost center, possibly leading to reduced utility location services and reduced support of one-call center operations.
- Potential reduction of municipal utility participation in Board activities during its formative years of operation.

G. Implementation Plan

Upon enactment of the Budget Act of 2018, the Board will reflect the extended loan repayment period in its regulation package to assess a fee on one-call center members to fund the Board's operating expenses.

H. Supplemental Information

None.

I. Recommendation

Alternative 1: Approve budget bill language to extend the Board loan repayment due date by two years, from July 1, 2019 to July 1, 2021, to provide a more reasonable repayment schedule from the non-profit one-call center fee payers' (private and municipal utilities) rates over three years instead of one. Also, make necessary technical statutory language changes originating from a drafting error in previous trailer bills.

Proposed Budget Bill Language:

3540-401—Notwithstanding Provision 1 of Item 8660-012-0470, Budget Act of 2017 (Chs. 14, 22, and 54, Stats. 2017) the \$7,406,000 loan from the California High-Cost Fund-B Administrative Committee Fund to the Safe Energy Infrastructure and Excavation Fund shall be repaid no later than July 1, 2021, upon the order of the Department of Finance. The Department of Finance may order repayment of all or a portion of the loan if it determines that either of the following circumstances exist: (a) the fund from which the loan was made requires earlier repayment, or (b) there is an adequate balance in the fund receiving the loan to repay it at an earlier date. This loan shall be repaid with the interest calculated at the rate earned by the Pooled Money Investment Account at the time of transfer.

BCP Fiscal Detail Sheet

BCP Title: California Underground Facilities Safe Excavation Board Loan Repayment Extension

BR Name: 3540-306-BCP-2018-A1

Budget Request Summary

			FY18			
	CY	BY	BY+1	BY+2	BY+3	BY+4

Fund Summary

Fund Source -

Total Expenditures

	\$0	\$0	\$0	\$0	\$0	\$0
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Program Summary

Program Funding

Total All Programs

	\$0	\$0	\$0	\$0	\$0	\$0
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