

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: June 24, 2020

From: MITCH WEISS, Executive Director

Reference Number: 4.2, Information

Prepared By: Paul Golaszewski
Deputy Director

Published Date: June 12, 2020

Subject: Budget and Allocation Capacity

Summary:

The state budget is facing serious fiscal challenges due to the COVID-19 pandemic. To help address these challenges, the Governor's May Revision includes proposals that would reduce the operating budgets of virtually all state departments, including the California Transportation Commission (Commission). Staff is in the process of assessing the potential impact of these proposals. An initial assessment indicates it could be difficult for the Commission to manage its budget in 2021-22. Additionally, the proposals have implications for the Commission's ability to maintain its staffing levels (if limited-term positions cannot be made permanent) and to provide effective management over its increased programming responsibilities resulting from Senate Bill 1. Another issue related to the Commission's budget that has received attention recently is the ability to ensure qualified individuals are not financially precluded from serving on the Commission.

Background:

May Revision Proposals

On May 14, 2020, the Governor released the May Revision, which modifies the budget proposed in January to account for updated state revenues and, consequently, spending levels. This year's May Revision identified a \$1.85 billion reduction to state revenues from fuel taxes and vehicle fees that are used to fund transportation. This reduction is primarily due to the sharp decline in driving resulting from the COVID-19 pandemic. As part of its presentation on this item, the California Department of Transportation will discuss the impacts resulting to transportation programs from the lower revenues.

The May Revision also includes a few proposals that would affect the operations of virtually all state departments, including the Commission, in order to reduce state spending and help close a \$54 billion General Fund deficit:

- **10 Percent Compensation Reduction Starting in 2020-21.** The method to achieve the savings are to be determined through collective bargaining, with the expectation that they would also apply to excluded employees. A “trigger” in the May Revision provides that the compensation reduction (as well as other programmatic reductions) would be restored in the event the state receives \$14 billion in General Fund relief from the federal government by June 30, 2021.
- **5 Percent Reduction to State Department Budgets Starting in 2021-22.** The May Revision states that departments could achieve savings through reduced travel and greater use of video conferencing; unspecified improvements to state processes that also enhance customer service and departmental performance; and other cost saving opportunities, such as reevaluating the state fleet and enhancing the efficiency of technology contracts.

Implications for the Commission’s Budget

It is important to note that the May Revision proposals have not yet been enacted. The deadline for the Legislature to pass a budget is June 15. Therefore, it is possible that the Legislature could pass a budget with different assumptions about employee compensation or departmental budgets. Nonetheless, the proposals have implications for the following aspects of the Commission’s budget that should be highlighted:

- **Potential Budget Challenge in 2021-22.** The five percent reduction to the Commission’s overall budget in 2021-22 could be difficult to manage if a higher-than-normal number of employees retire. In that situation, the Commission would have to pay for costs associated with the retirees’ accumulated leave balances. Despite having policies in place providing for the effective management of leave balances, such leave balances naturally tend to be higher than average for retiring employees because they typically have many years of state service. As a small state agency, the Commission would not be able to fully offset such costs using the strategies identified in the May Revision.
- **Limited-Term Positions.** In the 2019-20 budget, the Commission received eleven new positions to address the substantial increase in workload resulting from Senate Bill 1. Of these eleven positions, eight were funded on a two-year, limited-term basis. The expectation was that the Commission would fill the eight limited-term positions and then seek permanent authorization for them as part of the 2021-22 budget.
- **Management of Increased Programming Responsibilities.** As compared to before Senate Bill 1 passed in April 2017, the Deputy Director for Programming now has responsibility for five additional programs, one expanded program, increased accountability requirements, and over twice as much funding being allocated by the Commission annually. For these reasons, Commission staff were planning to

request approval from the Department of Finance to convert an existing position into a second Deputy Director for Programming. This position is critical for ensuring that the Commission can deliver on the important promises made in Senate Bill 1 to repair California's transportation infrastructure, as well as improve safety and mobility.

- **Commissioner Compensation.** Any compensation reductions in the budget would not affect the Commissioner per diem, which is fixed in statute at \$100 per day for up to eight days per month of Commission business. The \$100 rate has not been adjusted for inflation since the Commission's inception over four decades ago and thus has lost about 75 percent of its purchasing power. Concerns related to Commissioner compensation have been raised by numerous organizations in recent months. Specifically, on January 22, 2020, nearly two dozen transportation advocacy organizations sent a letter to the Governor that included a call for policies to ensure that qualified individuals are not financially precluded from serving on the Commission due to financial burdens.

MEMORANDUM

To: CHAIR AND COMMISSIONERS
 CALIFORNIA TRANSPORTATION COMMISSION

CTC Meeting: June 24-25, 2020

From: STEVEN KECK, Chief Financial Officer

Reference Number: 4.2, Information Item

Prepared By: KC Handren, Chief
 Division of Budgets

Subject: **BUDGET AND ALLOCATION CAPACITY UPDATE**

SUMMARY:

Outlined below is an update for the California Transportation Commission (Commission) concerning topics related to transportation funding in the State of California. This information is intended to supplement portions of the verbal presentation on this item.

BACKGROUND:

As of May 31, 2020, the Commission has allocated approximately \$5 billion toward 812 projects in Fiscal Year 2019-20. Adjustments totaled approximately negative \$237 million, leaving approximately \$2.4 billion (34 percent) in remaining allocation capacity.

2019-20 Capital Allocations vs. Capacity Summary through May 31, 2020 (\$ in millions)										
	SHOPP	STIP	AERO	LPP	SCCP	TCEP	ATP	TIRCP	BONDS	TOTAL
Allocation Capacity ²	\$3,370	\$390	\$3	\$331	\$335	\$739	\$426	\$1,366	\$171	\$7,131
Total Votes	3,382	280	2	136	197	342	167	395	64	4,966
Authorized Changes ¹	-241	5	0	0	0	0	0	0	0	-237
Remaining Capacity	\$229	\$105	\$0	\$195	\$138	\$397	\$259	\$971	\$108	\$2,402

Notes: Amounts may not sum to totals due to independent rounding.

¹ Authorized changes include project increases and decreases through April 31, 2020, pursuant to the Commission's G-12 process and project rescission.

² Augmented due to redistribution of federal funds and increased State Highway Account assumed interest.

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Through April 31, 2020, the California Department of Transportation has processed changes to capital construction budgets for both the State Transportation Improvement Program (STIP) and the State Highway Operation and Protection Program (SHOPP). The STIP and SHOPP experienced a decrease of approximately \$237 million of the programmed amounts. This is the result of increases to 129 projects and decreases to 218 projects.

Savings are added to, or subtracted from, current year capacity to make funding immediately available for advancements and project cost increases. These amounts appear under “Authorized Changes” in the Capital Allocation vs. Capacity Summary on the preceding page.