

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, APRIL 10, 2019

9:30 A.M. - STATE CAPITOL, ROOM 447

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## ITEMS FOR VOTE-ONLY

### 0521 SECRETARY FOR THE TRANSPORTATION AGENCY

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#### VOTE-ONLY ISSUE 1: FEDERAL TRAFFIC SAFETY GRANT AUTHORITY ADJUSTMENT

The Governor's Budget requests for the Secretary for Transportation Agency's (CalSTA) Office of Traffic Safety (OTS), an increase to its federal budget authority, to align its budget with the amount of funding it expects to receive from the National Highway Traffic Safety Administration (NHTSA) over the next five years. Specifically, the amounts requested in each fiscal year are:

- 2019-20: \$34.7 million
- 2020-21: \$23.8 million
- 2021-22: \$25.8 million
- 2022-23: \$27.8 million
- 2023-24: \$29.8 million

The Administration also proposes provisional language to allow for fund transfers in order to fully utilize these funds.

#### BACKGROUND

OTS strives to eliminate traffic deaths and injuries by making federal NHTSA grants available to local and state public agencies. The goals and mission of OTS are "to effectively and efficiently administer traffic safety grants." Local jurisdictions, state agencies, and non-profit entities are selected through a competitive process and are provided funds to support various traffic safety initiatives intended to reduce motor vehicle fatalities and serious injuries. OTS expects to receive an increasing amount of NHTSA funding in each of the next five years and this budget request will align its budget authority with the anticipated amount of funding it expects to receive from the federal government.

The requested provisional language will allow traffic safety grant funding to be transferred between two items, depending on which traffic safety projects are awarded funding, thereby providing OTS with the flexibility to fully fund all state, local, and nonprofit grants each year.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 2: NORTH COAST RAILROAD AUTHORITY ASSESSMENT (SB 1029)**

The Governor's Budget requests \$3 million Public Transportation Account to fulfill the requirements of SB 1029 (McGuire, Chapter 934, Statutes of 2018).

**BACKGROUND**

SB 1029 requires CalSTA to conduct an assessment of the North Coast Railroad Authority (Authority) to determine the most appropriate way to dissolve the authority and dispense with its assets and liabilities. CalSTA must consult with the Natural Resources Agency and present its findings to the Legislature before July 1, 2020. CalSTA requests funding for the following:

- \$1.5 million to contract with the Department of General Services to complete a property assessment study. The study will prioritize the assessment of the southern portion of the rail corridor.
- \$500,000 to contract with the Department of Finance's Office of State Audits and Evaluations, to conduct debt, liabilities, contractual obligations, and litigation assessments, including a review of the possibility of transferring the southern portion of the North Coast Rail Corridor to the Sonoma-Marín Area Rail Transit District.
- \$1 million to contract for the preliminary assessment of the viability of constructing a trail on the entire, or a portion of the property, rights-of-ways, or easements under the current jurisdiction of the Authority.

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**Staff Recommendation: Approve as Budgeted.**

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**2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)****VOTE-ONLY ISSUE 3: TECHNICAL ADJUSTMENTS**

The Governor's budget proposes the technical closure of seven funds and intra-schedule transfers of resources and staff to continue the implementation of previously authorized programs. Trailer bill language is proposed to abolish the Local Transportation Loan Account and the Transportation Deferred Investment Fund.

**BACKGROUND**

The closure of funds and transfer of resources will create a more efficient management process. Technical adjustments synchronize and support the development of current programs. New federal requirements also create a need that supports redirecting resources to fulfill new workloads. Below is a summary of the proposed adjustments:

<b>Department of Transportation Various Technical Adjustments (Dollars in Thousands)</b>					
<b>Title</b>	<b>Amount of Net-Zero Transfer</b>	<b>Fund</b>	<b>Item of Appropriation</b>	<b>Original Enactment Year</b>	<b>Reason</b>
Closure of TDIF and LTLA	(\$29,329)	3093 Transportation Deferred Investment Fund and 2501 Local Transportation Loan Account	Fund 3093 Fund 2501	2006-07 2002-03	Transfer of assets and liabilities to Fund 0042 (State Highway Account) to improve management of resources. See attachment 2 for proposed trailer bill.
Maintenance/Warehouse	(\$648)	0042 State Highway Account	2660-001-0042	N/A	Net-zero transfer of expenditure and position authority from the Administration Program to the Maintenance Program to improve inventory practices and operations.
Maintenance-HCC/TMS	(\$5,058)	0042 State Highway Account	2660-001-0042	N/A	Net-zero transfer of expenditure and position authority from the Traffic Operations Program to the Maintenance Program to more closely align the engineering support and maintenance activities for TMS field elements.
OPS-Traffic Census Survey	(\$4,142)	0042 State Highway Account and 0890 Federal Trust Fund	2660-001-0042 2660-001-0890	N/A	Net-zero intra-item transfer of expenditure and position authority from the Program Development Program to Traffic Operations Program to consolidate workload into a single Division.
DRISI SECC	(\$794)	0042 State Highway Account	2660-001-0042	2017-18	Net-zero transfer of expenditure and position authority from the Traffic Operations Program to the Program Development Program to accomplish coding of Collision Sequence of Events data.

OPS-HSIP	(\$2,700)	0890 Federal Trust Fund	2660-001-0890	2015-16	Net-zero transfer of expenditure and position authority from the Program Development Program to the Traffic Operations Program to develop and implement the Highway Safety Improvement Program.
RUC	(\$674)	0042 State Highway Account	2660-001-0042	2017-18	Net-zero transfer of expenditure and position authority from the Administration Program to the Program Development Program for research & development related workload.
					(\$43,345)

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 4: OFFICE OF THE INSPECTOR GENERAL**

The Governor's budget requests \$828,000 State Highway Account funds and an overall increase of 10 positions for the Office of the Inspector General (OIG). The request also transfers resources from existing Caltrans' audit programs to the OIG.

**BACKGROUND**

SB 1 established the Caltrans Independent Office of Audits and Investigations' Office of the Inspector General (OIG) to ensure Caltrans and external entities that receive state and federal transportation funds are doing so efficiently and effectively and in compliance with applicable laws and regulations. The OIG is required to report a summary of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the CTC. The office was initially established with 48 existing positions and ten new permanent staff through the 2017 Budget Act.

Consistent with SB 103, the OIG is also responsible for developing and implementing a program to review, audit, and report on Caltrans' outreach efforts related to procurement opportunities for new and limited contracting small business enterprises, including, but not limited to, those owned by women, minorities, disabled veterans, LGBT individuals, and other disadvantaged groups.

This request will provide more independence by transferring resources from existing Caltrans' programs that do work on behalf of OIG, to OIG. Specifically, the request is as follows:

- Three permanent positions for new OIG workload.
- Increased operating expenses.
- Seven permanent positions for work that was previously completed or supported by Caltrans Administration and Maintenance programs through redirection.
- Internal Caltrans transfer from Capital Outlay Support: 13 positions and funding.
- Internal Caltrans transfer from Local assistance: three positions and funding.
- Internal Caltrans transfer from Maintenance: one position and funding.
- Internal Caltrans transfer from Administration: one position and funding.

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**Staff Recommendation: Approve as Budgeted.**

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## 2670 BOARD OF PILOT COMMISSIONERS

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### VOTE-ONLY ISSUE 5: FUNDING FOR INCREASED SUPPORT COSTS

The Governor's budget requests a baseline funding increase of \$286,000 from the Board of Pilot Commissioners' (BOPC) Special Fund to cover increased support and training costs as follows:

- \$100,000 for increased California Highway Patrol administrative support costs;
- \$15,000 for the State Controller's Office to audit their services;
- \$10,000 for a contract investigator;
- \$65,000 for pay increases for various positions; and,
- \$96,000 for an increase to the training stipend amount.

### BACKGROUND

The BOPC's current appropriation of \$1.4 million barely covers the personnel and operating costs anticipated for 2018-19 and leaves minimal reserve for unexpected or emergency expenses. BOPC requests a baseline increase for the following:

**On-Going Contracts - \$115,000** The BOPC contracts with the California Highway Patrol for administrative support, and the State Controller's Office for services to audit the San Francisco Bar Pilots revenue/surcharge billings and expenditures. Effective July 2018, these contracts increased by \$100,000 and \$15,000, respectively.

**Additional Commission Investigator - \$10,000** The BOPC contracted with a new Commission Investigator (three investigators total, effective May 1, 2018). These contractors are paid \$10,000 each, and their primary function is to: (1) investigate reports of misconduct or navigational incidents for which a license can be revoked or suspended; and, (2) investigate on short notice reports of safety standard violations of pilot boarding equipment, such as pilot ladders, pilot hoists, or the proper rigging of pilot hoists or pilot ladders.

**Upgraded Positions - \$65,000** The BOPC has approved a 15 percent increase to the Executive Director's salary. The Executive Director has also commenced the process for increasing the compensation of the Assistant Director by 5 percent. The increases are justified based on both the increase in duties and the changing nature of the duties.



**Increased Stipends - \$96,000** The BOPC is requesting to increase the training budget by \$96,000 to support a maximum increase of \$1,000 per month. The trainee stipends are currently \$6,000 per month, per trainee, and BOPC is forecasting a full training program at eight trainees (8 trainees x \$1,000 increase x 12 months = \$96,000). The cost-of-living in the San Francisco Bay Area is 62 percent higher than the average United States city. The BOPC competes with other ports for qualified mariners. When the cost-of-living is higher than other regions, it limits their ability to attract the best-qualified personnel. Most of the qualified mariners leave behind well-paying jobs to train to become a pilot, and moving to this region may be a hardship. The increase would keep the current stipend on pace with the regional CPI index through 2020.

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**Staff Recommendation: Approve as Budgeted.**

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**2720 CALIFORNIA HIGHWAY PATROL**

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**VOTE-ONLY ISSUE 6: CHP DESIGNATED DRIVER PROGRAM (SB 973)**

The Governor's Budget proposes for the Designated Driver Program (DDP) to increase total funding from \$350,000 to \$900,000 to expand education and outreach efforts, and to fund cost increases associated with the efforts of the DDP in, and adjacent to, individual events and venues.

**BACKGROUND**

The Alcoholic Beverage Control Act regulates the application, issuance, and suspension of alcoholic beverage licenses. Annual fees are charged for each type of license, in addition to an annual surcharge fee that is deposited in the Motor Vehicle Account, to be used by the CHP for the DDP. Driving under the influence continues to be a major traffic safety concern.

The CHP's DDP was established in 1990 to help reduce the number of drunk drivers on California roadways. This program includes public education and awareness efforts, as well as encouraging the use of designated drivers. The CHP's DDP uses various media and outreach efforts to educate the public on the dangers of driving while impaired. This includes traffic safety messages on billboards at locations that would provide the most impact, such as car racing events, minor league and collegiate sporting events, concerts, rodeos, and indoor and outdoor arena events. The DDP also provides public service announcements on different music streaming applications.

SB 973 (Dodd, Chapter 689, Statutes of 2018) increases the annual surcharge fee imposed on alcoholic beverage licensee from \$5 (established in 1990) to \$10, which will provide additional funding for this program.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 7: RESOURCES FOR UPDATED CALIFORNIA PUBLIC RECORDS ACT REQUIREMENTS**

The Governor's Budget requests \$576,000 for 2019-20 and 2020-21 from the Motor Vehicle Account for five positions to comply with AB 748 (Ting, Chapter 960, Statutes of 2018) and SB 1421 (Skinner, Chapter 988, Statutes of 2018).

**BACKGROUND**

AB 748 mandates, under specified conditions, the release of "video or audio which captures a critical incident, as defined, within 45 calendar days after the agency knew or reasonably should have known about the incident." A "critical incident" includes the discharge of a firearm at a person by a peace officer or a use of force by a peace officer resulting in great bodily injury.

SB 1421 mandates the release of specific information contained in peace officer personnel records which, previously was deemed confidential and not subject to disclosure. As such, effective January 1, 2019, the Department will be required to release records relating to the report, investigation, or findings of any of the following: (1) the discharge of a firearm at a person by a peace officer; (2) use of force by a peace officer resulting in death or great bodily injury; (3) the commission of a sexual act while on duty or by force, threat, or under color of authority; and, (4) a sustained finding of dishonesty relating to court proceedings or the misconduct of another peace officer.

Research, analysis, and proper interpretation of what is now considered a public record and what documents, records, videos, etc., will be legislatively mandated for release, will increase CHP's workload. As such, CHP's Public Records Unit (PRU) needs a dedicated staff of highly-qualified individuals who will ensure CHP meets the increased demands and fully complies with law and statute. Any PRA requests referencing SB 1421 or AB 748 will be required to be immediately forwarded to PRU for handling and subsequent review at the highest levels of CHP management prior to release.

The workload is ongoing, but CHP plans to reevaluate staffing levels in two years. The current staffing level for this function is about 3.5 positions.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 8: EQUIP PATROL OFFICERS WITH MULTI-FUNCTION TABLET DEVICES**

The Governor's Budget requests \$15 million General Fund for the purchase of 3,075 multi-function rugged tablets to replace single-use handheld citation devices, aging laptops and 262 printers.

**BACKGROUND**

Multi-function tablets will allow officers to carry a single device for electronic citations, data collection requirements, and provide full access to departmental software applications. The new tablets will also be used to expand the Statewide Automated Citation System. The improved access to departmental programs and resources will increase officer efficiency by permitting more time for emergency response and other traffic safety related activities. The tablets will last approximately 5 years.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 9: MODERNIZE IN-VEHICLE RADIO COMMUNICATIONS SYSTEM**

The Governor's Budget requests \$62.5 million (\$44.5 million General Fund and \$18 million from the Special Deposit Fund Asset Forfeiture Accounts) to replace 3,600 Consolidated Patrol Vehicle Environment (CPVE) radio communication systems.

**BACKGROUND**

The land-mobile radios and mobile digital computer systems in CHP's fleet of authorized emergency vehicles provide the most critical link in CHP's ability to respond to emergencies. The new equipment will replace the fully integrated CPVE equipment that was procured in 2008, and has reached the end of the ten-year life expectancy.

The modular system will include a stand-alone computer that will be achieved through a refresh of the existing CHP-owned mobile digital computer, a multistack public safety land-mobile radio system to provide car-to-CHP dispatch, car-to-car, and car-to-allied agency dispatch communications, a full-duplex vehicle repeater system, and an independent emergency lighting control system consisting of a lighting control interface box and remote lighting control key pad. It is estimated that the sum of components in the modular system will cost approximately \$18,397 per unit. The new public safety land-mobile radios will also include the capability for radio programming over the CHP's secure wireless network, reducing

programming costs. The CHP anticipates implementing the modular in-vehicle land-mobile radio system to coincide with vehicle replacement cycles beginning in 2019-20. The life expectancy for public safety land-mobile radio communications equipment is ten years. In-vehicle mobile digital computer systems, associated controllers, and the Vehicle Repeater System have a life expectancy of approximately five years.

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 10: REPLACEMENT OF INFORMATION TECHNOLOGY INFRASTRUCTURE**

The Governor's Budget requests \$9.6 million General Fund for the replacement of outdated information technology infrastructure that has reached its end of life and is near full capacity.

**BACKGROUND**

Replacement of outdated IT infrastructure will provide expanded storage capacity, increased security, faster and more efficient computing and processing, and faster and more reliable network connectivity, which are critical in the CHP's ability to conduct daily emergency responses and law enforcement operations. It is imperative that the CHP has the technological capacity to plan for and coordinate effective statewide responses to large-scale emergencies and incidents, including natural disasters. The figure below shows the costs of equipment that would be replaced:

Costs are calculated using the state's contract pricing schedules.

Description	FY 2019/20 Total
Servers, SANs, network equipment hardware, software, and licenses	6,369,000
One-time (professional services configuration)	150,000
Maintenance	3,036,000
<b>Total</b>	<b>\$9,555,000</b>

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**Staff Recommendation: Approve as Budgeted.**

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**VOTE-ONLY ISSUE 11: KELLER PEAK TOWER REPLACEMENT**

The Governor's Budget requests \$1.8 million from the Motor Vehicle Account for the construction phase of the Keller Peak Tower Replacement project.

**BACKGROUND**

A fully-operational 100-foot communication tower at Keller Peak provides radio coverage in western San Bernardino and Riverside counties for the CHP, as well as three other emergency services agencies. In January 2016, the 28 year-old CHP radio communications tower collapsed due to metal deterioration and weight from inclement weather. The tower was not salvageable. The estimated total cost of a new tower is \$2.3 million.

The preliminary plans and working drawing phase have been funded. This request funds the construction phase. The construction amount includes \$1.2 million for the construction contract, \$59,300 for contingency, \$258,700 for architectural and engineering services, and \$314,800 for other project costs. The preliminary plans started in July 2017. Working drawings are estimated to be completed by December 2019. Construction is anticipated to begin in April 2020 and be completed in September 2021.

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**Staff Recommendation: Approve as Budgeted.**

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**2740 DEPARTMENT OF MOTOR VEHICLES**

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**VOTE-ONLY ISSUE 12: HIGH-OCCUPANCY VEHICLE LANES (SB 957)**

The Governor's Budget requests the following from the Motor Vehicle Account to implement SB 957 (Lara, Chapter 367, Statutes of 2018):

- \$3 million for 8.3 positions and \$2 million for a contractor to perform income verification in 2019-20;
- \$3.5 million for 10.0 positions and \$2.3 million for a contractor to perform income verification in 2020-21;
- \$3.5 million for 9.9 positions and \$2.3 million for a contractor to perform income verification in 2021-22;
- \$4.5 million for 12.8 positions and \$3 million for a contractor to perform income verification in 2022-23; and,
- \$461,440 for 4.5 positions in 2023-24.

The Administration also proposes the following provisional language:

Of the amount appropriated in Item 2740-001-0044, \$2,000,000 shall be used solely for the purpose of obtaining a vendor to provide Income Verification to implement the provisions of Chapter 367, Statutes of 2018.

**BACKGROUND**

SB 957 allows the issuance of more than one clean air vehicle decal to specified zero and low-emissions vehicles, if the applicant makes 80 percent or less of the statewide median household income. This sticker allows individuals to operate the vehicle in high-occupancy vehicle (HOV) lanes with fewer occupants than required.

The DMV is required to track the volumes and expenditures associated with implementing this statute and any unused funding associated with Income Verification will revert to the MVA.

The costs of implementing this bill are expected to be fully offset by fees paid by individuals who apply for an HOV lane sticker.

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**Staff Recommendation: Approve as Budgeted.**

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## ITEMS TO BE HEARD

### 2600 CALIFORNIA TRANSPORTATION COMMISSION

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The California Transportation Commission (CTC) is responsible for programming and allocating funds for the construction and improvement of highways, passenger rail systems, and transit systems throughout California. The Commission advises and assists the Transportation Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission also initiates and develops state and federal transportation policies that seek to secure financial stability for the state.

The Governor's Budget proposes \$8.8 million in 2019-20 and 37 positions. This is an increase of about \$2.3 million. Part of the funding increase is for 11 additional staff.

#### ISSUE 1: ACTIVE TRANSPORTATION (INFORMATIONAL ONLY)

The Governor's Budget does not have a new proposal for the Active Transportation Program (ATP). However, consistent with current law, total annual funding available for the program is \$220 million.

#### BACKGROUND

The ATP—administered by the CTC, in coordination with the California Department of Transportation (Caltrans)—provides funding to infrastructure and non-infrastructure projects that facilitate travelers being physically active through biking and walking. Some of the primary goals of the program include increasing the number of walking and biking trips, increasing safety and mobility, and enhancing public health. In approving the 2018-19 budget package, the Legislature directed the Legislative Analyst's Office (LAO) to review certain aspects of the program.

Initially, the ATP received about \$120 million annually in federal funds and State Highway Account funds that had previously been dedicated to the individual programs that were consolidated into a single competitive program. The passage of SB 1 (Beall, Chapter 5, Statutes of 2017)—a comprehensive transportation funding package—provides an additional \$100 million to the ATP, for total program funding of about \$220 million annually, awarded biennially through a competitive process.

While the statute requires all of the funds to be awarded through a competitive process, it prescribes different processes for various components of the funding.



- 50 percent to the statewide component of the program with projects selected by the CTC in any region of the state.
- 40 percent is distributed (by formula based on population) to metropolitan planning organizations (MPOs) in urban areas with a population greater than 200,000 (currently there are 10) to competitively award.
- 10 percent for projects in small urban and rural regions with populations of less than 200,000.

Three cycles of funding have been completed, resulting in \$1.6 billion being awarded to 776 projects (these projects have a total value of \$3 billion when combined with other funding sources, such as local funds), and a fourth cycle of project funding is underway.

#### LAO COMMENTS

The LAO's review found the following:

**Most Projects Are Infrastructure Improvements.** Of the 776 total projects, 584 projects (75 percent) are infrastructure projects, such as constructing bicycle lanes and sidewalk improvements. 136 projects (18 percent) are non-infrastructure projects, such as educational initiatives to improve bike safety and funding the state's active transportation resource center. 56 projects (7 percent) are to develop plans for improving active transportation within specific communities.

**State, MPO and Rural Program Components Funding Similar Types of Projects.** In general, the state, MPO and small urban and rural components of the program appear to be funding the same general types of projects.

**Projects Are Small, but Appear to Be Getting Larger.** In the first funding cycle, the average ATP grant award was \$1.3 million and the average total project cost for those projects was about \$4 million. The size of the average grant award has increased in each of the subsequent funding cycles to \$2.5 million with an average total project cost of \$4.5 million.

**Unclear if Program Increases Bicycling and Walking.** This was attributed to project reports being required to be submitted too soon after the project is completed (6 months) and inconsistent counting methodologies for cyclist and pedestrian counts.

**Other Goals and Potential Benefits Difficult to Evaluate.** Most of the other program goals or potential project benefits are difficult to evaluate, such as GHG reduction, public health benefits, and safety benefits, without accurate data on the change in walking and biking resulting from the project.

***Most Projects Benefit Disadvantaged Communities.*** Of the 776 total projects funded, 686 projects (88 percent) had some benefit to a disadvantaged community, and it is estimated that for the fourth round of funding 98 percent will benefit a disadvantaged community.

***CTC Application Scoring Process Requires Many Volunteers, Somewhat Duplicative.*** CTC relies on about 100 volunteers working in teams of two to evaluate and score proposed projects. Each two-person team evaluates about 15 applications and assigns a score to each project using the scoring criteria approved by the CTC. CTC staff also evaluate and score each project in order to ensure consistency in scoring across the various teams.

***MPOs Limited to Pool of Projects that Apply for State Funding.*** The current project application and selection process limits the projects available for selection by MPOs to only those projects that applied for funding through the statewide component of the program, but did not receive funding. By limiting the pool of eligible projects in this way, it is possible that certain projects that are a high priority from a local or regional perspective are not eligible to be funded.

LAO makes the following recommendations:

***Require Collection of Better Data on Program Benefits.*** Better data collection is needed to evaluate the benefits of the projects.

***Consider Role of Statewide Component of the Program.*** The projects receiving funding from the statewide component of the program do not appear to differ significantly from the types and size of projects receiving funding through the other program components and are generally small in scale. The LAO recommends the Legislature consider whether the role of the statewide component of the program should focus on larger, more transformative projects, as was envisioned when the ATP was established.

***Consider Providing More Flexibility to MPOs.*** If the Legislature changes the statewide component of the program, the process for selecting projects for the MPOs and small urban and rural regions would need to also change. However, even if the Legislature does not change the statewide component of the program, the LAO recommends that the Legislature consider providing additional flexibility to the MPOs to select projects they determine are the highest priority for their region. One approach could be to remove the existing requirement that MPOs choose projects only from the list of projects that previously applied to (and did not receive funding from) the statewide component. This could allow MPOs to potentially look at a broader pool of projects while still ensuring all projects have oversight from CTC. Another approach could be to grant the funds to the MPOs, allowing the MPOs to administer the funds

and require reporting on how funds are spent. Under such an approach, the MPO-selected projects would no longer be subject to project-level oversight by the CTC.

<b>STAFF COMMENTS</b>
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ATP has grown to be a significant program that receives about \$200 million a year in funding. This program has the potential to increase the number of safe non-motorized trips to help address issues such as GHG emissions and obesity in some of the state's most disadvantaged communities. However, without good data, it is unclear if the state is getting the intended benefits of the ATP program, or if it is awarding funding to projects that can deliver those benefits. The Subcommittee may want to ask CTC what its plans are for collecting better data to enable future evaluation of the program.

While the program currently works adequately, there are some shortcomings, and the Subcommittee may want to consider if changes should be made to the three different components [(1) the 50 percent of funding awarded by the CTC; (2) the 40 percent awarded by larger MPOs; and, (3) the 10 percent of funding for small urban and rural areas awarded by CTC] of the program and how they are administered. For example, it appears that some of the work done by CTC and MPOs to award projects is duplicative, and that there are not clear distinctions between the types of projects awarded by the two components.

An option to address this would be to create distinctions between the statewide and large MPO components of the program so that each is designed to competitively award funding to different types of projects. For example, the statewide component could focus on awarding transformative projects that are tracked and evaluated over time and the MPOs could award smaller, discrete projects that are consistent with regional priorities. If such changes were made, allocating a greater percentage of the total funding to MPOs should be considered.

Also, if the statewide component were to award funding to more transformative projects, the Legislature may want to consider directing the CTC to use a multidisciplinary panel to review all applications to ensure consistency, and that projects are being evaluated on the basis of various elements, such as health benefits, safety, equity, and technical feasibility. This component may also need to be structured to ensure that smaller MPOs are still able to successfully compete within a smaller pool of funds.

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**Staff Recommendation: Informational Only.**

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**ISSUE 2: TRANSPORTATION SYSTEM OVERSIGHT**

The Governor's Budget requests for the California Transportation Commission (CTC):

- \$551,000 for three permanent positions and \$1.1 million for eight two-year limited-term positions for increased workload associated with the Road Repair and Accountability Act of 2017 (SB 1), Chapter 95, Statutes of 2017 (SB 103 ), and Chapter 698, Statutes of 2018 (SB 1328).
- Converting \$122,000 of The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) funding in the CTC's budget to State Highway Account (SHA) and Public Transportation Account (PTA) funding.
- Reducing the CTC's reimbursement authority by \$276,000.

**BACKGROUND**

The CTC currently has 26 authorized positions. The three permanent positions requested will address increased workload in the Active Transportation Program, Local Streets and Roads Program, and provide advice and develop policy related to environmental issues. The eight limited-term positions will assist with the State Transportation Improvement Program, State Highway Operation and Protection Program, Trade Corridor Enhancement Program, Congested Corridors Program, and the Local Partnership Program. While the Commission received six additional positions for programs created by SB 1 in 2017-18, there has been additional unforeseen workload that the Commission is currently completing through redirection of resources and increased levels of overtime by existing staff.

The Department of Finance (Finance) is currently conducting a Mission Based Review of CTC, which helped it to identify the need for additional resources. Finance and the Commission will continue to work through the Mission Based Review to assess the impact of continued implementation and oversight of the SB 1 programs to ensure the CTC has adequate resources.

The proposed conversion of \$122,000 Prop 1B funding to SHA and PTA aligns the CTC's funding with its current workload. Also, a reduction in reimbursement authority is requested because workload for the Bay Area Toll Authority has decreased and accordingly so will reimbursements for this work.

**STAFF COMMENTS**

The Subcommittee may wish to ask when the Mission Based Review will be completed, and why limited-term funding for eight positions is being requested when the workload is likely to be ongoing.

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**Staff Recommendation: Hold Open.**

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## 2660 CALTRANS

The Governor's budget includes \$14.6 billion all funds for Caltrans in 2019-20, an increase of nearly \$2 billion, or 15 percent from the current year, and increase of about \$5 billion from 2017-18. The budget includes funding from the Road Repair and Accountability Act of 2017 (SB 1). The proposed budget for Caltrans only includes special funds, and no General Fund support. The total number of proposed positions is 20,613. The figure below shows the proposed positions and expenditures for Caltrans by program:

**Caltrans 2019-20 Proposed Positions and Expenditures by Program**

<b>Program</b>	<b>Positions</b>	<b>Dollars (in millions)</b>
Capital Outlay Projects	NA	\$5,257.8
Local Assistance	265	2,801.7
Capital Outlay Support	8,757	2,104.7
Maintenance	6,907	2,075.0
Intercity Rail Passenger Program	44	798.7
State and Federal Mass Transit	63	785.7
Administration	1,519	409.6
Operations	1,077	267.8
Equipment Service Program	648	228.1
Statewide Planning	703	163.3
Legal	277	145.1
Regional Planning	39	126.4
Program Development	201	76.2
Office of Inspector General	92	15.7
Aeronautics	24	8.6
Distributed Equipment Service Program Costs	-	-228.1
Administration - Distributed	-	-\$409.6
<b>Totals</b>	<b>20,613</b>	<b>\$14,626.6</b>

Source: Department of Finance

**ISSUE 3: ROAD REPAIR AND ACCOUNTABILITY ACT IMPLEMENTATION PLAN**

The Governor's budget requests \$2.0 billion in Road Maintenance and Rehabilitation Account (RMRA) funding for local and capital funding for transportation projects consistent with SB 1. The request includes position authority for 333 Maintenance and 13 new permanent Equipment Program positions. The Caltrans support request includes \$28.8 million ongoing resources and \$26.8 million limited-term resources.

**BACKGROUND**

Through a mix of new fees and taxes, SB 1 is expected to generate approximately \$5 billion in revenue annually. Revenue is allocated evenly between state and local transportation projects and programs as shown in the figure below:

**Road Maintenance and Accountability Act Funding**

(Dollars in Millions)

Program		2018-19	2019-20
Local Allocations	Local Streets and Roads	\$1,152	\$1,225
	Transit and Intercity Rail Capital Program	\$330	\$337
	State Transit Assistance	\$413	\$457
	Local Partnership Program	\$200	\$200
	Active Transportation Program	\$100	\$100
	STIP (Regional Share)	\$0	\$20
	Commuter Rail and Intercity Rail	\$44	\$50
	Local Planning Grants	\$25	\$25
Total:		\$2,264	\$2,414
State Allocations	SHOPP/Maintenance	\$1,209	\$1,222
	Bridges and Culverts	\$400	\$400
	Commuter Corridors	\$250	\$250
	Trade Corridor Enhancement	\$307	\$307
	Department of Parks and Recreation*	\$79	\$79
	Freeway Service Patrol	\$25	\$25
	Department of Food and Agriculture*	\$26	\$26
	STIP (Interregional Share)	\$0	\$7
	Transportation-related CSU and UC Research	\$7	\$7
	Transportation Workforce Development Board	\$10	\$5
Total:		\$2,314	\$2,328

Administration	DMV, SCO, CDTFA, Statewide Costs	\$8	\$18
	Total:	\$8	\$18
Revenue	Transportation Improvement Fee	\$1,500	\$1,550
	Gasoline Excise Tax	\$1,857	\$1,899
	Diesel Excise Tax	\$642	\$675
	Diesel Sales Tax	\$352	\$400
	General Fund Loan Repayment	\$235	\$236
	Total:	\$4,586	\$4,760

\*Revenue derived from fuel purchased for off-road vehicles.

The Governor's budget proposes to spend about \$1.2 billion for State Highway Operations Protection Program and Maintenance Program (SHOPP) activities to address priority maintenance and repair activities statewide, such as pavement (potholes, cracks, and spalls), bridge maintenance, guardrails, striping, signs, traffic signals and roadway lighting. The Department will continue to use a combination of contract dollars and increased positions to execute work and raise the Level of Service (LOS) scores, with increases in lane miles paved, pothole and culvert repair, and bridge maintenance activities as noted herein. The Department will direct these resources to activities statewide, with a focus on freight and trade corridors. Currently Caltrans has position authority for 6,521.5 maintenance positions and authority for 634.6 equipment positions. To accomplish the proposed activities the budget request includes the following for the maintenance and equipment programs:

- Permanent increase of 333 maintenance positions and \$28.9 million;
- One-time increase of \$9.0 million for specialized equipment rental to support the increased maintenance workload statewide and to respond to emergencies;
- Permanent increase of 13 equipment positions and \$1.4 million
- Onetime cost for tool sets for \$355,000, and \$3.5 million for ongoing replacement and repair costs, tool complement and personal protective equipment beginning in 2020-21;
- Two year limited-term resources for engineering work and \$344,000 each year to provide support services for implementing new equipment purchases; and,
- \$31.1 million over two years for the acquisition and manufacture of the required fleet equipment needed to build and maintain transportation infrastructure statewide.

The table on the following page provides an example of some of the increased field maintenance activities because of the RMRA funding. The table reflects the efforts of Field Maintenance staff to continue improving conditions in priority activities and gives examples of



improvements in areas such as potholes, cracks, culverts, and bridges. LOS is the level of service and a higher LOS is better and shows that the conditions are improving.

**Field Maintenance Production**

		3 Year Pre-RMRA Funding Average (14-15-16-17)		FY 17-18 Actual			FY 18-19 Projected Goals			FY 19-20 Planned Goals			
		Production	Positions	Production	LOS	Positions	Production	LOS	Positions	Production	LOS	Positions	
Unit of Measure													
Pavement													
Potholes	Each	90,357	57	86,356	87	50	123,706	88	135	222,772	89	135	
Cracks	Lane Miles	6,350	61	14,495	42	70	17,718	57	125	19,917	74	125	
Spalls	Each	8,175	10	7,262	44	10	11,612	60	23	17,776	90	23	
Electrical													
Lighting	Each	22,572	78	25,234	99	89	29,734	99	94	26,859	99	94	
Traffic Signals	Each	38,836	69	39,439	71	71	42,939	84	79	44,089	90	79	
Safety													
Striping	Linear Miles	38,277	56	27,576	80	64	38,444	90	74	40,448	90	74	
Signs	Each	76,395	130	73,754	62	135	78,154	73	140	79,424	95	140	
Guardrail	Feet	780,474	145	673,642	58	156	1,093,642	84	178	859,909	85	178	
Structures													
Bridge	Each	33	45	38	35	49	112	48	113	112	90	113	
Roadside													
Culverts	Each	93,626	75	74,774	N/A	70	103,774	N/A	103	119,454	N/A	103	

**STAFF COMMENTS**

Overall, staff has no concerns with this proposal. The increase in maintenance and equipment resources will allow Caltrans to continue to improve pavement, bridges, and other high-priority maintenance areas.

The Subcommittee may wish to ask Caltrans if it has vacant maintenance and equipment positions and what steps Caltrans is taking to fill the requested positions.

**Staff Recommendation: Approve as Budgeted.**

**ISSUE 4: PROJECT INITIATION DOCUMENTS**

The Governor's budget requests \$85.7 million in State Highway Account (SHA) and RMRA funds for 407 positions and 45 full time equivalents (FTE) for Architecture and Engineering (A&E) contracting and overtime for the Project Initiation Document (PID) Program in 2019-20, based on the biennial zero-based budget review. This request represents a 5 percent increase in SHA resources for A&E contracting and will increase the A&E authority from 5 percent to 10 percent of the total PID Program budget.

**BACKGROUND**

A PID must be developed and approved by Caltrans before a capital project can be programmed and constructed on the State Highway System. A PID provides engineering details that document the scope, cost, and schedule of a project.

The PID Program supports the 10-Year State Highway Operation and Protection Program (SHOPP) Plan. To meet the State's needs, Caltrans develops a biennial multi-year PID workload to identify the PIDs scheduled for development in the subsequent two fiscal years, in this case 2019-20 and 2020-21. Based on those plans, the PID Program submits a biennial Zero-Based Budget Change Proposal (BCP) to ensure sufficient resources are available to oversee and develop PIDs.

Additional A&E resources would allow the PID Program to quickly redirect resources between districts to account for workload and staffing fluctuations, rapidly deploy resources to develop PIDs, and take advantage of funding which becomes available through project cost savings and other sources. Overall, A&E resources help efficiently realign resources to deliver PIDs on schedule and on budget.

The requested resources will develop PIDs for SHOPP, state-sponsored, and local-sponsored development. In recent years, the number of PIDs developed annually has fluctuated due to available resources for capital projects. In addition, PIDs have become increasingly complex, as Caltrans has shifted to a multi-asset approach rather than a single-asset approach to planning and now bundles projects such as pavement, bridges, and drainage projects together. If approved, this request would fund the following positions:

- 297 positions for SHOPP and RMRA SHOPP PID development;
- 20 RMRA FTEs for A&E PID development;
- 5 RMRA FTEs for Cash Overtime for PID development;
- 20 (new) SHA A&E FTEs for A&E PID development;

- 15 SHA positions for State-sponsored PID development;
- 21 SHA positions for local-sponsored reimbursement PID development;
- 22 SHA and RMRA positions for technical engineering support; and,
- 52 SHA and RMRA positions for program management.

The PID Program plans to complete about 574 SHOPP PIDs and 120 Non-SHOPP PIDs in the 2019-20 and 2020-21 workload. About half of these are expected to be completed in 2019-20.

<b>STAFF COMMENTS</b>
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The budget request increases PID resources by about \$5 million from the amount of funding provided in 2018-19, and increases A&E contracting authority from 5 to 10 percent. The need to develop a greater number of PIDs is consistent with the increased funding for projects that Caltrans has received since the passage of SB 1. Staff recommends holding this item open to allow time for further consideration.

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**Staff Recommendation: Hold Open.**

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**ISSUE 5: REPAYMENT OF ALL OUTSTANDING GENERAL FUND TRANSPORTATION LOANS**

The Governor proposes trailer bill language to repay all outstanding General Fund transportation loans, no later than June 30, 2020. This includes:

- \$236 million (this amount was already going to be repaid in 2019-20, but under the Administration's proposal would *not* count as part of Proposition 2).
- \$873 million in loaned weight fees would be repaid in 2019-20 instead of in 2020-21 as required by current statute.

**BACKGROUND**

During the Great Recession transportation funds were loaned to the General Fund to help address the budgetary shortfalls. Specifically, prior to Proposition 42, the state borrowed \$1.2 billion from the Traffic Congestion Relief Fund. As of 2016-17, \$879 million remained to be repaid. The 2016-17 Budget Act repaid \$173 million and SB 1 set up a schedule for repayment of the remaining amount of \$706 million over three years. The state has made two repayments (per SB 1) in 2017-18 and 2018-19 for a total of \$470 million. These amounts were made pursuant to Proposition 2. (Proposition 2 establishes the rules that govern the state's general purpose constitutional reserve.) Under the Administration's proposal, the remaining \$236 million will be repaid in 2019-20 (per SB 1) and will *not* be included as Proposition 2 payments.

In addition, the proposed trailer bill language would allow the repayment of all previously loaned weight fees back to the debt service fund a year early. Under current statute, full repayment would not happen until 2020-21. The Department of Finance estimates that there will be \$873 million in previously loaned weight fees that need to be repaid as of the end of 2018-19. This language would repay the entire amount in 2019-20, instead of waiting until 2020-21.

**STAFF COMMENTS**

It is staff's understanding that there is no budgetary need to repay the weight fee loans (\$873 million) a year early. Staff recommends holding this item open so that it can be considered within the larger context of the Administration's proposal to pay off all of the state's budgetary debt (\$2.4 billion total), build additional reserves, and pay off other liabilities.

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**Staff Recommendation: Hold Open.**

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## 2740 DEPARTMENT OF MOTOR VEHICLES

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The Governor's budget includes \$1.2 billion mostly from the Motor Vehicle Account (MVA) for the Department of Motor Vehicles (DMV) in 2019-20, which is about the same level of funding as the current year level. DMV's budget includes 8,323 positions.

### ISSUE 6: MOTOR VEHICLE ACCOUNT FUND CONDITION (APRIL FINANCE LETTER UPDATE)

The Governor's budget proposes \$3.9 billion in Motor Vehicle Account expenditures for 2019-20, primarily for DMV, California Highway Patrol (CHP), and the Air Resources Board (ARB).

### BACKGROUND

The MVA receives most of its revenues from vehicle registration fees. These fees currently total \$86 for each registered vehicle and consist of: (1) a base registration fee of \$60; and, (2) a CHP fee of \$26. The MVA also receives a smaller amount of revenues (about \$280 million in 2018-19) from the \$36 driver license fee. The remaining MVA revenues come from late fees, identification card fees, and miscellaneous fees for special permits and certificates. These fees are indexed to the Consumer Price Index (CPI), allowing the fees to automatically increase with inflation.

The California Constitution restricts most MVA revenues to supporting the administration and enforcement of laws regulating the use of vehicles on public highways and roads, and mitigating the environmental effects of vehicle emissions. Accordingly, the MVA provides funding to CHP, DMV, and ARB. Since 2009-10, the MVA revenues that are not constitutionally restricted have been transferred to the General Fund. The budget proposes to transfer \$92 million in 2019-20.

### January Budget Proposal

In recognition of the estimated operational shortfalls facing the MVA—particularly in the current year—and the likelihood that the account will become insolvent in the future, the Governor's January budget included various proposals intended to benefit the MVA. On the following page is the MVA's fund condition in January with the inclusion of the Governor's proposals and a five-year forecast. As shown, even with these proposals, the MVA's reserve continues to decline in future years, and by 2021-22, the fund is insolvent.

**Motor Vehicle Account (0044) Fund Condition**

(dollars in millions)

January 10 Budget with JLBC request

Updated January 10, 2019

	Past Year 17-18	Current Year 18-19	BY 19-20	BY+1 20-21	BY+2 21-22	BY+3 22-23	BY+4 23-24
<b>BEGINNING RESERVES</b>	\$462	\$505	\$301	\$281	\$140	\$ (37)	\$ (147)
<b>REVENUES &amp; TRANSFERS</b>							
Registration Fee	\$3,223	\$3,325	\$3,454	\$3,587	\$3,726	\$3,858	\$3,986
Other Fees	\$551	\$553	\$558	\$562	\$531	\$570	\$574
<b>Total Fee Revenue</b>	<b>\$3,774</b>	<b>\$3,878</b>	<b>\$4,012</b>	<b>\$4,149</b>	<b>\$4,257</b>	<b>\$4,428</b>	<b>\$4,560</b>
<b>TRANSFERS</b>							
Transfers To/From Other Funds	\$ (90)	\$ (89)	\$ (92)	\$ (95)	\$ (98)	\$ (101)	\$ (104)
<b>Total Resources</b>	<b>\$4,146</b>	<b>\$4,294</b>	<b>\$4,221</b>	<b>\$4,335</b>	<b>\$4,299</b>	<b>\$4,291</b>	<b>\$4,309</b>
<b>SUPPORT EXPENDITURES</b>							
Baseline CHP	\$2,164	\$2,302	\$2,322	\$2,510	\$2,645	\$2,734	\$2,778
Anticipated CHP Dash Cam Costs*					\$14	\$14	\$14
Baseline DMV	\$1,062	\$1,129	\$1,081	\$1,103	\$1,110	\$1,107	\$1,090
July 2018 JLBC Request		\$17					
December 2018 Provisional Language Request		\$40					
Placeholder DMV Additional REAL ID Costs**			\$64	\$64	\$64	\$64	
Baseline ARB	\$140	\$148	\$147	\$152	\$156	\$161	\$166
Other (Other Departments, Local Assistance, Assessments including Pro Rata)	\$256	\$280	\$260	\$266	\$270	\$275	\$280
Supplemental Pension Plan Payments (SB 84)		\$59	\$62	\$64	\$66	\$69	\$72
<b>Subtotal, Support</b>	<b>\$3,622</b>	<b>\$3,975</b>	<b>\$3,936</b>	<b>\$4,158</b>	<b>\$4,325</b>	<b>\$4,424</b>	<b>\$4,399</b>
<b>CAPITAL OUTLAY EXPENDITURES</b>							
CHP	\$10	\$12	\$3	\$13	\$3	\$6	\$13
DMV	\$9	\$6	\$1	\$24	\$0	\$0	\$0
ARB					\$8	\$8	\$8
<b>Subtotal, Cap Outlay</b>	<b>\$19</b>	<b>\$18</b>	<b>\$4</b>	<b>\$37</b>	<b>\$11</b>	<b>\$14</b>	<b>\$21</b>
<b>Expenditure Total</b>	<b>\$3,641</b>	<b>\$3,993</b>	<b>\$3,940</b>	<b>\$4,195</b>	<b>\$4,336</b>	<b>\$4,438</b>	<b>\$4,420</b>
<b>Reserve</b>	<b>\$505</b>	<b>\$301</b>	<b>\$281</b>	<b>\$140</b>	<b>\$ (37)</b>	<b>\$ (147)</b>	<b>\$ (111)</b>
Percent of expenditures	13.9%	7.5%	7.1%	3.3%	-0.8%	-3.3%	-2.5%

\*Legislature rejected out year funding in BY+2 and ongoing, but the Administration anticipates requesting these resources at a future date.

\*\*The Legislature approved funding in 17-18 and 18-19; DMV anticipates requiring funding through 2022-23.

Specifically, the January budget proposes to:

**Shift from “Pay-As-You-Go” to Financing for CHP Area Office Replacements.** The state has typically funded the replacement of CHP area offices from the MVA on a pay-as-you go basis. The Governor’s budget proposes to finance the replacement of three CHP area offices through the Public Buildings Construction Fund, rather than with pay-as-you-go as they were initially approved by the Legislature. The financing of the projects would be repaid from the MVA over many years. This is discussed in more detail in the “California Highway Patrol” section of this agenda.

***Shift Certain One-Time MVA Expenditures to the General Fund.*** The Governor's budget includes a one-time total General Fund augmentation of \$77.1 million—\$74.1 million for CHP and \$3 million for DMV—to support a variety of proposals that would have otherwise been funded from the MVA. For example, the budget proposes \$44.5 million from the General Fund to replace radio communications systems in CHP vehicles, as well as \$8 million in General Fund support for deferred maintenance projects at CHP (\$5 million) and DMV (\$3 million).

***Suspend Certain CHP and DMV Capital Outlay Projects.*** The Governor's budget proposes to suspend various CHP and DMV office replacement projects, a fencing project at 20 DMV offices, and to revert the funding to the MVA.

#### **April Finance Letter Update**

In an April 1 Finance letter, the Administration has updates their MVA Fund Condition forecast to reflect updated REAL ID costs and proposes three additional actions to reduce fiscal pressure on the MVA.

***Suspend Transfer of Certain MVA Revenues to General Fund.*** Specifically, the Administration proposes to suspend the transfer of nonconstitutionally restricted revenues to the General Fund (savings of about \$90 million a year) for five years.

***Suspend Supplemental Pension Plan Payments (SB 84).*** The 2017 Budget Act (SB 84) borrowed \$6 billion from the state's cash balances to make a one-time supplemental payment to the California Public Employees' Retirement System (CalPERS). All funds that make employer contributions to CalPERS—including the MVA—will repay a share of this loan. This action would result in savings of roughly \$60 million a year for five years.

***Impose Credit Card Fees on Customers.*** Starting in 2019-20, the Administration proposes to pass on credit card transaction fees to DMV customers. The proposal is estimated to save \$114 million in the MVA over the next five years.

The impacts of these and prior proposals are shown in the MVA updated forecast on the following page:

**Motor Vehicle Account (0044) Fund Condition**  
(dollars in millions)  
April 1 Requests, January 10 Revenues

Updated March 29, 2019	Past Year 17-18	Current Year 18-19	BY 19-20	BY+1 20-21	BY+2 21-22	BY+3 22-23	BY+4 23-24
<b>BEGINNING RESERVES</b>	\$462	\$505	\$354	\$ 310	\$ 191	\$ 155	\$ 205
<b>REVENUES &amp; TRANSFERS</b>							
Registration Fee	\$3,223	\$3,325	\$3,454	\$3,587	\$3,726	\$3,858	\$3,986
Other Fees	\$551	\$553	\$558	\$562	\$531	\$570	\$574
<b>Total Fee Revenue</b>	<b>\$3,774</b>	<b>\$3,878</b>	<b>\$4,012</b>	<b>\$4,149</b>	<b>\$4,257</b>	<b>\$4,428</b>	<b>\$4,560</b>
<b>TRANSFERS</b>							
Transfers To/From Other Funds	\$ (90)	\$ (89)	\$ (1)	\$ (1)	\$ (1)	\$ (1)	\$ (1)
<b>Total Resources</b>	<b>\$4,146</b>	<b>\$4,294</b>	<b>\$4,365</b>	<b>\$4,458</b>	<b>\$4,447</b>	<b>\$4,582</b>	<b>\$4,764</b>
<b>SUPPORT EXPENDITURES</b>							
Baseline CHP	\$2,164	\$2,302	\$2,322	\$2,510	\$2,645	\$2,734	\$2,778
Anticipated CHP Dash Cam Costs*					\$14	\$14	\$14
Baseline DMV	\$1,062	\$1,129	\$1,081	\$1,103	\$1,110	\$1,107	\$1,090
July 2018 JLBC Request		\$17					
January 2018 Provisional Language Request		\$40					
March 2019 Provisional Language Request		\$6					
DMV Operational Improvements			\$241	\$200	\$86	\$72	\$45
Baseline ARB	\$140	\$148	\$147	\$152	\$156	\$161	\$166
Other (Other Departments, Local Assistance, Assessments including Pro Rata)	\$256	\$280	\$260	\$266	\$270	\$275	\$280
Supplemental Pension Plan Payments (SB 84)							\$140
<b>Subtotal, Support</b>	<b>\$3,622</b>	<b>\$3,922</b>	<b>\$4,051</b>	<b>\$4,230</b>	<b>\$4,281</b>	<b>\$4,363</b>	<b>\$4,512</b>
<b>CAPITAL OUTLAY EXPENDITURES</b>							
CHP	\$10	\$12	\$3	\$13	\$3	\$6	\$13
DMV	\$9	\$6	\$1	\$24	\$0	\$0	\$0
ARB					\$8	\$8	\$8
<b>Subtotal, Cap Outlay</b>	<b>\$19</b>	<b>\$18</b>	<b>\$4</b>	<b>\$37</b>	<b>\$11</b>	<b>\$14</b>	<b>\$21</b>
<b>Expenditure Total</b>	<b>\$3,641</b>	<b>\$3,940</b>	<b>\$4,055</b>	<b>\$4,267</b>	<b>\$4,292</b>	<b>\$4,377</b>	<b>\$4,533</b>
<b>Reserve</b>	<b>\$505</b>	<b>\$354</b>	<b>\$ 310</b>	<b>\$ 191</b>	<b>\$ 155</b>	<b>\$ 205</b>	<b>\$ 231</b>
<b>Percent of expenditures</b>	<b>13.9%</b>	<b>9.0%</b>	<b>7.6%</b>	<b>4.5%</b>	<b>3.6%</b>	<b>4.7%</b>	<b>5.1%</b>

\*Legislature rejected out year funding in BY+2 and ongoing, but the Administration anticipates requesting these resources at a future date.

### LAO COMMENTS

The LAO's comments, prior to the release of the April Finance Letter, are based on an assumption that the MVA will be insolvent in 2021-22. Based on that, the LAO recommends the Legislature consider taking the following steps, now, to prevent the future insolvency:

- **Amend Supplemental Pension Plan Repayment Schedule.** The 2017 Budget Act borrowed \$6 billion from the state's cash balances to make a one-time supplemental



payment to the California Public Employees' Retirement System (CalPERS). All funds that make employer contributions to CalPERS—including the MVA—will repay a share of this loan. Working with the Administration, the Legislature could amend the MVA's repayment schedule to focus more repayments in the latter years and reduce the required repayments over the next few years to provide immediate relief.

- **Eliminate General Fund Transfer.** As mentioned earlier, the MVA receives roughly \$90 million in miscellaneous revenues that are not limited in their use by the California Constitution. Currently, these revenues are transferred to the General Fund, making them unavailable to support MVA expenditures. The Legislature could stop this transfer and keep these revenues in the MVA,
- **Increase MVA Revenues.** The Legislature could generate additional revenues by increasing vehicle registration or driver license fees—either on a limited-term or ongoing basis. The LAO estimates that roughly \$30 million in additional revenue could be generated annually from a \$1 increase in the base vehicle registration, and roughly \$6 million from a \$1 increase in the driver license fee.
- **Implement DMV Efficiencies.** Two evaluations of DMV's operational processes are underway—one by DOF and one by the Government Operations Agency. The Legislature may want to consider directing the department and agency to submit a report at spring budget hearings on potential efficiencies. This would allow the Legislature to consider all of the potential efficiencies that have been identified thus far, their impact on MVA expenditures, as well as potential statutory changes that may need to be enacted to implement certain efficiencies.

#### STAFF COMMENTS

Without taking action to reduce fiscal pressure, the MVA will be insolvent in a couple of years. Some of the funding shortfall is attributable to the short-term need in increased funding to implement REAL ID. Other cost pressure have come from the need to replace numerous DMV and CHP offices that are not structurally sound. In addition, there are likely to be future cost pressures for major IT investments at DMV and to implement strategies to make DMV more efficient.

To address the funding shortfall and to provide funding for other priorities at DMV and CHP, the Subcommittee may want to consider approving some of the actions recently proposed by the Administration, in addition to taking other actions to reduce fiscal pressure on the MVA.

The following actions were proposed by the Administration in January and April to improve the MVA's fund condition; the Subcommittee may want to approve these actions:

- ***Eliminate MVA Transfer to the General Fund.*** The Administration proposes to suspend the MVA transfer to the General Fund for five years. This approach would benefit the MVA by roughly \$90 million annually, but would create an ongoing cost-pressure on the General Fund.
- ***Amend Supplemental Pension Plan Repayment Schedule.*** The Administration proposes to suspend these payments for five years. This approach would benefit the MVA by roughly \$60 million annually, but would increase cost pressure in the future.
- ***Suspend of Certain DMV and CHP Capital Outlay Projects.*** Staff recommends the Subcommittee approve the suspension of certain DMV and CHP capital outlay projects as proposed by the Administration. This will provide immediate fiscal relief.

Below are other options to improve the MVA's Fund Condition that the Subcommittee may want to consider also approving:

- ***Fund REAL ID Costs with General Fund.*** This year's budget proposal includes using General Fund to pay for certain CHP costs that have historically been funded from the MVA. One way to ease the fiscal pressure on the MVA would be to pay for some of the costs of the continued implementation of REAL ID out of the General Fund.
- ***Consider Rejecting Proposals to Finance CHP Capital Outlay Projects.*** If the Subcommittee takes action to reduce fiscal pressure on the MVA, it will want to consider how much fiscal relief it provides that it could then use to fund other priorities. For example, one option would be to provide enough funding so that the cost of the replacement of three CHP area offices could be cash-funded, as they have been in the past. This approach, instead of the Administration's proposal to borrow funds to finance the cost of these projects, results in lower total costs because the state does not have to pay interest costs associated with borrowing funds.
- ***Consider a Maintaining a Smaller Reserve.*** The Administration proposes a reserve for the Motor Vehicle Account that ranges from \$310 million to \$155 million across the five-year forecast period. The Administration has said that a target reserve of \$100 million is ideal, but given that revenues registration fees are fairly stable and predictable, it is likely that a smaller reserve would be adequate for the next five years.

- **Consider Longer-Term Cost-Savings Strategies.** Other ways to reduce fiscal pressure on the MVA is to make changes that would reduce the overall cost of DMV's operations. For example, the CA driver's license (DL) is valid for 5 years. In 2018, 19 states had a DL that was valid for 6 years or more. Increasing the length of time that the DL is valid to eight years would result in annual cost-savings once fully implemented. Similarly, increasing the length of time that a vehicle registration was valid from one to two years would also reduce DMV's operating costs. The Subcommittee may wish to direct the DMV and DOF to provide a cost estimate of the savings from increasing the length of time of validity for the DL and vehicle registration.

**Staff Recommendation: Hold Open.**

<b>ISSUE 7: DMV CAPITAL OUTLAY AND DEFERRED MAINTENANCE PROPOSALS</b>
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The Governor's Budget proposes the following DMV field office capital outlay projects:

<b>DMV Capital Outlay Proposals (in millions)</b>			
<b>Field Office Project</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Inglewood Field Office Replacement Reversion*	-\$15.1	\$0.0	\$0.0
Perimeter Security Fences Reversion*	-\$9.9	\$0.0	\$0.0
Reedley Field Office Replacement	\$1.2	\$14.1	\$0.0
Walnut Creek Field Office Relocation (lease)	\$0.7	\$0.5	\$0.7
<b>Totals</b>	<b>-\$23.1</b>	<b>\$14.6</b>	<b>\$0.7</b>

\*The reversion of funds is due to this project being proposed for suspension.

The Governor's Budget also requests \$3 million General Fund for the highest priority deferred maintenance projects at the DMV. DMV has a total deferred maintenance backlog of \$17.7 million. This request would fund roof replacements at 16 field offices and HVAC replacements at two facilities.

<b>BACKGROUND</b>
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DMV operates 249 facilities that include customer service field offices, telephone service centers, commercial licensing facilities, headquarters, and driver safety and investigations offices. Over half of DMV facilities are field offices. According to DMV, most of its field offices are programmatically deficient and/or do not meet seismic criteria. Beginning in 2015-16, the Administration initiated a plan to replace a couple of DMV field offices each year.

However, as discussed previously in this agenda, the MVA faces insolvency. In an attempt to address the problem, the Administration has proposed suspending some DMV projects and only moving forward with high-need projects. Specifically, the capital outlay proposals are:

***Inglewood: Field Office Replacement-Reversion.*** This project is proposed for suspension due to fiscal constraints on the Motor Vehicle Account, resulting in a one-time reversion of \$15.1 million for the design-build phase.

***Perimeter Security Fences-Reversion.*** Perimeter security fence projects are proposed for suspension due to fiscal constraints on the Motor Vehicle Account, resulting in a one-time reversion of \$9.9 million. 66 of 170 DMV field offices report regular problems with afterhours trespassing, and 20 of those offices report serious and ongoing health and safety concerns resulting from these activities. The 2017 and 2018 Budget Acts provided about \$10 million MVA for fencing at 20 offices.

**Reedley Field Office Replacement.** \$1.2 million from the MVA to fund the working drawings phase of the DMV Reedley Field Office Replacement project. Acquisition was funded in 2017-18 for \$2.2 million. The preliminary plan phase was in 2018-19 for \$1.1 million and the construction phase is to be funded in 2020-21 for \$14.1 million. The total project cost is estimated at \$18.6 million. This project will replace a 53-year-old structurally and functionally deficient leased office with a new, safe, appropriately sized, and efficiently designed facility.

**Walnut Creek Field Office Relocation.** \$1 million in 2019-20, \$506,000 in 2020-21, \$694,000 in 2021-22, and ongoing is proposed for a new leased Walnut Creek Field Office due to the loss of the lease at the current field office. This funding will allow DMV to continue serving the general public particularly in regards to the increase in customer volume getting REAL ID cards. Currently, the DMV and Department of General Services have negotiated a two-year lease extension, and have been actively looking for a new lease space to be occupied by October 1, 2020.

<b>STAFF COMMENTS</b>
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Staff has no concerns with the specific proposals. However, there are significant concerns about the overall approach to addressing the MVA shortfall and suspending capital outlay projects or borrowing instead of funding with cash (as has been the past practice). Approving MVA funding for DMV's capital outlay projects will be considered as part of the overall approach to maintaining the solvency of the MVA.

The Administration's Deferred Maintenance Proposals will be considered as part of the overall budget structure.

<b>Staff Recommendation: Hold Open.</b>
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## 2720 CALIFORNIA HIGHWAY PATROL

The Governor's budget includes \$2.7 billion from various fund sources for the California Highway Patrol (CHP) in 2019-20, which is about \$118 million more than the current year. Nearly \$80 million of the increase is from the General Fund. Historically, the CHP has not received General Fund dollars. The CHP has 10,865 positions, including 7,600 uniformed officers.

### ISSUE 8: CHP CAPITAL OUTLAY AND DEFERRED MAINTENANCE PROPOSALS

The Governor's Budget proposes the following CHP area office capital outlay projects.

Area Office Project (in millions)	2019-20	Design-Build Costs Shift to Public Buildings Construction Fund
El Centro Area Office Replacement Reversion	-\$40.4	\$41.9
Hayward Area Office Replacement Reversion	-\$48.1	\$48.7
San Bernardino Area Office Replacement Reversion	-\$40.3	\$42.0
Quincy Area Office Replacement Reversion*	-\$36.9	NA
Statewide Planning and Site Identification (Santa Ana Area Office)*	-\$0.5	NA
<b>Totals</b>	<b>-\$166.1</b>	<b>\$132.7</b>

\*The reversion of funds is due to this project being proposed for suspension.

The Governor's budget proposes to shift three CHP area office replacement projects from a "pay-as-you-go" approach to financing using lease revenue bonds. This would result in the reversion to the MVA of \$165.7 million in previously authorized funds as shown in the figure above. The Quincy Area Office replacement project is proposed to be suspended, as well as the Santa Ana Area Office due to constraints on the MVA. The Governor's budget requests \$132.7 million in lease revenue bond authority from the Public Buildings Construction Fund to continue construction of El Centro, Hayward, and San Bernardino area offices.

The Governor's Budget also requests \$5 million General Fund for a prioritized subset of projects from The California Highway Patrol's (CHP) \$44 million deferred maintenance project list. The proposed projects would make improvements various area offices statewide and the types of projects range from repairing security cameras to fixing fences and replacing roofs.

**BACKGROUND**

**CHP Area Office Replacements Began Years Ago.** The CHP operates 103 area offices across the state. In 2013-14, the Administration initiated a plan to replace a few of the most outdated and unsafe CHP field offices each year for the next several years. Accordingly, the Legislature has approved MVA funding in each of the past fiscal years for advanced planning and site selection, and for the replacement of offices. Nearly all of the office replacement projects over the last 10 years at CHP have been funded directly from the MVA.

**Small Reserve Forecast for the Motor Vehicle Account Fund.** As discussed in the MVA Fund Condition write up earlier in this agenda, there will be fiscal pressure on the MVA in the near future.

**Budget Proposes to Revert Previously Authorized MVA Funds and Shift Funding Method to Financing.** As a result of various constraints on the MVA, it is anticipated that funds will be insufficient to provide for CHP office replacement projects over the next five years. The Administration proposes the use of the Public Buildings Construction Fund for the design-build phase to allow these existing projects to continue while reducing pressure on MVA. The proposal will relieve pressure on the MVA in the near-term, but assuming 25-year lease revenue bonds, it is estimated that over time, the total cost of the amount of funding financed—\$132.7 million—will be \$211.9 million, which over the long term puts greater fiscal pressure in the MVA.

**STAFF COMMENTS**

Staff has no concerns with the specific proposals; however, there are significant concerns about the overall approach to addressing the MVA shortfall and suspending capital outlay projects or borrowing instead of funding with cash (as has been the past practice). Borrowing results in greater costs over time and there are alternative ways to address the MVA shortfall. Staff notes that last year the Legislature rejected the Administration's proposals to finance the cost of CHP capital outlay projects instead of cash-fund, as has been the past practice. Financing CHP's capital outlay projects will be considered as part of the overall approach to maintaining the solvency of the MVA.

The Administration's Deferred Maintenance Proposals will be considered as part of the overall budget structure.

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**Staff Recommendation: Hold Open.**

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**ISSUE 9: TASK FORCE: ORGANIZED CRIME (AB 1065)**

The Governor requests \$5.8 million General Fund in 2019-20 and 2020-21 to fund 16 positions and associated costs, to comply with the requirements of AB 1065 (Jones-Sawyer, Chapter 803, Statutes of 2018).

The Administration also proposes trailer bill language to extend the program's sunset date by six months, to July 1, 2021.

**BACKGROUND**

In November 2014, California voters passed Proposition 47, the Safe Neighborhoods and Schools Act, which requires shoplifting, defined as entering a commercial establishment with the intent to commit larceny where the property taken does not exceed \$950, be punished as a misdemeanor. Proposition 47 requires that the act of shoplifting be charged as shoplifting, and prohibits a person who is charged with shoplifting from being charged with burglary or theft of the same property.

AB 1065 creates, until January 1, 2021, the crime of organized retail theft, which would be defined as acting in concert with one or more persons to steal merchandise from one or more merchant's premises or online marketplace with the intent to sell, exchange, or return the merchandise for value, acting in concert with two or more persons to receive, purchase, or possess merchandise owing or believing it to have been stolen, acting as the agent of another individual or group of individuals to steal merchandise from one or more merchant's premises or online marketplaces as part of a plan to commit theft, or recruiting, coordinating, organizing, supervising, directing, managing, or financing another to undertake acts of theft. The bill makes these crimes punishable as either misdemeanors or felonies.

AB 1065 also, until January 1, 2021, requires the California Highway Patrol to, in coordination with DOJ, convene a regional property crimes task force to assist local law enforcement in counties identified by the California Highway Patrol as having elevated levels of property crime, including, but not limited to, organized retail theft and vehicle burglary. The bill requires the task force to provide local law enforcement in the identified region with logistical support and other law enforcement resources, including, but not limited to, personnel and equipment, as determined to be appropriate by the Commissioner of the California Highway Patrol in consultation with task force members.

The CHP requests funding for the following 16 positions to convene and support a regional property crimes task force:



- Three sergeant positions to supervise operational units in regions targeted by the task force.
- Nine officer positions to perform specialized investigations and enforcement targeting organized retail crime. These investigators work together as a team and cooperatively with DOJ to abate organized crime.
- One Associate Governmental Program Analyst position to provide statewide program coordination and administrative support to the task force. This position will serve as the subject matter expert for AB 1065 requirements and all AB 1065 related activities.
- Three Office Technician positions to support the task force and AB 1065 related activities at the regional level. These positions will provide daily office and administrative functions.
- In addition, CHP requests \$2.1 million to contract with DOJ. Exactly what DOJ would do is still being considered by the two departments.

**STAFF COMMENTS**

CHP has made budget request in order to comply with AB 1065, which it interprets as requiring CHP to take the lead in establishing a regional task force and committing resources to this effort. Policing retail theft is beyond the scope of CHP's primary objectives, that are to minimize deaths, injuries, and property losses due to traffic accidents; to reduce traffic delays; to provide protection and assistance to the motoring public, state employees and property, including protection of the State Capitol and the surrounding grounds, state constitutional officers, and visiting dignitaries; and to curtail the potential for terrorist threats as part of broader state and federal homeland security efforts.

It is unclear what level of resources CHP needs and what exactly these positions would do, since this is a new function. Staff recommends holding the request for resources open to allow time for more consideration.

Staff recommends rejecting the proposed trailer bill language to extend the sunset date to July 2021; because, this extension would be in conflict with a November 2020 ballot initiative that would go into effect on January 2021 if passed by voters.

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**Staff Recommendation: Hold open the request for resources and reject the proposed trailer bill language.**

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