

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MARCH 11, 2020

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

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ITEMS FOR VOTE-ONLY

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

VOTE-ONLY ISSUE 1: CONTINUATION OF ADA INFRASTRUCTURE PROGRAM

The Governor's budget requests a permanent increase of \$1.0 million from the State Highway Account (SHA) for the Americans with Disabilities Act (ADA) Infrastructure Program to fund a consultant as required by the 2010 Class Action Settlement.

BACKGROUND

The ADA of 1990 is a civil rights statute that prohibits discrimination against individuals with disabilities. In 2010, a Class Action Settlement was reached relating to the August 2006 class action lawsuit against Caltrans by the Californians for Disability Rights, Inc. and the California Council of the Blind. The United States District Court, Northern District of California lawsuit claimed violations of both federal and state ADA laws because Caltrans failed to install and/or maintain curbs and sidewalks to allow reasonable access for limited mobility and visually impaired persons.

The Settlement stipulates that, beginning in 2010, Caltrans will allocate \$1.1 billion for ADA specific projects over a thirty-year compliance period, make specific changes to its design and construction guidance, develop an improved ADA complaint and grievance resolution process with specific timelines, and report on its progress annually to the ADA community and the plaintiffs. The ADA Program is currently satisfying the terms of the settlement agreement and is on course to meet the \$1.1 billion allocation requirement.

The Settlement required Caltrans to retain an "Access Consultant" to provide an annual report of compliance of Caltrans ADA projects and to review the Caltrans ADA Annual Report. Caltrans received temporary funding for the current consultant contract through a 2014-15 budget request; however, that funding expires in June 2020. The request provides permanent funding for the required consultants, so it can continue doing the mandated work.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 2: CONTINUATION OF PROPOSITION 1B ADMINISTRATIVE SUPPORT

The Governor's budget requests for the administration of Proposition 1B (the "Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006) \$5 million (Proposition 1B funds) in 2020-21 and \$4.9 million (Proposition 1B funds) in 2021-22 for the continuation of 19.5 positions. Total funding requested in each fiscal year includes \$2.3 million for a program audit contract administered by the Department of Finance.

BACKGROUND

Proposition 1B (approved on November 7, 2006) dedicates \$19.9 billion to fund State Transportation Improvement Program and State Highway Operation and Protection Program projects, corridor improvements, congestion relief upgrades, public transit expansion, reduction of air pollution, and enhancements to anti-terrorism security at ports. It also provides funding to cities and counties for local street and road improvements, road maintenance, safety, congestion relief, rehabilitation, seismic bridge projects, and for support of state and local partnerships.

At program inception, Caltrans staffed up to meet the high number of active projects early in the program, and has since downsized Proposition 1B program administration positions at approximately the same rate as the number of active projects has declined. The number of active projects peaked at approximately 1,100 in 2011-12, and is projected to decline to around 300 by 2020-21, a 73 percent reduction. Concurrently, the number of program administration positions will decline from a high of 75 in 2012-13 to 19.5 in 2020-21, a 74 percent reduction. This request reduces the 2019-20 Proposition 1B staffing level of 30 positions by 10.5 positions in 2020-21 and by one additional position in 2021-22, for a total reduction of 11.5 positions.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 3: HIGHWAY FUND SHIFT

The Governor's Budget requests a \$96.0 million conversion from federal resources to the State Highway Account (SHA) within the Maintenance Program.

BACKGROUND

The SHA is a major funding source for highway maintenance and rehabilitation work on the state highway system. In 2009-10, Caltrans converted \$85.0 million in the Maintenance Program from SHA to federal funds. Similarly, in 2012-13, Caltrans converted \$11.0 million from SHA to federal funds, for a total conversion of \$96.0 million. Caltrans converted these funds because, at the time, the Capital Outlay Projects Program was not receiving enough state funding to match all available federal funds. Caltrans began using federal funds on some maintenance projects so that California was able to use all available federal funds. The state's transportation funding situation has changed with the enactment of the Road Repair and Accountability Act of 2017 (SB 1) allowing Caltrans to have sufficient state funding to fully utilize all federal funding within the Capital Outlay Projects Program.

Caltrans proposes to reverse the fund conversions made in 2009-10 and 2012-13 from federal funds back to SHA. Converting this money from federal to state resources allows Caltrans to fund highway maintenance projects more efficiently without added federal requirements. This request will not result in lost federal or state funds. This request allows Caltrans to manage its project funding more efficiently and reduce administrative workload.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 4: TRANSPORTATION SYSTEM NETWORK REPLACEMENT

The Governor's Budget proposes \$5.4 million SHA for the Division of Research, Innovation and System Information for an updated Transportation Network System.

BACKGROUND

The existing Caltrans Transportation Network System safety data system provides traffic safety analysis on the state highway system only. It generates quarterly and annual reports identifying high concentration of collision locations that provide valuable data that helps Caltrans reduce the number and severity of traffic collisions. However, the current system covers less than 10 percent of the roadway network in California and does not meet federal requirements. Federal mandates require, that by September 30, 2026, all states have access to specific data for safety analysis for ALL public roads and establish annual performance targets for all public roads. Failure to comply could result in loss of federal funding.

The updated system will:

- Store and maintain safety data that is critical to reducing fatalities and serious injuries on all public roads, including public (not state-owned) and tribal land roads.
- Allow Caltrans and its local partners to employ a data driven, strategic approach to improving roadway safety.
- Enable state and local safety partners to collaborate and identify fatalities and serious injuries on all public roads by location, and address roadway safety concerns.

This initial request is supported by the California Department of Technology's (CDT) Project Approval Lifecycle process. The budget request provides funding for staff and consultants. Project completion will span multiple years and phases and has an estimated cost of \$21.9 million. In addition, because this system will also benefit local governments, Caltrans intends to seek funding contributions from locals.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 5: PEDESTRIAN AND BICYCLIST SAFETY INVESTIGATIONS

The Governor's Budget proposes a two-year limited-term increase of 12 positions (traffic engineers) and \$2.2 million SHA for Pedestrian and Bicyclist Safety Investigation Programs consistent with the Federal Highway Safety Improvement Program (HSIP) and Caltrans' Strategic Management Plan (SMP) pedestrian and bicyclist safety targets.

BACKGROUND

The Federal HSIP and annual safety performance targets, including pedestrian and bicyclist targets, provide the framework for achieving a Toward Zero Deaths goal. Additionally, California's Strategic Highway Safety Plan outlines the need for reducing pedestrian and bicyclist fatal and serious injury collisions. AB 2363 (Friedman, Chapter 650, Statutes of 2018) requires the California State Transportation Agency to establish a Zero Traffic Fatalities Task Force, which focuses on how to reduce fatalities and serious injuries of roadway users, including pedestrians and bicyclists.

Caltrans data indicates that, between 2008 and 2017, pedestrian and bicyclist fatalities accounted for approximately 21 percent of traffic fatalities on the State Highway System in California; pedestrian fatalities continue to increase. The proposed staff will be specialized and focus on pedestrian and bicyclist safety, and support the new Pedestrian and Bicyclist monitoring programs. Caltrans staff will provide pedestrian and bicyclist safety training to district staff with a focus on appropriate investigation techniques and development of countermeasures that will reduce pedestrian and bicyclist collisions. The Pedestrian and Bicyclist monitoring programs will produce approximately 400 additional traffic safety investigations per year. These safety investigations will result in recommended improvements, which will be implemented, either by Maintenance forces or via traffic safety projects.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 6: LITTER ABATEMENT

The Governor requests an increase of \$31.8 million SHA in 2020-21, increasing to a permanent increase of \$43.4 million SHA in 2024-25, for its Litter Abatement Program.

BACKGROUND

Caltrans' Litter Abatement Program has more than doubled the amount of litter picked up since 2015-16 and currently spends about \$320 million annually to remove litter from the state highway and roadsides. A growing litter issue is demonstrated through increasing customer service requests, maintenance work orders, and decreasing level of service scores that indicate current resources are not enough to keep up with the volume of litter being generated.

In addition to Caltrans' maintenance crews, Caltrans has had contracts in place for litter abatement activities with the California Department of Corrections and Rehabilitation Parolee Program and other local agencies, such as county and city law enforcement, since 2009. This proposal would only increase funding for work contracted out through the Parolee Program and gradually reduce funding for Caltrans staff to historical levels. The Parolee Program provides cost and societal benefits by reducing recidivism rates. Funds will be distributed based on litter needs; litter issues are concentrated in urban areas.

Staff Recommendation: Approve as Budgeted.

2720 CALIFORNIA HIGHWAY PATROL

VOTE-ONLY ISSUE 7: CALIFORNIA HIGHWAY PATROL ENHANCED RADIO SYSTEM: REPLACE TOWERS AND VAULTS, PHASE 1

The Governor's Budget requests \$10.2 million from the Motor Vehicle Account (MVA) for the construction phase of two sites of the California Highway Patrol Enhanced Radio System (CHPERS): Replace Towers and Vaults Phase 1 project, Leviathan Peak and Sawtooth Ridge.

BACKGROUND

The overall CHPERS Phase I project includes the construction of a fully operational communications tower and associated support infrastructure at seven sites. For the Leviathan Peak and Sawtooth Ridge sites, total costs are estimated at \$13.0 million including acquisition (\$440,000), preliminary plans (\$1.4 million), working drawings (\$975,000), and construction (\$10.2 million). The construction amount includes \$7.9 million for the construction contract, \$395,000 for contingency, \$1.0 million for architectural and engineering services, and \$899,000 for other project costs. Acquisition is expected to be completed in February 2020. Preliminary plans are estimated to be completed in May 2020. Working drawings are estimated to be completed in February 2021, construction is estimated to begin in March 2021 and be completed by October 2022.

The Sawtooth Ridge radio tower site will be the primary communications tower for the Needles, Barstow, Morongo Basin, and Victorville area offices. The construction of a 120-foot, self-supporting tower and associated support infrastructure at the Sawtooth Ridge radio tower site is essential for providing adequate radio coverage in eastern Riverside County for the CHP and additional emergency services agencies and nonemergency entities that lease space from the CHP. The construction of an 85-foot, self-supporting communications tower and associated support infrastructure at the Leviathan Peak radio tower site will provide necessary radio coverage for the South Lake Tahoe Area office. In 2017, the United States Forest Service amended its forest management plan to require that power be provided by a solar array. As a result, the Department of General Services modified the design for the Leviathan Peak project to incorporate the solar array. Approval of construction funding for the Sawtooth and Leviathan Peak radio sites will ensure that the CHP is able to move forward with the CHPERS Phase I project to improve and maintain mission critical radio communications.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 8: INCREASE IN REIMBURSEMENT AUTHORITY

The Governor's Budget requests a permanent augmentation of \$4.0 million in reimbursement authority to provide protective services to the Department of Industrial Relations' (DIR) Division of Workers' Compensation (DWC) district offices statewide.

BACKGROUND

The CHP currently has an interagency agreement with the DIR to provide full-time protective services to 15 various DWC district offices, from 8:00 am to 5:00 pm, five days a week. The CHP's current interagency agreement with DIR allocates only \$2.202 million in 2019-20.

The DWC has 24 district offices and is requesting additional funding in 2020-21 and ongoing to expand security to all district offices and improve security statewide. The estimated cost for the CHP to provide protective services for all 24 DWC district offices annually is approximately \$6.2 million, an increase of \$4.0 million. The requested increase in reimbursement authority will allow the CHP to bill for services rendered and receive reimbursement.

Staff Recommendation: Approve as Budgeted.

VOTE-ONLY ISSUE 9: KELLER PEAK TOWER REPLACEMENT-REAPPROPRIATION

The Governor's Budget requests a reappropriation of \$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 started in July 2017 and were approved in April 2019. Working drawings began in April 2019 and are expected to be approved in September 2020. Completion of the working drawings phase was delayed due to design and review adjustments, as the limited area atop Keller Peak has required modification to the original design. The delay in the project schedule requires a request for reappropriation to extend the availability of the construction funds. Construction is anticipated to begin in September 2020 and be completed in June 2023.

Staff Recommendation: Approve as Budgeted.

ITEMS TO BE HEARD

VARIOUS ENTITIES

ISSUE 1: PUBLIC TRANSIT RIDERSHIP (INFORMATIONAL ONLY)

The Governor's budget does not include a new proposal for public transit agencies, but each year, the budget provides transit agencies funding from the Greenhouse Gas Reduction Fund, and the Road Repair and Accountability Act of 2017 (SB 1), as well as other state funding.

PRESENTATION

Panel I: Background and Research on Transit Ridership

- Eunice Roh, Analyst, Legislative Analyst's Office
- Ross Brown, Principal Analyst, Legislative Analyst's Office
- Brian Taylor, Ph D, FAICP, Professor of Urban Planning and Public Policy, Luskin School of Public Affairs, Director Institute of Transportation Studies, UCLA

Panel II: Transit Agencies Experiences and Opportunities

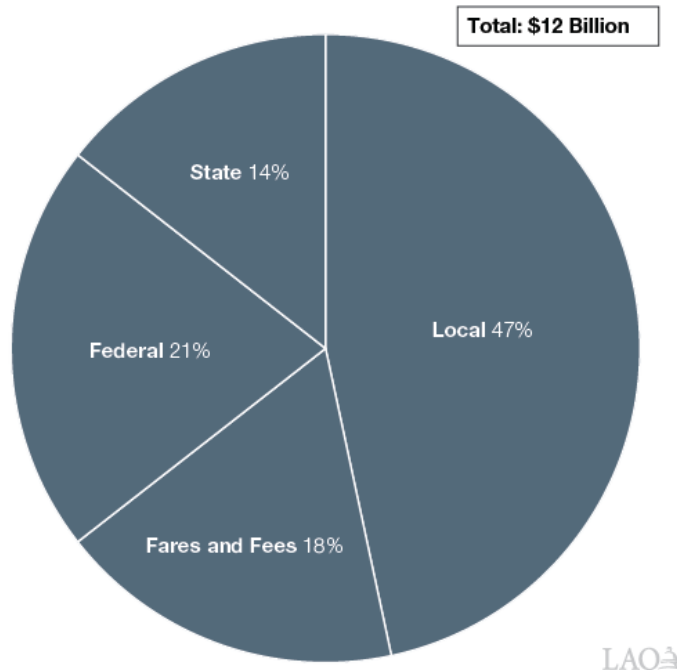
- Conan Cheung, Senior Executive Officer for Operations, Service Development, Scheduling and Analysis, Los Angeles County Metropolitan Transportation Authority
- Carl Sedoryk, General/CEO, Monterey-Salinas Transit
- Alameda-Contra Costa Transit

BACKGROUND

Public transit includes the bus, rail, paratransit, vanpool, and ferries. Transit services are provided by over 200 operators in California, including cities, counties, independent special districts, transportation planning agencies, private nonprofit organizations, universities, and tribes. In federal fiscal year 2018, transit operators in California received \$12 billion in funding from various sources, as shown in the figure on the following page from the Legislative Analyst's Office.

Source of Transit Funding in California

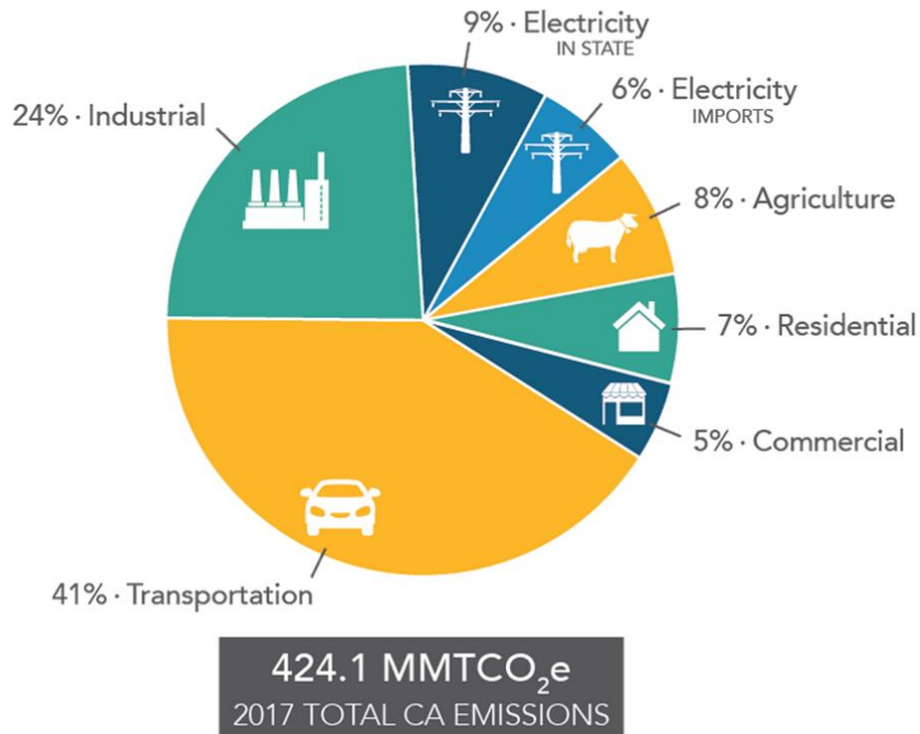
Federal Reporting Year 2018



Increased Transit Ridership Can Reduce Greenhouse Gas (GHG) Emissions. Certain gases in the atmosphere block heat from escaping and contribute to the greenhouse effect. This warming is having dire consequences such as sea level rise, extreme weather events, ocean acidification, increased air pollution, and higher wildlife extinction rates.

In California, the transportation sector is the largest contributor of GHG emissions and is responsible for 41 percent of the state's emissions with light duty passenger vehicles being the single largest contributor as shown in the figure on the following page. Reducing the number of miles that people drive everyday can have a significant impact on reducing GHG emissions. Providing alternative modes of transportation such as public transportation using buses and light rail or other shared ride approaches could significantly reduce the number of vehicle miles traveled (VMT) in California.

2017 GHG Emissions by Main Economic Sector



Source: Air Resources Board California Greenhouse Gas Emission Inventory Program: 2019 Edition

Transit Can Reduce Traffic Congestion. Public transportation can convey many more people in much less space than individual automobiles, which helps to reduce traffic congestion, which in turn reduces air pollution from idling vehicles, and helps riders avoid the stress that comes from daily driving in highly congested areas. California is home to the greatest congestion in the country. In 2017, it was reported that commuters in Los Angeles averaged 119 hours a year in traffic delays and in San Francisco-Oakland commuters averaged 103 hours per year in traffic.

Transit Has Other Benefits. In addition to reducing GHG emissions and congestion, public transit is also safer, frees up time to do things other than drive, and saves transit riders money on fuel, maintenance and parking. Transit also encourages healthier behaviors because most transit riders usually have to walk a short distance to reach transit stops.

Transit Ridership Has Declined Nationwide and in California. Nationwide, based on the most recent data from the American Public Transit Association, transit ridership for both light rail and buses has declined to levels seen in 2012 for light rail and ridership for buses has dropped to the levels of the early 1990s. California (except for the Bay Area which has seen flat ridership levels) has experienced similar declines.

In contrast to these declines, a few cities have seen ridership increases recently, specifically, New York, Washington D.C., Philadelphia, New Jersey, and Seattle. These increases have mostly been attributed to improvements in the quality of service.

Strategies to Increase Ridership. A recent McKinsey study that focused on improving ridership found that, at the transit operator level, strategies to increase reliability such as creating bus-priority lanes, increasing frequency, and focusing on the use of buses would help to increase ridership. Other approaches being considered to increase ridership include building a network that combines an electrified bus rapid transit system with smaller, on-demand, zero-emissions vehicles to deliver riders to transit hubs and building affordable housing within transit hubs. A more controversial approach to increasing ridership would include strategies that make driving single occupancy vehicles less attractive by reducing road space, increasing the cost of parking and/or reducing the amount of free parking available, and implementing congestion charging in major urban centers.

STAFF COMMENTS

Public transit ridership statewide has declined in recent years which is of concern given that it has the ability to significantly help the state address two key issues it faces—climate change and congestion—in addition to helping with issues such as connecting people and their jobs to more affordable housing.

While transit agencies can make improvements to try and increase ridership such as increasing reliability and frequency of service, it may require the combination of these improvements along with changes that make driving single passenger vehicles less attractive.

Staff Recommendation: Informational Only.

2660 CALTRANS

The Governor's budget proposes total expenditures of \$15.5 billion for Caltrans in 2020-21 as shown in the figure below. This is \$2 billion, or 15 percent, higher than the estimated current-year expenditures. Most spending supports the Department's highway program and comes from various state special funds (fuel taxes and vehicle fees) and federal funds. The increase mostly reflects additional revenue from SB 1, as well as from a shift in when Caltrans expects funding for certain mass transportation projects to be allocated. The total level of spending proposed for Caltrans in 2020-21 supports about 20,800 positions.

Caltrans' Proposed Expenditures for 2020-21 (dollars in thousands)

Code	Program	Positions	Dollars*
1830019	Aeronautics	24.0	\$8,998
1835010	Capital Outlay Support	8,880.6	\$2,206,050
1835019	Capital Outlay Projects	-	\$5,022,371
1835020	Local Assistance	262.5	\$3,245,124
1835029	Program Development	195.2	\$81,205
1835038	Legal	276.6	\$149,509
1835047	Operations	1,089.2	\$278,608
1835056	Maintenance	6,906.5	\$2,137,927
1840019	State and Federal Mass Transit	61.7	\$1,129,935
1840028	Intercity Rail Passenger Program	40.7	\$916,649
1845013	Statewide Planning	725.3	\$167,470
1845022	Regional Planning	38.5	\$125,538
1850010	Equipment Service Program	647.6	\$228,297
1850019	Distributed Equipment Service Program Costs	-	\$-228,297
1870	Office of Inspector General	91.5	\$16,479
9900100	Administration	1,515.5	\$425,042
9900200	Administration - Distributed	-	\$-425,042
Totals, Positions and Expenditures (including Infrastructure)		20,755.4	\$15,485,863
Infrastructure Expenditures		-	\$-
Totals, Positions and All Expenditures		20,755.4	\$15,485,863

Source: Department of Finance

ISSUE 2: WILDFIRE LITIGATION

The Governor's budget requests \$1.7 million from the State Highway Account for 14 four-year limited-term positions and associated operating expenses for the increases in the Legal Division's workload resulting from wildfire litigation.

BACKGROUND

Caltrans' Legal Division does not have adequate resources to address wildfire litigation workload and related costs. Wildfire litigation will likely begin July 1, 2020, with pre-litigation work beginning immediately including instituting litigation holds to preserve evidence from an expansive group of entities and individuals, as well as, securing expert witnesses. Wildfire litigation is unique due to the significant number of plaintiffs. The typical number of plaintiffs in a Caltrans lawsuit ranges from one to three; however, there are multiple wildfire litigations that may coincide with each other, and the number of plaintiffs ranges from 600 to over 1,500.

Wildfire litigation is the largest potential liability that Caltrans has encountered because of the large number of plaintiffs and the large geographic area damaged. Negotiated settlements are sought in order to minimize costs and exposure when there is significant potential liability and/or the prospect of obtaining a defense jury verdict is assessed as doubtful.

LAO COMMENTS

The LAO finds that it is reasonable that the department's legal division will have a significant amount of increased workload associated with wildfire litigation and recommends approving the funding requested. The LAO also recommends that the Legislature ask Caltrans the following questions:

- What are Caltrans' current vegetation management policies to reduce wildfire risk?
- Why are level of service scores for tree and brush encroachment relatively low?
- To what extent do level of service scores vary geographically, such as based on an area's risk of wildfire?
- What steps has the department taken (or plans to take) to improve level of service scores related to tree and brush encroachment?

STAFF COMMENTS

Potential litigation from wildfires poses a significant financial risk for the state. Staff recommends approving this request.

Staff Recommendation: Approve as Budgeted.

ISSUE 3: AIRPORT IMPROVEMENT GRANTS MATCHING FUNDS AND TRAILER BILL LANGUAGE FOR CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION TO COLLECT FUEL SALES TAX DATA FROM AIRPORTS

The Governor's budget requests a \$10.0 million transfer (\$2.5 million annually for four years) from the Local Airport Loan Account (LALA) to the Aeronautics Account (Account).

The Governor also requests trailer bill language to require aircraft jet fuel tax remitters to provide information about proceeds from taxes on aviation fuel to the California Department of Tax and Fee Administration (CDTFA) beginning January 1, 2020.

BACKGROUND

Grants from Caltrans' Aeronautics Program fund safety, maintenance, operations and capital improvements projects at public-use airports by serving as a portion of the local match required for federal Airport Improvement Program (AIP) grants. Revenues have not been adequate to sustain the historical level of AIP state support. As a result, under existing law, \$1.4 million has been transferred from the LALA to the Aeronautics Account to provide matching AIP funds for the last couple of years.

State Grants Leverage Approximately 90 Percent Federal Funding for Airport Projects. Caltrans' Aeronautics Program awards funds to match up to 5 percent of the federal AIP grant to qualifying airports and projects. The total costs for projects eligible for a match typically result in a 90 percent federal, 5.5 percent local, and 4.5 percent state split.

LALA Has Large, Unutilized Fund Balance. The LALA was originally seeded with \$1 million from Aeronautics Account funds 35 years ago. Its current fund balance is \$31 million. The maximum amount that is loaned out in any given year is about \$5 million and loan repayments and interest continue to increase its fund balance.

Demand for State Matching Funds Unknown. According to Caltrans, it is believed that some airport sponsors forgo applying for a State matching grant if there is no assurance that an adequate match would be awarded by the State. Given that the availability of state matching grants have been uncertain for many years, it is possible that this has resulted in a lower demand for state funds. Based on Caltrans Aeronautic Capital Improvement Plan, which is a 10 year fiscally unconstrained listing of projects, it appears that demand for state matching funds could be between \$5-\$7 million annually.

Proposed Transfer Will Increase State Funds Available for Match and Federal Funding Into State. The proposed transfer will provide increased annual Local Assistance funding capacity of \$2.5 million to fund the Aeronautics Program (Aeronautics) Airport Improvement

Program (AIP) Matching Grant Program for the next four years. Without the transfer, there would effectively be almost no money available for the state to provide matching grants to local airports. The proposal also implements a grant award maximum of \$150,000 that Caltrans asserts will allow most projects to be fully matched.

STAFF COMMENTS

The Airport Matching Grant program is of benefit to the state and non-commercial service airports eligible for these funds because it allows them to draw down 90 percent federal funds for the costs of safety, maintenance, operations, and capital improvement projects. Funding for this matching program shrunk in recent years possibly resulting in fewer federal dollars coming into the state. It is possible that demand for state funds could be greater than the \$2.5 million proposed by the Administration.

The Subcommittee may wish to ask Caltrans if, it would be of benefit to make a greater amount of state matching funds available to local airports? The Subcommittee also may wish to ask, what is the basis for determining that \$150,000 is an appropriate cap for the size of individual grants?

In addition, staff has no concerns with the proposed trailer bill language which will enable the state to comply with federal requirements.

Staff recommends holding this item open to allow time for further consideration of the appropriate funding level for this program.

Staff Recommendation: Hold Open.

2740 DEPARTMENT OF MOTOR VEHICLES

The Governor's budget includes \$1.4 billion mostly from the Motor Vehicle Account (MVA) for the Department of Motor Vehicles (DMV) in 2020-21, which is slightly less than the current year funding, but greater than the amount of funding provided in 2018-19 (\$1.2 billion). DMV's budget includes 8,563 positions.

ISSUE 4: REAL ID UPDATE (INFORMATIONAL ONLY)

Consistent with action taken last year to implement the REAL ID Act and operational improvements at the DMV, the Governor's budget proposes \$200 million from the Motor Vehicle Account (MVA) for 2020-21 for the same purposes

BACKGROUND

The federal government enacted the REAL ID Act in 2005 that requires state-issued driver licenses and identification (ID) cards to meet minimum identity verification and security standards in order for them to be accepted by the federal government for official purposes—such as accessing most federal facilities or boarding federally regulated commercial aircraft—beginning October 1, 2020.

Each state must process applications for the ID that require more paperwork than in the past and the cards must include technologies that make it more difficult for them to be forged.

Impact on California's Department of Motor Vehicles

Nationwide, state agencies responsible for processing driver's licenses are experiencing long wait times that may get worse as the October 1, 2020 deadline gets closer.

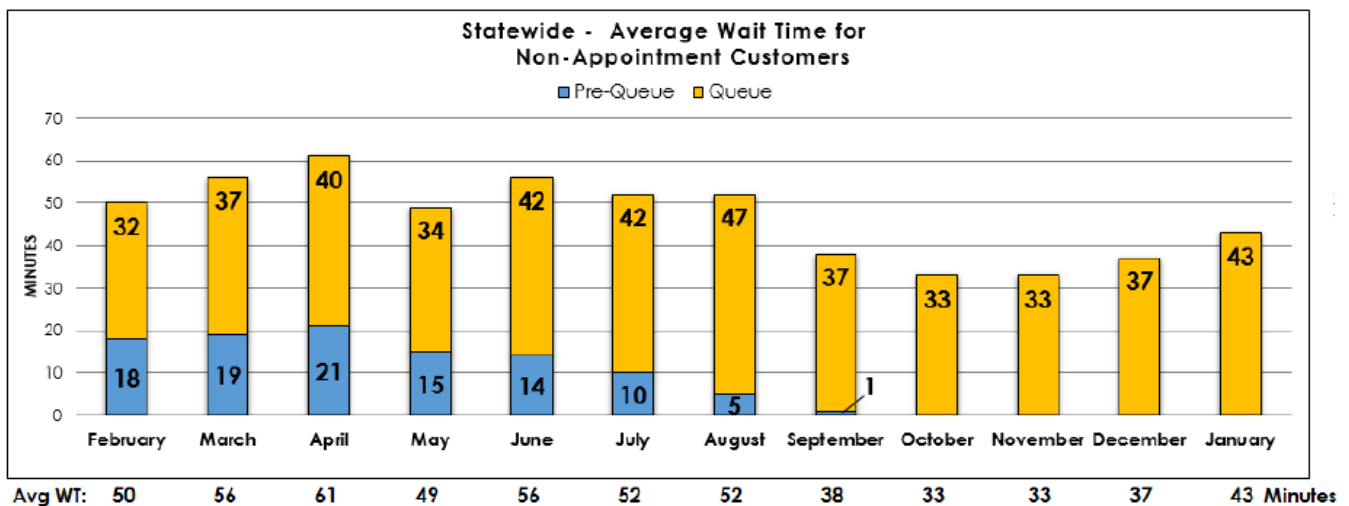
16 to 20 million Californians Will Want a REAL ID. California began issuing REAL ID compliant driver licenses and ID cards in January 2018 and reports that there are 7.1 million REAL ID cardholders in California as of January 2020. DMV estimates that about 16 million REAL IDs will need to be processed by October 1, 2020, and 2.3 million will need to be processed after October 1, 2020 through December 31, 2020.

Individuals seeking compliant driver licenses and ID cards must visit a field office and provide certain documents, such as proof of residency and a Social Security card that DMV staff verify and scan. This has increased workload at DMV field offices, as these transactions take longer to process than noncompliant transactions. Individuals sometimes do not bring in the required documentation and therefore must make repeated trips to the DMV to successfully complete the process. Additionally, more individuals—such as those who would otherwise have renewed their licenses by mail or those whose licenses expire after the federal deadline—are visiting field offices to obtain compliant driver licenses or ID cards.

DMV Wait Times Have Dropped After a Significant Increase. DMV field offices began reporting a significant increase in wait times in mid-2018. At its peak, some individuals visiting certain offices could experience wait times of several hours.

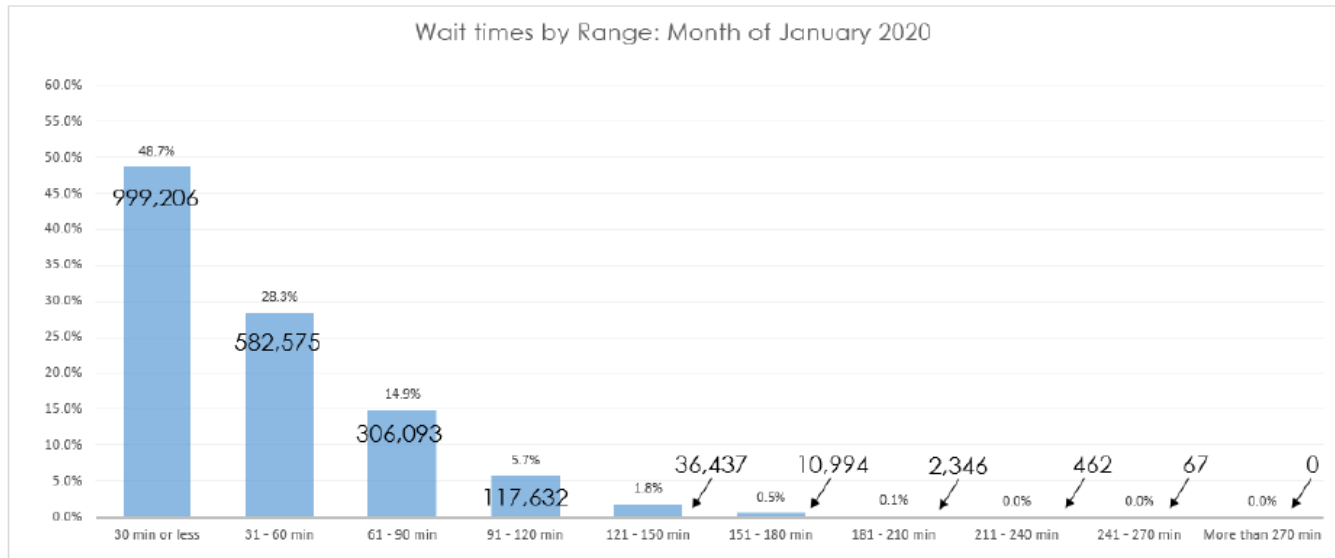
Since then and with the addition of resources and some process improvements, wait times have dropped. As shown in the figure below (taken from the January 2020 DMV Monthly Status update report), average wait times for a non-appointment customer averaged 114 minutes in August 2018 and 43 minutes in January 2020. According to DMV, it has achieved shorter wait times through various actions, including hiring more staff, extending field office hours, and expanding the number of self-service terminals available for individuals to conduct transactions outside of field offices or without the assistance of DMV staff.

Average Wait Time for Non-Appointment Customers – Statewide:



However, the average wait time is not indicative of everyone's experience. At the 20 DMV field offices with the longest wait times, the DMV reported that the average wait time for a customer without an appointment in January 2020 was 65 minutes, or about 20 minutes longer than the statewide average wait time for a customer without an appointment.

To better reflect the range of wait times customers may experience in field offices, the figure on the following page from the DMV shows the wait times by range of minutes in January 2020. This data shows that in January 2020, 13,869 individuals waited over 2.5 hours to get a REAL ID. Previous data found that in July 2019, 7,919 individuals waited over 2.5 hours and in January 2019, 2,035 individuals waited over 2.5 hours. In contrast, in August 2018, nearly 150,000 individuals waited over 2.5 hours. While wait times are down from the peak in August 2018, the number of individuals experiencing long wait time (2.5 hours) continues to increase. The DMV data also shows that regionally, wait times for customers without an appointment are the worst in Los Angeles, Orange County and the Bay Area.



Kiosk Usage Has Not Increased. Self-service kiosk usage for non-ID related DMV processes remains flat despite DMV installing more kiosks. One of DMV's strategies to reduce wait times is to shift more transactions to kiosks and out of the field offices.

Funding for REAL ID Workload. To support the increased workload related to REAL ID, the Legislature has appropriated additional resources to DMV in recent years. The figure below shows the amounts provided in the last four fiscal years and what is proposed for 2020-21.

REAL ID Implementation and Operational Improvements Funding
(funding in millions)

Fiscal Year	Funding	Positions
2016-17	\$4.5	70
2017-18	\$23.0	218
2018-19 Budget Act	\$46.6	550
2018-19 (August 2018)	\$16.6	230
2018-19 (January 2019)	\$40.4	120
2018-19 (March 2019)	\$6.0	300
Subtotal 2018-19	\$109.6	1,200
2019-20 Budget Act	\$242.2	2,052
2020-21 Budget (Proposed)	\$200.0	1,992
Total	\$579.3	N/A

Outreach Activities and Expenditures. DMV has a \$9.5 million media contract for 2019-20 and so far has spent money on the following activities. For traditional media outreach is has performed the following activities:

Traditional Media

Medium	Quantity	Creative
Radio	24730 spots	7 English & 4 Spanish
LED Boards	42 Boards	6 English & 3 Spanish
Eco Posters	253 posters	253 (across all languages)
Movie Theater	1,755 screens	1 (English)
Print	96 insertions	18 (across all languages)

The digital outreach DMV has funded 847 digital ad placements, 230.8 million digital ad impressions through January 26, 2020, 2.3 million website sessions from digital ads through January 26, 2020, and 844,177 website conversions through January 26, 2020.

DMV has engaged in the following public outreach activities:

DMV Public Outreach

DMV Outreach Events	FY 2018/19			FY 2019/20			FY 2020/21	
	Number of Events	Number of Attendees/Applications	Expenditures	Number of Events	Number of Attendees/Applications	Expenditures	Estimated Number of Events	Estimated Expenditures
DMV Outreach Vendor Event*	-	-	\$ -	23	716,100	\$ -	-	\$ -
DMV2U Pop-up Events (# of applications)	2	266	\$ 9,522	32	4,100	\$ 352,425	3	\$ 47,625
DMV2U Pop-up Events - Real ID Saturday	-	-	\$ -	7	-	\$ 263,679	42	\$ 270,000
Justice & Government Liaison	28	1,780	\$ 9,088	94	5,077	\$ 30,509		\$ -
Legislative Speakers Bureau	2	110	\$ 565	20	520	\$ 3,930		\$ -
Outreach	51	48,205	\$ 175,906	50	25,068	\$ 158,203	8	\$ 88,132
Senior Ombudsman Speakers Bureau	20	1,681	\$ 3,448	37	4,220	\$ 4,503		\$ -
Speakers Bureau	32	1,239	\$ 4,091	50	2,571	\$ 7,862		\$ -
Total	135	53,281	\$ 202,620	313	757,656	\$ 821,111	53	\$ 405,757
* Note: DMV Outreach Vendor Event (RSE) costs are included in the contract expenditures of \$6,079,494 as of 2/04/2020.								

STAFF COMMENTS

DMV is the face of state government for many Californians. Implementation of the federal REAL ID requirements has strained the department, but also created an opportunity to reimagine DMV and reevaluate all of its business functions and operations in order to modernize its services and efficiencies. This effort is beginning to pay off and is reflected in the average wait time for most customers dropping. However, the number of customers having to wait more than 2.5 hours continues to increase and DMV has not been truly tested by having the large volumes of customers wanting REAL IDs that is anticipated. The volume of REAL IDs processed each month has not increased significantly and has ranged between about 360,000 and 485,000 IDs produced and issued each month since March 2019.

In part, lower customer volume has allowed DMV to improve its processes and hire more staff so that it could reduce wait times. However, the number of REAL IDs needing to be processed each month remaining below 500,000 is likely to significantly increase as the REAL ID deadline gets closer. The total number of REAL IDs cardholders in the state as of January 2020 is 7.1 million. DMV estimates about 16 million REAL IDs need to be processed by October 2020 and others have estimated the number to be as high as 20 million. Based on 16 million IDs, DMV would need to process roughly 1 million each month—more than double the current volume. The overhang (the number not being processed each month) continues to grow and it will likely hit the state hard late next summer potentially creating long wait times again at DMV field offices.

It is unclear what steps the DMV is taking now to manage the likely scenario of a very large number of customers trying to obtain REAL IDs in the late summer and fall of 2020. For example, the DMV may want to increase its outreach efforts and consider setting up temporary offices with additional staff in some of the more populous areas of the state.

The Legislature's continued oversight of the implementation of REAL ID is critical both to ensure that it has the resources it needs to maintain reasonable wait times and to ensure that these resources are being effectively put to use.

The Subcommittee may wish to ask:

- Why is the number of people having to wait more than 2.5 hours increasing?
- Please discuss how the pilot for the presubmission of required documents has gone? What are the estimated time savings per transaction? What was the take up rate of customers?
- What strategies does DMV plan to implement when a surge in customers hits?
- How is DMV balancing filling vacancies and the turnover rate for field office representatives? What is the vacancy rate for field office representatives?

Staff Recommendation: Informational Only.

ISSUE 5: MOTOR VOTER RESOURCES

The Governor requests \$6.4 million General Fund in 2020-21 (\$4.1 million ongoing) for 38 positions, specifically; 20 positions for change of address and renewal by mail workload; 7 positions for quality assurance review; 9 IT support positions for maintenance, operations, and continuing improvement of the New Motor Voter Program (NMVP) application; and 2 positions for administration and oversight of the NMVP. The proposal also includes two-year limited term funding for legal counsel to oversee compliance of the program, as well as funding for IT consultant services.

BACKGROUND

The National Voter Registration Act enacted in 1993 requires states to offer individuals an opportunity to register to vote when they apply for a driver's license or identification (DL/ID) card. AB 1461 (Gonzales, Chapter 729, Statutes of 2015) established the New Motor Voter Program (NMVP), which in addition to the federal requirements, required the DMV to electronically provide voter registration information for all eligible individuals to the Secretary of State (SOS). Under NMVP, all eligible individuals who apply for an original or renewal DL/ID card or submit a Change of Address form at the DMV are automatically registered to vote, unless the person affirmatively declined to be registered to vote during the transaction.

DMV received funding the last three fiscal years to implement AB 1461 to develop and implement an electronic DL/ID card application, as well as to process new voter registration-related workload. Currently, DMV has baseline funding of \$3.2 million General Fund for 12 positions to implement the NMVP. In addition to the baseline funding, DMV has been redirecting 50 positions to address the workload associated with the NMVP.

In September 2018, the Department of Finance contracted with Ernest & Young (E&Y) for an independent assessment of the NMVP application, business processes, system development, risks, quality assurance, and data integration between SOS and DMV. The E&Y report provided recommendations on business process improvements. For example, the report recommended legal resources be assigned to the program to ensure compliance with federal, state, and other requirements. As a result, the DMV implemented improved quality assurance processes, provided legal and compliance resources, and established data governance policies.

LAO COMMENTS

Although the Governor's budget proposes 38 additional ongoing positions to implement the NMVP, this is fewer than the number of positions (50 positions) currently supporting the program. DMV is requesting fewer new positions than it has been redirecting because it assumes it can achieve some efficiencies in processing time. However, these efficiencies have

not been fully implemented so there is potential risk that the number of positions needed for the NMVP may be more than what is being requested. The LAO recommends the Legislature withhold action on the request until later in the spring, when additional information might be available to determine the appropriate staffing level.

STAFF COMMENTS

The Subcommittee may wish to get an update on motor voter outcomes from the recent election and efficiencies achieved. Specifically, it may want to ask the DMV to provide more information on the outcomes of its process improvements. It may also want to ask DMV about its success rate at meeting the 5-day requirement for submitting information to the SOS. This information could help the Legislature determine the appropriate staffing level for the NMVP.

Staff Recommendation: Hold Open

ISSUE 6: MOTOR VEHICLE ACCOUNT FUND CONDITION

The Governor's budget proposes \$4.3 billion in Motor Vehicle Account expenditures for 2020-21, 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:

- **Base Registration Fee (\$60).** The state charges a base registration fee (indexed for inflation) of \$60, with \$57 going to the MVA and \$3 going to two other special funds—the Alternative and Renewable Fuel and Technology Fund (\$2), and the Enhanced Fleet Modernization Subaccount (\$1).
- **CHP Fee (\$26).** The state also charges an additional fee (indexed for inflation) of \$26 that directly supports CHP.

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 (roughly \$90-\$100 million annually) have been transferred to the General Fund. However, this transfer was suspended in 2019-20 in order to keep the MVA solvent in future budget years.

January Budget Proposal

Consistent with actions taken the last several years to help maintain the MVA's solvency, the Governor's January budget includes various proposals intended to benefit the MVA. Shown on the following page is the MVA's fund condition in January with the inclusion of the Governor's January budget proposals and a five-year forecast. Even with these proposals, the MVA's reserve declines in future years, and by 2024-25, has a negative fund balance.

Motor Vehicle Account (0044) Fund Condition
(dollars in millions)
2020-21 Governor's Budget

	Past Year 18-19	Current Year 19-20	BY 20-21	BY+1 21-22	BY+2 22-23	BY+3 23-24	BY+4 24-25
BEGINNING RESERVES	\$532	\$569	\$433	\$530	\$411	\$252	\$68
REVENUES & TRANSFERS							
<u>Revenues</u>							
Registration Fee	\$3,415	\$3,535	\$3,672	\$3,828	\$3,957	\$4,088	\$4,226
Other Fees	\$628	\$586	\$599	\$574	\$621	\$635	\$650
REAL ID Fee Revenue - Conversions	\$0	\$95	\$95	\$0	\$0	\$0	\$0
Total Fee Revenue	\$4,043	\$4,216	\$4,366	\$4,402	\$4,578	\$4,723	\$4,876
<u>Transfers</u>							
Transfers To Other Funds	-\$93	\$0	\$0	\$0	\$0	\$0	-\$106
Total Resources	\$4,482	\$4,785	\$4,799	\$4,932	\$4,989	\$4,975	\$4,838
EXPENDITURES							
<u>Baseline Support Expenditures</u>							
CHP - Base Budget	\$2,296	\$2,426	\$2,424	\$2,679	\$2,872	\$3,029	\$3,171
CHP - Patrol Member Retirement Contribution	\$0	\$25	\$25	\$25	\$25	\$0	\$0
CHP - Dash Cam Costs*	\$0	\$0	\$0	\$14	\$14	\$14	\$14
DMV - Base Budget	\$1,121	\$1,109	\$1,125	\$1,198	\$1,235	\$1,278	\$1,313
DMV - Operational Improvements*	\$63	\$242	\$200	\$86	\$72	\$34	\$34
DMV - Swap Admin Costs for Collecting TIF from MVA to RMRA			-\$6.6	-\$6.6	-\$6.6	-\$6.6	-\$6.6
ARB - Base Budget	\$148	\$153	\$152	\$155	\$158	\$161	\$165
Other (Other Departments, Local Assistance, Assessments including Pro Rata)	\$278	\$263	\$268	\$273	\$279	\$284	\$290
Switch CalSTA funding from MVA to SHA/PTA			-\$3	-\$3	-\$3	-\$3	-\$3
Supplemental Pension Plan Payments	\$0	\$124	\$64	\$66	\$69	\$72	\$75
Subtotal, Support	\$3,906	\$4,342	\$4,248	\$4,487	\$4,715	\$4,863	\$5,052
<u>Capital Outlay Expenditures</u>							
CHP	\$4	\$8	\$16	\$13	\$10	\$22	\$35
DMV	\$3	\$2	\$5	\$13	\$4	\$14	\$9
ARB	\$0	\$0	\$0	\$8	\$8	\$8	\$8
Subtotal, Capital Outlay	\$7	\$10	\$21	\$34	\$22	\$44	\$52
Expenditure Total	\$3,913	\$4,352	\$4,269	\$4,521	\$4,737	\$4,907	\$5,104
FUND BALANCE	\$569	\$433	\$530	\$411	\$252	\$68	-\$265

*Legislature rejected out year funding in BY+1 and ongoing for DMV Operational Improvements and CHP Dash Cams, but the Administration anticipates requesting these resources at a future date.

The January budget proposes the following actions to reduce fiscal pressure on the MVA:

Shift from "Pay-As-You-Go" to Financing for Most DMV and CHP Area Office Replacements. The state has typically funded the replacement of CHP and DMV area offices

from the MVA on a pay-as-you go basis. The Governor's budget proposes to finance the replacement of most CHP and DVM area offices through the Public Buildings Construction Fund, rather than paying for the construction of these facilities on a cash basis as was done in the past. The financing (principal and interest costs) for the projects would be repaid from the MVA over many years.

Continue Suspension of the Transfer of Certain MVA Revenues to General Fund. The Administration proposes to suspend the transfer of non-constitutionally restricted revenues to the General Fund (savings of roughly \$90-\$100 million a year) until 2024-25.

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. Suspending these repayments creates savings of roughly \$60 million a year for five years, but results in greater out-year costs due to interest costs.

Shift Certain Costs from the MVA to Other Funding Sources. The Administration proposes to shift costs from the MVA to more appropriate fund sources. These include: 1) the administrative costs from collecting the transportation improvement fee to the Road Maintenance and Rehabilitation Account resulting in savings of about \$6.6 million annually; and, 2) switching some of the funding for the State Transportation Agency from the MVA to the State Highway Account resulting in savings of about \$3 million annually.

STAFF COMMENTS

Without taking actions to reduce fiscal pressure, the MVA will be insolvent in the near future. Some of the funding shortfall is attributable to the short-term need for increased funding to implement REAL ID. Other cost pressures have come from the need to replace numerous DMV and CHP offices that are not structurally sound and from increased employee compensation costs.

To ensure that the most cost-effective strategies are used to reduce fiscal pressures on the MVA, the Subcommittee may wish to ask the Department of Finance (DOF) what analyses it has done to evaluate the cost-effectiveness of its proposals. For example, of the two, which is the least costly in the out years—suspending supplemental pension payments or financing capital outlay projects? The Subcommittee may also want to ask DOF if it has thoroughly examined all MVA expenditures to ensure they are consistent with the requirements of the State Constitution.

Staff Recommendation: Hold Open

ISSUE 7: DMV CAPITAL OUTLAY

The Governor's Budget proposes the following DMV field office capital outlay projects totaling about \$60 million in 2020-21.

DMV Capital Outlay Proposals (in millions)

Projects Funded from Public Buildings Construction Fund	2020-21	Estimated Total Project Cost
Delano Field Office Replacement	\$15.3	\$18.0
Reedley Field Office Replacement	\$17.4	\$20.9
Santa Maria Field Office Replacement	\$17.4	\$21.8
Total	\$50.1	\$60.7

Projects Funded from Motor Vehicle Account	2020-21	2021-22 (Estimated Cost)
DMV Inglewood Swing Space (temporary: 4 years)	\$2.0	\$0.7
DMV Oxnard Field Office Swing Space (temporary: 4 years)	\$0.1	\$1.4
Eureka Field Office Relocation (new lease)	\$3.0	\$0.7
Oxnard Field Office Reconfiguration	\$1.2	\$11.9
San Francisco Field Office Replacement*	\$2.9	\$32.2
Statewide Planning and Site Identification	\$0.5	NA
Total	\$9.7	\$46.9

*Construction costs in 2021-22 may be funded out of the MVA or the Public Building Construction Fund depending on the availability of MVA funds.

BACKGROUND

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 started financing the costs of some of these projects. While this addresses the short-term need to balance MVA expenditures and revenues, it increases the out-year costs for these facilities because of the cost of the interest paid on the borrowing.

STAFF COMMENTS

Staff has raised concerns in the past about the Administration's overall approach to addressing the MVA shortfall by borrowing and financing the cost of capital outlay projects instead of funding with cash (as has been the past practice) because this is a short term solution that only pushes greater costs to future years.

Given the need to provide an infusion of funding to make significant operational improvements at the DMV to address long lines resulting from the implementation of REAL ID, financing the cost of some of these field offices, which need replacement, is unavoidable at this time. Staff recommends the Subcommittee in future years, after the REAL ID deadline has passed, identify strategies to return to cash funding capital outlay projects. Staff recommends holding this item open so that ways to reduce cost pressure on the MVA can continue to be examined.

Staff Recommendation: Hold Open

2720 CALIFORNIA HIGHWAY PATROL

The Governor's budget includes \$2.7 billion from various fund sources for the California Highway Patrol (CHP) in 2020-21. The total funding level proposed is about \$76 million, or 3 percent, less than the revised current-year estimate. The year-over-year net decrease is mainly the result of the expiration of one-time funding provided in 2019-20, including \$87 million for the replacement of radio equipment and IT infrastructure. The CHP has 10,865 positions, including 7,600 uniformed officers.

ISSUE 8: E-CIGARETTE TAX ENFORCEMENT AND TRAILER BILL LANGUAGE

The Governor requests \$7 million from the newly proposed Electronic Cigarette Products Tax Fund to create a task force to combat illicit vaping devices. The proposed amount funds 10 positions at CHP and includes \$3.5 million for 8 investigators at the Department of Justice (DOJ) to assist CHP.

The Governor also proposes trailer bill language that adds the CHP to the list of entities already named in statute that are "enforcing agencies" for the Stop Tobacco Access to Kids Enforcement Act (STAKE).

BACKGROUND

Current Anti-Tobacco Product Enforcement Efforts. STAKE passed in 1994 and is enforced by the California Department of Public Health (CDPH). The goal is the reduction and elimination of illegal purchase and consumption of tobacco products by persons under 21 years of age in conjunction with the overall health and wellbeing of Californians.

The 2016 Tobacco Tax Act or Proposition 56 increased excise taxes on tobacco products sold in California and was approved by state voters in November 2016. The tax provides funds research and enforcement. Enforcement funds are allocated for distribution to local law enforcement agencies and other entities via a grant program.

In September 2019, the Governor issued an executive order directing CDTFA and the CDPH to develop recommendations and take actions related to e-cigarettes, including a vaping awareness campaign. In November 2019, the Attorney General and local officials sued JUUL, a leading e-cigarette manufacturer, for allegedly marketing its products to youth and failing to provide required health warnings.

Governor's Budget Proposes Tax on E-Cigarettes. The Governor's budget proposes a new nicotine content-based E-cigarette tax. The vaping tax will begin on January 1, 2021, and will be \$2 for each 40 milligrams of nicotine in the product. Revenues from the new tax are expected to be \$32 million in 2020-21, and will be deposited into a new special fund to be used

for administration, enforcement, youth prevention, and health care workforce programs. \$7 million of the anticipated revenue would fund the task force at CHP and contracting with DOJ.

LAO COMMENTS

The LAO raises concerns with this proposal. Specifically:

- ***Unclear How Widespread Vaping Devices Are.*** It is unclear how widespread illicit vaping devices are in California. Therefore, the long-term need for additional investigators is unclear and could change as consumer behavior changes.
- ***Enforcement is Only One Strategy.*** Investigations of illicit vaping devices might discourage the manufacture, distribution, and sales of illegal products, decreasing the supply of untested and unregulated vaping devices in the state. However, such enforcement activity is just one approach and does not address demand.
- ***CHP Does Not Have Expertise in This Area.*** CHP can investigate crimes related to illicit vaping devices, but it does not currently have any specific expertise in this area and has not yet conducted any investigations into illicit vaping devices. However, other departments, such as CDPH, Bureau of Cannabis Control, and DOJ have prior expertise in regulating and enforcing laws concerning tobacco and cannabis products. In addition, many local regulatory and law enforcement agencies have resources dedicated to investigating illicit tobacco and cannabis products in their communities.

STAFF COMMENTS

Staff agrees with the LAO's concerns. It is unclear why the CHP is proposed to lead this effort; the proposal seems duplicative of existing efforts. The Subcommittee may wish to ask the following questions:

- Why is the Administration proposing that CHP lead a task force rather than providing additional funding to local law enforcement agencies?
- How would the activities the task force is likely to engage in be different from what is already being done to regulate and enforce laws concerning illicit tobacco and cannabis products?
- How did the Administration determine this level of resources is appropriate for anti-tobacco efforts?

Staff Recommendation: Hold Open

ISSUE 9: CALIFORNIA CYBERSECURITY INTEGRATION CENTER AND FUNDING FOR CHP CYBERSECURITY EFFORTS

The Governor requests \$977,000 General Fund in 2020-21 and \$925,000 General Fund in 2021-22 and ongoing for 4 positions at CHP that would be part of the California Cybersecurity Integration Center (Cal-CSIC).

BACKGROUND

AB 2813 (Irwin, Chapter 768, Statutes of 2018) establishes which is Cal-CSIC is a collaborative effort with the Governor's Office of Emergency Services, Department of Technology, Military Department, and California Highway Patrol to provide for a full-time Joint Incident Response Team to analyze cyber threat intelligence, and prepare for, respond to, and mitigate threats to California's cyber infrastructure. Cal-CSIC consists of the Governor's Office of Emergency Services (CalOES), Military Department (CMD), Department of Technology (CDT), and California Highway Patrol (CHP). The budget proposes a total of 24 positions (12 Cal OES, 8 CMD, 4 CHP) \$11.1 million General Fund in 2020-21 and \$11.5 million General Fund ongoing to support its responsibilities.

CHP would participate as an active member and be responsible for incident response on computer crime investigations, forensics and evidence collection involving State of California owned assets, as well as a liaison with the law enforcement agency that has primary jurisdiction. CHP would also share critical information gleaned from those investigations with the partnering agencies/departments within the Cal-CSIC. In addition, in coordination with the Cal-CSIC partners, CHP would perform specific tasks related to CHP/Computer Crimes Investigation Unit led computer crimes investigations, as well as specific elements related to increasing requests for assistance from other state departments and allied law enforcement agencies related to investigations not under sole CHP jurisdiction.

Currently, CHP has 12 dedicated staff that handle cybersecurity issues.

STAFF COMMENTS

CHP staff plays an important role in the investigation of cybersecurity attacks against state assets. Staff has no concerns with this proposal. Action on the Cal-CSIC proposal will conform with actions taken in Subcommittee No. 4 or No. 5.

Staff Recommendation: Hold Open.

ISSUE 10: CHP CAPITAL OUTLAY

The Governor's Budget proposes to continue the replacement of CHP field offices that are too small or have structural problems and includes a total of \$125 million from the Public Buildings Construction Fund and \$4 million from the MVA for these projects.

The budget also proposes one-time funding of \$1.1 million MVA for the mandatory relocation of the CHP Capitol Protection Section to the new Capital Swing Space Building.

CHP Capital Outlay Proposals (in millions)

Projects Funded from Public Buildings Construction Fund	2020-21	Estimated Total Project Cost
Baldwin Park Area Office Replacement	\$43.1	\$44.9
Gold Run Area Office Replacement*	\$1.4	\$40.3
Humboldt Area Office Replacement*	\$2.1	\$44.2
Quincy Area Office Replacement	\$38.1	\$40.3
Santa Fe Springs Area Office Replacement	\$44.3	\$46.2
Statewide Planning and Site Identification*	\$0.5	NA
Total	\$129.5	\$169.7

*These costs are proposed to be funded from the MVA.

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 funding for advanced planning, site selection, and the replacement of offices. The MVA has cash-funded nearly all of the office replacement projects over the last 10 years at CHP.

Budget Proposes Borrowing to Fund Capital Project Costs. It is anticipated MVA revenues will be insufficient to pay on a cash basis for CHP office replacement projects over the next five years. The Administration proposes the use of the Public Buildings Construction Fund to allow these projects to continue. This 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—\$125 million—will be roughly \$200 million, which over the long term puts greater fiscal pressure in the MVA.

STAFF COMMENTS

Staff has raised concerns in the past about the Administration's overall approach to addressing the MVA shortfall by borrowing and financing the cost of capital outlay projects instead of funding with cash because this is a short term solution that only pushes greater costs to future years. Given the need to provide an infusion of funding to make significant operational improvements at the DMV to address long lines resulting from the implementation of REAL ID, financing the cost of some of these field office replacements is unavoidable. Staff recommends the Subcommittee, in future years, after the REAL ID deadline has passed, identify strategies to return to cash funding capital outlay projects. Staff recommends holding this item open so that the Subcommittee can continue to examine ways to reduce cost pressures on the MVA.

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee's website at: <https://abgt.assembly.ca.gov/sub3hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Farra Bracht.