

AGENDA**ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****WEDNESDAY, MAY 3, 2017****9:30 A.M. - STATE CAPITOL ROOM 447****PART A****ITEMS FOR VOTE-ONLY**

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ITEMS FOR VOTE-ONLY

2600 CALIFORNIA TRANSPORTATION COMMISSION

VOTE-ONLY ISSUE 1: TRANSPORTATION SYSTEM PLANNING AND OVERSIGHT

The Governor's Budget requests \$395,000 in State Highway Account and Public Transportation Account funds for two permanent positions and one reclassified position to implement the legislative priorities of the Active Transportation Program (ATP) and new statewide and regional transportation planning requirements.

BACKGROUND

ATP is a competitively awarded statewide grant program that funds projects that increase biking and walking. The program received about \$123 million in state and federal funds. To accommodate the workload associated with this program CTC has been redirecting one full time position and other staff as needed. This redirection is negatively affecting workload and two additional permanent positions are needed.

SB 486 (DeSaulnier, Chapter 917, Statutes of 2014) requires the Commission to adopt the four-year State Highway Operation and Protection Program (SHOPP) and approve the 10-year SHOPP Plan. The Commission received on Senior Transportation Engineer in the 2016 Budget Act to assist in carrying out SB 486 workload. However, it became clear a Supervising Transportation Engineer was required and in 2016-17 the position was reclassified. This proposal would provide funding for the reclassified position.

Staff Recommendation: Approve as Budgeted

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

VOTE-ONLY ISSUE 2: INFORMATION TECHNOLOGY ENTERPRISE SECURITY

The Governor's Budget requests \$4.0 million from the State Highway Account and six permanent positions to upgrade and improve the Information Technology Cyber Security Program.

BACKGROUND

Various audits and assessments by the US Department of Homeland Security, the California State Auditor and others have found gaps in Caltrans' mandatory compliance with federal, state, and other IT security directives. These gaps threaten Caltrans' workers productivity, exposes sensitive data, and could impact the transportation

system. Caltrans plans to initiate a security program upgrade in 2017-18 that will become a part of its ongoing operations. The Governor's budget request includes funding for six permanent positions and training costs; \$1.7 million in consultant contracts in 2017-18, \$1.1 million in 2018-19, and \$500,000 ongoing; and onetime software and hardware expenses of \$1.4 million and \$425,000 ongoing.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 3: TRANSPORTATION FUNDING PACKAGE

The Governor's budget includes a ten-year \$4.2 billion annually package of expenditure and funding proposals for transportation programs. This package also includes trailer bill language.

BACKGROUND

The deterioration of California's state and local streets and roads and state highway system has been widely documented. The Governor in his January budget proposed a ten-year spending and funding plan for transportation programs. The Senate and Assembly, working with the Governor, both recently approved SB 1 which increases several taxes and fees to raise the equivalent of roughly \$52.4 billion over ten years in new transportation revenues and makes adjustments for inflation every year; directs the funding to be used towards deferred maintenance on the state highways and local streets and roads, and to improve the state's trade corridors, transit, and active transportation facilities.

Staff Recommendation: Reject the Governor's Proposal

VOTE-ONLY ISSUE 4: INFORMATION TECHNOLOGY INFRASTRUCTURE REPLACEMENT

The Governor's Budget requests \$12.0 million in State Highway Account funds to replace outdated information technology (IT) infrastructure.

BACKGROUND

As of June 2016 Caltrans has 10,938 IT infrastructure devices worth approximately \$60 million. About 55 percent of these devices will reach the end of their useful life by June 2017. The devices to be replaced in this request have been identified as the highest priority for business operations and most likely to fail. The age of some of this equipment has contributed to recent failures such as legal case management system server crashed due to an overheated CPU causing the loss of a day and a half of work

for staff. Below is a summary of the devices to be replaced and the number of positions and hours of work needed to perform the work.

Workload Analysis

Device Type	Quantity	Average Hours to Replace	Level of Effort to Replace (Hours)	Full Time Equivalent FY 17-18	Costs (000's)
Network	869	18	15,642	9	\$ 6,002
Server	126	42	5,292	3	3,013
Storage	86	80	6,880	4	2,906
Total	1,081	140	27,814	16	\$11,921

This issue was heard on April 5, 2017.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 5: HIGH-SPEED RAIL PROJECT REIMBURSEMENT AUTHORITY

The Governor's Budget requests 14 two-year limited term positions and \$2.3 million in State Highway Account Reimbursement authority for services rendered on behalf of the California High Speed Rail Authority (CHSRA).

BACKGROUND

The CHSRA entered into a reimbursement agreement years ago with Caltrans to use its expertise in eminent domain and to take advantage of the cost-effective attorney billing rate of \$88 per hour versus \$475 per hour for private firms with similar expertise. The original interagency agreement between CHSRA and Caltrans, which expires June 2017, will be extended through June 2022 consistent with CHSRA's 2016 Business Plan. Caltrans Legal Division received 233 new eminent domain and inverse condemnation cases in 2015. In addition, it is estimated that about 75 percent, or 185, of the current 247 cases will go through the eminent domain process for the current segment. The 14 requested positions will work on the 650 remaining parcels on the Madera to Shafter segment. This is a decrease of two positions from the number requested for the two previous years.

Staff Recommendation: Approve as Budgeted

2665 HIGH SPEED RAIL AUTHORITY**VOTE-ONLY ISSUE 6: HIGH-SPEED RAIL PROPERTY MANAGEMENT**

The Governor's Budget requests \$750,000 Property Fund for expenses associated with owning property.

BACKGROUND

The CHSRA annually receives proceeds from leases and rents from properties it owns. If a property is not ready for demolition or construction CHSRA may lease it back to former owners. CHSRA has collected \$1.5 million from current leases. The CHSRA is currently paying for property-related costs from its capital appropriations, which could be offset by using this revenue stream, and thereby preserving Proposition 1A bond funds for other project activities. These funds may be used to pay taxes on acquired properties, pay for utilities connected to the properties, and fix other deficiencies on the properties.

Staff Recommendation: Approve as Budgeted

2670 BOARD OF PILOT COMMISSIONERS**VOTE-ONLY ISSUE 7: RENT INCREASE**

The Governor's budget request \$129,000 for the Board of Pilot Commissioners.

BACKGROUND

The Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun (BOPC) requests a budget augmentation of \$129,000, increasing by \$8,000 each year, from the Board of Pilot Commissioners' Special Fund. This will offset increased costs associated with renting office space in San Francisco. The Department of General Services has negotiated a new lease for the existing facility. The first year cost for the new lease will be \$25,611 an increase of \$129,329 and the new lease includes annual increases.

Staff Recommendation: Approve as Budgeted

2720 CALIFORNIA HIGHWAY PATROL**VOTE-ONLY ISSUE 8: PHONE SYSTEM REPLACEMENT**

The Governor's Budget requests \$2.8 million from the Motor Vehicle Account to upgrade the phone equipment and related infrastructure at several of its facilities in the Sacramento region, and provisional authority for an additional \$1.0 million upon approval by the Department of Finance with prior notification to the Joint Legislative Budget Committee for costs associated with design, asbestos abatement, and general construction.

BACKGROUND

The existing phone CHP system at several facilities in the Sacramento area was installed in 1979 and 1998. Due to the age of this system, there have been numerous system failures which require the department to hire a contractor familiar with the obsolete system. This proposal would allow CHP to upgrade the phone system to the latest technology, Voice Over Internet Protocol (VoIP).

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 9: INTEGRATED DATABASE MANAGEMENT SYSTEM FUNDING

The Governor's Budget proposes one-time funding of \$894,000 from the Motor Vehicle Account to cover the costs associated with the department's use of the California Department of Technology's Integrated Database Management System (IDMS).

BACKGROUND

Costs for IDMS used to be distributed across multiple departments. However, over time, many departments have upgraded their IT systems to more current platforms leaving only a few departments to bear the costs of maintaining the platform. As CHP has been working to migrate off IDMS, CHP has been receiving a series of one-time augmentations of \$894,000 since 2012-13. The CHP is implementing the replacement project in 2017-18 and this should be the last year of funding as the department should be off the current system by January 2018. The requested one-time funds are necessary to continue the operation of CHP's legacy systems on IDMS until the new system is fully implemented.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 10: CLOUD-BASED DISASTER RECOVERY SOLUTION

The Governor's Budget requests two positions and \$1.2 million in 2017-18 from the Motor Vehicle Account to establish a cloud-based disaster recovery solution, with ongoing costs of \$900,000 annually.

BACKGROUND

The State Administrative Manual requires that all state-owned data be kept secure and available during any disaster. The CHP's current disaster recovery relies on an antiquated tape backup solution to provide off-site data backup. In the event of a disaster, it could take up to three months to procure new equipment, retrieve tapes from the offsite location, and begin to restore mission critical systems and data. By moving the CHPS' disaster recovery environment to the cloud, CHP could restore mission critical systems in 24 hours.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 11: INCREASE IN REIMBURSEMENT AUTHORITY

The Governor's Budget requests a permanent budget augmentation of \$14 million in reimbursement authority.

BACKGROUND

The CHP performs a variety of extraordinary services for other state and local agencies as well as private companies, such as traffic enforcement during Caltrans construction and special events, dispatching Freeway Service Patrol, and Freeway Callbox assistance. Before CHP enters into any of these agreements for services, they are vetted to ensure it does not interfere with CHP's core responsibilities. The level of extraordinary services CHP can provide is limited by a fiscal threshold called the Reimbursement Authority that is currently \$103 million. Unscheduled reimbursements that exceed this threshold do not offset any upfront costs charged to the Motor Vehicle Account and as a result reduce the resources available for normal operations. Since 2013-14, CHP's billings for reimbursable services have exceeded its reimbursable authority. The primary cause for exceeding reimbursement authority has been the addition of new contracts for reimbursable work for several state agencies, including the Lottery Commission and Alcohol Beverage Control. Additionally, as officer pay has increased, the cost of existing reimbursement contracts has increased. Adoption of this proposal would allow CHP to have adequate authority to collect payment for all reimbursable activities.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 12: AREA OFFICE REPLACEMENTS

The Governor's Budget requests \$143.4 million Motor Vehicle Account funds for six area office replacement projects.

BACKGROUND

The proposed area office replacements are summarized in the table below. All of these buildings were built in the 1960's or 1970's. These projects are critical because in all cases both the facility no longer meets the CHP's programmatic requirements and the seismic criteria required for state-owned buildings.

**CHP Proposed Area Office Replacements
(In Millions)**

Area Office	Project Phase	2017-18 Request	Project Cost
Humbolt	Acquisition and performance criteria phase	\$2.5	\$36.8
Quincy	Acquisition and performance criteria phase	\$2.1	\$34.1
El Centro	Design build phase	\$30.4	\$34.7
Hayward	Design build phase	\$38.1	\$53.1
Ventura	Design build phase	\$37.1	\$44.4
San Bernardino	Design build phase	\$33.2	\$38.5
Total Proposed Capital Costs		\$143.4	\$241.6

STAFF COMMENTS

The Humbolt and Quincy area office replacement projects are new requests. The Subcommittee previously approved the El Centro, Hayward, Ventura, and San Bernardino area office replacements.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 13: KELLER PEAK TOWER REPLACEMENT

The Governor's Budget requests \$223,000 from the Motor Vehicle Account to replace the radio tower at Keller Peak.

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. Currently, wooden poles are being installed on a temporary basis and will need replacement. The estimated total cost of a new tower is \$2.3 million and it is anticipated the project would be completed in Fall 2020. This request funds the preliminary plans phase. In 2018-19, working drawings would cost \$279,000 and construction would cost \$1.7 million in 2019-20.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 14: STATEWIDE PLANNING AND SITE IDENTIFICATION

The Governor's Budget requests \$800,000 from the Motor Vehicle Account to identify suitable parcels for replacing up to three field offices, as well as, provisional language to allow augmentations up to \$2 million for entering into purchase options.

BACKGROUND

This proposal is a continuation of the site selection process originally approved in the Budget Act of 2013. While not a commitment to a specific project, the results of planning and site selection drive future capital outlay requests for replacement offices. Site searches for offices have been problematic in the past, as it has been difficult to locate five acre parcels of land with appropriate freeway access and acceptable radio communication pathways. As a result, site selection and acquisition can take years longer than anticipated. CHP has determined that approximately 75 of the 111 total offices potentially need replacement due to seismic issues. With such a large inventory of facilities in need of replacement and the difficulty in finding and obtaining appropriate sites, allowing for planning and site identification to be approved simultaneously helps address these problems.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 15: SANTA ANA AREA OFFICE REPLACEMENT-PROVISIONAL LANGUAGE

The Governor's Budget requests provisional language to allow the CHP, in cooperation with the Department of General Services (DGS) and the Department of Finance to enter into a build-to-suit lease/purchase or a lease with the option to purchase, to provide for a new Santa Ana area office.

BACKGROUND

The Santa Ana facility serves a portion of the Greater Los Angeles Area. The facility was constructed in 1968, has seismic and operational deficiencies, and was identified for replacement. However, since 2013-14 after numerous searches for appropriate sites, no viable options were identified for the capital outlay process. As a result, this language would provide DGS, on behalf of CHP, the ability to enter into a build-to-suit lease/purchase with an option to purchase. The proposed language is below.

Pursuant to Schedule (1) of this item [note: Statewide: Planning and Site Identification of Item 2720-301-0044] and Section 13332.10 of the Government Code, the Department of General Services, with the consent of the Department of the California Highway Patrol, may enter into a lease-purchase agreement for a build-to-suit lease facility to replace the area office in Santa Ana, subject to Department of Finance approval of the terms and conditions of the agreement. In accordance with Property Acquisition Law, the State Public Works Board will need to authorize the acquisition prior to execution of any lease-purchase agreement by the state.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 16: CALIFORNIA HIGHWAY PATROL ENHANCED RADIO SYSTEM (CHPERS) PHASE II

The Spring Finance letter requests \$1.9 million from the Motor Vehicle Account for the construction phase of two radio tower sites for the CHPERS Phase II project.

BACKGROUND

The CHPERS Phase II project was approved in 2010 at six sites. Three sites are currently under construction and one site was rescinded. These funds would be used to construct the two remaining tower sites: Crestview Peak and Silver Peak. Both of these sites are on United States Forest Service land and have run into project delays and increased costs due to federal concerns that resulted in design changes to mitigate the impacts of the tower and vault replacements.

Staff Recommendation: Approve as Budgeted

2740 DEPARTMENT OF MOTOR VEHICLES**VOTE-ONLY ISSUE 17: IGNITION INTERLOCK DEVICE PROGRAM (SB 1046)**

The Governor's Budget requests funding from the Motor Vehicle Account (MVA) as follows: \$730,000 in one-time funding and 5.0 positions 2017-18, \$671,000 and 7.0 positions in 2018-19, and \$1.9 million and 26.0 positions in 2019-20 to implement SB 1046 (Hill, Chapter 783, Statutes of 2016).

BACKGROUND

SB 1046 (Hill), Chapter 783, Statutes of 2016 extends the previously-authorized Ignition Interlock Devices (IID) pilot and fully implements the program January 1, 2019, to January 1, 2026 for repeat DUI offenders, and first time offenders under judicial discretion and requires them to install IIDs in their vehicles for six to 48 months. The bill requires a report of outcomes by January 1, 2025. The bill authorizes DMV to collect an administrative fee to cover its reasonable costs. Under the existing four-county pilot, the department charges a \$45 fee. DMV plans to cover the entire program cost with the administrative fee and plans to have the fee in place by the January 1, 2019 implementation date, at which point the MVA funding will be offset by the fee revenue.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 18: AUTOMOBILE DISMANTLING TASK FORCE (AB 1858)

The Governor's Budget requests funding from the Motor Vehicle Account as follows: \$294,000 in 2017-18, \$282,000 in 2018-19, and \$147,000 in 2019-20 to implement AB 1858 (Santiago, Chapter 449, Statutes of 2016). The existing investigations unit will absorb the workload using overtime and blanket position funding authority.

BACKGROUND

AB 1858 requires DMV to collaborate with the Board of Equalization, CalEPA, the Department of Toxic Substance Control, the State Water Resources Control Board, CalRecycle, and the California Air Resources Board until January 1, 2020, to review and coordinate enforcement and compliance activity related to unlicensed, unregulated, and underground automobile dismantling activities. It also requires that DMV and its partner agencies submit a report to the Legislature on unlicensed and unregulated vehicle dismantling activities on or before January 1, 2019.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 19: FIELD OFFICE PROJECTS

The Governor's Budget requests \$19.2 million MVA for four field office projects.

BACKGROUND

The proposed field office replacements are summarized in the table below. All of these buildings were built in the 1960's or 1970's. These projects are critical because in all cases the facilities have numerous deficiencies and either do not meet the functional needs of the DMV and/or the seismic criteria required for state-owned buildings.

**DMV Proposed Field Office Projects
(In Millions)**

Field Office	Project Phase	2017-18 Request	Project Cost
Inglewood Replacement	Construction Phase	\$15.1	\$17.2
San Diego (Normal Street) Replacement	Working drawing phase	\$1.5	\$22.1
Oxnard Reconfiguration	Preliminary plans phase	\$0.4	\$5.8
Reedley Replacement	Acquisition phase	\$2.2	\$18.4
Total Proposed Capital Costs		\$19.2	\$63.5

STAFF COMMENTS

The Oxnard reconfiguration project and the Reedley field area office replacement project are new requests. The Subcommittee previously approved the replacement of the Inglewood and San Diego (Normal Street) field offices.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 20: STATEWIDE PLANNING AND SITE IDENTIFICATION

The Governor's Budget requests \$750,000 from the Motor Vehicle Account to identify suitable parcels for replacing up to two field offices and to develop studies for both the identified replacements and approximately three reconfiguration/renovation projects. This proposal also requests provisional language to allow augmentations up to \$1 million for entering into purchase options.

BACKGROUND

This proposal is modeled after CHP's statewide planning program which has proven more effective in identifying viable replacement sites than the traditional capital outlay process. This process of concurrent planning and site identification can reduce the overall time from project concept to completion by approximately one year.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 21: INGLEWOOD SWING SPACE

The Governor's Budget requests \$2.0 million (MVA) one-time costs and \$407,439 (MVA) in ongoing costs for temporary field office swing space to house Inglewood field office staff and a permanent office.

BACKGROUND

The previously-approved Inglewood Field Office On-Site Replacement project, involves demolishing the old office and building the new office on the same site. During this time temporary office space is needed. In addition, the ongoing costs will pay for a permanent relocation of the Inglewood Investigations division, which will not have space in the Inglewood field office upon completion of the On-Site Replacement.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 22: AB 516 TEMPORARY LICENSE PLATES

The Spring Finance letter requests 2.0 positions and \$2.4 million from the Motor Vehicle Account (MVA) to implement AB 516 (Mullin, Chapter 90, Statutes of 2016).

BACKGROUND

AB 516, Mullin) requires the DMV, on or before January 1, 2019, to develop, or contract with a private industry partner, for the development of a system that allows a dealer or lessor-retailer to electronically report the sale of a vehicle and provide temporary license plates at the time of sale. By eliminating form printing, shipping, and handling costs, and other processing procedures, this change will result in net savings at DMV effective January 1, 2019. Also, the statute allows DMV to assess an administrative services fee to cover the costs incurred by the DMV for the temporary license plate. Revenue collection begins on January 1, 2018.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 23: DATA CENTER COST INCREASE

The Spring Finance letter requests \$7.0 million (MVA) ongoing to cover increases data center costs.

BACKGROUND

DMV has experienced an increase in data center costs as it endeavors to improve its customer service to California's growing population through the implementation of new technologies and programs. Recently DMV transitioned its website services from a DMV managed environment to the Department of Technology's cloud services provider to improve performance and stability. This shift resulted on-going processing and storage charges that were not previously experienced. Moreover, since 2014-15 DMV has experienced a shortfall in the amount of funding available to cover data center costs that ranged from \$7 million to \$12 million. This augmentation will cover the shortfall and fund DMV's data center costs.

Staff Recommendation: Approve as Budgeted

ITEMS TO BE HEARD

2660 CALTRANS

ISSUE 1: ROAD USAGE CHARGE PAY AT THE PUMP FEDERAL GRANT

The Spring Finance letter requests a reappropriation of \$737,000 in State Highway Account funds and \$750,000 in federal funds to undertake additional work for the Road Use Charge Pilot Program. The budget also includes provisional language that would allow the department to provide matching State Highway Account funds, up to \$10 million for Road Charge Demonstration projects pursuant to the receipt of federal grants.

BACKGROUND

SB 1077 (DeSaulnier, Chapter 835, Statutes of 2014) requires the California State Transportation Agency to implement a pilot program to study the feasibility of a “road usage charge”—an amount charged to individuals for each mile they drive—and report on the outcomes of the pilot to the Legislature by June 2018. Caltrans was chosen to implement the pilot project and the pilot project was advanced so that the project concluded in March 2017 and a final report will be released July 2017. Of the \$10.1 million provided for the project, \$737,000 remains unspent.

In December 2015, the United States Congress acknowledged the need to demonstrate a user-based alternative revenue mechanism to maintain the long-term solvency of the Highway Trust Fund with the passage of the FAST Act. The FAST Act funding complements the existing Road Charge Pilot Program. Leveraging the existing Road Charge Pilot Program work currently underway, Caltrans competed and was awarded FAST Act grant funds in December 2016.

Caltrans proposes to use the additional federal funds and unspent state funds to:

- Deploy an education and outreach program that explains transportation funding and maintenance needs (\$960,000).
- Study the interaction among state agencies that needs to be facilitated in order to identify and mitigate specific obstacles to implementing a road charge program. Departments include the Department of Motor Vehicles, the Board of Equalization, the State Controller's Office, the Air Resources Board, and the California Highway Patrol) and potentially other states (\$277,000).
- Investigate the feasibility of pay-at-the-pump/charging station (\$250,000).

On April 21, 2017 the California Transportation Commission's Road Charge Technical Advisory Committee (TAC) for the pilot program approved the FAST Act grant scope of work as an enhancement to the existing pilot.

LAO COMMENTS

The LAO makes the following findings and recommendations.

Parts of the Request Are Premature. The Legislature has not yet received information on the results of the SB 1077 pilot program, nor has it made a determination to implement a road usage charge. Therefore, the LAO believes funding implementation activities—such as an education outreach campaign and an assessment of state agencies' roles for administering a new program—is premature. Though the TAC's recommendation to study a pay-at-the-pump approach raises some questions—such as how this approach would raise revenue from electric vehicle drivers—the LAO believes exploring this option has some merit so the Legislature can understand the full array of options available for a road usage charge.

January Budget Bill Language Raises Concerns Regarding Legislative Oversight. The Governor's proposal would eliminate the Legislature's ability to review an increase in Caltrans' spending from SHA funds for road charge demonstration projects. It also circumvents the normal "Section 28" budget process for approving federal funds that come in after the budget is passed.

Recommendations

Provide Up to \$250,000 SHA Funding for Pay-at-the-Pump Study Only. The LAO recommends the Legislature reject the parts of Caltrans' proposal related to educational outreach and organizational development activities because they are premature. The LAO recommends re-appropriating up to \$250,000 from the SHA to pay for the preliminary pay-at-the-pump study and proposes provisional budget bill language allowing Caltrans to spend up to this amount because the department might be able to receive federal approval to modify its grant agreement and retain \$125,000 in federal funds for the pay-at-the-pump study. The LAO also recommends budget bill language requiring a report to the Legislature on the pay-at-the-pump study.

Delete January Budget Bill Language. This would ensure the Legislature has the opportunity to review an augmentation prior to its approval, either through the regular budget process or a Section 28 request.

STAFF QUESTIONS

1. How should the Legislature be thinking about the various funding options out there—the current road usage charge pilot program, this request, and the enactment of SB 1?
2. Please discuss the federal funds that will be available in the future for this work.

STAFF COMMENTS

This request has been approved by the Technical Advisory Committee working on the existing pilot program. The proposal takes advantage of federal funds that are available to further explore additional options for generating funding for transportation as well as studying the best approach for educating the public about funding the state's highway system. Staff recommends approval of the request for state and federal funds for additional work on the Road Use Charge Pilot Program. Staff agrees with the LAO findings related to the budget bill language and recommends rejection of the language. Staff also agrees with the LAO recommendation that the Committee adopt budget bill language requiring a report to the Legislature on the pay-at-the-pump study.

Staff Recommendation: Approved as Proposed the funding request and reject the provisional language. Adopt budget bill language requiring Caltrans to provide the Legislature a report on the pay at the pump study by July 1, 2018.

ISSUE 2: CLAIMS PAYMENT INCREASE

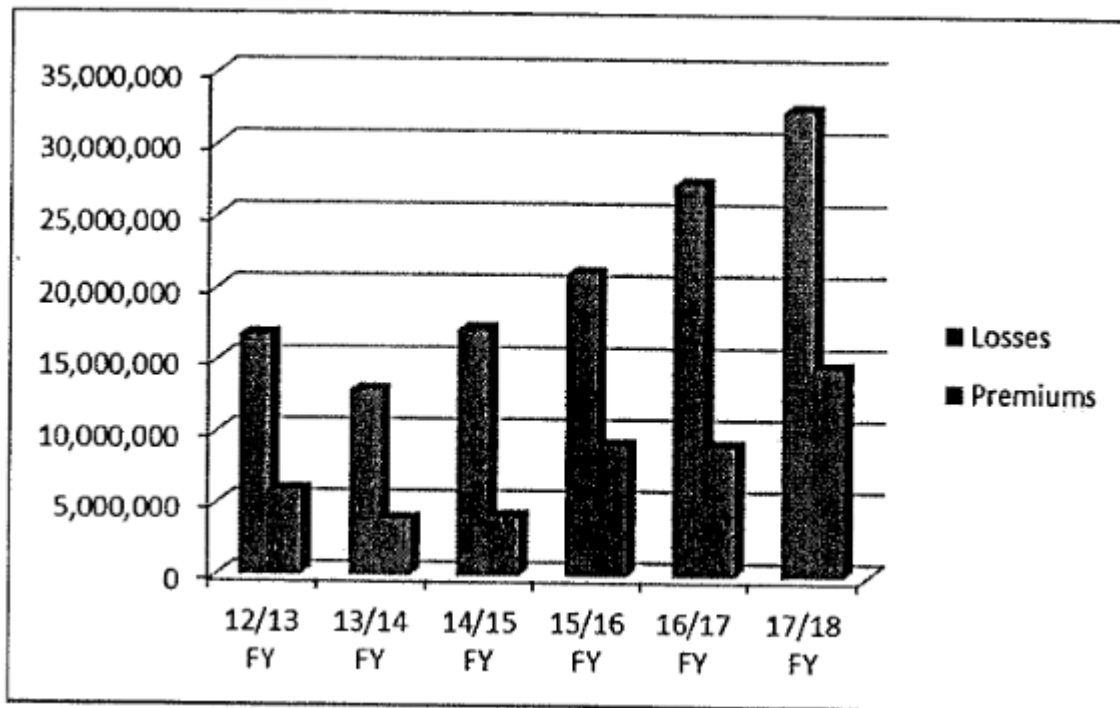
The Spring Finance Letter proposes a one-time operating expense increase of \$5.5 million in State Highway Account Funds for fleet insurance costs.

BACKGROUND

State agencies must carry motor vehicle insurance. The Department of General Services (DGS) assesses departments' costs of liability insurance. DGS recently notified Caltrans that its motor vehicle insurance premium assessment cost will increase by \$5.5 million in 2017-18.

Each state agency's premium assessment is based on claim experience for the last five calendar years. Caltrans losses in 2017-2018 increased from \$27.3 million to \$32.5 million which represents an increase of \$5.1 million. This increase stems from several open claims involving serious injury during the loss period. As a result, Caltrans is faced with paying a higher insurance premium for 2017-2018. In addition, Caltrans has a one-time \$4.25 million claim that was not calculated into the insurance premium. The requested one-time increase of \$5.5 million covers the shortfall from the existing appropriation for motor vehicle premium assessments for Caltrans.

The chart below shows Caltrans loss history has increased over time.



STAFF COMMENTS

With the enactment of the transportation funding package there likely will be a significant increase in the number of Caltrans' staff operating vehicles and equipment. Paying the current increase in insurance claims costs is unavoidable; however, the Committee may wish to consider what can be done going forward to reduce the significant increase in Caltrans' losses. The state currently requires that employees that drive vehicles on state business at least once a month complete defensive driver training every four years. In addition, Caltrans requires highway maintenance employees to attend in the first six months of employment its Maintenance Equipment Training Academy which provides basic to advanced training courses for equipment operation, worker safety, in addition to other training. The Committee may wish to have an independent analysis of the causes of the increases in insurance claims and the adequacy of Caltrans' driver safety training program.

Staff Recommendation: Approve as Proposed and adopt Supplemental Report Language directing the Legislative Analyst's Office to examine the causes of Caltrans' traffic accidents over the last five years and industry best practices for safe driver training, and recommend a safe driver training program that aligns with reducing the causes of the accidents.

2740 DEPARTMENT OF MOTOR VEHICLES**ISSUE 1: DISABLED PERSON PARKING PROGRAM**

The State Auditor recently issued an audit of the DMV's disabled person parking placard program.

BACKGROUND

The State Auditor found DMV does not sufficiently review applications for disabled person parking placards and disabled person or disabled veteran license plates to ensure they are legitimate. Further, DMV issues renewal placards to many thousands of placard holders who are likely deceased because its process for identifying them is limited. Also, the Auditor found that state law provides no limitations on the number of replacement placards a person may receive, and it noted that two people each received more than 20 replacement placards over three years. In addition, the Auditor found that the enforcement of placard misuse would improve if DMV established reasonable goals for the number of enforcement activities it conducts. Finally, DMV could provide parking enforcement officials better information to determine whether a placard is valid.

The State Auditor made the following recommendations.

- To reduce the risk of fraudulent applications, by September 2017 DMV should seek interagency agreements with the health boards responsible for licensing providers authorized to certify disabilities on placard applications.
- To better deter placard abuse, by September 2017 DMV should establish reasonable goals regarding the number of sting operations each of its district offices should conduct each quarter. If competing priorities require a district office to miss its goal for a given quarter, Investigations should document its justification for missing the goal. Further, Investigations should monitor its district offices' effectiveness in meeting the quarterly goals.
- To better equip local parking enforcement officials to promptly identify invalid placards, by December 2018 DMV should develop and implement an application, database, or other technology that will allow non-sworn parking enforcement officials to have immediate access to information on placard status.

STAFF COMMENTS

The DMV agrees with the State Auditor's recommendations and has stated it will implement them. The Committee may wish to ask if the DMV needs additional resources to implement these recommendations.

Staff Recommendation: Information only item. No action necessary.