

AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

MONDAY, MAY 15, 2017

2:30 P.M., OR UPON ADJOURNMENT - STATE CAPITOL ROOM 444

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ITEMS TO BE HEARD

2660 CALTRANS

ISSUE 1: ROAD REPAIR ACCOUNTABILITY ACT IMPLEMENTATION PLAN

The Governor's May Revision requests \$1.5 billion in local and capital funding for projects for transportation programs under SB 1, the Road Repair and Accountability Act of 2017. Programs are funded by one of four transportation accounts: Road Maintenance and Rehabilitation Account, Trade Corridor Enhancement Account, Public Transportation Account and State Highway Account. Of the total amount requested in year one, \$904.6 million consists of local assistance appropriations and \$592.8 million consists of capital outlay appropriations.

The budget also proposes the amendment of various Budget Bill items to reflect funding available from the Road Repair and Accountability Act

BACKGROUND

The Department of Finance (DOF) expects \$26.5 billion in SB 1 revenue over the next ten years to be available for local agencies in the following categories: \$15 billion for local street and road maintenance; \$7.5 billion for transit operations and capital; \$2 billion for the local partnership program; \$1 billion for the Active Transportation Program (ATP); \$825 million for the regional share of the State Transportation Improvement Program (STIP); and \$250 million for local planning grants.

The DOF expects \$25.8 billion in SB 1 revenue over the next ten years to be available for state uses in the following categories: \$15 billion for state highway maintenance and rehabilitation; \$4 billion for highway bridge and culvert maintenance and rehabilitation; \$3 billion for high priority freight corridors; \$2.5 billion for congested corridor relief; \$800 million for parks programs, off-highway vehicle programs, boating programs, and agricultural programs; \$275 million for the interregional share of the STIP; \$250 million for Freeway Service Patrol programs; and \$70 million for transportation research at the University of California and California State University.

SB 1 creates \$2.8 billion in new revenues in 2017-18. The requested Caltrans resources along with requests from other departments, would result in the following allocation of revenues created by SB 1.

Allocation of SB 1 Revenues (Dollars in Thousands)

Activity	Authority	Support	Capital Outlay	Local Assist.	Amount
Local Planning Grants	Budget Act	\$114	0	\$24,886	\$25,000
Freeway Service Patrol	Budget Act	0	0	25,000	25,000
Congested Corridors Program	Budget Act	1	\$125,000	124,999	250,000
Transit & Intercity Rail Capital	Budget Act	0	1	329,999	330,000
Active Transportation Program	Budget Act	1	1	99,998	100,000
SHOPP and Maintenance	S&HC 2030(h)(1)	0	200,000	0	200,000
SHOPP and Maintenance	Budget Act	477,470	167,885	0	645,355
Local Partnership Program	S&HC 2032(a)(3)	231	0	199,769	200,000
Trade Corridor Enhancement	Budget Act	1	99,916	99,916	199,833
Caltrans Total:		\$477,818	\$592,803	\$904,567	\$1,975,188
State Transit Assistance	PUC 99312.1	0	0	\$280,057	\$280,057
Intercity and Commuter Rail	PUC 99312.3	0	0	25,008	25,008
Local Streets and Roads	GC 16321(c)	0	0	75,000	75,000
Local Streets and Roads	S&HC 2030(h)(2)	0	0	370,355	370,355
Dept. of Food & Agriculture	R&TC 8352.5	\$17,272	0	0	17,272
Dept. of Parks & Recreation	R&TC 8352.4	54,299	0	0	54,299
State Controller's Office	Budget Act	112	0	0	112
Transportation Commission	Budget Act	216	0	0	216
California State University	Budget Act	2,000	0	0	2,000
University of California	Budget Act	5,000	0	0	5,000
Workforce Development Board	Budget Act	5,000	0	0	5,000
Department of Motor Vehicles	Budget Act	3,760	0	0	3,760
Other Total:		\$87,659	\$0	\$750,420	\$838,079
Grand Total:		\$565,477	\$592,803	\$1,654,987	\$2,813,267

To spend the funding as proposed above, Caltrans requests \$1.5 billion in capital program authority and local assistance authority for new projects funded by SB 1. Caltrans also requests provisional language be added to Item 2660-001-0042 to allow for budget adjustments based on the progress of project delivery. It is further requested that provisional language be added to Items 2660-101-0046 and 2660-302-0042 and that Schedule 1(c) be added to Item 2660-102-0042 to designate new program activities.

Caltrans also requests the following changes to the Budget, which will add items and provisional language consistent with the new funds, such as the Road Maintenance and Rehabilitation Account, created by SB 1. To make technical changes to implement SB 1, Caltrans recommends the following changes:

- For the SHOPP and Maintenance Program, Caltrans recommends adding provisional language to state that \$75 million of the fund appropriated from the State Highway Account by from a General Fund loan repayment mandated by SB 1. Caltrans also requests to add language creating a new fund . Finally in these programs, Caltrans requests a \$200 million of off-budget act appropriation as mandated by SB 1 in Streets and Highways Code section 2032(h)(1).
- For the Transit and Intercity Rail Capital Program, Caltrans requests \$330 million. Prior to adopting a program of projects, the California State Transportation Agency will likely update the guidelines. It is expected that the allocation process will begin as early as the second quarter of the fiscal year. Per statute, a portion of funds are set aside for the intercity and commuter rail programs. SB 1 ensures that up to \$20 million may be available to local and regional agencies for climate change adaptation planning, and the
- provisional language Caltrans requests ensures it has statutory authority to fulfill that legal obligation.
- For the Congested Corridors Program, Caltrans requests \$250 million. This is a new program that seeks to improve highly congested corridors throughout the state. Funding is split evenly between capital and local items until a program of projects can be adopted. In order to begin allocating projects, it will be necessary to create guidelines. It is expected that this program will be ready to allocate projects no sooner than the fourth quarter of Fiscal Year 2017-18.
- For the Trade Corridors Enhancement Program, Caltrans requests \$199.8 million. Funds are to be split between capital and local expenditures until a program of projects can be adopted by the California Transportation Commission. Prior to adopting a program of projects, the California Transportation Commission must update the program guidelines. Caltrans expects the allocation process will begin in the third or fourth quarter of Fiscal Year 2017-18.

- For the Local Partnership Program, Caltrans requests off-budget act authority for \$199.8 million consistent with Streets and Highways Code section 2032(a)(3). This program will be managed directly by the California Transportation Commission. It will create guidelines and distribute \$200 million annually to self-help counties. Funds for this program are continuously appropriated.
- For the Active Transportation Program, Caltrans requests \$100 million. Caltrans believes the California Transportation Commission will adopt the Cycle 3 program of projects in August 2017. It will be necessary to update the fund estimate, update guidelines before initiating a Cycle 4 call for projects. Allocations are expected no sooner than the fourth quarter of the 2017-18 fiscal year. Provisions allowing the California Conservation Corps to receive no less than \$4 million each year for five year are included.
- For the Freeway Service Patrol Program, Caltrans requests \$25 million in the State Highway account. This conforms to Streets and Highway Code 2032 (d) created by SB 1. The Freeway Service Patrol is a joint program provided by Caltrans, the California Highway Patrol, and local transportation agencies. It is a free service of privately owned tow trucks that patrol designated routes on congested urban California freeways.
- For Local Planning Grants, Caltrans requests \$24.9 million. This conforms to Streets and Highway Code 2032 (f) created by SB 1. This amount will be added to the Local Subvention Lump Sum allocation managed by the Caltrans Division of Planning and reported quarterly to the California Transportation Commission.

STAFF COMMENTS

The allocations proposed are consistent with SB 1.

Staff Recommendation: Hold Open

ISSUE 2: ROAD REPAIR ACCOUNTABILITY ACT (SB 1) WORKLOAD

The Governor's May Revision requests Caltrans requests \$477.8 million with a net zero increase in staff to support the Department's initial tasks for implementation of the Road Repair and Accountability Act of 2017 (SB 1) and provisional language to allow for a mid-year resource augmentation, if necessary.

BACKGROUND

To support the initial implementation of SB 1, the Capital Outlay Support Program (COS) will retain 112 positions and 131 positions will be transferred to the following Divisions; 75 positions to develop Project Initiation Documents (PIDs), 48 positions for the Maintenance Program, and 8 positions to perform administrative functions. In addition, the Maintenance Program will increase highway pavement project contracting by approximately \$400 million to address the most urgent State Highway System maintenance issues. This increase in funding will go to repaving roads and fixing potholes and allow Caltrans to improve the conditions of 3,252 lane miles of pavement. The proposed staffing increase is offset by an equivalent reduction of 243 positions from the baseline COS program as described in Issue #4, later in this agenda.

Below is a summary of the proposed increase in staffing.

Function	Positions	FY 2017-18 Total Dollars (000's omitted)
Capital Outlay Support	112	\$38,150
Project Initiation Documents	75	\$17,262
Maintenance	48	\$421,366
Administration	8	\$ 1,037
Grand Total (All Programs):	243	\$ 477,815

After consulting with the California Transportation Commission, Caltrans will assess SB 1 programs and reforms, identifying efficiencies and streamlining opportunities. If warranted by this effort, Caltrans will develop revised workload estimates and make use of proposed budget bill language that allows for a mid-year resource augmentation.

STAFF COMMENTS

Adoption of the proposed budget bill language would give Caltrans the ability to request a potentially large number of COS staff positions through a relatively non-transparent process. Given the magnitude of additional funding provided by SB 1 in 2017-18, it is very likely that Caltrans will need significantly more staff in the budget year, possible hundreds more additional COS staff. Despite Caltrans having decades of experience in developing estimates of the workload associated with delivering projects, it has chosen not to provide a realistic estimate of the additional number of staff it will need in 2017-18.

Staff Recommendation: Hold Open

ISSUE 3: ROAD REPAIR ACCOUNTABILITY ACT INSPECTOR GENERAL AND INDEPENDENT OFFICE OF AUDITS AND INVESTIGATIONS

The Governor's May Revision requests to transfer 48 existing permanent positions from its audit division to the new Independent Office of Audits and Investigations (Office) and establish 10 new permanent positions within the Office, for a total of 58 positions. To fund these positions, Caltrans requests \$9.5 million State Highway Account funds.

BACKGROUND

The Road Repair and Accountability Act of 2017 establishes the Independent Office of Audits and Investigations (Office) within Caltrans and gives it specified powers and duties.

The Act requires the Governor to appoint the Inspector General to lead the Office for a six-year term, subject to confirmation by the Senate. This legislation also specifies the Inspector General will have full authority to exercise the duties and responsibilities of the Office with respect to the oversight of Caltrans and external entities receiving state and federal transportation funds through Caltrans. The Inspector General is required to report at least annually, or upon request, a summary of his or her findings to the Governor, Legislature, and the California Transportation Commission. The law also requires ongoing reporting of findings and recommendations to the Secretary of Transportation, the Director, and Chief Deputy Director of Caltrans. Finally, the Inspector General is responsible for reviewing all policies, practices, and procedures, and conducting audits and investigations of activities involving all state transportation funds. To estimate the workload of the Office, Caltrans relied on historical workload from its Division of Audits and Investigations

The Office was created to ensure:

- Caltrans and external entities that receive state and federal transportation funds are spending those funds efficiently, effectively, economically, and in compliance with applicable state and federal requirements. Those external entities include, but are not limited to, private for-profit and nonprofit organizations, local transportation agencies, and other local agencies that receive transportation funds either through a contract with agency or through an agreement or grant administered by the agency.
- Caltrans programs are functioning consistent with applicable accounting standards and practices and are administered effectively, efficiently, and economically.
- Caltrans management is accomplishing departmental priorities, developing an annual audit plan, administering an effective enterprise risk management

program, and is making efficient, effective, and financially responsible transportation decisions.

- The Secretary of Transportation, the Legislature, the California Transportation Commission, and the Director of Caltrans and Chief Deputy Director of Caltrans are fully informed concerning fraud, improper activities, or other serious deficiencies relating to the expenditure of transportation funds or administration of department programs and operations.

STAFF COMMENTS

The Committee may wish to ask what areas/topics the Office thinks it will investigate first. Also, the Committee may wish to ask what the Administration's timeline is for appointing an Inspector General and in the interim who will be guiding the Office's work.

Staff Recommendation: Hold Open

ISSUE 4: PROJECT DELIVERY WORKLOAD (CAPITAL OUTLAY SUPPORT)

The Governor's May Revision requests a net decrease from the COS budget proposed in January of \$29.3 million and 283 full time equivalents (FTE) (includes 243 staff positions, the FTE of 26 positions for Architectural and Engineering Contracts, and the FTE of 14 positions for personal services/cash overtime).

BACKGROUND

The 2017-18 COS request includes all non-SB 1 funded workload. The table below shows the resources requested by the type of work being performed.

Capital Outlay Support Budget Request

Workload Categories (Includes all fund sources)	Enacted Budget 2016-17	May Revise 2017-18	Change 2017-18
SHOPP	5,215	5,131	(84)
Overhead and Corporate	1,832	1,800	(32)
Partnership (Includes Measure/Locally Funded)	1,016	1,104	88
STIP	914	786	(128)
Toll Bridge Seismic Retrofit Program	158	117	(41)
Real Property Services	103	109	6
Proposition 1B Bond	98	35	(63)
Traffic Congestion Relief Program	55	32	(23)
High Speed Rail	51	51	0
Geotechnical Borehole Mitigation	33	37	4
Materials Engineering & Testing Services	27	27	0
FAST Act	10	0	(10)
Total Proposed COS Workload	9,512	9,229	(283)

STAFF COMMENTS

As the funding for some of these program continues to decline the non-SB 1 workload and related request for staff also declines. Staff has no concerns with this proposal.

Staff Recommendation: Hold Open

ISSUE 5: TRAILER BILL LANGUAGE RELATED TO THE IMPLEMENTATION OF SB 1

The Governor's May Revision proposes trailer bill language related to the implementation of The Road Repair and Accountability Act of 2017 (SB 1).

BACKGROUND

The four trailer bill language proposals are as follows:

- Cleanup language to the Road Repair and Accountability Act of 2017 (SB 1).
- Project acceleration cleanup for SB 1.
- Freight Trade Corridor relative to SB 1.
- Advance Mitigation Authority relative to SB 1.

STAFF COMMENTS

The Administration will provide a description of these proposals.

Staff Recommendation: Hold Open

ISSUE 6: TRAILER BILL LANGUAGE FOR SR 710 PROPERTIES

The Governor's May Revision proposes trailer bill language that directs the Los Angeles County Assessor to assess SR 710 properties sold by Caltrans at an affordable or reasonable price, at those sales prices, instead of the market rate. This clarification will allow the properties to be sold as intended to low-income current tenants, where applicable, and sold without further delay.

BACKGROUND

Caltrans collaborated with the Department of Housing and Community Development and the California Housing Finance Agency to design the Affordable Sales Program, which returns state-owned property to the communities of Pasadena, South Pasadena and Los Angeles and allows tenants the opportunity to become homeowners. The Affordable Sales Program provides opportunities for current tenants who will be affordable buyers to gain equity and transition from affordable housing into mainstream housing. Current tenants who do not qualify as affordable buyers will have an opportunity to purchase from a housing-related entity through a double escrow process, where applicable, rather than potentially not having an option to purchase at all.

The California Housing Finance Agency will create the Affordable Housing Trust Account to capture the state's share of any net appreciation and all of the net equity upon subsequent sale of a property at an affordable or reasonable price. The funds will be used to meet the housing needs of persons and families of low and moderate income in Pasadena, South Pasadena, Alhambra, La Canada Flintridge, and the 90032 postal ZIP code, unless otherwise restricted to a particular city in accordance with state law. These actions are consistent with the requirements of law, sometimes referred to as the "Roberti Law".

Caltrans reached out to the LA County Assessor last year to explain the Affordable Sales Program and inform him that they would be commencing sales. At that time, the Assessor's office raised concerns about their ability to assess property tax based on the affordable or reasonable price (therefore assessing at the full market price level). Caltrans attorneys provided a legal analysis, which supports assessing properties at affordable or reasonable price, but the Assessor has continued to cite the intent to assess property tax at the market rate when properties are sold at an affordable or reasonable price absent a change in law.

In April, Caltrans received 130 responses to Notices of Conditional Offers of sale for 42 properties (Phase I). They are currently reviewing submittals for eligibility. Given the response to the conditional offers to sell, the ability to complete sales contracts for some of the 42 properties may be as early as June 2017. With the Assessor still indicating an intent to assess at the full market price, the department has only the following alternatives to sell the properties at an affordable or reasonable sale price:

Delay sales for the approval of a stand-alone policy bill, frustrating tenants and housing-

related entities already in the sales process;

Assume the state's legal analysis that property tax will be assessed at the affordable price, risking that the actual tax would be assessed at the market price and pricing tenants out of the homes they just purchased.

Defer to the Assessor and assume property tax to be assessed at the market price, significantly reducing the state's affordable or reasonable sales price to accommodate the high property tax assessment while keeping the transaction affordable or reasonable for the buyer assuming that the transaction can even be completed. In certain instances, tenants who would otherwise be eligible to purchase the property at an affordable price will be unable to do so.

STAFF COMMENTS

The Administration will provide a description of this proposal.

Staff Recommendation: Hold Open

2600 CALIFORNIA TRANSPORTATION COMMISSION**ISSUE 7: ROAD REPAIR ACCOUNTABILITY ACT OF 2017 WORKLOAD NEEDS**

The Governor's May Revision proposes 4.0 permanent positions and \$1.1 million (funding from the State Highway Account and the Public Transportation Account) to implement the recently enacted Road Repair and Accountability Act of 2017 (SB 1).

BACKGROUND

The Legislature passed the Road Repair and Accountability Act of 2017, also known as Senate Bill 1, on April 6, 2017, and it was signed into law by the Governor on April 28, 2017. This legislation provides \$52 billion dollars over the next 10 years for improving the condition of the state's road system, for improving the state's transit infrastructure, and for reducing traffic congestion.

SB 1 provided additional funding and increased the Commission's role in a number of existing programs, and created new programs for the Commission to oversee. SB 1 changes CTC role's in the following ways.

- Expands the Commission's oversight responsibilities for the State Highway Operation and Protection Program (SHOPP).
- Provides a role for the Commission in the apportionment and accountability of local streets and roads funding.
- Creates the Solutions for Congested Corridors Program, for which the Commission will have oversight.
- Creates the local partnership program, for which the Commission will have oversight.
- Creates the Trade Corridor Enhancement Account.
- Increases funding for the Active Transportation Program, for which the Commission already has oversight.
- Stabilizes funding for the State Transportation Improvement Program (STIP), for which the Commission already has oversight.

As the Commission gains more experience with these new responsibilities it may request additional resources in the future.

STAFF COMMENTS

Given the increase in responsibilities for the CTC created by SB 1 it is unlikely that the additional resources proposed in the May Revision will be adequate. The Committee may want to consider adopting provisional language that would allow CTC to add additional resources mid-year if necessary. The Administration has proposed a similar approach for Caltrans which is described later in this agenda. The Committee may want to ask why these staff are proposed to be funded from the PTA and SHA rather than out

of the revenue generated by the enactment of SB 1. In contrast, the Administration proposed to use the new SB 1 revenue to fund the additional workload created at Caltrans by SB 1. Finally, SB 1 tasks the CTC with providing public transparency for Caltrans' budget estimates and assurance that Caltrans' annual budget forecast is reasonable. The Committee may wish to ask the CTC how it will ensure Caltrans provides reasonable budget estimates and how it will measure and publically report on performance goals that help to ensure public funds are invested efficiently.

Staff Recommendation: Hold Open

2740 DEPARTMENT OF MOTOR VEHICLES**ISSUE 8: SB 1 TRANSPORTATION FUNDING**

The Governor's May Revision requests \$3.8 million in 2017-18 and \$7.8 million in 2018-19 from the Road Maintenance and Rehabilitation Account for additional costs of credit card transaction fees due to the implementation of SB 1.

BACKGROUND

SB 1 imposes a Transportation Improvement Fee (TIF) ranging from \$25 to \$175, beginning January 1, 2018, based on the market value of a vehicle as part of the vehicle registration fee. The figure below shows the estimated TIF for each of the vehicle value ranges and the volume of transactions and corresponding fees it anticipates.

Estimated 2015 Vehicle Value Range	Mid-Range Vehicle Value	Volume*	Flat Fee per Vehicle	Percentage of Vehicle Population	Weighted Average Fee Calculation
Up to \$4,999	\$2,500	14,170,731	\$25	46.34%	\$11.59
\$5,000 - \$24,999.99	\$15,000	12,523,633	\$50	40.96%	\$20.48
\$25,000 - \$34,999.99	\$30,000	2,152,269	\$100	7.04%	\$7.04
\$35,000 - \$59,999.99	\$47,500	1,419,354	\$150	4.64%	\$6.96
\$60,000 - >	\$80,000	312,600	\$175	1.02%	\$1.79
		30,578,587		100.00%	\$47.85

The TIF is subject to annual increases based on the California Consumer Price Index, beginning January 1, 2020. For each credit card transaction involving the TIF, DMV will pay a higher credit card transaction fee due to the higher total transaction amount. DMV estimates that based on the average TIF the increased credit card costs will be \$3.8 million in 2017-18 and \$7.8 million in 2018-19.

A future funding request will be submitted in 2019-20 to cover the ongoing costs associated with the credit card transaction fees.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold open

ISSUE 9: MOTOR VOTER IMPLEMENTATION

The Governor's May Revision requests \$1.8 million General Fund and \$5.2 million Motor Vehicle Account for 10.0 one-year limited term positions for 2017-18 to implement a single-step opt-out voter registration process pursuant to AB 1461 (Gonzalez, Chapter 729, Statutes of 2015). The DMV is requesting 12.0 ongoing positions and two-year limited term funding for two positions and \$3.2 million in 2018-19 for the ongoing workload associated with AB 1461.

BACKGROUND

The automatic voter registration process is for eligible individuals who apply for an original or renewal of a DL or ID, or submits a change of address (COA) to the DMV. AB 1461 requires the DMV to electronically transmit to the Secretary of State (SOS) specified information related to voter registration, including the applicant's name, date of birth, address, digitized signature, email address, telephone number, language preference, and other voter registration related information. Currently, all renewal-by-mail transactions are paper-based and completed voter registration affidavits are sent to elections officials for manual entry. Additionally, although change of address information is shared with the Secretary of State's office under the current process to update voter records, AB 1461 will require all change of address transactions to include the opportunity to register to vote. Transitioning these transactions to allow for an electronic transmission will require significant work. Onetime funds of 3.7 PYs and \$3.9 million was provided in FY 2016/17 for the preparation of the implementation.

The DMV anticipates increased workload in three areas:

- 1) Implementation of the electronic DL 44 that would fully automate and create a paperless voter registration option;
- 2) Calls to the DMV concerning the new process; and
- 3) Headquarters processing from including the voter registration process as part of the COA process and changes to the renewal by mail process that will result in additional processing and scanning of documents. Other cost increases include increased postage costs due to the size and number of pages of the new renewal form and increased data storage costs.

STAFF COMMENTS

The Administration will provide a presentation of this proposal.

Staff Recommendation: Hold Open

ISSUE 10: FEDERAL DRIVER LICENSE AND IDENTIFICATION CARD CONFORMITY

The Governor's May Revision requests \$23 million Motor Vehicles Account and 218 positions in 2017-18; 550 positions and \$46.6 million in 2018-19; 715 positions and \$57.9 million in 2019-20; 667 positions and \$50.2 million in 2020-21; 345 positions and \$26.2 million in 2021-22; and 228 positions and \$16.7 million in 2022-23 for a total of \$220.6 million over six fiscal years to implement a federal compliant driver license/identification card (DL/ID) card that will be accepted by the Transportation Security Administration (TSA) to board an airplane.

Trailer bill language is also proposed.

BACKGROUND

In response to the events of 9/11, the Federal Government set minimum standards for identity verification practices and security features that states must utilize if their DL/ID cards are to be accepted "for official purposes" such as accessing secure federal facilities and boarding federally-regulated commercial aircraft. These Federal DL/ID card standards mandate that DL/ID card applicants establish proof of residency by presenting at least two documents of the issuing states choice that includes their name and principle residence address, including a street address.

Pursuant to federal regulations, October 1, 2020, is the final date for states to become fully compliant with the federal DL/ID standards, after which non-compliant cards will not be accepted for federal purposes. California was provided an extension by the DHS through October 10, 2017, to meet the remaining federal requirements. California has developed a federal compliant DL/ID card implementation approach that minimizes the impact to its customers and operations. Beginning January 2018, DL/ID card applicants will have the option when applying for an original DL/ID card and renewing or applying for a duplicate DL/ID card in a DMV field office to obtain a federal compliant DL/ID card or a California compliant DL/ID card.

California processes approximately 1.5 million original DL/ID card applications annually and approximately 5.5 million DL/ID card renewals a year. There are 29.5 million current card holders in California. To develop this request, DMV assumed that on average 62 percent of current and new DL/ID card applicants will choose to have a federal compliant card over a five-year period. This assumption was based on other states' experience with implementing the federal card requirements.

This proposal would also keep open the three DL processing centers in Granada Hills, Stanton, and San Jose (originally established for AB 60 implementation).

Below is an estimate of the new field office volumes and the proposed staff. In addition, there would be 52.0 staff per year for keeping the three DL processing centers open.

New Field Office Volumes and Positions by Task and Transaction Type

Time (min)		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	5-Yr Cycle
Driver License/ID Card Originals:								
	Volume - DL	171,698	519,786	699,333	661,571	445,048	224,542	2,721,977
	Volume - ID	129,672	389,016	518,688	486,270	324,180	162,090	2,009,916
	Total	301,370	908,802	1,218,021	1,147,841	769,228	386,632	4,731,893
2	Positions - DL	3.2	9.7	13.1	12.4	8.3	4.2	51.0
2	Positions - ID	2.4	7.3	9.7	9.1	6.1	3.0	37.7
	Sub-Total	5.6	17.0	22.8	21.5	14.4	7.2	88.7
DL/ID Card Renewals (Alternative Channel Eligible):								
	Volume - DL	539,156	1,617,468	2,149,594	1,992,438	897,435	653,515	7,849,606
	Volume - ID	43,763	131,290	175,054	164,113	109,409	54,704	678,333
	Total	582,920	1,748,759	2,324,647	2,156,551	1,006,843	708,220	8,527,939
19	Positions - DL	96.0	288.1	382.8	354.9	159.8	116.4	1,398.0
18	Positions - ID	7.4	22.2	29.5	27.7	18.5	9.2	114.5
	Sub-Total PY	103.4	310.2	412.4	382.5	178.3	125.6	1,512.5
Field Office DL/ID Card Renewals:								
	Volume - DL	598,128	1,794,383	2,384,712	2,210,367	995,594	724,996	8,708,179
	Volume - ID	83,577	250,730	334,306	313,412	208,941	104,471	1,295,436
	Total	681,704	2,045,113	2,719,018	2,523,778	1,204,535	829,466	10,003,615
8	Positions - DL	44.9	134.6	178.8	165.8	74.7	54.4	653.0
8	Positions - ID	6.3	18.8	25.1	23.5	15.7	7.8	97.1
	Sub-Total PY	51.1	153.4	203.9	189.3	90.3	62.2	750.2
Additional Talk Time (task #5 above) - 25% of DL/ID Card Renewals:								
2	Volume	316,156	948,468	1,260,916	1,170,082	552,845	384,421	4,632,889
	Positions	5.9	17.8	23.6	21.9	10.4	7.2	86.9
Total Positions:		166.1	498.4	662.8	615.3	293.4	202.3	2,438.3

STAFF COMMENTS

It is difficult to determine what the actual workload at DMV will be associated with this proposal. For example, it is unknown how many Californians will choose to come into a DMV office to get this new form of ID rather than using other federally acceptable forms of identification such as a passport. It is also unclear to what extent DMV has explored other states' methods of implementation and if some of these tasks could be automated or if there are other more efficient approaches.

Given the uncertainty about future workload, the Committee may wish to consider approving only a year or two of funding and directing DMV to come back with a budget proposal when they have a better sense of the workload.

Staff Recommendation: Hold open

ISSUE 11: FRONT END APPLICATIONS SUSTAINABILITY PROJECT

The Governor's May Revision requests provisional language to allow the Director of Finance to provide funding for DMV planning activities related to the Front End Applications Sustainability Project.

BACKGROUND

DMV intends to incrementally update its outdated technology and migrate functionalities from its obsolete systems to modern applications.

The Front End Sustainability (FES) project for the front-end applications is a multi-phased approach to transition DMV from legacy systems written in the 1980s to a modern language. Numerous steps or phases are needed as the system is extremely complicated and there is limited documentation of the antiquated system requirements. The original developers retired decades ago and the current staff have limited knowledge of the full breadth of the system.

This multi-phased approach allows DMV to phase in different groups of our customers in a modular fashion into the new agile system and hence, mitigate the risk of impacting DMV's customers.

The Administration proposes the following provisional language:

The Director of Finance may augment this item by \$3,414,000 to provide funding for planning activities related to the Front End Applications Sustainability Project. This augmentation may not occur until the department has either gained concurrence from the Department of Technology that it has sufficient availability of program and IT staff necessary to complete the planning efforts, or has completed the following information technology projects: a) Commercial Driver License Information System, b) expansion of the automated knowledge test to accommodate additional languages, c) system updates to conform to federal requirements for issuance of driver licenses and identification cards, and d) tokenization to increase security for credit card transactions.

The proposed \$3.4 million would fund the following:

- A consultant to gather and manage the functional and nonfunctional requirements (\$800,000).
- A consultant to assist in the completion of the project approval lifecycle and develop a request for proposal (\$320,000).
- Statewide Technology Procurement Division to support procurement of IT services (\$80,000).
- An EDL contractor (\$900,000).
- An organizational change management contractor (\$250,000).

- California Department of Technology (\$54,000)
- A service provider to provide Independent Verification and Validation services.
- 6.0 staff positions at DMV for one year (\$791,908) and overtime (\$26,440).

STAFF COMMENTS

The Committee may wish to ask when the DMV anticipates completing each of the four requirements in the provisional language.

Staff Recommendation: Hold open

**2740 DEPARTMENT OF MOTOR VEHICLES AND
2720 CALIFORNIA HIGHWAY PATROL****ISSUE 12: CAPITAL OUTLAY: STATEWIDE PLANNING AND SITE IDENTIFICATION**

The Governor's May Revision requests a decrease to the DMV of \$450,000 and to the CHP of \$300,000 to adjust each department's Statewide Planning and Site Identification appropriation. This request also eliminates Provisions 1 and 2 of Item 2740-301-0044 to correspond with the decrease.

BACKGROUND

Approval of this reduction would result in one fewer replacement project request for both the CHP and DMV in fiscal year 2019-20. The remaining authority would be used to identify two future CHP replacement projects and to plan up to three future DMV reconfiguration projects. These decreases are consistent with the reduction in future capital outlay proposals necessary to ensure a sufficient balance in the Motor Vehicle Account.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Hold open

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)**ISSUE 13: TRAILER BILL LANGUAGE TO TRANSFER TRANSPORTATION FUNCTIONS**

The Governor's May Revision proposes trailer bill language to transfer regulatory authority for select transportation programs from the CPUC to other state agencies or local jurisdictions.

BACKGROUND

The proposal will transfer transportation functions effective July 1, 2018 as follows:

- Private carriers of passengers—Transfers to the Department of Motor Vehicles.
- Household goods carriers—Transfers to the Department of Consumer Affairs' Bureau of Electronic and Appliance Repair, Home Furnishings and Thermal Insulation.
- For-hire Vessels—Transfers to the Department of Parks and Recreation's Division of Boating and Waterways.
- Commercial air operators—Transfer to local jurisdictions.

The intent of these transfers is to create efficiencies and improve the public's interactions and customer service with government.

STAFF COMMENTS

The Committee may wish to ask why the Administration is proposing to transfer these transportation function and not other transportation functions such as the transportation enforcement branch (Issue #2). In addition, are there other transportation functions at PUC that should be considered for transfer? Finally, this proposal would result in a reduction in workload at CPUC but committee staff has not received a proposal to reduce CPUC staff resources.

Staff Recommendation: Hold open

ISSUE 14: STRENGTHENING THE TRANSPORTATION ENFORCEMENT BRANCH

The Governor's May Revision budget requests \$636,000 from the PUC Transportation Reimbursement Fund to make improvements to the PUC's Transportation Enforcement Branch (TEB) required by SB 541 (Hill, Chapter 718, Statutes of 2015).

This proposal includes trailer bill language to provide impoundment authority to Branch investigators.

BACKGROUND

TEB, in coordination with the PUC's Legal and Administrative Law Judge Divisions, implements and enforces regulations over approximately 11,000 carriers such as airport shuttles, transportation networks companies, tour buses, and the following which are proposed to be transferred out of PUC's jurisdiction—household goods movers, vessel common carriers, for-hire vessels, and commercial air operators. The regulations require these carriers to have insurance, regular inspections, and to report revenues.

State law required PUC to hire an independent entity to assess TEB responsibilities. This request will allow the PUC to address some of the issues identified in the assessment. This request:

- Makes permanent 3.0 existing "blanket" positions that analyze carrier applications and oversee the Transportation Network Company (TNC) industry.
- Makes permanent 3.0 existing limited-term positions that perform licensing support functions authorized pursuant to SB 611 (Hill, Chapter 860, Statutes of 2014), which expire at the end of fiscal year 2016-17.
- Proposes trailer bill language to grant PUC impoundment authority in order to introduce more powerful enforcement tools.

Authorization of this request will not require increasing carrier fees.

STAFF COMMENTS

The Committee may wish to have PUC present the findings of the independent assessment and discuss how this proposal addresses those issues.

Staff Recommendation: Hold open

ISSUE 15: CALIFORNIA LIFELINE LOCAL ASSISTANCE AND STATE OPERATIONS

The Governor's May Revision requests a decrease to the January budget proposed appropriation for the Universal LifeLine Telephone Service Trust Administrative Committee Fund of \$5.3 million for local assistance and in increase in state operations of \$580,000.

The May Revision also requests that provisional language be added on a one-time basis to authorize the Director of Finance to augment State Operations subject to 30-day legislative notification.

The May Revision also proposes a decrease of \$5.3 million due to an estimated decrease in projected local assistance claims for telephone connection and conversion subsidies to participants in the California Lifeline Program.

BACKGROUND

The Lifeline Program provides service necessary to meet minimum residential communications needs (both wired and wireless service), develops eligibility criteria (currently 150 percent of the federal poverty level), and set rates for the lifeline services, which are required to be not more than 50 percent of the rate for basic telephone service.

The PUC estimates the combined Local Assistance and State Operations current year expenditures to be \$485.8 million and budget year expenditures to be \$630.0 (\$30.6 million for state operations and \$599.5 million for local assistance). This item was heard in Subcommittee #3 on April 26th. As part of the May Revision, the Administration updated the budget request with the most recent program caseload and associated costs.

STAFF COMMENTS

The Committee may wish to consider putting a cap on how much the state operations item could be increased by and could ask the PUC what is the likely maximum amount of additional funding that may be needed for the third party administration transition costs.

Staff Recommendation: Hold open
