

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE No. 3 ON RESOURCES AND TRANSPORTATION****ASSEMBLYMEMBER RICHARD BLOOM, CHAIR****WEDNESDAY, MAY 6, 2015****9:00 A.M. - STATE CAPITOL ROOM 447**

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ITEMS FOR VOTE ONLY

0540 NATURAL RESOURCES AGENCY

VOTE-ONLY ISSUE 1: SPRING FISCAL LETTER

The Natural Resource Agency has three issues in April 1 Spring Fiscal Letters.

BACKGROUND

The Department of Finance has issued an April 1 Fiscal Letter regarding three items in the Natural Resources Agency Budget. These items are:

- **Multi-department bond clean up.** The Department of Finance is proposing technical changes to the budget bill related to certain bonds to true-up the numbers in bill with the bond balances.
- **River Parkway Project.** The Agency is proposing to appropriate all remaining Proposition 13 funding for the River Parkway Program. These funds will be in the acquisition and development of river parkways and the protection of urban streams.
- **Reappropriation of unspent funds.** The Agency is requesting to add a budget provision to allow the department to capture and use unspent funds that are from unsuccessful projects or those that came in under budget.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

3110 TAHOE REGIONAL PLANNING AGENCY**VOTE-ONLY ISSUE 2: SPRING FISCAL LETTER**

The Tahoe Regional Planning Agency has one Spring Fiscal Letter

BACKGROUND

The Department of Finance issued an April 1 Spring Fiscal Letter for the Tahoe Regional Planning Agency. The letter requests \$375,000 of harbor and watercraft funds to continue a boat inspection program. The State of Nevada is also contributing \$375,000 in funding for this effort.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

3340 CALIFORNIA CONSERVATION CORP

VOTE-ONLY ISSUE 3: SPRING FISCAL LETTERS

The California Conservation Corp has three issues contained in an April 1 Spring Fiscal Letter.

BACKGROUND

The California Conservation Corp has three issues contained in an April 1 Spring Fiscal Letter. These issues are:

- **Accelerate Funding of the C3 information technology project.** The Spring Fiscal letter requests \$392,000 of Collins Dugan approved funding be moved to 2015-16 from 2016-17 to address a faster implementation of the C3 project. The C3 project will track human resource data for members of the Conservation Corp.
- **Emergency Fire Overtime.** The Spring Fiscal letter increases Collins Dugan Reimbursement Account funds by \$2 million to reflect an anticipated increase in requests for emergency fire related overtime.
- **Technical Fund Shift.** The Spring Fiscal Letter shifts the source of funds for \$5 of the budget from Proposition 40 funds to State Responsibility Area funding.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

3460 COLORADO RIVER BOARD OF CALIFORNIA**VOTE-ONLY ISSUE 4: SPRING FISCAL LETTERS**

The Colorado River Board is requesting an additional \$166,000 in reimbursements to cover operating expenses in an April 1 Spring Fiscal Letter.

BACKGROUND

The Colorado River Board is requesting an additional \$166,000 in reimbursements to cover operating expenses in an April 1 Spring Fiscal Letter. According to the Department of Finance, these costs include program growth, rental costs, and travel.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

3540 CALFIRE**VOTE-ONLY ISSUE 5: SPRING FISCAL LETTERS**

The Department of Finance has issued two Spring Fiscal Letters regarding several CalFire capital projects.

BACKGROUND

The Department of Finance has issued two Spring Fiscal Letters regarding several CalFire capital projects.

April 1

A letter issued on April 1, 2015 requests funding for a variety of CalFire projects.

These projects are:

- \$4.8 million for working drawings and construction for the dormitory project at the CalFire Academy in Ino.
- \$4.8 million for the replacement of the Los Posadas Forest Fire Station, this project had previously received funding authority but was unable to move forward because of a deed issue that the department anticipates resolving in the budget year.
- \$2.2 million for working drawings and construction to replace the Vina Helitack Base in Vina, which is in Tehama County.
- \$1.5 million for construction phase of the auto shop replacement at Angels Camp in Calaveras County.
- \$963,000 for the construction phase of the automotive shop at the Santa Cruz/Santa Clara Headquarters in Ben Lomond, located in Santa Cruz County.
- \$461,000 to address drainage issues at the Cuyamaca Fire Station in San Diego County.

May 1

A May 1 Spring Fiscal letter requests the addition of a budget bill provision to allow for reappropriation of funds for three water-related projects. These projects are:

- High Rock Conservation Camp Water Treatment System Upgrade
- Trinidad Fire State Water Connection
- La Cima Conservation Camp Wastewater Treatment Plant Replacement

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letters

3760 CALIFORNIA STATE COASTAL CONSERVANCY**VOTE-ONLY ISSUE 6: SPRING FISCAL LETTER**

The Coastal Conservancy has three proposals in an April 1 Spring Fiscal Letter.

BACKGROUND

On April 15, 2015, the Department of Finance issued a Spring Fiscal Letter for the Coastal Conservancy that contained three proposals:

- **Public Access and Coastal Enhancement Grants.** The Spring Fiscal Letter proposes a one-time increase of \$1.6 million that would be available for grants to public agencies and non-profit agencies for public access, coastal resource enhancements, and educational materials and events. Of this amount, \$180,000 would be used for State staff to provide program delivery for these new grant funds.
- **Bond Fund Reversions.** The Spring Fiscal Letter reverts various Proposition 19 and Proposition 70 appropriations to bring the total appropriations levels in-line with the remaining available bond funds.
- **Habitat Conservation Fund Transfer and Reappropriation.** This technical proposal appropriates \$3.7 million to the Habitat Conservation Fund to implement the provisions of Proposition 50 of 2002. These funds should have been transferred to the fund in 2005 and 2006 but instead were allowed to revert.

STAFF COMMENTS

None.

Staff Recommendation: Adopt Spring Fiscal Letter

3810 SANTA MONICA MOUNTAINS CONSERVANCY**VOTE-ONLY ISSUE 7: SPRING FISCAL LETTER**

The Santa Monica Mountains Conservancy has a technical change reflected in a Spring Fiscal Letter.

BACKGROUND

An April 15 letter for the Santa Monica Mountains Conservancy increases the reimbursement appropriation by \$850,000 to reflect reimbursements for capital projects. These reimbursements were inadvertently omitted from the Governor's January Budget Request.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

3860 DEPARTMENT OF WATER RESOURCES**VOTE-ONLY ISSUE 8: SPRING FISCAL LETTERS**

The Department of Water Resources has four items in an April 1 Spring Fiscal Letter.

BACKGROUND

On April 1, 2015, the Department of Finance issued a Spring Fiscal Letter of the Department of Water Resources that contained four proposals. These proposals are:

- **San Joaquin River Project.** Pursuant to the State Water Action Plan's goal to bring back salmon to the San Joaquin River, this Spring Fiscal Letter proposes increasing the Department of Water Resources budget items to reflect \$4.8 million in additional reimbursements from the Wildlife Conservation Board and \$2.1 million in federal funds from the Bureau of Reclamation. The additional funds will be used for habitat restoration, recreation, and public access improvements along the San Joaquin River.
- **Reappropriations.** The Spring Letter proposes to add a provision to the budget bill to allow for the reappropriation of funds from last year. This reappropriation would allow the funds to be available until July 1, 2017. The Administration notes that many of these projects have been delayed and need additional time to be completed.
- **Extension of Liquidation.** This Spring Letter proposes to add a provision to the budget bill that extends the liquidation period for fund that were budgeted in last year's budget. This language would make these funds available until July 1, 2017.
- **Reversions.** The Administration is requesting the reversion of \$2.6 million of appropriations made in various years that are not expected to be encumbered or expended in the budget year.

STAFF COMMENTS

None.

Staff Recommendation: Adopt Spring Fiscal Letter

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**VOTE-ONLY ISSUE 9: SPRING FISCAL LETTER**

An April 1 Spring Fiscal Letter makes two proposals relating to the Department of Toxic Substances Control.

BACKGROUND

The Department of Finance has issued an April 1 Spring Fiscal Letter relating to the Department of Toxics Substance Control. The Letter has two issues:

- **Replacement Laboratory Equipment.** The Spring Fiscal Letter requests \$1.5 million in one-time special fund to replace obsolete lab equipment at the Berkeley and Pasadena Environmental Chemistry Laboratories. This expenditure is funded from revenue received from a legal judgment.
- **Biomonitoring Technical Correction.** The Spring Fiscal Letter corrects a \$350,000 overstatement of the biomonitoring program's budget that was incorrectly included in the Governor's January Budget for the Department of Toxic Substance Control. With this correction, the State will still provide \$1.5 million over two years to backfill a reduction in federal funds for this program.

STAFF COMMENTS

None.

Staff Recommendation: Adopt Spring Fiscal Letter

3970 DEPARTMENT OF RESOURCES, RECYCLING, AND RECOVERY**VOTE-ONLY ISSUE 10: SPRING FISCAL LETTER**

The Department of Resources, Recycling and Recovery (CalRecycle) has three proposals in an April 1, 2015 Spring Fiscal Letter issued by the Department of Finance.

BACKGROUND

On April 1, 2015, the Department of Finance issued a Spring Fiscal Letter that contained three proposals related to CalRecycle:

Beverage Container Recycling Fund Targeted Activities. The Spring Fiscal letter proposes \$1.1 million from the Beverage Container Recycling Fund and 10 positions for efforts by CalRecycle to reduce the expenditures out of the Beverage Container Recycling Fund and increase program integrity. These activities included: (1) Continue the Division of Recycling Integrated Information System support and training for recycling centers and processors, (2) increase Imported Materials Reports investigations and monitoring, and (3) audit handling fee claims.

Beverage Container Recycling Fund Processor Oversight. The Spring Fiscal Letter proposes a pilot program with dedicated on-site investigation resources at certified processor facilities. This team would supplement CalRecycle's existing fraud prevention efforts. The Spring Fiscal Letter proposes \$933,000 from the Beverage Container Recycling Fund and 10 limited-term Staff Services Auditor positions.

Rigid Plastic Packaging Container Program. The Spring Fiscal Letter requests \$296,000 from the Integrated Waste Management Fund and 3 permanent environmental scientist positions to conduct annual Rigid Plastic Packaging Container compliance certification reviews, pursuant to recently adopted regulations.

LAO RECOMMENDATION

CalRecycle - Processor Oversight. We recommend adopting supplemental reporting language that requires the department to report at the end of the pilot program on the estimated savings and reduction in fraudulent activities that occur due to this program. This information will inform the Legislature about the cost-effectiveness of these activities and enable it to compare it against other enforcement activities where best to target future resources.

STAFF COMMENTS

The Subcommittee previously heard an update on the Beverage Container Recycling Fund at its March 11, 2015 hearing.

Staff Recommendation: Adopt Spring Fiscal Letter with LAO Supplement Reporting Language

**3975 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY
3985 DELTA STEWARDSHIP COUNCIL****VOTE-ONLY ISSUE 11: SPRING FISCAL LETTER**

The Department of Finance has issued an April 1 Spring Fiscal Letter relating to the Sacramento - San Joaquin Delta Conservancy and the Delta Stewardship Council.

BACKGROUND

The Department of Finance has issued an April 1 Spring Fiscal Letter relating to the Sacramento - San Joaquin Delta Conservancy and the Delta Stewardship Council. The Letter has two issues:

- **Transfer of Administration and Information Technology Costs.** The Spring Letter proposes to move \$150,000 of administrative and information technology costs from the Delta Stewardship Council to the Sacramento - San Joaquin Delta Conservancy.
- **Environmental Education and Outreach Project.** The Administration proposes adding \$105,000 and one position to the Sacramento - San Joaquin Delta Conservancy to implement the Environmental Education and Outreach Project in the Delta.

STAFF COMMENTS

None

Staff Recommendation: Adopt Spring Fiscal Letter

ITEMS TO BE HEARD

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: UPDATE ON THE IMPLEMENTATION OF AB 60

The Subcommittee will receive and update on the implementation of AB 60.

BACKGROUND

Assembly Bill (AB) 60 (Chapter 524: Statutes of 2013) requires the department to issue an original driver license to an applicant who is unable to submit satisfactory proof of legal presence in the United States. Driver license applicants under AB 60 must meet all other qualifications for licensure and must provide satisfactory proof of identity and California residency.

DMV projects 1.4 million additional applications for driver's licenses over the next three years due to AB 60, which took effect on January 1, 2015. The Department projects that about 38 percent of these new applications will take place in the second half of the fiscal year. The additional 1.4 million licenses are projected to be issued over three years.

- 2014-15 = 538,947
- 2015-16 = 709,141
- 2016-17 = 170,194

The numbers above would be the peak one-time demand for driver's licenses that would occur in addition to the reoccurring service levels. In 2012-13, the DMV issued 819,401 driver's licenses.

Last year, the Subcommittee approved 822 positions and \$67.4 million to implement AB 60. This proposal represents roughly a 17 percent increase in staffing, all of which would be temporary to accommodate the one-time nature of the work. All of the funding for this proposal is from the Motor Vehicle Account, which is supported by fees charged to individuals applying for the license. The budget also included provisional language to allow the Department to request additional resources mid-year if the budgeted amounts were not sufficient.

On April 13th, the California Department of Motor Vehicles (DMV) released March statistics for Assembly Bill 60 (AB 60), as well as totals since the programs implementation on January 2, 2015.

Original Driver License:

- **76,000: Number of AB 60 driver licenses issued in March 2015.**
A license is not issued until the applicant proves identity and residency with qualifying documents or through secondary review, passes a written knowledge exam, and completes a behind-the-wheel drive exam.
- **207,000: Number of AB 60 driver licenses issued from January 2, 2015 to March 30, 2015.**

Year to Year Comparison:

- **Total original (non-commercial) driver licenses issued in March 2015: 136,000.** *This number includes the number of AB 60 driver licenses issued in March 2015.*
- **Total original (non-commercial) driver licenses issued in March 2014: 76,000.** *This number shows how many original driver licenses DMV issued before AB 60.*

Applying for a Driver License:

- **115,000: Number of AB 60 applicants applying for a license in March 2015.**
This is the total number of unique individuals who started the application process in March 2015.
- **502,000: Number of AB 60 applicants applying for a license from January 2, 2015 to March 30, 2015.** *This is the total number of unique individuals who started the application process since January 2, 2015.*

Customer Visits:

- **274,000: Number of AB 60 customer visits in March 2015.**
Data identifies the AB 60 customers provided a ticket at the "Start Here" window, which can include starting an application, taking an exam or other transactions in March.
- **964,000: Total statewide driver license customer visits in March 2015.**
Data identifies the total number of DL related visits statewide, which includes AB 60 applicants along with all driver license customer visits in March.

Testing:

- **277,000: Total number of written knowledge and drive tests administered to AB 60 applicants.**
DMV administered 191,000 written knowledge tests and 86,000 drive tests to AB 60 applicants in March.

Pass/Fail Rates:

- **48% Statewide written knowledge exam passage rate for all applicants for a new driver license**
DMV administered 411,000 written knowledge tests. This includes AB 60 applicants. For comparison, 47% of applicants passed the written knowledge test in 2014.
- **72% Statewide drive test passage rate for all applicants for a new driver license**
DMV administered 163,000 drive tests. This includes AB 60 applicants. For comparison, 61% of applicants passed the drive test in 2014.

STAFF COMMENTS

As of March 28, 2015, DMV has issued 207,000 licenses, which seems in line with the estimates assumed by the department in the budget for the current year.

Staff Recommendation: Informational Item, No Action Necessary

ISSUE 2: DMV BUDGET AND CAPITAL PROPOSALS

The Governor's budget includes several budget proposals for DMV.

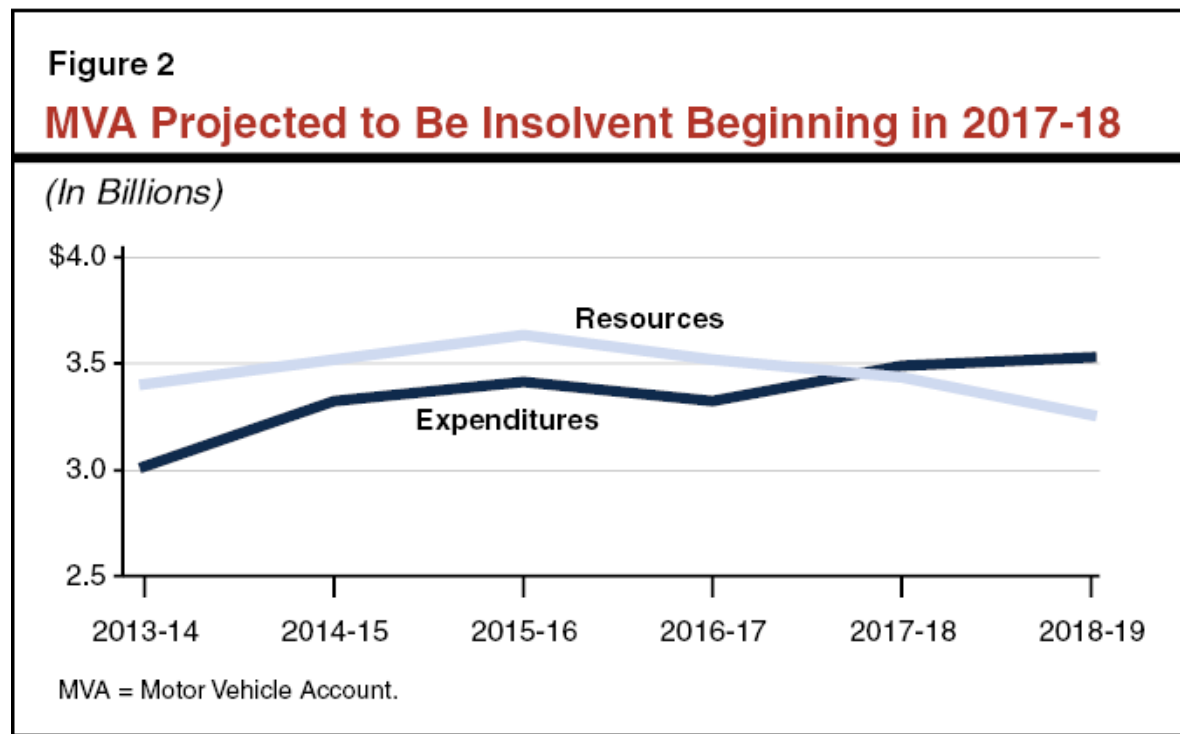
BACKGROUND

The Governor's budget includes budget proposals and three capital projects related to DMV.

- **Implements Recent Legislation.** The Budget includes \$781,000 special fund and 5.5 positions to implement three pieces of recent legislation:
 - **AB 935 (Frazier).** Chapter 644, Statutes of 2014, requires the DMV, upon request, to indicate a person's service in the U.S. Armed Forces with the word "Veteran" on their Driver's License or ID. DMV can charge a \$5 fee for this addition.
 - **AB 1733 (Quirk-Silva).** Chapter 764, Statutes of 2014, provides an identification card free of charge to individuals that verify they are homeless.
 - **AB 2308 (Stone).** Chapter 607, Statutes of 2014, expands the current interagency agreement between the California Department of Corrections and Rehabilitation and the DMV to issue indemnity cards to all eligible inmates at all 34 institutions.
- **Begins Replacement of three DMV Field Offices** The budget includes capital funding for three Field Office Replacements:
 - **Delano Field Office.** The budget includes \$1 million for the acquisition phase of the Delano Field Office replacement project. The DMV needs to acquire a new facility to replace a field office in a leased building that has unaddressed health and safety issues. The total project costs are expected to be \$11.5 million and be completed in 2019.
 - **Inglewood Field Office Replacement.** The budget proposes \$1 million to fund the preliminary plan phase of the Inglewood Field Office Onsite Replacement Project. The replacement project will replace the existing building to address seismic and safety issues at the current site. The total project costs are estimated to be \$14.9 million.
 - **Santa Maria Field Office Replacement.** The budget proposes \$2.6 million to fund the preliminary plan phase of the Inglewood Field Office Onsite Replacement Project. The replacement project will replace the existing building to address seismic and safety issues at the current site. The total project costs are estimated to be \$15.5 million.

LAO RECOMMENDATION

The LAO 2015 transportation report included a projection of the Motor Vehicle Account and a concern that the account could be insolvent in 2017-18. The graph below depicts their projections.



As a result of this projection, the LAO offered the following recommendation on DMV's BCPs:

"In view of the above, we recommend the Legislature withhold action on the Governor's proposal pending consideration of its various priorities regarding expenditures from the MVA, given the fund's projected insolvency beginning in 2017-18"

STAFF COMMENTS

The LAO raises an important consideration regarding the status of the Motor Vehicle Account. However, the small one-time capital projects proposed will not change the overall MVA special fund solvency in any meaningful way. Overall, DMV is requesting less MVA for next year than in the current year. Therefore, staff recommends approving the budget requests.

Staff Recommendation: Approve as Budgeted

ISSUE 3: DMV SPRING FISCAL LETTERS

The Department of Finance issued an April 1 Spring Fiscal Letter for DMV.

BACKGROUND

The Department of Finance issued an April 1 Spring Fiscal Letter for the DMV. The letter contains the following two requests:

Information Technology Security Remediation. The DMV is requesting \$2.5 million and ten positions to increase information technology security for the department. These resources would help DMV proactively take measures to strengthen its information technology defenses against attempts to obtain the public's private information stored at DMV. This request includes:

- About \$350,000 to fund two limited-term positions to address issues identified in a 2014 risk assessment of the security of DMV's information systems.
- \$750,000 for a consultant to conduct an assessment of the organization and workload of DMV's Privacy Protection Office and Information Security Office.
- About \$1.4 million to fund eight permanent positions. Seven of the positions would staff a new security operations center, and one position would be assigned to ongoing evaluation and support of security issues facing the Privacy Protection Office and Information Security Office. These positions would provide a higher level of information system security than is currently in place and would do so by developing expertise with DMV staff.

Reappropriation of Centralized Customer Flow Management and Appointment System. The DMV is requesting \$10 million for the Centralized Customer Flow Management and Appointment System to be reappropriated so the project can be implemented. This project is moving forward, but experienced procurement delays. This action will extend the appropriation of the funds for the project by one year.

LAO RECOMMENDATION

The requested limited-term positions and contract funding for an assessment appear reasonable. These resources would allow DMV to address previously identified issues and conduct an assessment of the resources needed to make further increases in information system security. Accordingly, we recommend approving the two limited-term positions and \$750,000 to conduct an assessment of potential increases to DMV's information system security.

While DMV's goal of further improving information system security and developing expertise with its own staff has merit, the request for eight permanent positions is premature because DMV's actual need for additional staff will not be known until the completion of the assessment described above. As a result, the request might provide too few or too many resources. In addition, the Legislature approved a pilot program as part of the 2014-15 budget to evaluate information system security issues more broadly across state government. The results of this pilot, expected in the next year or two, may also inform decisions on how best to improve information system security, including strategies on how to develop additional expertise using state staff. Accordingly, we recommend that the Legislature reject the requested eight permanent positions and instead direct DMV to report at budget hearings on the level of funding necessary to provide the additional level of information system security by contracting for these services. We also recommend that the Legislature have DMV report back after the completion of the assessments with a comprehensive plan for increasing information system security.

STAFF COMMENTS

The DMV explored other options, including subcontracting with the U.S. Military, for protecting its data and concluded that an in-house unit, supplemented by outside consultant contracts, was the most effective approach to reduce the risk of a data security breach.

Staff Recommendation: Adopt Spring Fiscal Letter
