

# SUBCOMMITTEE NO. 2

# Agenda

---

Senator Bob Wieckowski, Chair  
Senator Mike McGuire  
Senator Tony Mendoza  
Senator Jim Nielsen



**Tuesday, May 16, 2017**  
**10:00 a.m. or upon call of the Chair**  
**State Capitol - Room 112**

Consultant: James Hacker

## Vote Only Calendar

<b>2660</b>	<b>California Department of Transportation</b>	
Issue 1	Toll Bridge Maintenance Reimbursements	2
Issue 2	Road Charge Pilot Provisional Language	2
Issue 3	SB 1 Implementation: Cleanup Trailer Bill Language	2
<b>2740</b>	<b>Department of Motor Vehicles</b>	
Issue 1	Driver License Eligibility (AB 60)	3
Issue 2	DMV and California Highway Patrol (CHP) Capital Outlay	3
<b><u>Items for Discussion</u></b>		
<b>2600</b>	<b>California Transportation Commission</b>	
Issue 1	Road Repair and Accountability Act of 2017 Workload	4
<b>2660</b>	<b>California Department of Transportation</b>	
Issue 1	SB 1 Implementation: Capital Outlay and Local Assistance	5
Issue 2	SB 1 Implementation: Capital Outlay and Local Assistance Provisional Language	8
Issue 3	SB 1 Implementation: Workload and Capital Outlay Support Workload Adjustment	10
Issue 4	SB 1 Implementation: Independent Office of Audits and Investigations	12
Issue 5	Project Acceleration Trailer Bill Language	14
Issue 6	Freight Trade Corridors Trailer Bill Language	16
Issue 7	Advance Mitigation Authority Trailer Bill Language	18
Issue 8	Property Tax Assessment Authority for LA Assessor for SR 710 Properties	19
<b>2740</b>	<b>Department of Motor Vehicles</b>	
Issue 1	SB 1 Implementation: Transportation Funding	21
Issue 2	California New Motor Voter Program	23
Issue 3	Driver License / Identification Card Federal Compliance	24
Issue 4	Front End Sustainability Project: Pre-project	27

Public Comment

---

*Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.*

---

## Vote-Only Calendar

### 2660 California Department of Transportation (Caltrans)

#### Issue 1 – Toll Bridge Reimbursement Authority

**Governor’s Proposal.** The budget requests an increase of up to \$24.5 million in reimbursement authority for toll bridge maintenance work on locally-operated toll bridges. Existing staff will continue to perform the maintenance work.

This item was first heard in Budget Subcommittee No. 2 on March 23<sup>rd</sup>.

**Background.** AB 144 (Hancock), Chapter 94, Statutes of 2005, amended the responsibility to administer and oversee all maintenance services on state-owned toll bridges to the Bay Area Toll Authority (BATA) upon completion of seismic retrofit work, including the work on the two spans of the San Francisco-Oakland Bay Bridge. Caltrans believes that all applicable retrofit work has been completed and maintenance costs, including tow costs, are now BATA’s responsibility. However, any such transfer of funding responsibility would require a new Memorandum of Understanding (MOU) between Caltrans and BATA.

The request references a renegotiated MOU with BATA. Caltrans and BATA have not reached an agreement on opening up the terms of the existing cooperative agreement, and are unlikely to do so in the near future. Approving this proposal without such an agreement would be premature.

#### Issue 2 – Road Charge Provisional Language

**Governor’s Proposal.** The January budget included provisional language allowing the Department of Finance to augment Caltrans’ budget by up to \$10 million in State Highway Account funds to provide a match for potential federal grants resulting from the Fixing America’s Surface Transportation (FAST) Act, related to Road Charge demonstration projects. The Administration recently came forward with a detailed request to provide state match for a federal grant the department pursued and won. The department has indicated that they will pursue state match for future rounds of federal funding in a similar manner. As such, this provisional language is unnecessary and can be removed.

**Staff Recommendation:** Reject Issues 1 and 2.

#### Issue 3 – SB 1 Implementation: Cleanup Trailer Bill Language

**Governor’s Proposal.** The Governor's May Revision proposes trailer bill language related to the implementation of the Road Repair and Accountability Act of 2017, SB 1 (Beall), Chapter 5, Statutes of 2017. Specifically, the language proposes a variety of technical fixes to relevant code sections to ensure that funds reach the desired programs and are available to use as directed in SB 1. The Administration has indicated that the proposed changes are technical in nature, and ensure that the relevant code sections conform to the intent of SB 1.

**Staff Recommendation:** Approve as Proposed.

**2740 California Department of Motor Vehicles (DMV)****Issue 1 – Driver License Eligibility (AB 60)**

**Governor’s Proposal.** The budget requests \$8.6 million (Motor Vehicle Account) and 91 permanent positions to continue to implement the requirements of AB 60 (Alejo), Chapter 524, Statutes of 2013.

This item was first heard in Budget Subcommittee No. 2 on March 23<sup>rd</sup>.

**Background.** The DMV proposal estimates roughly 2,000 applications per week; however, DMV data indicates that the department currently receives roughly 2,700 applications per week. DMV has indicated that they have sufficient capacity to absorb workload related to any applications over the estimated 2,000. Updated application data is consistent with DMV’s long-term estimate of 2,000 applications per week.

**Issue 2 – DMV and California Highway Patrol (CHP) Capital Outlay**

The Governor’s May Revision requests reductions of \$300,000 and \$450,000 from the CHP and DMV Statewide Planning and Site Selection appropriations, respectively. As these funds are used to determine the capital project proposals to be pursued in the future, these adjustments 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. This request includes provisional language to align reporting requirements with this reduction in appropriation. The Administration has indicated that this request is consistent with efforts to ensure a sufficient fund balance in the Motor vehicle Account in future years.

**Staff Recommendation:** Approve Issues 1 and 2 as Budgeted.

## Items for Discussion

### 2600 California Transportation Commission (CTC)

#### Issue 1 – Road Repair and Accountability Act of 2017 Workload

**Governor’s Proposal.** The Governor's May Revision proposes four permanent positions and \$1.1 million (funding from the State Highway Account and the Public Transportation Account) to implement the recently enacted SB 1 (Beall), Chapter 5, Statutes of 2017.

**Background.** 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.

The budget request includes four positions to engage in newly-expanded duties at the CTC, as well as \$151,000 in funding for temporary and contract help. According to CTC, the temporary help funding will be used to hire retired annuitants or consultants to develop guidelines for the new programs authorized by SB 1.

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

**Staff Comments.** SB 1 is likely to result in a large increase in CTC workload, as it requires significant CTC involvement in newly-created programs, as well as expanded CTC participating programs in existing programs such as the SHOPP. As such, the request seems generally reasonable. However, 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 Subcommittee 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.

**Staff Recommendation:** Approve as Budgeted.

**2660 California Department of Transportation (Caltrans)****Issue 1 – SB 1 Implementation: Capital Outlay and Local Assistance**

**Governor’s Proposal.** The 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, as discussed later in this agenda.

**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.

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
<b>Caltrans Total:</b>		<b>\$477,818</b>	<b>\$592,803</b>	<b>\$904,567</b>	<b>\$1,975,188</b>
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
<b>Other Total:</b>		<b>\$87,659</b>	<b>\$0</b>	<b>\$750,420</b>	<b>\$838,079</b>
<b>Grand Total:</b>		<b>\$565,477</b>	<b>\$592,803</b>	<b>\$1,654,987</b>	<b>\$2,813,267</b>

(All dollars are in thousands)

**Legislative Analyst's Office (LAO) Comments.** The LAO has reviewed this request and provided the following analysis:

We recommend the Legislature consider modifying the Governor's proposed SHOPP and maintenance allocations from SB 1. Whereas the Governor proposes to spend \$350 million on SHOPP projects and \$422 million on maintenance (consisting of \$400 million in maintenance contracts and the remainder for new maintenance staff), we believe weighting the allocation more heavily toward maintenance has two advantages. First, Caltrans can undertake maintenance work more quickly than it can start to deliver SHOPP projects. Second, maintenance work can prevent the need for more costly rehabilitation projects in the future.

**Staff Comments.** While staff generally concurs with the LAO's comments regarding the timeliness and long-term benefit of increased maintenance spending, the proposals described in this request are generally consistent with the requirements of SB 1.

**Staff Recommendation:** Approve as Budgeted.

**Issue 2 – SB 1 Implementation: Capital Outlay and Local Assistance Provisional Language**

**Governor’s Proposal.** To spend the Capital Outlay and Local Assistance funding as proposed in Issue 1 above, Caltrans requests that 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 several technical changes to the budget bill, 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 from a General Fund loan repayment mandated by SB 1. Caltrans also requests to add language creating a new fund. 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.

**LAO Comments.** The LAO has reviewed the proposed provisional language and provided the following analysis:

We recommend the Legislature reject the Governor’s proposed budget bill language to allow the Administration, after the enactment of the budget, to increase Capital Outlay Support (COS) positions and expenditures for SB 1 implementation. The proposed language would significantly limit legislative oversight. If the Administration determines it needs additional COS resources after the passage of the 2017-18 budget in June, it could request an amendment to the budget later this summer (or when the Legislature



reconvenes in January). This would be a more transparent process for augmenting the COS program and allow for legislative oversight.

**Staff Comments.** The passage of SB 1 created several new programs, and made several modifications to existing transportation funding mechanisms, which require budget bill language to implement as intended. The proposed provisional language generally appears consistent with the intent of SB 1.

However, staff does share the LAO's concern regarding the provisional language allowing augmentation of the COS program after the enactment of the budget. While it is realistic to believe that Caltrans may require additional support staff to fully implement the requirements of SB 1, the proposed language would allow augmentation of Caltrans staff and budget with minimal oversight from the Legislature. This raises significant transparency issues. The Subcommittee may want to ask why such language is necessary, and what requirements could be included to ensure that staff and budget augmentations are granted in a manner consistent with the Legislature's intent with SB 1.

**Staff Recommendation:** Hold open.

<b>Issue 3 – SB 1 Implementation: Workload and Capital Outlay Support Workload Adjustment</b>
---

**Governor’s Proposal.** The Governor's May Revision requests includes \$477.8 million with 243 permanent positions to support the Department’s initial tasks for implementation of the Road Repair and Accountability Act of 2017 (SB 1), and a net decrease from the non-SB 1 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.

**Table 4: COS Program Workload Changes (Full Time Equivalents)**

<b>Workload Categories all fund sources)</b>	<b>(Includes</b>	<b>Enacted Budget 2016-17</b>	<b>May Revise 2017-18</b>	<b>Change 2017-18</b>
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)
<b>Total Proposed COS Workload</b>		<b>9,512</b>	<b>9,229</b>	<b>(283)</b>

To support the initial implementation of SB 1, the COS program 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.

Below is a summary of the proposed increase in staffing related to SB 1.

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

As discussed in previous issues, the budget includes provisional language allowing Caltrans, after consulting with the California Transportation Commission, to develop revised workload estimates and request a mid-year resource augmentation.

**Staff Comments.** SB 1 will create significant new workload for Caltrans. This is balanced by declines in other legacy programs. Caltrans is proposing to meet the demands of SB 1 by redirecting positions which would otherwise be eliminated due to reduced funding for programs such as the STIP and the Seismic Retrofit Bond fund. Doing so seems generally reasonable. However, 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, including possibly 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, instead relying on budgetary flexibility provided by the provisional language described above.

**Staff Recommendation:** Hold Open.

**Issue 4 – SB 1 Implementation: Independent Office of Audits and Investigations**

**Governor’s Proposal.** 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 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 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.

**LAO Comments.** The LAO has reviewed this request, and has provided the following analysis:

We recommend modifying the Governor’s proposal by only approving three of the 10 proposed new positions. These three positions are (1) the Inspector General, (2) the Chief Deputy, and (3) the Communications Officer. We believe approving the remaining seven new positions (consisting primarily of auditors and investigators) is premature until the

Inspector General is hired and has developed his or her vision for the office's workload. We do not believe this approach will hamper the office's ability to start its work in 2017-18, as the Governor's proposal includes redirecting 48 positions from the Division of Audits and Investigations to the new office. These positions will provide the Inspector General ample resources for work to commence in the budget year.

**Staff Comments.** SB1 required the creation of the Office of Independent Audits and Investigations to ensure that increased transportation revenues are being spent in an effective, efficient, and transparent manner. The Caltrans proposal, which includes folding the existing Office of Audits into the new office, would allow the department to immediately establish the office and begin performing audit work as required by SB 1. However, staff notes that the Administration has not provided information on the timeline for the appointment of an Inspector General. Delays in doing so could negatively impact the Office's ability to perform its statutorily-required work.

**Staff Recommendation:** Approve as Budgeted.

**Issue 5 – Project Acceleration Trailer Bill Language**

**Governor’s Proposal.** The Governor’s May Revision includes trailer bill language related to the implementation of SB 132 (Committee on Budget and Fiscal Review), Chapter 7, Statutes of 2017, which, among other requirements, required the Secretary of Transportation to convene a task force of state, local, and private sector experts to accelerate the schedule of delivery for these and other projects in the region, and requires that any recommendations from this task force requiring statutory changes be included in the May Revision to the 2017-18 Governor’s Budget.

**Background.** Senate Bill 132 created the Riverside County Transportation Efficiency Corridor (RCTEC) and appropriated \$427 million of current budget year resources to five projects. SB 132 assigned the CalSTA Secretary to convene a task force of state, local, and private sector stakeholders to make recommendations to expedite delivery of the five RCTEC projects and other projects in the region. SB 132 directs statutory changes recommended by the task force to expedite RCTEC and other projects to be included in the Governor's May Revision. The items below represent the statutory changes recommended by the task force that primarily benefit the RCTEC, but some authority also provides statewide benefit to expedite other SB 1 projects.

- **Section 1 - Expands pilot program for Construction Manager/General Contractor (CM/GC) on state highway system.** (*PCC 6701*). Allows Caltrans to use CM/GC on twelve (12) projects in addition to the twelve (12) projects already authorized by law. Authorizes the Riverside County Transportation Commission (RCTC) to use CM/GC for two projects on the state highway system, with priority on SB 132 projects. Increases the number of Caltrans-delivered CM/GC projects that must use Caltrans employees or consultants for engineering and design services from eight to sixteen projects. Specifies that all twenty-four CM/GC projects delivered by Caltrans must use Caltrans employees or consultants for construction inspection.
- **Section 2 - Expands pilot program for Design-Build on local streets and roads.** (*PCC 22161*). Authorizes Caltrans to select six local street and road projects to use design-build, which may include bridge replacements and rehabilitations, and railroad grade separations. Three of these projects are reserved for RCTC, with priority on SB 132 projects.
- **Section 3 - Contracting flexibility to expedite delivery of SR-91 Toll Connector to I-15 North** (*New Code*). Authorizes RCTC to determine the best project delivery method to accelerate the SR-91 Toll Connector to I-15 North and minimize disruption to the traveling public. Such methods may include design-build, CM/GC, or amendment or change to existing contracts RCTC holds. Explicitly authorizes RCTC to use low-bid *and* acceleration of delivery as the basis for contract awards for this project.
- **Section 4 - Expands authority for use of Construction Manager/General Contractor (CM/GC) off of the state highway system** (*PCC 6971*). Adds railroad grade separations and bridge replacements and rehabs in Riverside County to projects for which regional transportation agencies may use CM/GC; otherwise regional agencies may only use CM/GC on off-system expressways. Adds the County of Riverside to the definition of "regional agency."
- **Section 5 - A+B contracting authority for SB 132 lead agencies** (*new PCC 20155.10*). Authorizes agencies delivering SB 132 projects to use "cost-plus-time" bidding (also known as "A+B") whereby cost and time parameters are evaluated in public works contracts to determine best value.

- **Other – via a budget bill amendment, provides a direct appropriation of SB 132 to Riverside County Transportation Commission (RCTC) (*new Provision 3 of FY 2016-17 Budget Item 2660-110-0042*).** Clarifies that RCTC may be the recipient of appropriations for SB 132 projects.

**Staff Comments.** The proposed language is the result of the work of the task force called for in SB 132. The Subcommittee may want to consider the extent to which the proposed language would meet the goal of expediting projects in the Riverside County Transportation Efficiency Corridor, and the extent to which the proposed language is consistent with statewide transportation project planning and delivery mechanisms.

**Staff Recommendation:** Hold Open.

**Issue 6 – Freight Trade Corridors Trailer Bill Language**

**Governor’s Proposal.** The Governor’s May Revision includes language that would direct federal and state funds to the Trade Corridors Enhancement Account to be allocated for freight-related projects as identified in the State Freight Mobility Plan.

**Background.** The California Freight Mobility Plan (CFMP) is a statewide, long-range plan for California’s freight transportation system. The CFMP categorizes the designated highway and freight rail networks into three tiers for each facility type, with those portions of the network having the highest truck and rail volumes being Tier 1.

The CFMP Project List yields 707 projects state wide, addressing all freight modes, with an estimated total cost of approximately \$138 billion. The projects are from Regional Transportation Plans (RTPs) or were formally adopted by a governing board. Projects that meet the Freight Project definition are categorized into four basic project categories that work to align them with broad statewide strategies and goals. The CFMP Implementation and Improvement Strategy for the Project List uses prioritized corridors, focus areas, and overarching strategies and is multi-tiered to address the needs of California’s full, multimodal integrated freight system, as well as to respond to each of the CFMP goals and their corresponding federal freight goals.

**Staff Comments.** Under the proposed trailer bill language, the California Transportation Commission would allocate 60 percent of the funds to projects nominated by local agencies and 40 percent to Caltrans projects. Priority would be given to jointly-nominated projects.

The Commission would have to update freight program guidelines to comply with the proposed language. In doing so, the Commission would have to consult the Sustainable Freight Action Plan and its authoring agencies, as well as Metropolitan Planning Organizations. The guidelines would further allocate to projects that (A) address the state’s most urgent needs, (B) balance the demands of various land ports of entry, seaports, and airports, (C) provide reasonable geographic balance between the state’s regions, (D) place emphasis on projects that improve trade corridor mobility and safety while reducing emissions of diesel particulates, greenhouse gases, and other pollutants and reducing other negative community impacts, especially in disadvantaged communities, and (E) make a significant contribution to the state’s economy. This is in addition to the existing factors of the proposed project’s velocity, throughput, reliability, and congestion reduction.

Eligible projects would include:

- 1) Highway, local road, and rail capital and capacity improvements, rail landside access improvements, freight access improvements to airports, seaports, and land ports.
- 2) Freight rail system improvements.
- 3) Enhance the capacity and efficiency of ports.
- 4) Truck corridor and capital and operational improvements, such as dedicated truck facilities or truck toll facilities.
- 5) Border capital and operational improvements.
- 6) Surface transportation and connector road capital and operational improvements to facilitate the movement of goods from ports.



Fully-automated cargo handling equipment would not be eligible for funding through the proposed program. However, other zero-emission equipment may be included.

The Subcommittee may want to consider the extent to which the proposed trailer bill language fits into the existing programs through which the state currently funds freight projects.

**Staff Recommendation:** Hold Open.

**Issue 7 – Advance Mitigation Authority Trailer Bill Language**

**Governor’s Proposal.** The Governor’s May Revision includes trailer bill language to set additional parameters for the Advance Mitigation Program, as was indicated in SB 1. This language allow Caltrans to acquire specified types of mitigation credits.

**Background.** In 2011, Caltrans launched the Statewide Advance Mitigation Initiative with the Department of Fish and Wildlife and federal regulatory agencies to perform pilot projects on advance mitigation work and to obtain credits to apply to future projects. The program is underway with its first and second round of projects programmed for funding in the 2016 and 2018 State Highway Operation and Protection Program cycles. The program funds stand-alone advance mitigation projects providing mitigation for one or more future transportation projects located in a similar geographic region or ecoregion and included in the 10 Year State Highway Operation and Protection Program Needs list.

Advance mitigation provides more time to do long range conservation planning; provides more time to develop more environmentally beneficial mitigation sites for a suite of projects; and tends to reduce mitigation costs because it can reduce the amount of habitat restoration required when restoration is successfully implemented before project construction. Advance mitigation allows Caltrans to acquire mitigation or property for mitigation at opportune times to lock in cost savings for future projects. With complex mitigation procured in advance, Caltrans needs less time to obtain corresponding permits from regulatory agencies, which expedites projects.

**Staff Comment.** SB 1 (Beall), Chapter 5, Statutes of 2017, expands on Caltrans existing efforts to a broader suite of projects, including those in the State Transportation Improvement Program, and codifies the program as the Advance Mitigation Program. During the next four fiscal years—fiscal year 2017-18 through 2020-21—this bill requires Caltrans to set aside at least \$30 million dollars annually for the Advance Mitigation Program from the annual appropriations for the State Transportation Improvement Program and the State Highway Operation and Protection Program. SB 1 requires Caltrans to consult with the Department of Fish and Wildlife on all activities within this program.

The proposed language sets up a revolving account whereby Caltrans’ Advance Mitigation Program is reimbursed by future transportation projects using the program’s credits. This language further expands the program to any planned transportation project and allows Caltrans to sell mitigation credits to other State or local transportation agencies.

This language also makes permanent the mitigation credit program at the Department of Fish and Wildlife created under AB 2087 (Levine), Chapter 455, Statutes of 2016, and allows Caltrans to participate in that program with Caltrans Advance Mitigation Program funds.

**Staff Recommendation:** Hold Open.

**Issue 8 – Property Tax Assessment Authority for LA Assessor for SR 710 Properties**

**Governor’s Proposal.** The Governor’s May Revision proposes trailer bill language that directs the Los Angeles County Assessor to assess State Route (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 no 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. 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 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.** Caltrans has experienced numerous delays in disposing of surplus properties related to the SR 710 project. The proposed language may allow the properties to be sold as intended to low-income current tenants, where applicable, in a timely manner.

**Staff Recommendation:** Hold Open.

## 2740 California Department of Motor Vehicles (DMV)

### Issue 1 – SB 1 Implementation: Transportation Funding

**Governor’s Proposal.** 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 value of a vehicle as part of the vehicle registration fee. The TIF is subject to annual increases based on the California Consumer Price Index (CCPI), 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.

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		<b>100.00%</b>	<b>\$47.85</b>

DMV has indicated that a future funding request will be submitted in 2019-20 to cover the ongoing costs associated with the credit card transaction fees.

LAO Comments. The LAO has reviewed this request, and has provided the following analysis:

The Administration proposes to provide the department with \$3.8 million in 2017-18 and \$7.8 million in 2018-19 for SB1 credit card transaction processing costs. This is consistent with the department’s current policy of not passing on such costs to members of the public when they pay existing DMV fees (such as vehicle registration fees). We note that the department had previously charged individuals a credit card transaction charge. According to the department, it noticed an increase in online transactions when it stopped having customers directly pay the credit card transaction charge. If the

department passed on all credit card processing costs (including those requested in this proposal), the average credit card transaction charge could be several dollars. We note that other government entities pass on such costs.

**Staff Comments.** Staff finds this request to be both generally reasonable and in line with the requirements of SB 1.

**Staff Recommendation:** Approve as Budgeted.

**Issue 2 – California New Motor Voter Program**

**Governor’s Proposal.** The Governor's May Revision requests \$1.8 million General Fund and \$5.2 million Motor Vehicle Account for 10 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 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 driver’s license (DL) or identification card (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 to prepare for the implementation.

The DMV anticipates increased workload in three areas:

- Implementation of the electronic DL application that would fully automate and create a paperless voter registration option.
- Calls to the DMV concerning the new process.
- Headquarters processing forms 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.** AB 1461 created significant new workload at both the DMV and the Secretary of State. The administration’s proposal is generally in line with previous requests approved by the Legislature.

**Staff Recommendation:** Approve as Budgeted.

**Issue 3 – Driver License / Identification Card Federal Compliance**

**Governor’s Proposal.** 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. This request includes trailer bill language.

**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 initial 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
<b>Driver License/ID Card Originals:</b>								
	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
	<b>Total</b>	<b>301,370</b>	<b>908,802</b>	<b>1,218,021</b>	<b>1,147,841</b>	<b>769,228</b>	<b>386,632</b>	<b>4,731,893</b>
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
	<b>Sub-Total</b>	<b>5.6</b>	<b>17.0</b>	<b>22.8</b>	<b>21.5</b>	<b>14.4</b>	<b>7.2</b>	<b>88.7</b>
<b>DL/ID Card Renewals (Alternative Channel Eligible):</b>								
	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
	<b>Total</b>	<b>582,920</b>	<b>1,748,759</b>	<b>2,324,647</b>	<b>2,156,551</b>	<b>1,006,843</b>	<b>708,220</b>	<b>8,527,939</b>
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
	<b>Sub-Total PY</b>	<b>103.4</b>	<b>310.2</b>	<b>412.4</b>	<b>382.5</b>	<b>178.3</b>	<b>125.6</b>	<b>1,512.5</b>
<b>Field Office DL/ID Card Renewals:</b>								
	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
	<b>Total</b>	<b>681,704</b>	<b>2,045,113</b>	<b>2,719,018</b>	<b>2,523,778</b>	<b>1,204,535</b>	<b>829,466</b>	<b>10,003,615</b>
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
	<b>Sub-Total PY</b>	<b>51.1</b>	<b>153.4</b>	<b>203.9</b>	<b>189.3</b>	<b>90.3</b>	<b>62.2</b>	<b>750.2</b>
<b>Additional Talk Time (task #5 above) - 25% of DL/ID Card Renewals:</b>								
2	Volume	316,156	948,468	1,260,916	1,170,082	552,845	384,421	4,632,889
	<b>Positions</b>	<b>5.9</b>	<b>17.8</b>	<b>23.6</b>	<b>21.9</b>	<b>10.4</b>	<b>7.2</b>	<b>86.9</b>
<b>Total Positions:</b>		<b>166.1</b>	<b>498.4</b>	<b>662.8</b>	<b>615.3</b>	<b>293.4</b>	<b>202.3</b>	<b>2,438.3</b>

**LAO Comments.** The LAO has reviewed this proposal, and has provided the following analysis:

We recommend the Legislature modify the Governor’s proposal by providing positions and funding for two out of the requested six years—specifically 218 positions and \$23 million in 2017-18 and 550 positions and \$47 million in 2018-19. Providing resources for the remaining years is premature given uncertainty about the actual number of applicants who will seek new federally compliant driver licenses and identification cards. Actual workload data collected during 2017-18 and 2018-19 will help the Legislature assess the appropriate level of resources needed in remaining years.

Additionally, the state currently charges fees for California compliant driver’s licenses and identification cards to help offset the department’s processing costs. We note that the Legislature could consider charging a higher fee from new applicants for federally compliant licenses and cards in the future given the increased processing time needed for such licenses and cards.

**Staff Comments.** The National Council of State Legislatures has estimated that REAL ID will cost more than \$11 billion to implement nationwide. As such, DMV expects to absorb significant costs to comply with federal REAL ID requirements. However, 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, staff generally concurs with the LAO analysis to provide limited-term funding for the first two years of workload, and directing DMV to provide updated workload estimates as part of future funding requests.

**Staff Recommendation:** Approve 218 positions and \$23 million in 2017-18 and 550 positions and \$47 million in 2018-19.

**Issue 4 – Front End Sustainability Project: Pre-project**

**Governor’s Proposal.** The Governor's May Revision requests provisional language to allow the Director of Finance to provide \$3.4 million in funding for DMV planning activities related to the Front End Applications Sustainability Project provided that the department meets certain criteria.

**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.

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 department has indicated that 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 support costs (\$54,000).
- A service provider to provide Independent Verification and Validation services.
- Six staff positions at DMV for one year (\$791,908) and overtime (\$26,440).

**LAO Comments.** The LAO has reviewed this proposal and provided the following analysis:

We recommend the Legislature modify the Governor’s proposal for \$3.4 million to support planning activities for the department’s FES Project. Specifically, we recommend modifying the proposed provisional language to permit augmentation by the Director of Finance only after 30-day notification and review by the Legislature. This provides the Legislature with an opportunity to assess whether the department has met the specified conditions for the augmentation.

Additionally, given that this funding would likely be spent over multiple fiscal years, the Legislature could consider directing the department provide an annual status report in writing or in budget hearings until this money is fully expended. Such a report can include various components—such as the amount spent, a description of activities and accomplishments, and progress towards completing the state’s IT approval process for this project.

**Staff Comments.** Staff generally concurs with the LAO analysis. While the proposed modular implementation plan has merit, the use of provisional language to provide the requested augmentation raises concerns around transparency and oversight.

**Staff Recommendation:** Hold Open.