

SUBCOMMITTEE NO. 2

Agenda

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



Thursday, May 18, 2017
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Part A

Consultant: James Hacker

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Vote-Only Calendar

2660 California Department of Transportation (Caltrans)

Issue 1 – SB 1 Cleanup Language Technical Amendment

Budget Subcommittee No. 2 approved cleanup language for SB 1 (Beall), Chapter 5, Statutes of 2017 to align statute with the intent of the bill. After consideration of the bill, several technical errors became apparent. Specifically, the bill references “local transportation agencies,” which should be referenced as “a regional transportation agency or city” for clarity.

Staff Recommendation: Amend the proposed cleanup trailer bill with a technical fix to Section 2032 of the Streets and Highways code to reference “a regional transportation agency or city.”

Issue 2 – Road User Charge Pilot Program Reporting Language

Governor’s Proposal. The Governor’s budget requested one-time funding of \$737,000 (State Highway Account) and \$750,000 (federal funds) to utilize federal funding made available under Section 6020 of the federal Fixing America’s Surface Transportation (FAST) Act to further study the use of a road charge mechanism as an eventual replacement of the currently existing system of fuel taxes.

Budget Subcommittee No. 2 heard this item on May 11th, and voted to approve as budgeted. Assembly Budget Subcommittee No. 3 included reporting language requiring Caltrans to report to the Legislature on the outcomes of the pay-at-the-pump study by July 1, 2018. Staff is supportive of this reporting language.

Staff Recommendation: Approve reporting language, as approved by the Assembly.

Issue 3 – Sustainability Program and Zero-Emission Vehicle Pilot

Governor’s Proposal. The Governor’s budget includes provisional language to allow Caltrans to spend up to \$40 million (\$20 million from the State Highway Account (SHA) and \$20 million from federal funds) to construct direct current (DC) fast charging stations at seven locations in 2017-18.

This item was last heard in Budget Subcommittee No. 2 on May 11th.

Staff Recommendation: Reject the proposed provisional language and adopt the following:

The Department of Transportation may expend up to \$20 million in state funds (matched with up to \$20 million federal funds) on zero emission vehicle charging infrastructure, including hydrogen fueling infrastructure, upon authorization of the Department of Finance. The Department of Finance may authorize the expenditure of funds from the proposed sources not less than 30 days after notification has been provided to the Joint Legislative Budget Committee, or whatever lesser time after that notification the chair of

the joint committee, or his or her designee, may determine. The notification shall include an explanation of the sources of funding that were pursued to fund EV and ZEV charging and hydrogen fueling infrastructure, why the proposed source was selected, and why other identified sources were not selected.

Issue 4 – Project Acceleration Trailer Bill Language

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.

Staff Recommendation: Adopt placeholder trailer bill language for this proposal.

Issue 5 – Freight Trade Corridors Trailer Bill Language

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.

Staff Recommendation: Adopt placeholder trailer bill language for this proposal.

Issue 6 – Advance Mitigation Authority Trailer Bill Language

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 allows Caltrans to acquire specified types of mitigation credits.

Staff Recommendation: Adopt placeholder trailer bill language for this proposal.

Issue 7 – Property Tax Assessment Authority for LA Assessor for SR 710 Properties

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.

Staff Recommendation: Adopt placeholder trailer bill language for this proposal.

2740 California Department of Motor Vehicles (DMV)**Issue 1 – 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.

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

Issue 2 – SB 1 Implementation: 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.

Staff Recommendation: Approve as Budgeted.

Issue 3 – Front End Sustainability Project: Pre-project

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

Staff Recommendation: Reject the proposed provisional language and adopt the following:

1) 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. An augmentation shall be authorized not sooner than 30 days after notification in writing to the chairpersons of the committees and appropriate subcommittees that consider the State Budget and the chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the chairperson of the joint committee, or his or her designee, may determine. 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. On or before July 1 of each year until the augmentation

provided has been spent or has reverted, the Department of Motor Vehicles shall provide an annual status report to the chairpersons of the appropriate subcommittee that considers the state budget. The report shall include, but is not limited to, all of the following: (1) the amount spent to date, (2) a description of project accomplishments, (3) a description of project activities underway and their estimated completion dates, (4) whether the project scope has changed, and (5) the department's progress towards completing the state's IT approval process for the Front End Sustainability project.

3360 California Energy Commission (CEC)**Issue 1 – Amendment to the 2016 Budget Act: Reduction of Research Funding**

Governor’s Proposal: The Governor’s January budget proposes to reduce the Energy Commission’s budget by \$3 million General Fund. The 2016 Budget Act included \$15 million General Fund (budgeted in state operations) and language requiring a competitive grant process including a provision for the federal cost share for alternative fuel applied research and demonstration solicitations, and (2) \$3 million General Fund (local assistance) for the federal cost share for alternative fuel applied research and demonstration solicitations (intended to provide matching funds for successful federal awards).

According to the Department of Finance, the proposed reduction of \$3 million will impact the number of awards and the breadth of research, but the Energy Commission can still meet the intent of the original proposal. The Energy Commission has already released a competitive solicitation for the federal cost share and issued contingent awards.

Staff Recommendation: Reject the proposed reduction.

8660 California Public Utilities Commission (PUC)**Issue 1 – Multiyear Reappropriation of Funding for eFAST**

The PUC requests a reappropriation and an extended encumbrance period to June 30, 2021, for \$1,483,000 from various 2016 Budget Act items. The PUC also requests provisional language for an extended encumbrance period to June 30, 2021, for \$1,884,091 in various 2017-18 budget act items.

The 2016-17 Budget Change Proposal requested funds for contract services to develop the eFiling Administration Support (eFAST) Platform and three Business Configuration Projects. Authorization of this proposal would align restructured project plans with revised funding needs. There is no change to the total funding requested for the IT projects. This proposal only shifts funds to budget out years.

Staff Recommendation: Approve as Budgeted.

Issue 2 – LifeLine Program Funding and Trailer Bill Language

Governor’s Proposal. The Governor’s January budget requested an augmentation of roughly \$151 million (\$147 million for local assistance, \$4 million for state operations) for the LifeLine program in 2017-18. The Governor’s May Revision updates this request by increasing state support costs by \$580,000 to cover higher-than-expected printing and mailing costs, and by reducing local assistance expenditures by \$5.3 million to reflect an estimated decrease in workload. This results in current year expenditures of \$485.8 million and budget year expenditures of \$630 million.

This request also includes provisional language allowing the Department of Finance, subject to 30 day legislative notification, to augment state operations should printing and mailing costs continue to rise.

Staff Recommendation: Approve as Budgeted.

Items for Discussion

8660 California Public Utilities Commission (PUC)

Issue 1 – Strengthening the Transportation Enforcement Branch (TEB)

Governor’s Proposal. The Governor’s May Revision requests \$636,000 from the PUC Transportation Reimbursement Fund (PUCTRA, Fund 0461) to fund the conversion of six limited-term positions to permanent positions to meet critical program and process needs of the PUC's Transportation Enforcement Branch (TEB) to begin implementing recommendations from the independent audit required by SB 541 (Hill), Chapter 718, Statutes of 2015. This request also includes trailer bill language giving PUC investigators impoundment authority.

Background. TEB, in coordination with the PUC's Legal and Administrative Law Judge (ALJ) Divisions, implements and enforces regulations over approximately 11,000 carriers. State law requires limousines, private buses, moving companies, TNCs, and other carriers to carry specified levels of insurance coverage, screen drivers for drugs and alcohol, monitor driving records, and compete fairly in the marketplace.

In 2015, the Legislature adopted SB 541, which, among other things, required the PUC to hire an independent consultant to assess the transportation program's ability to meet its programmatic objectives in the regulation of household goods carriers and passenger charter-party carriers. The independent consultant found that TEB is not currently meeting any of its nine objectives. The audit report concludes that, over time and due to multiple regulatory challenges, there were declines in the transportation program's visibility, importance, and effectiveness. Despite this, the report affirms that the program itself has a solid foundation due to dedicated staff, new leadership, and a strong commitment to implementing improvements. The challenge areas for TEB include chronic understaffing and high turnover rates that increase workload and overwhelm remaining staff. The report also identifies that current enforcement tools are tailored for the pursuit of licensed carriers, which hinders successful enforcement against unlicensed carriers.

The following audit recommendations are salient to this BCP:

- Hire staff to fill vacant positions and add additional staff to support effective operations.
- Improve enforcement of unlicensed carriers.
- Introduce more powerful enforcement tools

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

We recommend approving the CPUC request to convert six positions from limited-term to permanent and provide \$636,000 ongoing for enhanced oversight of transportation carriers because the workload for these activities is ongoing and the positions are needed to address deficiencies identified in recent audits. We also recommend rejecting without prejudice the proposed trailer bill language to (1) shift certain aspects of CPUC’s regulatory oversight of transportation carriers to other state agencies and (2) provide additional transportation enforcement authority to CPUC. These proposals may have merit by allowing CPUC to more effectively focus its regulatory efforts and improve its

regulatory enforcement efforts. However, in our view, these are policy issues that are most appropriately considered through the policy committee process.

Staff Comments. The Transportation Enforcement Branch currently has three limited-term positions due to expire on June 30, 2017. The PUC received these positions to implement SB 611 (Hill), Chapter 860, Statutes of 2014, which required the PUC to document on an annual basis passenger carrier operators' modified limousines and their terminal locations and to provide information to the California Highway Patrol so it may inspect the vehicles on a regular basis. Although the positions expire on June 30, 2017, full implementation of SB 611 does not begin until July 1, 2017, and the SB 611 program does not have a sunset date. Three other positions were created from the blanket and are also due to expire on June 30, 2017. The PUC created these positions in 2014 to help licensing staff keep up with workload, which saw a spike of 52 percent from 2012 in new applications, permit transfers, renewals, and re-filings, and to catch up with the regulation of Transportation Network Companies (TNCs). Although the workload has leveled off since 2014, the licensing staff does not meet TEB's statutory mandate to timely process applications and hold application workshops for potential applicants according to the SB 541 report. While the positions are limited-term, staff notes that the workload is ongoing and likely permanent. As such, extending the positions is appropriate.

However, staff shares the LAO's concern with using budget bill language to extend impoundment authority to PUC investigators. While granting PUC investigators such authority has merit from a regulatory standpoint, the budget is not the appropriate venue to make such statutory changes. PUC should pursue such a change through the policy process.

Staff Recommendation: Approve six permanent positions and \$636,000 from the PUCTRA. Reject the proposed trailer bill language without prejudice.

Issue 2 – Transfer of Regulatory Oversight of Transportation Functions

Governor’s Proposal. The Governor’s May Revision includes trailer bill language that transfers regulatory authority for select transportation programs from the PUC to other state agencies or local jurisdictions.

Background. The PUC has authority under Article XII of the State Constitution to establish rules and set rates for various categories of companies that transport passengers and property. Specifically, the PUC has licensing, rate regulation, enforcement, prosecution, rulemaking authority and insurance rate setting responsibility over passenger and goods carriers such as limousines, airport shuttles, transportation network companies, buses, ferries, boats, commercial air operators and household goods carriers.

During the 2015-16 legislative session, the Governor signed a package of bills enacting various reforms to improve public safety, as well as PUC governance, accountability, and transparency. In an accompanying signing message, the Governor directed the Administration to work with the PUC to reorganize duties and responsibilities over transportation-related regulation.

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

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

Under this proposal, three jurisdictions would stay with PUC:

- Passenger stage corporations
- Vessel common carriers
- Charter party carriers, including transportation network companies

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

We recommend approving the CPUC request to convert six positions from limited-term to permanent and provide \$636,000 ongoing for enhanced oversight of transportation carriers because the workload for these activities is ongoing and the positions are needed to address deficiencies identified in recent audits. We also recommend rejecting without prejudice the proposed trailer bill language to (1) shift certain aspects of CPUC’s regulatory oversight of transportation carriers to other state agencies and (2) provide additional transportation enforcement authority to CPUC. These proposals may have merit by allowing CPUC to more effectively focus its regulatory efforts and improve its regulatory enforcement efforts. However, in our view, these are policy issues that are most appropriately considered through the policy committee process. This especially applies to the proposal to shift various regulatory responsibilities, which raises a variety of questions about how the changes would affect regulated industries and consumers,

what type and level of state efficiencies would be gained, why certain regulatory functions would remain at CPUC, and the capacity of the receiving departments to conduct these activities. In addition, the urgency to adopt this new proposal as part of the 2017-18 budget, rather than through the typical policy process, is unclear.

Staff Comments. Staff generally concurs with the LAO analysis. While transferring some of the listed regulatory responsibilities to other state and local authorities has merit, the budget is not the proper venue to make such sweeping policy changes. The PUC should pursue such changes through the policy process.

Staff Recommendation: Reject the proposed trailer bill language without prejudice.