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Part B

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VOTE-ONLY CALENDAR

2600 CALIFORNIA TRANSPORTATION COMMISSION

Issue 1: Transportation System Oversight

Governor's Proposal. The budget includes an increase of \$1,189,000 from the State Highway Account and the Public Transportation Account to convert eight limited-term positions to permanent positions in order to address the permanent workload related to the implementation of SB 1 (Beall), Chapter 5, Statutes of 2017, SB 103 (Committee on Budget and Fiscal Review), Chapter 95, Statutes of 2017, and SB 1328 (Beall), Chapter 698, Statutes of 2018.

SB 1 provided the first significant, stable, and on-going increase in state transportation funding in more than two decades. In providing this funding, the Legislature has provided additional funding to the Commission and increased its role in a number of existing programs and created new programs for the Commission to oversee. While the positions provided in 2019-20 were limited term, the workload created by SB 1, SB 102, and SB 1328 was ongoing. As such, it is appropriate to convert these positions from limited-term to ongoing, and to provide the necessary resources to do so.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

Issue 2: Planning Program PID ZBB

Governor's Proposal. The budget includes a biennial zero-base-budget (ZBB) for Project Initiation Documents (PIDs) that requests a total of 370 positions and \$72,120,000 (\$68,790,000 in personal services (PS) and \$3,330,000 in operating expenses (OE)) to develop, review, and approve PIDs. This request represents a net decrease of 60 positions, 20 Full Time Equivalents (FTE) for Architecture and Engineering (A&E) contracting, and 5 Cash Overtime (COT) FTE equating to a total reduction of \$18,229,000.

Although there is substantial transportation funding available, the PID Program is requesting a decrease in resources due to the implementation of multi-asset PIDs (which consolidate workload), increased funding directed towards programs that do not require PIDs, and a new normal level of PIDs after accelerating delivery to meet the influx of SB1 transportation funding.

Issue 3: Maintenance Zone Enhanced Enforcement Program (MAZEEP)

Governor's Proposal. The budget includes a permanent increase in State Highway Account (SHA) funds of \$4,000,000 in operating expenses beginning in 2021-22 for Maintenance Zone Enhanced Enforcement Program (MAZEEP) needs statewide to provide for enhanced worker safety in project work zones.

Since a deadly series of accidents in 2011, MAZEEP usage has steadily increased year over year. Since increasing the usage of CHP in work zones, the number of Caltrans Maintenance fatalities caused by errant motorists has reduced to one death from 2012 to 2019. In addition to contributing to worker

safety in maintenance sites, Caltrans has begun to utilize and now requires the presence of CHP officers to assist with encampment remediation. This \$4,000,000 request aligns MAZEPP's budget with recent levels of expenditure. This funding will allow Caltrans to replace redirected resources to accomplish priority highway maintenance activities, such as increased landscape and right-of-way maintenance, including material purchases and services contracts on hold due to budget constraints.

Issue 4: Wildfire Litigation

Governor's Proposal. The budget includes three-year, limited-term resources in State Highway Account (SHA) funds totaling \$2,756,000 (\$1,647,000 in personal services (PS), \$1,109,000 in operating expenses (OE)) to support increased workload for wildfire litigation.

In FY 2020-21, the Legal Division's BCP request for additional Wildfire litigation resources was withdrawn due to the 2020 COVID-19 Pandemic and anticipated delays in court proceedings. Subsequently, the courts implemented technological solutions and, once again, cases are progressing. The Legal Division has already begun incurring staffing costs and fees. Caltrans has redirected resources from other workload to support this. Additional resources are needed for preparing for and conducting depositions, coordinating with court reporters, requesting reprographic services and executing contracts with expert witnesses.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN

Issue 5: Funding for Increased Training Costs

Governor's Proposal. The budget includes a permanent augmentation of \$200,000 from the Board of Pilot Commissioners' Special Fund to cover increased Training costs.

To ensure that there are a sufficient number of trainees in the pipeline to achieve the goal of attaining 60 licensed pilots at all times, and based upon the pilot retirement survey and the current number of BOPC-licensed pilots, the BOPC voted at its July 23, 2020, meeting to increase the maximum number of trainees in the pilot training program from 8 to 10, subject to sufficient budgetary authority. The BOPC has indicated that this requested increase in budget authority is necessary to cover increased Pilot Trainee Training Program cost. The current appropriation of \$1,225,000 that provides training to both BOPC-licensees through the Pilot Continuing Education Program and to pilot trainees in the Pilot Trainee Training Program will not cover the training costs of both pilots and pilot trainees in Fiscal Year (FY) 2021-22 if the Board increases the maximum number of pilot trainees from eight to ten.

2720 CALIFORNIA HIGHWAY PATROL

Issue 6: Records Management and Licensing System

Governor's Proposal. The budget includes a permanent increase of \$3.5 million from the Motor Vehicle Account for the ongoing licensing and subscription of the Department's Records Management System (RMS).

The CHP has indicated that federal grant only covers the initial cost of the acquisition, configuration, and stabilization of the RMS but not the ongoing licensing and maintenance costs. The department has

indicated that they plan to provide licenses for access to the acquired system for the roughly 7,500 sworn officers and non-uniformed administrators. \$3.5 million per year covers the licensing costs for these individuals. While the MVA is fiscally constrained, this funding is required to meet a federal mandate.

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

Issue 7: Brawley and Woodland Field Office Relocations

Governor's Proposal. The budget includes resources to relocate the Brawley and Woodland offices to temporary leased offices. This includes \$316,000 in 2021-22, \$526,000 in 2022-23, and \$793,000 in 2023-24 and ongoing to relocate the Brawley Field Office to a temporary leased office near Brawley, California. It also includes \$311,000 in 2021-22, \$490,000 in 2022-23, and \$727,000 in 2023-24 and ongoing to replace the departments leased Woodland Field Office building. This funding will allow the DMV to continue serving the general public, which would otherwise be negatively affected due to customers overcrowding the surrounding offices.

The Brawley Field Office is proposed to be consolidated with the El Centro Field Office in a capital outlay project in DMV's FY 2021/22 Five-Year Infrastructure Plan. Due to the condition of the Motor Vehicle Account, few capital outlay projects have moved forward in recent years. The Department has indicated that it can no longer wait to consolidate Brawley with El Centro due to the condition of the modular building. The Department has indicated that the Woodland Field Office has not been properly maintained by the lessor, and a relocation is necessary to properly serve the public.

Staff Recommendation: Approve all Vote Only items as budgeted.

ISSUES FOR DISCUSSION

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers and protects consumers by issuing vehicle titles and regulating vehicle sales.

Budget Overview. The 2021-22 budget provides \$1.4 billion to support 8,600 positions. This is an increase of roughly \$65 million and 60 PYs from 2020-21.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
2130	Vehicle/Vessel Identification and Compliance	4,115.0	3,965.7	3,893.4	\$666,525	\$662,177	\$691,484
2135	Driver Licensing and Personal Identification	3,200.7	2,309.8	2,478.7	518,421	505,752	533,066
2140	Driver Safety	917.2	1,226.3	1,210.7	148,550	145,793	152,448
2145	Occupational Licensing and Investigative Services	387.9	455.5	448.8	62,819	62,363	65,567
2150	New Motor Vehicle Board	9.4	13.0	13.0	1,581	1,729	1,865
9900100	Administration	832.8	592.9	575.2	123,013	132,277	137,342
9900200	Administration - Distributed	-	-	-	-123,013	-132,277	-137,342
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		9,463.0	8,563.2	8,619.8	\$1,397,896	\$1,377,814	\$1,444,430
FUNDING					2019-20*	2020-21*	2021-22*
0001	General Fund				\$6,426	\$9,879	\$8,386
0042	State Highway Account, State Transportation Fund				6,682	8,348	10,400
0044	Motor Vehicle Account, State Transportation Fund				1,345,611	1,309,001	1,362,566
0054	New Motor Vehicle Board Account				1,581	1,729	1,865
0064	Motor Vehicle License Fee Account, Transportation Tax Fund				10,937	20,479	30,631
0115	Air Pollution Control Fund				-	1,705	-
0516	Harbors and Watercraft Revolving Fund				5,226	2,704	7,734
0890	Federal Trust Fund				22	2,789	1,393
0995	Reimbursements				12,645	14,549	14,549
3290	Road Maintenance and Rehabilitation Account, State Transportation Fund				8,766	6,631	6,906
TOTALS, EXPENDITURES, ALL FUNDS					\$1,397,896	\$1,377,814	\$1,444,430

MVA Fund Condition. The Department of Motor Vehicles and the California Highway Patrol are predominantly funded by the Motor Vehicle Account, which has been fiscally constrained for a number of years. While recent budgetary actions have stabilized the fund to some degree, it is still precariously balanced and remains a concern. As shown below, based on projections in the proposed January budget, the fund is projected to have a negative fund balance beginning in 2024-25, raising serious questions about proposals that include significant out-year expenditures.

Motor Vehicle Account (0044) Fund Condition								
(dollars in millions)								
2021-22 Governor's Budget								
	Past Year	Current Year	BY 21-22	BY+1 22-23	BY+2 23-24	BY+3 24-25	BY+4 25-26	
	19-20	20-21						
BEGINNING RESERVES	\$602	\$388	\$178	\$155	\$100	\$100	-\$160	
REVENUES & TRANSFERS								
<u>Revenues</u>								
Registration Fee	\$3,423	\$3,556	\$3,652	\$3,764	\$3,877	\$3,997	\$4,120	
Other Fees	\$576	\$675	\$549	\$594	\$606	\$617	\$622	
REAL ID Fee Revenue - Conversions	\$0	\$30	\$129	\$0	\$0	\$0	\$0	
Total Fee Revenue	\$3,999	\$4,261	\$4,330	\$4,358	\$4,483	\$4,614	\$4,742	
<u>Transfers & Loans</u>								
Loan of CS 3.90 Savings to GF per CS 3.92	\$0	-\$266	-\$266	\$0	\$0	\$0	\$0	
Patrol Member Retirement Contribution Transfer	-\$25	-\$25	-\$25	-\$25	\$0	\$0	\$0	
Transfers To Other Funds	-\$3	-\$3	-\$3	-\$3	-\$3	-\$106	-\$109	
Repayment of CS 3.92 Loan	\$0	\$0	\$0	\$86	\$248	\$198	\$0	
Total Resources	\$4,573	\$4,355	\$4,213	\$4,571	\$4,828	\$4,806	\$4,473	
EXPENDITURES								
<u>Baseline Support Expenditures</u>								
CHP - Base Budget	\$2,439	\$2,276	\$2,252	\$2,546	\$2,753	\$2,962	\$3,172	
DMV - Base Budget	\$1,346	\$1,309	\$1,082	\$1,209	\$1,260	\$1,330	\$1,403	
DMV - Proposed Extension of REAL ID and Operational Improvements	\$0	\$0	\$186	\$106	\$86	\$31	\$32	
DMV - Digital Experience IT Project	\$0	\$0	\$21	\$49	\$49	\$44	\$44	
ARB - Base Budget	\$139	\$142	\$140	\$156	\$165	\$175	\$184	
Other (Other Departments, Local Assistance, Assessments including Pro Rata)	\$259	\$263	\$311	\$317	\$320	\$323	\$327	
SB 84 Loan Repayment	\$0	\$178	\$66	\$69	\$72	\$74	\$77	
Total, Support Expenditures	\$4,183	\$4,168	\$4,058	\$4,452	\$4,705	\$4,939	\$5,239	
<u>Cap Outlay-Committed Lease/Debt Service</u>								
CHP	\$0	\$9	\$0	\$8	\$12	\$14	\$15	
DMV	\$2	\$0	\$0	\$0	\$0	\$0	\$0	
ARB/CDFA	\$0	\$0	\$0	\$11	\$12	\$13	\$15	
Subtotal, Capital Outlay	\$2	\$9	\$0	\$19	\$24	\$27	\$30	
Expenditure Total	\$4,185	\$4,177	\$4,058	\$4,471	\$4,729	\$4,966	\$5,269	
FUND BALANCE	\$388	\$178	\$155	\$100	\$100	-\$160	-\$796	

Issue 8: Extension of REAL ID Resources and Operational Improvements

Governor’s Budget. The budget includes 1,612 positions and \$186.3 million in Fiscal Year (FY) 2021-22, including one-time and ongoing funding, to continue implementation of the federally mandated REAL ID Act. This includes ongoing resources to fund a communication campaign and customer service improvements such as the REAL ID Automated Document Verification Project (RADVP) and a range of online chat services to improve access to DMV’s services outside of the field offices. Additionally, this proposal will continue funding operational improvements such as increased management, training, kiosks, and Office of Public Affairs staffing.

Background. The REAL ID Act, passed by Congress in 2005, enacted the 9/11 Commission’s recommendation that the Federal Government “set standards for the issuance of sources of identification, such as driver’s licenses.” The Act established minimum security standards for license issuance and production and prohibits federal agencies from accepting for certain purposes driver’s licenses and identification cards from states not meeting the Act’s minimum standards. California implemented a federally compliant DL/ID card process in January 2018, meaning DL/ID card applicants 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 federally compliant DL/ID card or a federal non-compliant DL/ID card. At the time, the enforcement date for the REAL ID Act was October 1, 2020.

Following the implementation of the new REAL ID process, DMV customers experienced a dramatic increase in transaction wait times. This led the Legislature to approve, as part of the 2019-20 budget, significant but limited-term investments in DMV resources and operational improvements. Specifically, the 2019-20 budget included \$242.1 million (offset by certain planned savings) and 2,052.1 positions in 2019-20 and \$199.8 million (offset by certain savings) and 1,991.9 positions in 2020-21 for REAL ID workload and a variety of operational improvements. These resources are set to expire at the end of 2020-21.

During the COVID pandemic the federal government extended the REAL ID enforcement date to October 1, 2021, after which non-compliant cards will not be accepted for official federal purposes.

Staff Comments. The DMV has indicated that the requested resources will continue funding 1,383 existing temporary positions, including temporary hires and permanent intermittent employees, overtime, and retired annuitants to address the short-term increase in workload associated with REAL ID implementation, and will assist in keeping wait times down to an acceptable level. The requested level of funding decreases over the next four years with \$186.3 million in 2021-22, \$105.7 million in 2022-23, \$86.3 million in 2023-24, and \$30.8 million in 2024-25 and \$32.0 million in 2025-26 and 257.7 ongoing permanent positions.

This request continues workload for a number of elements of the 2019-20 package, ends others, and funds certain new costs. Specifically, it provides:

- A total of \$175.1 million and 1,493.2 total PYs for REAL ID workload. This is a decrease of roughly 350 PYs, but an increase of roughly \$2 million, from 2020-21. PY reductions driven by anticipated reduction in REAL ID workload following the October 2021 deadline are partially offset by increased costs for Covid-related PPE and card production costs. It also includes cost reductions related to the RADVP project, which replaced an external contract with a more cost-effective internal solution for internal document validation.

- 89 PYs for customer services improvements, largely funded savings in credit card fees. This is consistent with the amount budgeted in 2020-21.
- \$19.6 million and 34 PYs for operational improvement efforts. This is a reduction of roughly \$12.5 million and 21 PYs from 2020-21, largely due to the completion of certain one-time projects, such as a redesign of the Field Office appointment system. It also includes new costs for a Medical Management Unit (nine PYs) for Covid and related risks.
- \$186.3 and 1,616.2 PYs for IT improvements. This is a reduction of roughly \$13.5 million and 370 PYs from 2020-21, driven by the completion of Network Redundancy projects as well as the completed replacement of Document Authentication Devices.

DMV is likely to face significant additional workload as the federal REAL ID deadline approaches, and the department will be judged by its ability to deliver service without repeating the wait time increases of 2018-19. At the same time, the COVID pandemic has complicated efforts to provide in-person customer service. In responding to the pandemic, DMV has implemented a number of innovative approaches, including the Virtual Field Office (VFO), which has expanded the department's ability to provide service to customers without requiring those customers to enter a Field Office.

This raises questions about DMVs long-term business model, and the possibility of moving a larger share of customer transactions out of the Field Office and into other channels, including online. Doing so could result in better customer service at a lower cost to the state. However, much of DMVs IT infrastructure is dated and in need of upgrading, complicating efforts to expand online or tech-heavy customer service efforts. Lastly, the MVA remains fiscally constrained. These factors should be considered as the Committee discusses this proposal.

LAO Comments.

- ***Governor Proposes to Continue Funding for REAL ID and Operational Improvements.*** *The 2021-22 Governor's Budget* includes \$186 million and 1,612 positions (decreasing to \$32 million and 258 positions upon full implementation) to continue previously approved temporary resources to address the increased Department of Motor Vehicles REAL ID workload and operational improvements.
- ***Resources for Operational Improvements are Reasonable.*** We find that the request is consistent with the recommendations of the two recent evaluations of the department, and improvements in department performance suggest that the additional resources have had positive impacts on the department's performance.
- ***Uncertainty Regarding REAL ID Workload.*** The department's estimates of the temporary field office staff required and the auxiliary costs of addressing the REAL ID workload are highly dependent on several factors, such as potential federal action, customer behavior in a pandemic, and changing customer preferences, some of which are fairly uncertain.
- ***Recommend Approving Operational Improvements Request, but Only Budget-Year Funding for REAL ID Workload.*** We recommend the Legislature approve the components of this request related to customer service, operational improvements, and information technology improvements, but only approve the funding for REAL ID workload in 2021-22. In this way, the Legislature could provide oversight of the department's workload by requiring the

department to come back next year with a new funding proposal, which could be informed by another year of data on customer behavior and possible federal actions.

Staff Recommendation: Hold Open.

0521 CALIFORNIA STATE TRANSPORTATION AGENCY

The California State Transportation Agency develops and coordinates the policies and programs of the state's transportation entities to achieve the state's mobility, safety and environmental sustainability objectives.

Budget Overview. The 2021 Budget provides roughly \$377 million and 60 PYs for the Transportation Agency. This is a decline of roughly \$350 million from 2020-21, largely driven by declines in cap-and-trade auction revenue during the Covid-19 pandemic.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
0270 Administration of Transportation Agency	20.9	26.8	26.8	\$17,252	\$9,344	\$5,592
0275 California Traffic Safety Program	28.2	32.0	32.0	81,565	192,379	123,635
0276 Transit and Intercity Rail Capital Program	1.2	1.2	1.2	235,722	524,255	247,712
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	50.3	60.0	60.0	\$334,539	\$725,978	\$376,939
FUNDING				2019-20*	2020-21*	2021-22*
0001 General Fund				\$6,816	\$3,984	\$-
0042 State Highway Account, State Transportation Fund				-	3,563	3,718
0044 Motor Vehicle Account, State Transportation Fund				2,084	1,198	1,249
0046 Public Transportation Account, State Transportation Fund				49,356	44,123	36,502
0890 Federal Trust Fund				81,275	191,780	123,009
0995 Reimbursements				2,787	-	-
3228 Greenhouse Gas Reduction Fund				192,221	481,330	212,461
TOTALS, EXPENDITURES, ALL FUNDS				\$334,539	\$725,978	\$376,939

Issue 9: Transportation Development Act Trailer Bill Language

Governor's Budget. The Administration has proposed trailer bill language making a variety of changes to the Transportation Development Act related to the distribution and uses of funding for transit.

Background. The Mills-Alquist-Deddeh Act (SB 325) was enacted by the California Legislature to improve existing public transportation services and encourage regional transportation coordination. Known as the Transportation Development Act (TDA) of 1971, this law provides funding to be allocated to transit and non-transit related purposes that comply with regional transportation plans.

TDA established two funding sources: the Local Transportation Fund (LTF), and the State Transit Assistance (STA) fund. Providing certain conditions are met, counties with a population under 500,000 (according to the 1970 federal census) may also use the LTF for local streets and roads, construction and maintenance. The STA funding can only be used for transportation planning and mass transportation purposes.

AB 90 (Committee on Budget), Chapter 17, Statutes of 2020, and AB 107 (Committee on Budget), Chapter 264, Statutes of 2020, as part of the 2020 budget, provided temporary statutory relief for transit agencies. Specifically, the bills:

- Temporarily held harmless transit operators that receive state funding and whose ridership levels have been negatively impacted by COVID-19.
- Temporarily eliminated financial penalties for non-compliance with transit funding efficiency measures in the Transportation Development Act and the State Transit Assistance Program.
- Allowed for increased flexibility in the use of funds transit operators receive from the State Transit Assistance - State of Good Repair program and the Low Carbon Transit Operations program.

Staff Comments. This bill would extend some of the statutory relief provided in AB 90 and AB 107, while making a number of additional changes. Specifically, the proposed language:

- Requires the Department of Transportation to consult with transportation planning agencies, county transportation commissions and transit development boards, and conduct a review of opportunities to streamline current performance audit requirements and identify more effective performance measures. The resulting report would be required by November 30, 2021.
- Extends the hold harmless provisions of AB 90 by one additional fiscal year.
- Provides exclusions from a transit agency's farebox recovery calculations for the full costs of Americans with Disability Act-mandated paratransit services, general public demand response services, and microtransit services, so that providing those required services do not negatively impact the ability to provide fixed route service with Transportation Development Act funding. It also provides exclusions from these costs for the calculation for an agency's operating costs per vehicle revenue hour, which is required for certain funding programs.
- Provides exclusions from a transit agency's farebox recovery calculations for the costs of improved payment and ticketing systems and services, the costs of key planning efforts related

to improving transit operations, network integration with other operators and agencies, the transition to zero emission fleet and facilities, and for compliance with state and federal mandates.

- Provides the ability to use State Transit Assistance funds for operations as long as local funding for transit operations is maintained at or above 2018-19 levels for five years.
- Extends the use of pre-pandemic data for funding allocation through the STA from 2021-22 to 2022-23.
- Provides a five-year exemption from the requirement to meet operating cost per revenue vehicle hour inflation requirements for operators that can demonstrate a level of local funding for transit operations that is continued at or above the level that was spent in fiscal year 2018-19.

Transit agencies have been hard hit by the pandemic, having to contend with both lower ridership and increased costs related to public health requirements. This led to the passage of AB 90 and AB 107 in the 2020 budget, which provided significant statutory relief for transit operators. As the pandemic has dragged on, it is increasingly likely that the fiscal impact for transit will linger. As such, some form of additional statutory relief is reasonable.

However, it is unclear how long that relief should last, or what the transit landscape will look like once the pandemic is over. As such, the committee may want to consider the appropriate length of relief, and how it could be adjusted as conditions change, as well as how transit is likely to change to operate in a post-pandemic world - including how transit operations are funded in the first place.

Staff Recommendation: Hold Open

2600 CALIFORNIA TRANSPORTATION COMMISSION

The California Transportation Commission is responsible for programming and allocating funds for the construction and improvement of highways, passenger rail systems, and transit systems throughout California. The Commission advises and assists the Transportation Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission also initiates and develops state and federal transportation policies that seek to secure financial stability for the state.

Budget Overview: The 2021-22 budget provides \$12 million from a variety of funds to support 34.3 positions. This is an increase of roughly \$700,000 from the 2020-21 budget.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
1800	Administration of California Transportation Commission	29.5	34.3	34.3	\$5,571	\$7,025	\$7,543
1805	Clean Air and Transportation Improvement	-	-	-	4,534	4,300	4,500
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		29.5	34.3	34.3	\$10,105	\$11,325	\$12,043
FUNDING				2019-20*	2020-21*	2021-22*	
0042	State Highway Account, State Transportation Fund			\$2,619	\$3,229	\$3,453	
0046	Public Transportation Account, State Transportation Fund			2,906	3,646	3,940	
0703	Clean Air and Transportation Improvement Fund			4,534	4,300	4,500	
0995	Reimbursements			46	150	150	
TOTALS, EXPENDITURES, ALL FUNDS				\$10,105	\$11,325	\$12,043	

Issue 10: Local Streets and Roads Trailer Bill Language

Governor’s Budget. The Budget includes trailer bill language making changes to the Maintenance of Effort requirement for local governments that receive funding from the state for their local streets and roads.

Background. In order to receive state funds for local streets and roads, funds, cities and counties must meet a “maintenance of effort” (MOE) requirement. In other words, they must continue to spend local funds on their streets and roads. This ensures that state roads funds do not supplant existing levels of general revenue spending on local streets and roads. MOE requirements are calculated annually.

Staff Comment. When the Covid pandemic struck the state, shelter in place orders were issued in March 2020. At that time, cities and counties immediately began experiencing ongoing impacts to their general fund revenues from the decline in economy activity. This impacted the ability of local governments to meet their MOE requirements under state law. As the pandemic has dragged on, the problem has cascaded across multiple fiscal years.

Given the decline in local revenues, it is reasonable to relax MOE requirements to ensure that local governments are not punished for suffering a decline in local revenue. The recalculation mechanism proposed in this language allows for a reduction to the MOE that is proportionate to a city’s or county’s loss of general fund revenues, as estimated by taxable sales. This helps ensure that MOE relief is provided based on need and also retains to some extent protections against the supplanting of funds. The language also provides some flexibility for local governments whose primary revenue source is the Transient Occupancy Tax (TOT) to use TOT revenue to calculate their MOE instead of general sales tax revenue.

Staff Recommendation. Hold Open.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

The California Department of Transportation (Caltrans) designs and oversees the construction of state highways, operates and maintains the highway system, funds three intercity passenger rail routes, and provides funding for local transportation projects. Through its efforts, Caltrans supports a safe, sustainable, integrated, and efficient transportation system to enhance California's economy and livability.

Budget Overview: The 2021-22 budget provides \$14.6 billion to support 20,668 positions at Caltrans. This is an increase of roughly \$800 million and a decrease of 75 positions from the 2020-21 budget.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
1830019 Aeronautics	22.5	24.0	24.0	\$6,964	\$8,559	\$8,768
1835010 Capital Outlay Support	8,389.8	8,880.6	8,880.6	2,012,491	2,051,245	2,208,357
1835019 Capital Outlay Projects	-	-	-	4,337,741	4,448,633	4,608,396
1835020 Local Assistance	279.1	262.5	261.5	1,813,365	2,910,257	3,121,329
1835029 Program Development	189.5	195.2	195.2	66,818	78,320	76,999
1835038 Legal	258.8	276.6	262.6	146,723	143,454	148,198
1835047 Operations	1,109.0	1,077.2	1,079.2	273,429	257,695	276,345
1835056 Maintenance	7,010.9	6,906.5	6,904.5	2,096,537	1,980,762	2,051,803
1840019 State and Federal Mass Transit	66.7	61.7	61.7	383,014	609,699	906,391
1840028 Intercity Rail Passenger Program	63.1	40.7	40.7	373,759	642,481	895,170
1845013 Statewide Planning	566.6	725.3	665.3	121,385	156,155	151,062
1845022 Regional Planning	110.0	38.5	38.5	125,421	125,066	129,333
1850010 Equipment Service Program	650.5	647.6	647.6	231,725	225,966	218,914
1850019 Distributed Equipment Service Program Costs	-	-	-	-231,725	-225,966	-218,914
1870 Office of Inspector General	77.7	91.5	91.5	13,913	15,833	17,020
9900100 Administration	1,582.5	1,515.5	1,515.5	416,391	408,232	425,792
9900200 Administration - Distributed	-	-	-	-416,391	-408,232	-425,792
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	20,376.7	20,743.4	20,668.4	\$11,771,560	\$13,428,159	\$14,599,171

Issue 11: Hazardous Material Removal at Encampments

Governor’s Budget. The budget includes a permanent increase in State Highway Account (SHA) funds of \$20,600,000 beginning fiscal year (FY) 2021-22, for the Division of Maintenance (Maintenance) to dedicate to Hazardous Material Removal at Encampments.

Background. Under existing law, Caltrans is responsible for the preservation and keeping of rights of way, and each type of roadway, structure, safety convenience or device, planting, illumination equipment and other facility, in the safe and usable condition to which it has been improved or constructed. Caltrans maintenance of the State Highway System (SHS) includes mitigating homelessness issues that impact system safety. The growth of unsheltered encampments within State right-of-way has been steadily rising and continues to create safety and environmental impacts.

During FY 2019-20, Caltrans received more than 7,400 requests for service concerning encampments through its Customer Service Request (CSR) system. This represents a 154 percent increase since FY 2016-17, when there were only 2,910 CSRs. Potential hazardous environments at encampment sites require additional hazardous material certified contractors to clean, collect, remove, transport, and legally dispose of environmentally regulated, biological, hazardous, and contaminated materials at these sites. The historical increase in CSRs over the past four years for hazardous materials has doubled since FY 2016-2017.

Starting in November 2019, Caltrans began executing contracts with qualified hazmat remediation companies specifically targeting hazardous material removal at encampment sites. Currently, Caltrans has 21 contracts in place.

Staff Comments. Caltrans responsibility for maintaining the state highway right-of-way and the increase in the state’s homelessness population have combined to create unique strains on Caltrans budgets and operations. Hazardous materials are increasingly found in encampments within the state right of way, including bridges, roadway gutters, trenches, culverts, and pump houses. Removing hazardous materials requires specialized equipment, training, and position classifications not currently available within the State Civil Service system. This has driven Caltrans’ increasing reliance on contract spending, which has required significant redirection of existing resources.

In FY 19-20, Caltrans expended \$7,757,000 in redirected funding on these contracts. Between the time contracts began to be used in November and the time cleanup efforts were impacted by COVID-19, Caltrans estimates receiving between approximately 19 and 20 weeks of full cleanup services. Given this expenditure rate, Caltrans projects to expend approximately \$20,600,000 in FY 20-21.

Because homeless encampments are likely to remain an issue in the near-term, it is reasonable to provide additional resources to prevent additional redirection of existing resources. However, given the state’s commitment to combating homelessness, the significant resources devoted to this issue in recent years, and the still-uncertain impact of the pandemic on homeless populations, the long-term workload is unclear. As such, it may be more appropriate to provide additional resources on a limited-term basis to allow the state flexibility to respond to conditions as they change over time.

LAO Comments. Increasing number of customer service requests as well as growing expenditures indicates that the need for hazardous material removal has risen significantly over the past several years, resulting in additional workload. However, the estimate of the annual costs for hazardous material removal is based on the expenditures of about 20 weeks of contract services, from November

2019 to February 2020. The department used the expenditure rate from such limited period of time because the pandemic has limited cleanup activity in more recent months. However, incomplete annual expenditure data might inaccurately capture the cost of services. For example, in 2018-19, the last year for which we have complete annual data, Caltrans spent about \$14.9 million on encampment removal, which is still less than the amount requested in this proposal by several millions of dollars (\$20.6 million). Given the uncertainty around the ongoing costs for hazardous material removal, we recommend the Legislature approve two-year limited-term funding.

Staff Recommendation: Hold Open.

Issue 12: Office Space Related Costs

Governor’s Budget. The budget includes an increase of \$8,295,000 in State Highway Account (SHA) authority for office space related issues. This includes a one-time operating expense increase of \$7,340,000 in 2021-22 and a permanent operating expense of \$955,000 beginning in fiscal year (FY) 2021-22. These additional funds will be used for office space modifications, internal staffing relocations, modular systems furniture (MSF) reconfigurations and mobile workforce technology to enhance the ability of Caltrans to telework and explore further innovations related to housing employees. This request is the second and final request related to housing additional employees hired due to the increase of transportation provided by the Road Repair and Accountability Act of 2017 (SB1).

Background. Caltrans occupies 13 headquarters office buildings statewide (12 state-owned and one leased) as well as 18 other Administration Program-funded space leases. Caltrans has grown due to SB1 workload; exceeding the amount of available space in certain districts. Resources provided in the 2020-21 budget began the work of office space modifications and restacking. This included the deployment of 648 mobile workforce packages (laptop computers and smartphones) for the administration program.

Staff Comment. The Caltrans workforce has continued to grow since 2018-19 and staffing increases are anticipated through 2023. However, the COVID-19 pandemic has made remote work a necessity and accelerated the shift towards a greater share of remote workers and a level of flexibility that is not offered by a traditional office. This request includes resources for virtual teleconference centers and a shift towards “hoteling” configurations in new office spaces to continue this shift. These resources may allow for more flexible usage of office space to resolve capacity overages at various locations while addressing new standards for office design with a more mobile workforce.

In general, these resources appear reasonable. However, they should be considered in the context of Caltrans and the state’s long-term plan for virtual work and flexible work environments. In particular, the Legislature may want to consider whether the requested resources for virtual work support, such as teleconference centers and “hoteling” work spaces, is sufficient or in-line with long-term plans for increased virtual work.

Staff Recommendation: Hold Open.

2665 CALIFORNIA HIGH-SPEED RAIL AUTHORITY

The California High-Speed Rail Authority's mission is to plan, design, build, and operate a high-speed train system for California. Planning is currently underway for the entire high-speed train system, which consists of Phase 1 (San Francisco to Los Angeles/Anaheim), and Phase 2 (extensions to Sacramento and San Diego). The Authority continues to develop the first section of the high-speed train system, extending 119 miles from Madera to just north of Bakersfield.

Budget Overview: The 2021-22 budget includes \$612.3 million to support 376 positions, including \$531.9 million in infrastructure spending. This is an increase of 17 positions, mostly related to the shifting of contracted staff to state staff.

3-YEAR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
1960010	Administration	-	145.0	145.0	\$-	\$29,116	\$30,293
1960020	Project Development	-	85.0	90.0	-	16,967	18,676
1960030	Construction Management	-	129.0	141.0	-	26,937	31,446
1970	High-Speed Rail Authority--Administration	215.4	-	-	45,560	-	-
1980	Public Information and Communications Contracts	-	-	-	286	-	-
1990	Blended System Projects	-	-	-	64,778	423,335	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		215.4	359.0	376.0	\$110,624	\$496,355	\$80,415

FUNDING		2019-20*	2020-21*	2021-22*
0995	Reimbursements		\$-	\$2,000
3228	Greenhouse Gas Reduction Fund		-	103
6043	High - Speed Passenger Train Bond Fund		110,177	493,502
9331	High-Speed Rail Property Fund		447	750
TOTALS, EXPENDITURES, ALL FUNDS			\$110,624	\$496,355

SUMMARY OF PROJECTS

		State Building Program Expenditures		
		2019-20*	2020-21*	2021-22*
1995	CAPITAL OUTLAY Projects			
0000132	Initial Operating Segment, Section 1	178,690	-	-
	Acquisition	109,119	-	-
	Design Build	69,571	-	-
0000727	Phase 1 Blended System	607,483	2,461,715	531,897
	Design Build	607,483	2,461,715	531,897
TOTALS, EXPENDITURES, ALL PROJECTS		\$786,173	\$2,461,715	\$531,897

Issue 13: High Speed Rail Property Fund

Governor's Budget. The budget includes an increase of \$3.25 million in the annual appropriation for 2021-22 through 2022-23 for a total appropriation of \$4 million and an increase of \$1.75 million ongoing for a total appropriation of \$2.5 million from the leases and rents proceeds received that have been deposited into the Property Fund as part of the acquisition and ownership of real property.

Background. The Property Fund was established by the Office of the State Treasurer for the purpose of depositing revenue received from the sale, lease, or grant of any interest in or use of real property owned or managed by the Authority. As the Authority procures property for the construction of high-speed rail, it is sometimes in the public interest to enter into short-term leases with the former owners or current lessees of the property. Not all acquired properties are immediately needed for construction activities. The Authority has agreed to lease-back some of these properties to the former owners or current lessees, on a short-term basis, to provide them with sufficient time to relocate to another suitable property.

Per PUC, Section 185045 the revenues in the Property Fund can only be used for the development, improvement and maintenance of the HSR system. Commencing with the 2017 Budget Act, each annual budget act has appropriated \$750,000 from the Property Fund to the Authority for the purposes of PUC 185045.

Staff Comments. Annual revenue received by the fund has exceeded the annual appropriation and expenditures, and as of November 30, 2020, the cash balance of the fund was \$9.8 million. The Authority has identified necessary property-maintenance activities that are appropriate to be funded from the Property Fund. At the Project's current phase, the Authority will use these funds to pay for: taxes and fees on the acquired properties; utilities connected to the properties; fix minor property deficiencies that may potentially be state liabilities; security; the hiring of local, small businesses for property management purposes until the construction package vendors can take possession of the properties, and other allowable uses under PUC 185045. The first two years of expenditure needs are higher to address items that directly impact the safety of the public, which are critical and need to be addressed timely. These items include orchard and/or structure demolitions, building repairs, and property maintenance.

The request in additional expenditure authority is broadly reasonable. However, the committee should consider this request in the context of the Authority's overall Business Plan, and whether it is consistent not just with the Authority's plan, but the Legislature's plans for the project.

Staff Recommendation: Hold Open.

Issue 14: IT Office Transition

Governor's Budget. The budget includes a workload adjustment to reduce 25.4 consultant position FTEs for an annual savings of \$7.34 million and to add 17 permanent state positions and \$2.73 million in FY 2021-22, and ongoing. This results in a net annual savings of \$4.61 million and a net reduction of 8.4 Full-Time Equivalents (FTE) positions.

Background. Established in 1996, the Authority is responsible for planning, designing, building, and operating the state's planned high-speed rail system. To help meet this mission, the Authority contracted with WSP (formerly Parsons Brinckerhoff) to perform the role of the RDP. Over the term of the contract, from July 2015 to June 2022, the RDP is tasked with providing various services to assist in delivering the nation's first high-speed rail system. This includes providing IT support and services. The Authority's IT Office provides vital program support during planning, construction, and the ultimate operation of the high-speed rail system. In the current environment, the Authority is dependent upon RDP contracted staff to perform application development and support; conduct IT project management and support activities; and augment desktop support, cloud infrastructure and network operations resources.

Staff Comments. In November 2018, the California State Auditor's Office concluded an audit of the Authority and released California State Auditor Report 2018-108. Key amongst its findings, the report called out the Authority's reliance on contractors as a key risk area to the ongoing success of the program. In response, in 2019-20 HSRA started the IT Office transition with two BCPs to improve the Authority's Information Security Program and enhance IT operational capabilities. This transition continued in 2020-21 with one additional BCP that focused on replacing RDP resources with state staff throughout the IT organization.

The Authority has indicated that this proposal would complete the transition of IT resources from RDP to state staff. It would bring the majority of the IT workload in-house, while allowing for additional contracted resources as needed, particularly in Application Development and Support. While the proposal does bring the majority of the workload in-house and result in state savings, questions remain about the need for and oversight of additional third party contractors in the new IT Office model.

Staff Recommendation: Hold Open.

2720 CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) promotes the safe, convenient, and efficient transportation of people and goods across the state highway system and provides the highest level of safety and security to the facilities and employees of the State of California.

Budget Overview: The 2021-22 budget provides \$2.7 billion to support 10,750.5 positions. This is an increase of roughly \$180 million, with no corresponding change in positions, from 2020-21.

3-YEAR EXPENDITURES AND POSITIONS [†]

	Positions			Expenditures		
	2019-20	2020-21	2021-22	2019-20*	2020-21*	2021-22*
2050 Traffic Management	8,293.1	8,300.1	8,300.1	\$2,480,301	\$2,227,832	\$2,384,259
2055 Regulation and Inspection	1,047.0	1,047.0	1,047.0	273,330	255,680	275,750
2060 Vehicle Ownership Security	222.4	222.4	222.4	59,940	56,375	60,418
9900100 Administration	1,181.0	1,181.0	1,181.0	228,811	212,012	223,064
9900200 Administration - Distributed	-	-	-	-228,811	-212,012	-223,064
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	10,743.5	10,750.5	10,750.5	\$2,813,571	\$2,539,887	\$2,720,427
FUNDING				2019-20*	2020-21*	2021-22*
0001 General Fund				\$82,239	\$6,737	\$925
0042 State Highway Account, State Transportation Fund				85,868	79,096	87,142
0044 Motor Vehicle Account, State Transportation Fund				2,438,907	2,275,913	2,447,141
0293 Motor Carriers Safety Improvement Fund				1,740	1,797	1,942
0840 California Motorcyclist Safety Fund				2,772	3,191	3,191
0890 Federal Trust Fund				26,440	21,292	22,317
0942 Special Deposit Fund				20,336	2,336	2,336
0974 California Peace Officer Memorial Foundation Fund				104	300	300
0995 Reimbursements				137,559	123,587	123,583
3347 Cannabis Tax Fund - California Highway Patrol - Allocation 2				3,000	3,000	3,000
3353 Cannabis Tax Fund - California Highway Patrol, State and Local Government Law Enforcement Account - Allocation 3				14,476	22,508	28,420
8122 National Alliance on Mental Illness California Voluntary Tax Contribution Fund				130	130	130
TOTALS, EXPENDITURES, ALL FUNDS				\$2,813,571	\$2,539,887	\$2,720,427

Issue 15: Radio Console Replacement Project

Governor's Budget. The budget includes a one-time augmentation of \$2.271 million from the Motor Vehicle Account (MVA) in FY 2021-22 and \$2.223 million in FY 2022-23 to address cost increases associated with services provided by the California Governor's Office of Emergency Services, Public Safety Communications (Cal OES-PSC) related to the Dispatch Radio Console Replacement Project.

Background. The CHP operates 25 emergency communications centers and two training centers. All communications centers are equipped with radio console systems which provide mission-critical voice communications between dispatchers, CHP field personnel, and allied agencies. The useful life expectancy of public safety communications equipment is approximately ten years. As communications equipment exceeds its useful life expectancy, reliability deteriorates rapidly, outages become more frequent, maintenance costs increase, and replacement parts become more difficult or impossible to procure. Numerous outages have occurred between March 2019 and May 2020 that necessitated the use of scavenged or refurbished equipment to fix.

The Cal OES-PSC has completed the installation of new radio console systems at six CHP communications centers. Thirteen of the remaining communications centers utilize radio console systems purchased in 1993-94, making them over 25 years old. Three of the 24 radio console systems were purchased in 1997-98, making them over 20 years old. The remaining two systems, purchased in 2009-10, failed to perform as required to meet modern operational needs and have reached the end of their predicted service life.

Staff Comments. The CHP received funding to complete the replacement of antiquated and failing radio consoles statewide with the approval of the Radio Console Replacement Project II BCP in 2018-19. The Cal OES-PSC has since estimated an increase in costs for their services for this project of \$2.271 million in 2021-22 and \$2.223 million in 2022-23. Post-pilot design changes necessary to the new radio console system, coupled with underlying state-owned radio infrastructure complications, have significantly increased Cal OES-PSC's workload and costs. Unanticipated labor costs and project management oversight by Cal OES-PSC have led to additional cost increases.

CHP radio consoles are an essential component of the state's public safety infrastructure. As such, additional funding is reasonable to complete the project. However, the unanticipated cost increases raise questions about long-term cost estimates, and greater oversight of the project may be warranted, particularly given the long-term outlook for the MVA.

Staff Recommendation: Hold Open.

Issue 16: Replacement of Portable Radios

Governor's Budget. The budget includes an \$8.6 million permanent augmentation from the Motor Vehicle Account to replace portable radios and accessories that have exceeded the life expectancy, are out of warranty, and unserviceable.

Background. In 2015-16, the CHP purchased 8,153 Motorola APX portable multi-band radios and sufficient accessories to deploy to CHP uniformed staff. This initial inventory did not include a surplus of spare equipment. The Motorola APX has proven to be a reliable and durable hand-held radio. The Motorola APX radios are Federal Communications Commission compliant and fulfill the CHP's need to deploy field level interoperable radio communications. However, the Motorola APX portable radios have an expected service life of five to seven years depending on the mode of operational environment.

Staff Comments. These radios have been in the field since early 2015 and, according to CHP, are showing signs of wear and tear due to daily use. In addition, the existing stock of consumable accessories such as batteries, antennas, and lapel microphones are insufficient to fully support continuing needs. The CHP has indicated that the requested funding would establish a five-year replacement strategy to meet both incidental and ongoing replacement needs as well as to have a needed, readily-available replacement supply. In other words, \$8.6 million would support the replacement of 20 percent of the current inventory, as well as consumables.

While it is reasonable to provide additional funds to complete the radio replacement, it should be noted that the MVA is fiscally constrained. As such, ongoing requests should be considered in the context of the fund's precarious balance.

Staff Recommendation: Hold Open.

Issue 17: Wireless In-Car Camera System Maintenance and Operations Support

Governor's Budget. The budget includes a permanent augmentation of \$14.2 million from the MVA for the ongoing maintenance and operation of the Wireless In-Car Camera System, including ongoing funding for 12 previously approved positions.

Background. The Wireless In-Car Camera System project replaces existing standalone Digital Video Disc (DVD) - based Mobile Video Audio Recording Systems in patrol cars with a high-resolution recording solution and the option to integrate body worn cameras (BWC) in the future. When completed, the project will increase the percentage of marked black and white enforcement vehicles with an in-car camera system from 66 percent to 100 percent. It includes a wireless data transfer process that reduces personnel hours spent handling data and increases evidence security and reliability. Additionally, the new Wireless In-Car Camera System provides an integrated solution for all video evidence captured in-car and with BWCs if that option is exercised in the future.

The Budget Act of 2018 authorized 12 positions and \$52.5 million to address the three-year implementation phase of the Wireless In-Car Camera System project. These resources are set to expire in 2020-21. The maintenance phase of the project is projected to begin in Fiscal Year 2021-22.

Staff Comments. The CHP has indicated that the full rollout of the in-car system will be completed by November 2022. Specifically, they have indicated that installation of hardware at pilot sites (East Sacramento Area and Placerville Area) is complete. Pilot Testing began on September 14, 2020, and will be completed on January 13, 2021. 11 of 18 On-premise sites (Sacramento Headquarter, Mt. Shasta, Quincy, Trinity River, Gold Run, Placerville, Buttonwillow, Bridgeport, Bishop, Needles, and Barstow) already have the server installed. Training will be provided to each division before rollout activities. New Vehicle Builds and a two-phase rollout will run parallel and continuously until CHP completes approximately 2600 new vehicles equipped by the end of the project in November 2022.

It is reasonable to provide additional funding to complete this project, as it is already underway and has significant potential to increase transparency and accountability within the CHP - and therefore increase the public's trust in the department. However, this request should be considered in the context of the MVA's precarious fund balance, particularly as it includes significant ongoing expenses.

Staff Recommendation: Hold Open.