Senate Budget and Fiscal Review—Mark Leno, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Lois Wolk, Chair
Senator Jim Nielsen
Senator Fran Pavley

Thursday, April 14, 2016
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Farra Bracht

Vote-Only Issues

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Issues Proposed for Vote-Only

Staff Recommendation: Approve all of the following vote-only issues as budgeted.

0521 Secretary for Transportation Agency

Issue 1: Statewide Coordination of Traffic Safety Data Systems

The Governor's budget proposes to redirect one position from the California Department of Transportation (Caltrans) to the Secretary for Transportation Agency and increase reimbursement authority (federal funds) by $159,000 to establish a Traffic Records Program Manager who would coordinate statewide efforts to align various state agencies and local government's traffic record systems. The proposal would also shift, on a one-time basis $200,000, in federal fund authority from the California Traffic Safety Program to complete a traffic records assessment using an outside vendor, or an interagency agreement with another state department. California's traffic records systems encompasses the hardware, software, personnel, and procedures that capture, store, transmit, analyze, and interpret traffic safety data. This data is housed in numerous state and local databases that cover a range of topics including crashes, citations, adjudications, driver licensing, emergency medical services, injury surveillance, roadway information, and vehicle records. In 2011, federal agencies recommended the state establish a traffic records data coordinator to manage data improvement projects, track the progress of implementing the traffic records strategic plan, and provide leadership to establish statewide business needs. This request is consistent with the federal recommendations.

2600 California Transportation Commission

Issue 1: Transportation Goals and Performance Measures

The Governor's budget proposes for the California Transportation Commission (CTC), $191,000 on an on-going basis for one senior transportation engineer. The CTC is responsible for programming and allocating funds for the construction and improvements of highway, passenger rail, and transit systems throughout California. The CTC also advises and assists the Secretary for Transportation Agency and the Legislature in formulating and evaluating policies and plans for California's transportation programs. Several recently enacted laws expand the CTC's role in the accountability, oversight, and transparency in the management, programming, and execution of transportation projects statewide. The requested position would help to ensure that CTC is adequately staffed to fulfill this important responsibility. Specifically, the additional funds would help CTC to fulfill this role by providing a staff person that could review the State Highway Operation and Protection Plan (SHOPP) list of projects to ensure adequacy, consistency with the asset management plan, funding priorities, and recommend the SHOPP for approval, in addition to performing other key transparency and oversight functions.

2660 California Department of Transportation

Issue 1: Project Oversight for Federal Highway Administration

The budget proposes an increase of $1 million from local federal subvention funds for five positions and consulting resources to conduct activities associated with new Federal Highway Administration requirements for project oversight and program compliance reviews. These resources will be used to create a project oversight unit to focus on how local agencies hire architectural and engineering consultants to improve the hiring process in order to reduce the number of federal penalties. A recent audit found a significant level of non-compliance, or potential for non-compliance, with various federal regulations. These resources will help to ensure local agencies' compliance with procurement requirements and reduce penalties to local agencies in the future.

Issue 2: All Roads Network of Linear Referenced Data Mandate

The budget proposes an increase of $2.4 million ($2.2 million one-time and $223,000 for two years) to meet federal requirements supporting a single geographic reference for all roads called the Linear Referencing System. The Statewide Linear Referencing System provides information about pavement condition, traffic conditions, and will ultimately be expanded to include all federal aid eligible roads (state, local, and county roads) in California and other information such as information about intelligent traffic systems and culverts. This data is the foundation on which a map can be constructed that allows for visual analysis of the condition of the state's roads. This funding will support obtaining information about road network changes, deleting demolished roads, digitizing and calibrating new roads, and publishing the Linear Referencing System as a web service.

Issue 3: Toll Collection Services

The budget proposes to transfer toll collection services from Caltrans' Traffic Operations Program to its Maintenance Program to consolidate resources, improve departmental efficiencies, and provide flexibility for the operation of toll collection services during peak commute times. Caltrans staff provides toll collection services for the Bay Area Toll Authority which reimburses Caltrans for this work. The proposal transfers (1) 161 permanent positions, 120 temporary help positions, and nearly $16 million in reimbursement authority; (2) reduces the Traffic Operations Program by 40 permanent positions and $2.4 million in reimbursement authority; and, (3) increases the Maintenance Program by 29 temporary help positions and $1.4 million in reimbursement authority. The 29 temporary positions are being requested to minimize toll collectors' overtime hours, provide flexibility over peak travel times, and minimize costs. Shifting this program to the Maintenance Program will better align programs and activities within Caltrans.

2665 CALIFORNIA HIGH-SPEED RAIL AUTHORITY

Issue 1: Enhanced Auditing of Contracted Services

The budget proposes $826,000 in High-Speed Passenger Train Bond funding to establish six permanent auditor positions. Four of these auditor positions would be used to perform audits of contract costs that have been billed and reimbursed. Two of the auditor positions would address the increased workload due to the California High-Speed Rail Authority's Board of Directors audit requests of areas such as right-of-way parcel acquisition process, stipend payment process, and advanced technical concepts evaluation and integration process for design-build contracts. Audits will help to ensure that the project is carried out in an economical and cost-efficient manner and ensure compliance with the federal grant agreement and contract terms. The use of auditors to help provide oversight of a project of this size and scope is critical. The independent High-Speed Peer Review Group, the Legislative Analyst's Office, legislative budget staff, and the High-Speed Rail Authority's Board have all highlighted the importance of oversight of this project. These proposed resources are consistent with those recommendations.

Issue 2: High-Speed Rail Train System Planning-Reappropriation (Capital Outlay)

The budget proposes to reappropriate $145.2 million (for three years) of High-Speed Passenger Train Bond Funds (Proposition 1A) and federal funds approved in 2010, 2011, and 2012 for planning purposes for Phase I (San Francisco to Los Angeles/Anaheim) and Phase II (extensions to San Diego, Sacramento, and the Altamont Corridor) of the high-speed train system. The reappropriation of these funds will allow for the continuation of environmental review and preliminary design tasks to further the project. Due to the complicated nature of the project, it was not possible to encumber all of the funds within the three years provided in the Budget Act of 2013. It is anticipated that all of the unexpended authority will be for Proposition 1A funds; however, potentially some of federal funds will need to be reappropriated if they are not all spent by the end of the current fiscal year.

2720 DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

Issue 1: Integrated Database Management System Funding

The budget proposes $894,000 one-time funding from the Motor Vehicle Account (MVA) to cover costs associated with the California Highway Patrol's (CHP) use of the California Department of Technology's Integrated Database Management System (IDMS). Costs for IDMS used to be distributed across multiple departments. However, over time, many departments have upgraded their IT systems to more current platforms leaving few departments to bear the costs of maintaining the platform. The CHP is currently in the second stage of the process to migrate its databases from the IDMS to a replacement system. CHP intends to have a plan approved to start implementing the replacement project in 2017-18. This will be the third year that CHP has received a one-time augmentation to cover the funding shortfall associated with IDMS. The requested one-time funds are necessary to continue the operation of CHP's legacy systems on IDMS.

Issue 2: Expanded Network Infrastructure

The budget proposes $1.715 million MVA on an ongoing basis to cover increased costs associated with expanding network bandwidth capacity throughout the state. The network infrastructure is critical for CHP’s work. It provides connectivity to headquarters, eight field divisions, 102 area offices, 25 communication centers, and 16 inspection facilities. Additional capacity is necessary to address current bandwidth deficiencies. The CHP contracts with commercial vendors for data circuits and, as a result of hardware and software upgrades, greater bandwidth is required. The CHP budgets $2.5 million each year for data circuit costs and these costs are projected to rise to $4.215 million by 2016-17. The proposed increase in expenditures will accommodate CHPs intensive data demands while at the same time improving data and system security.

Issue 3: California Motorcyclist Safety Program-Safety Outreach and Education

The budget proposes $1 million ongoing from the California Motorcyclist Safety Fund to improve the effectiveness of the Motorcyclist Safety Program. The fund was established in 1986 as a depository for a $2 fee collected by the DMV for all motorcycle registration and renewals. An additional $250,000 is deposited annually into the fund from the State Penalty Fund. Most of the funding is reserved for motorcycle rider safety instruction. In recent years, expenditures from the fund have been lower than anticipated due to lower than expected rider participation in safety training. Motorcycle-involved fatal and injury collisions are on the rise in California. In an effort to improve safety and save lives, CHP is proposing to conduct a major, on-going statewide public education and outreach campaign. Based on past experience, it is believed the campaign will help decrease fatal/injury collisions. There are sufficient dollars in the California Motorcyclist Safety Fund to maintain this effort through 2020-21.

Issue 4: Relocation of Fresno Area Office

The budget proposes $2.788 million one-time from the MVA for the relocation of the Fresno area office to a new facility. Consistent with the approval of relocation of the Fresno area office in the 2010 Budget Act, construction of the Fresno area office lease-purchase option project began in October 2015. At the time of the Governor’s January budget, CHP estimated it would occupy the new facility in January 2017. However, that has been delayed until April 2017. As a result, the Administration has requested that the 2016-17 request be reduced by $870,000 to reflect the three month delay, resulting in a modified request of $1.918 million. These one-time costs include moving, installation of telephone and data services, and furniture as needed for the 158 staff assigned to the office.

Issue 5: California Highway Patrol Enhanced Radio System: Replace Towers and Vaults and Technical Adjustment to Budget Bill Language (April Finance Letters)

The April Finance Letter requests $445,000 MVA for the acquisition of property at Sawtooth Ridge (outside of Needles, CA) for Phase 1 of California Highway Patrol Enhanced Radio System (CHPERS). When this project was first approved in 2009, it was anticipated that a new tower and vault would be completed at the existing Sacramento Mountain radio tower site, thereby providing CHP with the dual-band coverage that is required by CHPERS. However, after several years of negotiating, it was determined that an on-site replacement would not be possible, and the 2015-16 reappropriation of CHPERS Phase 1 noted that nearby peaks would be analyzed for alternate sites. Since then, the Department of General Services has identified a nearby abandoned telecommunications site, Sawtooth Ridge. Sawtooth Ridge is a good replacement for Sacramento Mountain as both sites provide appropriate radio coverage to Eastern San Bernardino County, as well as line-of-sight access to the CHP Needles Area Office for microwave transmissions.

Sawtooth Ridge is currently in a section (640 acres) owned by Burlington Northern Santa Fe (BNSF). Most tower sites are leased to CHP; however, BNSF prefers to sell the state the full 640 acres. While this would be more land than necessary (approximately 23 acres for the site and access road), due to the remote desert location, and with offsetting savings in regards to surveying and negotiating, acquiring the full 640 acres is only marginally more expensive than the 23 acres. Further, the excess land can serve a role in environmental mitigation as the whole section is desert tortoise habitat. The total cost of the Sawtooth Ridge tower and vault replacement component of CHPERS Phase 1 is estimated at $7,044,000 MVA, with the $995,000 for preliminary plans and working drawings from existing authority, and $5,604,000 for construction anticipated for the 2017-18 fiscal year. This appropriation is necessary to move forward with the Sawtooth land purchase, as part of the project to address deteriorating radio communications and to improve radio interoperability among various public safety agencies.

Also, the April Finance Letter makes a technical adjustment to the budget bill language proposed in January and adds the word “acquisition” to the project title for Item 2720-310-0044, Schedule 1.

Issue 6: Santa Barbara Facility Replacement: Reappropriation (April Finance Letter)

The April Finance Letter requests a reappropriation of $3.4 million MVA for the acquisition, performance criteria and design-build phases of the Santa Barbara Facility Replacement project along with a request to extend the availability of these funds through June 30, 2019. There have been difficulties acquiring an appropriate site which has caused a delay for this project. The CHP had identified a potential site in Goleta for the Santa Barbara Area Office replacement project. During the acquisition phase and California Environmental Quality Act process, a moratorium on new water rights was levied throughout Santa Barbara County, which affected the ability to provide necessary services to the parcel. Additional concerns were raised by the community regarding the location of the facility and ultimately acquisition activities were ceased. Since then, a potential site was identified that could provide the required acreage, programmatic requirements and the necessary infrastructure such as sewer, water and power. In the event that the due diligence for the environmental and communication requirements are validated as compliant with the project requirements, negotiations on the site could begin with Department of Finance approval. A reappropriation will allow CHP to continue work on the new site and move forward on this project that will provide for an office that meets both CHP programmatic standards and seismic performance criteria for state-owned buildings. The additional time to encumber will best ensure that the project can be completed before the end of the liquidation period.

Issue 7: Contracting Language- Budget Bill Language (April Finance Letter)

The April Finance Letter requests the addition of budget bill language to allow the Department of General Services to use a single master architect and a single environmental service contract for multiple CHP area office replacement projects, and another single contract for the CHPERS Tower and Vault Replacement projects. This approach will allow for more efficient contracting for the design and environmental work for these projects, which is currently limited by state regulations. Under this provision and the contracts that have already been established for these projects, the use of this approach would be limited to a maximum of 10 CHP office replacement projects.

2740 DEPARTMENT OF MOTOR VEHICLES

Issue 1: Driver License and Identification Card Production Cost Increase

The budget proposes $6.9 million from the MVA on an on-going basis to fund an increase in the production costs for drivers' and identification cards. The DMV's current contract with MorphoTrust USA, LLC for the production of these cards expired on October 31, 2015. The previous contract language requires a system software and hardware upgrade and replacement upon execution of DMV's option to extend the contract beyond the first five years of full card production. The costs will increase from $1.385 per card to an average of $1.920 per card. DMV is expected to issue an average of 9 million cards annually over the next five years. Currently there are about 22.9 million driver's license cardholders, 4.9 million identification cardholders, and 104,000 salesperson license cardholders in California. This cost increase seems reasonable and appears to fall within the range of what some other states pay to produce these cards.

Issue 2: Expanded Eligibility for Drivers' Licenses (April Finance Letter)

The Administration requests in an April Finance Letter, $1.4 million MVA for the ongoing implementation of AB 60 (Alejo), Chapter 524, Statutes of 2013 for additional resources including staff, facilities' lease costs through December 2016, and interpreter services. Since DMV began accepting driver license applications from undocumented Californians on January 2, 2015, the DMV has issued about 660,000 driver licenses through February 2016. Leading up to the implementation, the DMV opened four Driver License Processing Centers, hired nearly 1,000 new employees, developed regulations detailing documents required to prove identity and residency, extended office hours, added Saturday service, and participated in more than 200 public outreach events across the state.

The initial request to implement AB 60 included 822 positions for 2014-15, 811 positions for 2015-16, which was further reduced to 215 positions in 2016-17. Due to the large volume of AB 60 applications, the department was given authority to administratively establish 49 limited-term (LT) positions for administrative reviews, effective July 1, 2015, through June 30, 2016. With the LT positions set to terminate on June 30, 2016, continuing to process AB 60 workloads at the expected service delivery goal of 30 to 45-days warrants additional staffing beyond the June 30, 2016, timeframe. In addition to the 49 positions for the administrative review, the department was also authorized in 2015-16 to administratively establish 64 positions until June 30, 2016, to support the launch of AB 60 and the workload associated with the secondary review interview process. This proposal provides an additional 11 positions for administrative reviews and 32 positions for secondary reviews for 2016-17.

Overview of Transportation Funding

Presentation by the Legislative Analyst's Office

Background: The California State Transportation Agency (CalSTA) has jurisdiction over the state's transportation departments and programs. These departments and programs include California Department of Transportation (Caltrans), High-Speed Rail Authority (HSRA), California Highway Patrol (CHP), Department of Motor Vehicles (DMV), State Transit Assistance (STA), California Transportation Commission (CTC), and the Board of Pilot Commissioners.

Transportation Budget Summary: The Governor's budget proposes a total of $17 billion in expenditures from various fund sources—the General Fund, state special funds, bond funds, federal funds, and reimbursements—for all departments and programs under CalSTA in 2016-17. This is an increase of $664 million, or four percent, over estimated expenditures for the current year. The increase primarily reflects the shifting of some HSRA workload and expenditures initially assumed to occur in 2015-16 to 2016-17. In addition, the budget reflects increased spending for highway and road projects in 2016-17, resulting from the first-year implementation of a transportation infrastructure funding package proposed by the Governor.

The figure on the next page shows spending for the state's major transportation programs and departments from selected sources.

Transportation Budget Summary—Major Funding Sources

(Dollars in Millions)

	Actual 2014-15	Estimated 2015-16	Proposed 2016-17	Change From 2015-16	
				Amount	Percent
Department of Transportation					
General Fund	$83.4	$84.0	$0	-$84.0	100%
Special funds	3,189.5	3,564.8	4,255.5	690.6	19.4
Bond funds	531.1	430.2	259.9	-170.4	-39.6
Federal funds	4,226.3	5,712.7	4,737.5	-975.3	-17.1
Local funds	1,014.9	1,121.1	1,238.1	117.0	10.4
Totals	**$9,045.2**	**$10,913.0**	**$10,490.9**	**-$422.1**	**-3.9%**
High–Speed Rail Authority					
Bond funds	$1,115.3	$269.3	$1,153.6	$884.2	328.3%
Federal funds	840.5	28.0	32.0	4.0	14.3
Greenhouse Gas Reduction Fund	250.0	600.0	600.0	—	—
Reimbursements	0.9	—	—	—	—
Totals	**$2,206.7**	**$897.3**	**$1,785.6**	**$888.2**	**99.0%**
California Highway Patrol					
Motor Vehicle Account	$2,009.3	$2,198.4	$2,241.2	$42.8	1.9%
Other special funds	177.2	185.1	136.7	-48.3	-26.1
Federal funds	17.0	20.2	20.2	—	—
Totals	**$2,203.5**	**$2,403.7**	**$2,398.2**	**-$5.5**	**-0.2%**
Department of Motor Vehicles					
General Fund	—	—	$3.9	$3.9	—
Motor Vehicle Account	$1044.2	$1,090.9	$1,060.1	-$30.9	-2.8%
Other special funds	43.6	47.3	45.4	-1.9	-4.0
Federal funds	1.4	2.9	2.9	—	—
Totals	**$1,089.2**	**$1,141.1**	**$1,112.2**	**-$28.9**	**–2.5%**
State Transit Assistance					
Public Transportation Account	$383.9	$299.4	$315.2	$15.8	5.3%
Bond funds	668.9	154.0	44.1	-109.9	-71.3
Greenhouse Gas Reduction Fund	24.2	119.8	99.8	-20.0	-16.7
Totals	**$1,077.0**	**$573.2**	**$459.1**	**-$114.1**	**-19.9%**

Issues Proposed for Discussion/Vote

0521 Secretary for Transportation Agency

Agency Overview: The Secretary for the California State Transportation Agency (CalSTA) has jurisdiction over the following: Department of Transportation (Caltrans), Department of California Highway Patrol (CHP), Department of Motor Vehicles (DMV), and Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun (BOPC). In addition, the agency oversees two current stand-alone entities—the High-Speed Rail Authority (HSRA) and the California Transportation Commission (CTC). The agency secretary is the Governor's cabinet member for major policy and program matters involving transportation and oversees the operations of the agency's departments and programs. The agency also administers the California Traffic Safety Program.

Budget Summary: The Governor's budget proposes expenditures of $709.9 million from a combination of special funds, federal trust funds and reimbursements. Of this amount, $96.8 million is for the California Traffic Safety Program and $608.2 million is for the Transit and Intercity Rail Capital Program. Administrative costs of the agency are $4.8 million in the budget year.

Issue 1: Increased Funding for Transit and Intercity Rail Capital Program

Governor's Proposal: The Governor's budget proposes $200 million Greenhouse Gas Reduction Funds (GGRF) as part of the continuous appropriation for the Transit and Intercity Rail Capital Program (TIRCP). In addition, the budget proposes an additional $400 million GGRF for the program. Combined these two proposals would result in expenditures of $600 million for the Transit and Intercity Rail Capital Program in 2016-17.

The Administration's transportation reform and funding plan also proposed for TIRCP, $9 million from Public Transportation Account loan repayments and this additional amount of funding has already been approved as part of AB 133, (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2016.

Background: The TIRCP was created by SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014 to provide grants from the Greenhouse Gas Reduction Fund to fund capital improvements and operational investments that will modernize California's transit systems and intercity, commuter, and urban rail systems to reduce emissions of greenhouse gases by reducing vehicle miles traveled throughout California. SB 862 establishes that this program will receive, as a continuous appropriation, 10 percent of all revenues deposited in the GGRF. Additionally, it is a goal of this program to provide at least 25 percent of available funding to projects that provide a direct, meaningful, and assured benefit to disadvantaged communities. Caltrans, in collaboration with the Transportation Agency, is responsible for administering the program.

SB 9 Expands Projects that Can Be Funded. SB 9 (Beall), Chapter 710, Statutes of 2015, modified the program to delete references to operational investments and instead provide funding for "transformative" capital improvements, as defined, that will modernize California's intercity, commuter, and urban rail systems and bus and ferry transit systems to achieve certain policy objectives, including reducing emissions of greenhouse gases, expanding and improving transit services to increase ridership, and improving transit safety. SB 9 modifies the information required to be included in applications for grants under the program and authorizes an eligible applicant to submit an application to fund a project over multiple fiscal years and to submit multiple applications. SB 9 requires the Transportation Agency, in selecting projects for funding, to consider the extent to which a project reduces greenhouse gas emissions, and adds additional factors to be considered in evaluating applications for funding, such as bus and ferry transit service.

SB 9 also requires the Transportation Agency to approve, by July 1, 2018, a five-year program of projects, and requires the CTC to allocate the funding. Subsequent programs of projects will be approved not later than April 1 of each even-numbered year. This change allows for multiyear funding agreements and an applicant can expend its own moneys on a project in the approved program of projects, subject to future reimbursement from program moneys for eligible expenditures.

Applications for the current round of funding were due on April 5th, 2016 and a list of approved projects will be published on August 1, 2016. The 2016 funding round uses approximately $440 million through 2017-18 from the existing continuous appropriation based on 10 percent of cap-and-trade auction proceeds.

Projects Funded To Date. The first cycle of funding went to the projects identified in the figure below.

Transit and Intercity Rail Capital Program Project Awards

Applicant	Project	Amount Recommended	Match Funding	Total Project Cost
Antelope Valley Transit Authority	Regional Transit Interconnectivity & Environmental Sustainability Project	$ 24,403,000	$ 14,891,051	$ 39,294,051
Capitol Corridor Joint Powers Authority	Travel Time Reduction Project	$ 4,620,000	$ 800,700	$ 5,420,700
Los Angeles MTA (Metro)	Willowbrook/Rosa Parks Station & Blue Line Light Rail Operational Improvements Project	$ 38,494,000	$ 108,166,494	$ 146,660,494
LOSSAN Rail Corridor Agency	Pacific Surfliner Transit Transfer Program	$ 1,675,000	$ 200,000	$ 1,875,000
Monterey-Salinas Transit	Monterey Bay Operations & Maintenance Facility/Salinas Transit Service Project	$ 10,000,000	$ 10,260,000	$ 20,260,000
Orange County Transportation Authority	Bravo! Route 560 Rapid Buses	$ 2,320,000	$ 580,000	$ 2,900,000
Sacramento Regional Transit	Sacramento Regional Transit's Refurbishment of 7 Light Rail Vehicles Project	$ 6,427,000	$ 1,607,000	$ 8,034,000
San Diego Association of Governments	South Bay Bus Rapid Transit Project*	$ 4,000,000	$ 108,000,000	$ 112,000,000
San Diego MTS	San Diego Metropolitan Transit System Trolley Capacity Improvements Project	$ 31,936,000	$ 11,200,000	$ 43,136,000
San Francisco MTA (MUNI)	Expanding the SFMTA Light Rail Vehicle Fleet Project	$ 41,181,000	$ 162,470,000	$ 203,651,000
San Joaquin Regional Rail Commission	Altamont Corridor Express Wayside Power	$ 200,000	$ -	$ 200,000
San Joaquin RTD	MLK Corridor and Crosstown Miner Corridor Project	$ 6,841,000	$ 12,277,776	$ 19,118,776
SCRRA (Metrolink)	Purchase of 9 Fuel-Efficient Tier IV Locomotives Project	$ 41,181,000	$ 16,869,000	$ 58,050,000
Sonoma-Marin Area Rail Transit District	SMART Rail Car Capacity Project	$ 11,000,000	$ 46,400,000	$ 57,400,000
		$ 224,278,000	**$ 493,722,021**	**$ 718,000,021**

Questions for Agency/DOF:

1. How do transit and intercity rail capital projects support the state's development of a state rail system and better ensure an interconnected system that helps to enhance mobility using public transit?

Staff Comment: Cap-and-trade expenditures beyond the amounts continuously appropriated will be considered as part of the broader cap-and-trade spending package adopted by the Senate.

Staff Recommendation: Hold open.

2600 CALIFORNIA TRANSPORTATION COMMISSION

Department Overview: The California Transportation Commission (CTC) is responsible for programming and allocating funds for the construction and improvements of highway, passenger rail, and transit systems throughout California. The CTC advises and assists the Secretary of the Transportation Agency and the Legislature in formulating and evaluating policies and plans for California's transportation programs.

Budget Overview: The Governor's budget proposes expenditures of $4.3 million and 19.1 positions for the administration of the CTC, which is slightly greater than the current-year level of 16.1 positions and $3.9 million. Additionally, the budget includes $25.0 million in Clean Air and Transportation Improvement Bond Act funds (Proposition 116 of 1990) that are budgeted in the CTC and allocated to local governments.

Issue 1: Active Transportation Program Oversight (Informational Only)

Background: SB 99 (Committee on Budget and Fiscal Review), Chapter 359, Statutes of 2013, created the Active Transportation Program to promote increased use of active modes of transportation such as bicycling and walking. Funding for ATP was created by consolidating various funding streams that have historically funded active transportation, including the federal Transportation Alternatives Program (TAP), and the state Bicycle Transportation Account and Safe Routes to School and Environmental Enhancement and Mitigation programs.

The intent of the Legislature in creating the ATP was to achieve the following goals:

- Increase the proportion of trips accomplished by biking and walking.
- Increase safety and mobility for non-motorized users.
- Advance the efforts of regional agencies to achieve greenhouse gas (GHG) reduction goals.
- Enhance public health.
- Ensure that disadvantaged communities fully share in program benefits.
- Provide a broad spectrum of projects.

The California Transportation Commission (CTC) is required to develop and adopt guidelines and project selection criteria for the ATP. The guidelines are required to address various elements, including schedules and procedures, selection criteria, performance measures and program evaluation. The guidelines must include a process to ensure that no less than 25 percent of program funds are spent on projects that clearly benefit, or are located directly within disadvantaged communities. Fifty percent of the funds are competitively awarded by the CTC on a statewide basis and an additional 10 percent are competitively awarded by CTC to projects in rural and small urban areas of the state. The remaining 40 percent of funds are distributed to metropolitan planning organizations in large urban areas in proportion to each region's share of the total population. These MPOs may develop their own project selection criteria in consultation with Caltrans and CTC.

Eligible project types include, among other things, development of new, and improvements to existing bikeways and walkways, hazard elimination, installation of traffic control devices, Safe Routes to School projects, and educational and other non-infrastructure investments that demonstrate effectiveness in increasing active transportation.

Each Funding Cycle Programs Four Years of Projects. The CTC is required to adopt a four-year program of projects by April 1 of each odd-numbered year, but may alternatively adopt a program annually. The ATP is currently funded at approximately $120 million per year. During the first programming cycle, the CTC programmed three fiscal years of funding (2013-14 through 2015-16, or about $360 million in total). In Cycle 2, CTC funded three fiscal years (2016-17 through 2018-19, or about $360 million in total). As a result, in total, more than $720 million in ATP funds has been programmed on about 500 projects during the first two cycles of programming.

On March 17, 2016, CTC adopted revised guidelines for Cycle 3 of the program. The third and subsequent programming cycles, are anticipated to include two fiscal years of funding ($240 million). CTC expects to release the request for proposals for Cycle 3 on or about April 15, 2016. Once this cycle of funding is awarded, ATP projects will be programmed through fiscal year 2020-21.

Program Resources. At the time ATP was established in 2013, CTC did not request additional positions for program administration, intending to absorb the additional workload within existing resources.

Caltrans allocated eight personnel years to work on ATP—three in headquarters and five in district offices. Within headquarters, two positions are assigned to closing out the programs scheduled to sunset. The remaining position is charged with a variety of duties related to program administration, including development and maintenance of program guidelines, compliance with laws and regulations, solicitation of projects, and eligibility and deliverability reviews. This position is also responsible for database maintenance, preparation of reports, performance measures, auditing and management of technical assistance contracts. The five district positions are responsible for assisting with program management, project solicitation and selection, and project rating, ranking and prioritization.

Evaluation of Completed Projects. Key to evaluation of any competitive grant program is an analysis of the degree to which it achieves the stated goals. According to recently adopted ATP guidelines, evaluation will focus on the program’s effectiveness in increasing the use of active modes of transportation. The guidelines address evaluation of increased mobility for non-motorized users; however, other program goals such as increased safety and the advancement of regional agencies efforts to achieve greenhouse gas reduction goals are not addressed. The guidelines also call upon Caltrans to conduct audits to determine whether performance outcomes are consistent with the project scope, schedule, benefits, etc. as described in the project agreement.

Program guidelines indicate that project applicants are contractually required to collect and report specified information including final costs, scope, and schedule (as compared to original) as well as performance outcomes. Specifically, the guidelines require before and after pedestrian and/or bicycle counts and an explanation of the methodology for conducting the counts. Data is required to be collected one year following completion of the project and then must be reported. At the present time, no ATP funded projects have reached the threshold for reporting. Thus, no data is currently available.

Technical Assistance for Program Applicants. As part of the Safe Route to Schools (SRTS) program previously administered by Caltrans, the Caltrans contracted with the California Department of Public Health to provide a technical assistance resource center (TARC). The purpose of TARC was to provide support and technical expertise to program applicants in the development of effective SRTS projects. Because many potential applicants have limited experience in the use of both engineering and non-engineering strategies to support and promote safe walking and bicycling, TARC was seen as an important resource to ensure that limited funding would be used for efficient and effective projects.

Since SRTS was incorporated into the ATP program, Caltrans and CTC have expanded the mission of TARC to support active transportation efforts more broadly. The new guidelines indicate that the role of the Active Transportation Resource Center is to provide technical assistance and training resources to help agencies deliver existing and future projects and to strengthen community involvement in projects. The ATRC is intended to support both existing and potential program applicants.

Questions for CTC and Caltrans:

1. Please describe how projects will be evaluated after completion to ensure the program is achieving the desired results? Is Caltrans and/or CTC adequately staffed to evaluate the effectiveness of completed projects in meeting the program goals?

2. Does a two or four-year funding cycle best fit ATP? What are the advantages and disadvantages of each?

Staff Comments: To date, about $720 million in funds has been awarded to approximately 490 projects, some of which will likely be completed within a few years. The next cycle of funding, to be awarded in 2017, will bring that total to nearly $1 billion being awarded to projects through 2020-21. Given that, it is good time for the Legislature to evaluate the program to ensure that it is working as intended and to make any necessary adjustments prior to awarding additional funds. Staff has identified issues on the following areas.

- ***Resources for Program Administration.*** Caltrans has indicated that actual staff resources expended on ATP exceeds allocated resources and this level of workload is likely to continue in the future. Specifically, since ATP is a relatively new program and, as with any new program, updates and revisions to guidelines policies and procedures will be required for upcoming funding cycles. Also, because many applicants have limited experience seeking federal and state transportation funds, staff support needs may be higher than average, at least in the near term. Finally, the need to compile and analyze data for program evaluation will likely grow, rather than shrink, as projects are completed. Given that, it may be appropriate to evaluate the adequacy of current staffing needs to ensure that the program can deliver on its goals.

- ***Programming Cycle.*** ATP is administered using a two-year award cycle and a four-year programming cycle (similar to the State Transportation Improvement Program). As a result, projects approved in 2017 will not be funded until at least 2019-20. While a relatively longer lead time is appropriate for more complex, larger projects, it may be unnecessary and even counterproductive for ATP because it lengthens the time between project development and completion of relatively small, community-based, and often critical safety and connectivity projects. Therefore, it may be appropriate to consider shortening the programming cycle to two years. This would have the ancillary benefit of delaying the Cycle 4 call for projects by two years, providing increased opportunity for program evaluation.

- ***Disadvantaged Communities.*** Statutorily, the ATP must expend at least 25 percent of program funds on projects either in, or directly benefitting, disadvantaged communities. In practice, the rate has been substantially higher and in Cycle 2, nearly 86 percent of funds in the statewide and rural and small urban components of the program went to projects classified as disadvantaged communities. It may be useful to consider what factors have contributed this outcome.

- ***Program Evaluation.*** The program is statutorily required to address six goals, but current guidelines only require project applicants to collect and report data on before/after walking and bicycling rates and do not require a standard method of data collection. It may be appropriate to consider what is needed to collect a more robust data set for more comprehensive program evaluation. It may also be appropriate to examine the adequacy of program funding expended by CTC and Caltrans on program evaluation. Finally, it may be appropriate to consider having CTC and Caltrans conduct an independent evaluation of a subset of projects in order to ensure accuracy and consistency.

- ***Active Transportation Resource Center.*** In Cycle 2, CTC awarded $3.5 million to Caltrans to fund the ATRC. It may be helpful to understand what activities Caltrans is delivering with these funds and specifically how those activities are enabling project applicants to develop better proposals and complete more effective and cost effective projects.

Informational Item Only

2660 DEPARTMENT OF TRANSPORTATION

Department Overview: The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive state system of 50,000 highway lane miles of pavement, 13,100 bridges, and 205,000 culverts; funds three intercity passenger rail routes; and provides funding for local transportation projects. (Culverts are pipes or other openings that allow naturally occurring water to flow beneath the roadway, such as when a highway crosses a small stream.) The highway system includes other facilities, such as roadside rest areas, landscaped and non–landscaped roadside, and maintenance buildings. The department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into six primary programs: aeronautics, highway transportation, mass transportation, transportation planning, administration, and equipment.

Budget Overview: The Governor's budget proposes total expenditures of $10.5 billion in 2016-17 for Caltrans—$422 million, or four percent, less than estimated current-year expenditures and 19,182 positions. Caltrans expenditures from federal funds and bond funds are assumed to decrease by $975 million and $170 million, respectively. This reflects an assumption that a greater amount of federal funds will be spent in the current year (rather than in the prior year as was previously assumed). The reduction also reflects the completion of certain Proposition 1B (2006) bond projects in the current year. State sources of revenue for the department are the state gasoline tax (30 cents per gallon) and the diesel excise tax (13 cents per gallon), the sales tax on diesel fuel, and weight fees for vehicles that carry heavy loans on the state's roadways, such as commercial trucks. State sources of revenue constitute about $6.0 billion of the total available resources.

Issue 1: Maintaining the State Highway System's Assets (Informational Only)

Overview: Caltrans' current, siloed approach to asset management has not resulted in the department using its resources in the most cost-effective manner to maintain the state highway system's assets. These assets include the roadways, culverts, bridges, sidewalks, and other infrastructure including intelligent traffic systems such as ramp metering devices. Both the Legislative Analyst's Office (LAO) and the State Auditor have recently raised concerns about the department's approach to maintaining its assets. In addition, as an attempt to address this problem, SB 486 (DeSaulnier), Chapter 917, Statutes of 2014, requires the department, in consultation with the CTC, to prepare a robust asset management plan to guide selection of projects for the state highway operation and protection program (SHOPP). Below are discussed changes Caltrans is making to its asset management approach, and the LAO and the State Auditor's recent findings.

Background: Caltrans maintains the state highway system primarily through two programs: the maintenance program and SHOPP. The maintenance program focuses on preventative work and corrects small problems before they worsen and require more costly repairs. Maintenance also includes field maintenance such as picking up litter and debris, and repairing guardrails. It does not include the construction of new assets or rehabilitation or reconstruction of roadways. Caltrans rehabilitates and reconstructs the state highway system through the SHOPP. Projects in this program include capital improvements for safety and the rehabilitation of state highways and bridges. These projects do not add capacity to the state highway system; adding capacity is the responsibility of Caltrans' state transportation improvement program (STIP). Multiyear plans for both SHOPP and STIP projects are adopted by the CTC.

As shown in the figure below, provided by the Legislative Analyst's Office (LAO), the highway maintenance and SHOPP programs provide a range of maintenance and rehabilitation work.

Figure 3

State Highway Repair Programs Perform Various Types of Work

Highway Maintenance Program		SHOPP	
Minor Maintenance	Major Maintenance	Minor Rehabilitation	Major Rehabilitation
• Performed on highway components in good condition. • Examples include filling potholes, damage assessment, and bridge painting. • Work performed by Caltrans staff.	• Performed on highway components in good or fair condition. • Examples include thin pavement overlays, bridge joint seals, and culvert debris removal. • Work performed by contractors.	• Performed on highway components in distressed condition. • Examples include thick pavement overlays and concrete panel replacement. • Work designed by Caltrans staff and performed by contractors.	• Performed on highway components in distressed condition. • Examples include complete removal and replacement, reconstructing road base, and mitigating erosion around bridge foundations. • Work designed by Caltrans staff and performed by contractors.

SHOPP = State Highway Operation and Protection Program.

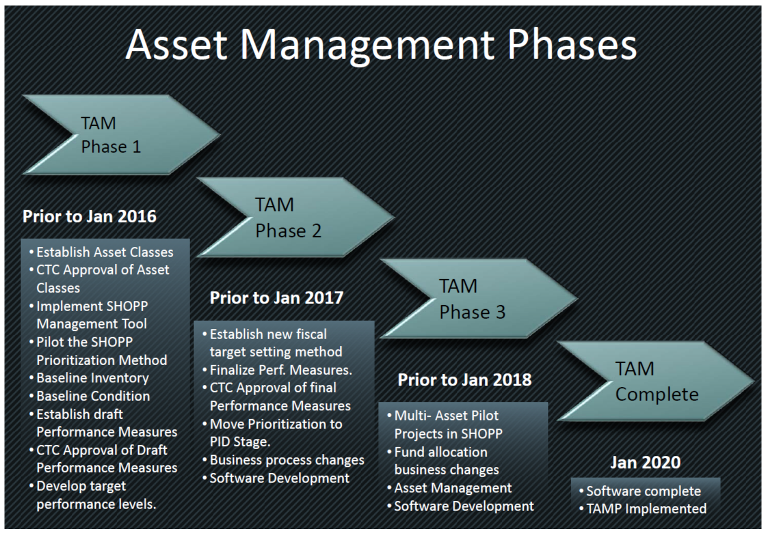
In 2015-16, Caltrans plans to spend $1.4 billion in state funds for the Highway Maintenance Program—$1 billion for minor routine maintenance and $434 million for major maintenance projects. The $434 million for major maintenance projects includes $234 million for pavement, $177 million for bridges, and $23 million for culverts.

In 2015-16, Caltrans estimates that it will spend $2.3 billion on SHOPP projects, including about $1.5 billion in federal funds and about $800 million in state funds. Of the $1.2 billion total amount, Caltrans plans to spend about $800 million on pavement, $350 million on bridges, and $50 million on culverts. The remainder of SHOPP funding is available for other purposes such as responding to emergencies and safety improvements.

Transportation Asset Management is Siloed. Historically, management of the maintenance and rehabilitation of the state highway system's assets has been done in silos. This approach is consistent with the state budget appropriating funding for projects to maintain the state's assets in silos. As a result, maintenance projects may not consider the needs of all state highway assets within a defined portion of the roadway. For example, a pavement repair project would not consider other potential projects within the roadway that also need to be addressed such as ADA compliance and culvert repairs to address blocked fish passages. Instead these projects would have to be as completed individual projects. Unfortunately, this approach fails to consider the condition and need for maintenance of all assets within a defined area. In addition, this lack of integration can result in increased costs because all of the needed work on a section of roadway is not done at the same time.

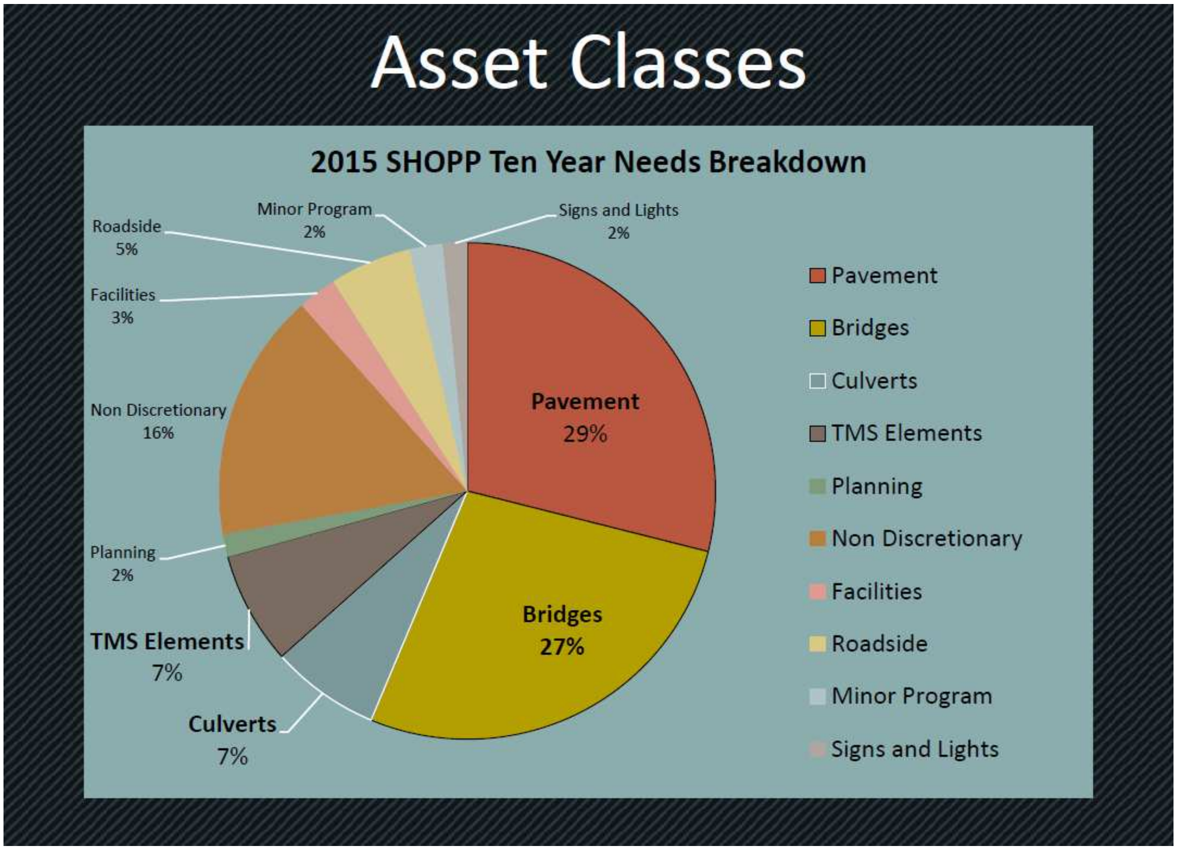
Shift Away from a Siloed Approach is Underway. Caltrans is shifting to a more comprehensive approach to asset management that brings together all of the information about the condition and needs of the state's highway system's assets. Beginning with the 2016 SHOPP, Caltrans' intention is to take a more comprehensive approach towards the management of its assets. As an example, the most recent directive from Caltrans is that when planning, SHOPP projects should consider climate change, complete streets, ADA, and fish passages.

As required by SB 486, Caltrans is in the process of transitioning to a full asset management approach by January 2020, as shown in the figure below. As part of this process, the department is piloting writing up the objectives they want to achieve on various transportation projects without consideration of funding silos and focusing on funding projects that address the needs of all state highway assets. Currently, approximately 37 projects that are "multi-asset" have been nominated for such an approach for the 2018 SHOPP. Each of the 12 Caltrans' districts submitted at least one project. These projects are in the "concept" phase at this time.



TAM=transportation asset management plan

The asset management plan will involve numerous categories of work in order to change how Caltrans manages the maintenance of its assets. The department has identified asset classes as shown in the figure below. Using these classes, maintenance staff is currently conducting a thorough inventory of all assets, establishing the baseline condition of these assets, and future optimal operational and condition targets. The department is also conducting an assessment of the performance of its system elements and then plans to conduct a performance gap analysis. Under the new approach to asset management, SHOPP projects will be prioritized based on using data from an automated system, rather than the current manual process. A primary focus of these changes within Caltrans will be improving the planning process, because under an asset management approach, knowing what is needed to maintain each asset class and planning the work is critical. While the department currently has numerous "plans"; these plans are not synthesized and this contributes to Caltrans' siloed approach to asset management.



Other important tasks Caltrans will need to engage in to successfully implement asset management include changing how projects are prioritized and programmed and performing deterioration modeling for all asset classes (as they currently have for pavement and bridges). Caltrans intends to shifts to conducting programmatic lifecycle costs analyses, rather than asset specific analyses, which would also attempt to capture costs influenced by factors such as usage and climate change. The department is also in the early stages of developing enterprise asset management software to improve its management of the state highway system's assets.

LAO Comments: The LAO recently reviewed the Governor's proposal to generate new funding for transportation and his proposal for spending those funds. Regarding the expenditure of these new funds, the LAO made recommendations to help ensure that the highest priority needs in order to maintain the state's assets are addressed first and that any additional funding provided to Caltrans through new revenues is allocated in an efficient and effective manner. In addition, to making recommendations about how the new revenues would be allocated, the LAO raises concerns about the lack of a comprehensive assessment of the condition of the highway system and recommends the Legislature adopt well-defined and robust accountability measures for both the Highway Maintenance Program and SHOPP, and report on the status of these metrics on a regular basis. For example, the Legislature could establish goals that a certain amount of pavement is kept in good condition. Regarding highway bridges, the LAO recommends that the Legislature require Caltrans to provide more detailed information on the number of distressed bridges and the estimated cost and timing for returning them to a state of good repair.

The LAO also raised concerns in its report about how the mix of pavement, bridge, and culvert projects that the Governor proposes to fund under his plan for additional revenues does not align with the actual needs of SHOPP. In addition, the LAO finds that the Governor's proposal does not provide adequate funding for major maintenance projects and if that type of work is deferred for too long, pavement, bridges, and culverts will deteriorate to the point of requiring more costly rehabilitation work through additional SHOPP projects.

The LAO's observations highlight the need for a comprehensive asset management plan and well-defined accountability measures.

California State Auditor: The auditor recently reviewed Caltrans's maintenance program and concludes that the maintenance division's allocations and spending for field maintenance do not match key indicators of maintenance need. (Field maintenance is generally performed by maintenance division staff and includes activities such as repairing minor pavement damage, clearing vegetation, and picking up litter.) Specifically, the maintenance division developed a budget model in 2009 for allocating field maintenance funding based on key indicators of maintenance need such as traffic volume and climate. However, the auditor found that the maintenance division abandoned this approach, and instead has based funding allocations to the 12 Caltrans districts on a simple average of historical spending rather than using level of maintenance performance (service scores) or other information about maintenance need, despite reporting to the Legislature that it was using a more sophisticated method. Additionally, the maintenance division's current process for evaluating service scores does not provide the same in-depth information as the model would have provided.

The maintenance division also does not use the information regarding service scores to strategically plan its work or to inform its funding allocations. Further, the maintenance division cannot demonstrate that it promptly performs certain field maintenance work. Specifically, data indicate that more than 30,000 service requests received by the three districts in fiscal years 2010-11 through 2014-15 remained unresolved for more than 90 days. Not surprisingly, the auditor found that the maintenance division's actual spending for field maintenance in the three districts they reviewed was not consistent with key indicators of need—climate and traffic volume.

The auditor specifically recommends that to better align the maintenance division's allocations with districts' maintenance needs, the Legislature should include language in the budget act that requires the maintenance division to develop and implement a budget model for field maintenance by June 30, 2017, that takes into account key indicators of maintenance need, such as traffic volume, climate, service scores, and any other factors the maintenance division deems necessary to ensure that the model adequately considers field maintenance need. Once the model is developed, Caltrans should use it to inform appropriate allocations to the districts.

Presentations:

- Caltrans and the CTC on the status of implementation of the Asset Management Plan.
- LAO on its review of the Governor's proposal to increase transportation funding for maintenance projects.
- State Auditor on its March 2016 report "California Department of Transportation: Its Maintenance Division's Allocation and Spending for Field Maintenance Do Not Match Key Indicators of Need".

Questions for Panel of Caltrans, CTC, and LAO, JLAC:

Caltrans:

1. Does the Asset Management Plan only affect SHOPP? What about the interaction with the Highway Maintenance Program?

2. What are the next steps?

3. How are existing funding silos being addressed within this framework?

4. What can the Legislature do to help break down the funding silos at Caltrans and minimize the risk that a portion of the funding will not materialize in the programmed SHOPP year for projects using a mix of funding sources?

5. What information technology tools could better help Caltrans manage its assets holistically?

6. Does Caltrans have any concerns about adopting a budget model for field maintenance?

CTC:

1. How does the CTC fit into asset management and what role will it play in helping Caltrans to manage its assets holistically, rather than in silos?

LAO:

1. What suggestions do you have to help the Legislature better ensure that Caltrans fully implements a comprehensive asset management approach?

2. What accountability measures do you recommend the Legislature monitor to assess Caltrans' management of the maintenance of the state highway system's assets?

Staff Comment: Caltrans has had negative reports and findings in recent years, including a critical external review of the management of the department, newspaper articles about the Bay Bridge, and most recently, critical reports by the LAO and the State Auditor. The two recent reports by the LAO and the State Auditor highlight Caltrans' shortcoming in its current approach to asset management—arguably Caltrans' most important responsibility, given that the state highway system is largely built-out. The LAO and the State Auditor explain in detail, serious finding which have large implications for the department's inability to manage the state's highway system's assets in the most cost-efficient and cost-effective manner.

In addition to work Caltrans is doing internally to change how it manages its assets, the Legislature may wish to take steps to move Caltrans from setting spending goals for specific activities as an indicator of meeting performance measures to requiring Caltrans to measure its ability to maintain the state's assets based on service scores relative to factors such as traffic volume and climate. The Legislature also may want to direct Caltrans to reconsider if it is funding the highest priority work first and to report to the Legislature on ways that it can break down funding and program silos so that these do not drive how Caltrans manages its assets. Further, the Legislature may want to require Caltrans to develop and use a budget model for field maintenance activities and allocating funds to the 12 districts.

Finally, as part of a larger conversation about ensuring the state's transportation-related activities are operating as effectively and efficiently as possible, while achieving overall objectives, the Legislature may want to consider establishing an Office of Inspector General to provide oversight of transportation infrastructure departments and to serve as a catalyst for activities that promote accountability, integrity, and efficiency. This office would be responsible for conducting audits, investigations, and management reviews relating to the programs and operations of transportation infrastructure departments, such as Caltrans and the High-Speed Rail Authority.

Informational issue only.

Issue 2: Continuation of Transportation Bond Act Administration

Governor's Proposal: The Governor's budget proposes $6 million (Proposition 1B funds) and 39 positions in 2016-17 for Caltrans to continue administrative workload associated with Proposition 1B bond programs, a reduction of three positions from the current-year level. Unlike prior years, the Governor's proposal would generally authorize the requested positions over a five-year period, instead of for two years. The figure below shows the proposed number of positions and the associated funding requested by year. The 39 positions proposed for 2016-17 would gradually decline to 26 positions in 2020-21.

Governor's Proposed Proposition 1B Administrative Staffing Plan

(Dollars in Millions)

	2016–17	2017–18	2018–19	2019–20	2020–21
Positions	39	36	31	29	26
Expenditures	$6.1	$5.8	$5.7	$5.5	$5.2

Background: In 2006, voters approved Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), which authorized the state to sell about $20 billion in general obligation bonds for various transportation projects. As specified in Proposition 1B, such projects include those intended to improve state highways and local roads, modernize and expand transit systems, improve rail and freight facilities, and mitigate transportation–related air pollution. Caltrans is responsible for administering a majority of the Proposition 1B programs with about 2,300 total projects. Most of the Proposition 1B projects that are administered by Caltrans are either complete or are currently under construction. Specifically, 1,333 projects have completed construction, 763 are under construction, and 230 have not yet started construction.

Since the passage of Proposition 1B, Caltrans has received staff resources for the increased workload associated with the bond programs, including administrative staff. These positions perform administrative work (such as accounting, auditing, and budgeting) that are necessary throughout the various phases of a project—including planning, design, construction, and closeout. For instance, Caltrans accountants process payments to local agencies and make final payment adjustments to close out capital projects. The Legislature has generally approved administrative staff requests for only two years at a time because (1) the bond programs are not permanent and (2) the level of staff needed has fluctuated over time as workload initially ramped up, then reached a peak, and is now declining. For example, the 2014-15 budget provided funding over a two-year period for 42 staff positions at Caltrans to administer Proposition 1B. These positions are set to expire at the end of the 2015-16 fiscal year.

LAO Comments: The LAO finds that the level of resources included in the Governor's budget for Proposition 1B administrative staff in 2016-17 and 2017-18 appear reasonable. The proposal also recognizes that Caltrans' need for administrative staffing will decline as workload is completed for the Proposition 1B programs. However, the LAO finds that the Governor's approach of requesting administrative staff and funding over a five-year period is subject to considerable uncertainty—particularly after 2017-18. This is primarily because several factors can change the timing and amount of administrative work that Caltrans must perform in the future. For example, savings on projects that finish under budget can be redirected to fund additional projects, resulting in additional administrative work for Caltrans.

Additionally, workload required to close out a project is not fully known until construction is complete and Caltrans has audited the project. Given that roughly 1,000 of Caltrans' Proposition 1B projects are not yet complete, the level of actual project closeout work could differ significantly from the Administration's assumptions.

The LAO recommends that the Legislature approve the Governor's proposal for only two years (2016-17 and 2017-18), rather than over a five-year period as requested. This approach would better ensure that appropriate resources are being provided to Caltrans to meet the needs required under Proposition 1B and allow the Legislature to revisit the department's Proposition 1B administrative staffing needs in a couple of years to ensure that the appropriate level of resources is provided.

Staff Comment: Staff agrees with the LAO comments and notes that approving Proposition 1B staffing resources on a two-year basis is consistent with past practice.

Staff Recommendation: Approve the Administration's request to fund 39 positions in 2016-17 and 36 positions in 2017-18 for the administration of Proposition 1B and reject funding for the proposed positions for years 2018-19, 2019-20, and 2020-21.

Vote:

Issue 3: Increased Funding for the UC Institute of Transportation Studies

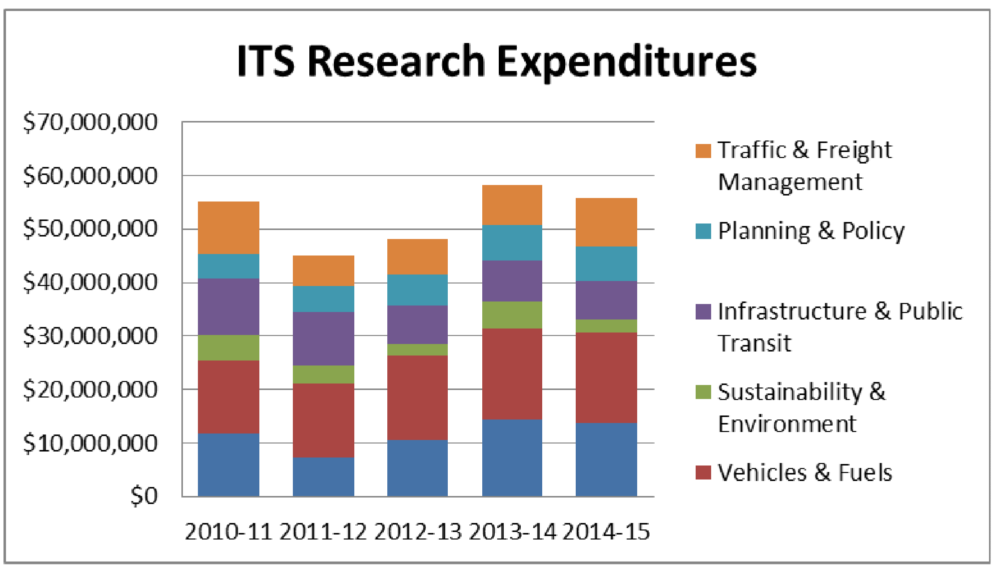
Governor's Proposal: No proposal.

Background: The Legislature established the Institute for Transportation and Traffic Engineering in 1947. The Institute for Transportation Studies (ITS, as it is now known) teams University of California (UC) researchers from more than 30 disciplines to advance the state of the art in transportation engineering and planning, to serve as a source of information to state, regional and local transportation agencies, and to provide knowledge transfer and continuous education to practicing transportation engineers and planners in California.

ITS has four branches—UC Berkeley, UC Davis, UC Irvine, and UCLA. ITS staff explore problems ranging from chronic traffic congestion to persistent air pollution, increasing climate change, impacts of local and global goods movements, and access for disadvantaged areas and groups.

The UC Regents have approved a request for a total ongoing funding augmentation of $9 million from the state's Public Transportation Account (PTA) that would be phased-in over three years in $3 million increments beginning in 2016-17, and includes an annual inflationary augmentation for future years.

According to UC, this request provides funding sufficient to establish permanent, ongoing programmatic infrastructure that will allow ITS to respond to state policy makers' requests for ad hoc guidance and to engage actively with California governments at all levels. ITS expenditures since 2010-11 by category of research are shown in the figure below. According to UC, this level of funding is inadequate for core functions and results in ITS being highly reactive to external funding opportunities and consequently its research is not explicitly focused on the state's transportation needs and priorities.



Competing Funding Priorities. The State Transportation Improvement Program (STIP) is a key planning document for funding future state highway, intercity rail and transit improvements throughout California. The STIP is funded with revenues from the Transportation Investment Fund and other funding sources including the PTA. In January 2016, the CTC approved a reduced estimate of projected funding available for the STIP by $754 million over the next five years. The commission's action marks the largest scaling back of the state's transportation program since the creation of the current funding structure nearly 20 years ago.

The revisions are the result of anticipated additional reductions in a portion of the gasoline excise tax which is the major source of state funding for the program. Set at a level of 18 cents a gallon just a few years ago, the price-based portion of the gas tax dropped to 12 cents per gallon last year. The estimate approved by the CTC projects that this revenue will fall another two cents a gallon for the coming fiscal year and that stabilization of this source may take longer than expected. Each penny reduction in the gas tax decreases revenue to fund state and local roads by about $140 million per year.

Approval of the ITS proposal would result in a further reduction of STIP funds by $45 million over the next five years.

Questions:

Caltrans:

1. Please discuss the interactions between PTA and STIP funding and trade-offs to consider when evaluating this proposal.

ITS:

2. Specifically what research would be funded with these additional resources?

Staff Comment: For many years, ITS has provided transportation research and analysis that supports and informs California’s transportation policies and programs. State funding from the Public Transportation Account (PTA) for this type of research has not been increased for decades. With the current PTA funding, ITS leverages every dollar of the nearly $1 million annual appropriation it receives at a 30-to-1 ratio. However, there are significant tradeoffs to weigh. If a greater amount of funding goes to research, less STIP funding is available for transportation projects and the amount of STIP funding has recently been significantly reduced due to decreases in state gas tax revenues.

Staff Recommendation: Hold open.

Issue 4: State Transit Assistance Program Changes

Governor's Proposal: No proposal.

Background: The Transportation Development Act (TDA) provides two major sources of funding for public transportation: the Local Transportation Fund and the State Transit Assistance Fund (STA). These funds are for the development and support of public transportation needs that exist in California and are allocated to areas of each county based on population, taxable sales and transit performance.

STA funds are generated by the sales tax on diesel fuel, and the amount of money available for transit agencies varies from year to year based on the ups and downs of diesel prices. The State Controller's Office (SCO) appropriates STA funds to the 26 regional transportation planning agencies (RTPAs) across the state as follows:

- Fifty percent of STA funds are allocated based on their share of the population as defined by Public Utilities Code (PUC) 99313.

- Fifty percent of STA funds are allocated based on transit operators' revenues as defined by PUC 99314.

Operators have full discretion over the use of TDA and most of STA apportioned to them. Funds may be used by transit operators for both capital projects and transit operations. For most smaller transit agencies, TDA and STA are their main sources of operating funds.

The SCO recently reinterpreted the statutes that define how STA funds are distributed and implemented a significant change in the way STA program funds are allocated. This change went into effect the first quarter of 2015-16 for payments which were issued in January of 2016. The change altered the way STA funds have been distributed for decades and created winners and losers among transit operators. For example, the changes to the STA payments have resulted in net windfalls in unanticipated funding for some transit operators, for others the change resulted in major reductions in funding.

Questions:

1. Does the Administration have any concerns about adopting trailer bill language that would pause the current way of putting money out and return STA to the previous allocation methodology to allow for a policy bill to move through the process that would provide clarity on how these funds are distributed and to whom?

Staff Comment: The SCO's recent changes to how it allocates STA funds to transit operators occurred suddenly and without any opportunity for legislative or public review and comment. Both the California Transit Association and RTPAs have raised concerns about these changes that resulted in STA funding levels, which have historically been a predictable source of state transit operating funding, becoming volatile.

In order to maintain STA as a stable source of transit operator funding, statutory changes that clarify how STA is allocated are necessary. Making these changes through the policy bill process may take some time and in order to ensure that all necessary changes are made. The subcommittee may wish to adopt trailer bill language to "pause" the SCO's reinterpreted allocation methodology until statutory clarifications are enacted.

Staff Recommendation: Adopt placeholder trailer bill language that requires the SCO for purposes of determining the amount of STA to distribute in the 3rd and 4th quarters of fiscal years 2015-16 and 2016-17, to use the same recipients and the same proportional shares as used in the fourth quarter of 2014-15. Staff notes that the length of time to use the previous methodology of allocating STA is still under consideration.

Staff Recommendation: Hold open at this time.

Vote:

2740 DEPARTMENT OF MOTOR VEHICLES

Department Overview: The DMV is responsible for registering vehicles, issuing driver licenses, and for promoting safety on California's streets and highways. Currently, there are 24 million licensed drivers and about 30 million registered vehicles in the state. Additionally, DMV licenses and regulates vehicle–related businesses, such as automobile dealers and driver training schools, and collects certain fees and tax revenues for state and local agencies.

Budget Summary: The Governor proposes total expenditures of $1.1 billion (no General Fund), which is about three percent less than the estimated level of spending in the current year. This is due to certain one–time spending in 2015-16. The level of spending proposed for 2016-17 supports about 8,300 positions at DMV.

Issue 1: Motor Vehicle Account (MVA) Fund Condition

Governor's Proposal: The Administration estimates a MVA operational shortfall of about $310 million in 2016-17 (assuming no new revenue or expenditures). If unaddressed, the ongoing shortfalls would result in the MVA becoming insolvent in 2017-18. In order to help address this problem, the Governor proposes to trailer bill language to increase MVA revenues by increasing the base vehicle registration fee. The Governor also proposes new MVA expenditures as discussed below.

Increased Revenues. The Governor proposes to increase the base vehicle registration fee by $10 (from $46 to $56), effective January 1, 2017, and to index the base registration fee to the Consumer Price Index (CPI), beginning in 2017-18, allowing the fee to automatically increase with inflation, similar to the CHP fee and the driver license fee. The Governor's budget assumes that the increased fee will generate about $80 million in 2016-17, and about $360 million upon full implementation in 2017-18.

Increased Expenditures. The Governor's budget includes proposals that would increase MVA expenditures. The major expenditure proposals are discussed in more detail later in this agenda.

Background: The MVA supports the state's activities related to the administration and enforcement of laws regulating the operation or registration of vehicles used on public streets and highways, as well as to mitigate the environmental effects of vehicle emissions. Due to expenditures outpacing revenues, the MVA faced an operational shortfall in 2015-16 of about $300 million, which was addressed through the one-time repayment of $480 million in loans that were previously made from the MVA to the General Fund. Absent corrective actions, the account would again experience an operational shortfall in 2016-17. The figure below shows the current and projected fund balance of the MVA under the Governor's budget proposal.

Motor Vehicle Account Fund Balance Forecast
(as of January 2016, dollars in millions)

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
BEGINNING RESERVES	$445	$299	$472	$201	$131	$110	$120
REVENUES AND TRANSFERS							
$10 Fee Increase			$79	$359	$398	$437	$477
Registration Fee	$2,653	$2,710	$2,764	$2,822	$2,882	$2,943	$3,005
Other Fees	$542	$538	$472	$547	$573	$573	$582
Total Fee Revenue	$3,195	$3,248	$3,315	$3,728	$3,853	$3,953	$4,064
General Fund Loan	$0	$480	$0	$0	$0	$0	$0
Transfers To Other Funds	-$69	-$71	-$76	-$80	-$82	-$84	-$85
Total Revenues/Transfers	$3,126	$3,657	$3,239	$3,648	$3,771	$3,869	$3,979
Total Resources	$3,571	$3,956	$3,711	$3,849	$3,902	$3,979	$4,099
EXPENDITURES							
CHP	$1,976	$2,104	$2,160	$2,241	$2,325	$2,412	$2,502
DMV	$1,044	$1,080	$1,054	$1,065	$1,076	$1,086	$1,097
ARB	$121	$124	$124	$126	$129	$132	$134
Other	$97	$67	$85	$87	$89	$90	$92
Cap Outlay/Facilities	$34	$109	$87	$199	$173	$139	$188
Expenditure Total	**$3,272**	**$3,484**	**$3,510**	**$3,718**	**$3,792**	**$3,859**	**$4,013**
Reserve	**$299**	**$472**	**$201**	**$131**	**$110**	**$120**	**$86**

Revenues. The MVA receives most of its revenues from vehicle registration fees. In 2015-16, $3.2 billion in revenues are estimated to be deposited into the MVA, with vehicle registration fees accounting for about $2.3 billion (72 percent), as shown in the figure above. Vehicle registration fees currently total $70 for each registered vehicle, which consists of two components:

- ***Base Registration Fee ($46).*** The state charges a base registration fee of $46, with $43 going to the MVA and $3 going to support certain environmental mitigation programs. The base registration fee was last increased in 2011 by $12 (from $34 to $46).

- ***CHP Fee ($24).*** The state also charges an additional fee of $24 that directly benefits CHP. In 2014, this fee was increased by $1 (from $23 to $24) and was indexed to the CPI.

The MVA also receives revenue from driver license fees. Revenue from these fees fluctuates based on the number of licenses renewed each year. In recent years, such revenue has averaged about $300 million annually, accounting for roughly 10 percent of total MVA revenues. The current driver license fee is $33 and was last increased by $1 in 2014. The driver license fee is also indexed to the CPI. The remaining MVA revenues primarily come from late fees associated with vehicle registration and driver license renewals, identification card fees, and miscellaneous fees for special permits and certificates (such as fees related to the regulation of automobile dealers and driver training schools).

The use of most MVA revenues is limited by the California Constitution to the administration and enforcement of laws regulating the use of vehicles on public highways and roads, as well as certain other transportation uses. However, roughly $70 million of the miscellaneous MVA revenue sources are not limited by constitutional provisions. Because they are available for broader purposes, these revenues are not retained in the MVA, and due to budgetary shortfalls beginning in 2009-10 were transferred to the General Fund.

Expenditures. The MVA primarily provides funding to three state departments—CHP, DMV, and the Air Resources Board—to support the activities authorized in the California Constitution. In recent years, expenditures from the MVA have increased. Some of these increases affect the MVA only in the short run (such as increased limited-term funding to DMV for the implementation of AB 60 (Alejo), Chapter 524, Statutes of 2013). Others create longer-term cost pressures on the MVA that can extend several years. These ongoing cost drivers include:

- ***CHP Officers' Salary Increases.*** The state and the union representing CHP officers negotiated a memorandum-of-understanding (MOU) in 2013 that provides salary increases for CHP officers annually from 2013-14 through 2018-19. The MOU specifies that the increases are determined by calculating the weighted average of the salaries of the state's five largest local police agencies. As a result, CHP officers received average salary increases of five percent a year in both 2013-14 and 2014-15, increasing ongoing MVA costs by $10 million.

- ***CHP Air Fleet Replacement.*** As part of the air fleet replacement plan for CHP's 26 aircraft, the Legislature approved $17 million in 2013-14, $16 million in 2014-15, and $14 million in 2015-16. Under the plan, the funding level for air fleet replacement will remain at $14 million in 2016-17, and decline to $8 million in 2017-18 and remain at that level on an ongoing basis.

- ***CHP Area Office Replacement.*** In 2013-14, the Legislature approved $6.4 million for the Administration's multiyear plan to replace existing CHP area offices. The funding supported the acquisition of land for one new office and the advanced planning to replace five additional offices. For these five offices, the Legislature subsequently approved $32.4 million in 2014-15 for the acquisition of land, $137 million in 2015-16 for the design and construction of these facilities, and funding for advanced planning for up to five additional facilities. The Administration's Five-Year Infrastructure Plan includes estimated capital costs for CHP of $789 million MVA over the next five years.

- ***DMV Field Office Replacement.*** In 2015-16, the Legislature approved $4.7 million to initiate the Administration's multiyear plan to replace existing DMV field offices. The funding supported pre-construction activities to replace three DMV field offices. The Administration's Five-Year Infrastructure Plan includes estimated capital costs for DMV of $496 million MVA over the next five years.

LAO Comments: The LAO finds that the Legislature will need to take steps to address the ongoing shortfall in the MVA and prevent insolvency. While the Governor's approach is one way of addressing the shortfalls in the near term, there are alternatives, and under the Governor's approach, the LAO estimates that the MVA would likely face an operational shortfall in the tens of millions of dollars by 2019-20. Based on this, the LAO recommends the Legislature consider taking actions to ensure that the MVA is sufficiently balanced in both the near and long-term. The Legislature could address such shortfalls by adopting a mix of the following strategies:

- ***Reduce or Limit MVA Expenditures.*** One approach to addressing the shortfalls in the MVA is to reduce expenditures or slow the pace of spending growth. Even a modest reduction to the pace of spending growth could significantly help the MVA's condition in the future. For example, the Legislature could defer the start of new capital projects to replace CHP and DMV facilities, or approve fewer new projects in future years than are included in the 2016 Five-Year Infrastructure Plan.

- ***Increase MVA Revenues.*** As proposed by the Governor, the Legislature could increase the vehicle registration fee. In determining an appropriate fee increase, it will want to consider the potential fiscal impacts on vehicle owners. The Legislature could also choose to increase non–registration MVA fees, such as driver license fees.

- ***Eliminate General Fund Transfer.*** As mentioned earlier, the MVA receives roughly $70 million in miscellaneous revenues that are not limited in their use by the California Constitution. Under existing law, these revenues are transferred to the General Fund, making them unavailable to support MVA expenditures. The Legislature could change state law in order to keep these revenues in the MVA.

Questions:

LAO:

1. Please present your concerns about the Administration's proposal to address the fund condition of the MVA and your recommendations to the Legislature about alternative ways to address the future shortfall.

DOF:

1. What are the risks of delaying some of the CHP and DMV field office replacements? What benefit to the solvency of the MVA would project delays of a year or two have on the fund condition of the MVA? Would delays potentially result in increased costs and if so, what is the order of magnitude of these costs?

Staff Comment. Staff agrees with the LAO comments that the Legislature will need to take actions to ensure the future solvency of the MVA. The Legislature may want to consider approving the vehicle registration fee increases proposed by the Administration and taking other actions to reduce the cost-pressure on the MVA in the future, such as approving fewer new capital outlay projects and eliminating the transfer of about $70 million MVA funds to the General Fund.

Staff Recommendation: Hold open.

<u>Vote:</u>

Issue 2: Self-Service Terminal Expansion Project

Governor's Proposal: The Governor proposes $8 million from the MVA on an ongoing basis to fund existing and increased costs related to self-service terminals. The proposal is part of an overall plan to expand the use of self-service terminals as an alternative for customers who would otherwise handle their transactions in DMV field offices. The DMV plans to increase the number of self-service terminals by 30 to 50—for a total of between 80 and 100 total terminals statewide. These new terminals would be placed in businesses around the state, such as grocery stores or convenience stores, to provide greater access to DMV services.

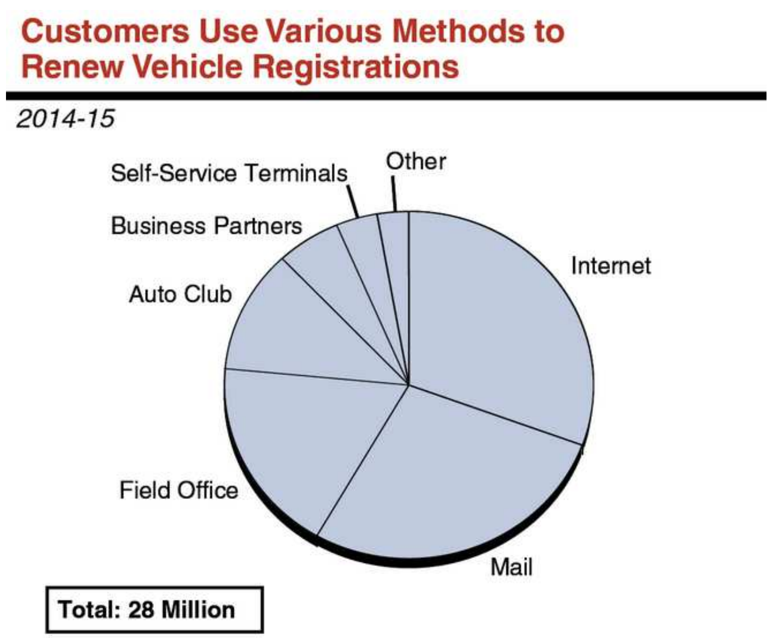
Specifically, the proposed $8 million includes the following:

- $4.4 million to support the existing costs of the $3.75 vendor transaction fee at the current level of 1.2 million self-service terminal transactions. These have historically been paid for from existing resources within DMV's base budget.

- $3.6 million to fund increased costs in 2016-17 from the proposed expansion of self-service terminals. This amount includes funding to pay the $3.75 vendor transaction fee for roughly 1 million additional transactions estimated to occur from the expansion, as well as for the installation and training costs related to the new terminals.

Background: DMV handles about 30 million vehicle registration renewal transactions each year. Customers can renew their registration through one of the several options currently available to them. These include mailing in renewals or coming into field offices or auto clubs, and completing renewals over the internet and through self-service terminals and business partners.

The figure below shows the proportion of registration renewal transactions that were completed in 2014-15 under each service option.

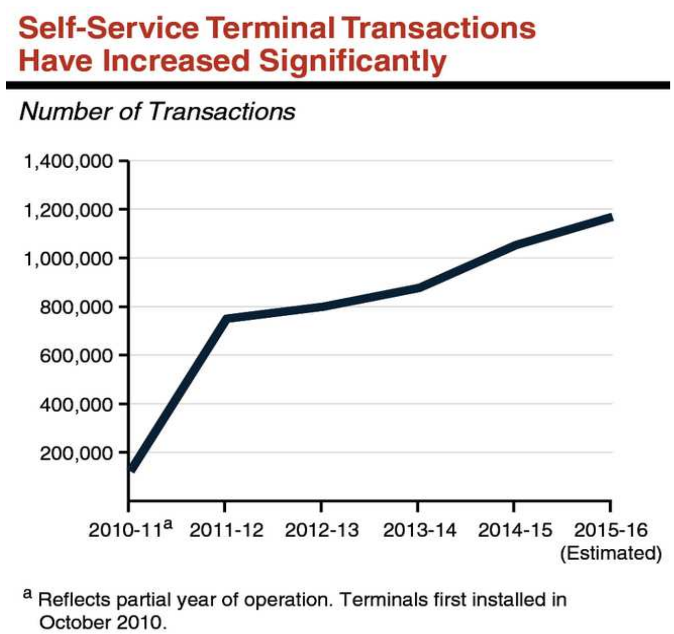


Source: Legislative Analyst's Office

Self-Service Terminals at DMV. Self-service terminals, which allow customers to process their vehicle registration renewal transactions at a kiosk, make up about four percent of total transactions. The DMV's 50 existing self-service terminals are located inside DMV field offices, accept multiple payment methods including cash, and provide a registration card and sticker to the customer upon completion of the renewal. These terminals can be a convenient alternative to DMV field office staff and, according to DMV, can be especially helpful to customers who are paying with cash or those who wait until the deadline to renew their registration.

DMV's costs for self-service terminal transactions includes a reported $5.62 in administrative costs for DMV and a $3.75 service fee that DMV pays to the vendor that provides and maintains the terminals. Under DMV's existing contract for its 50 self-service terminals, the vendor provides the self-service terminals at no initial cost to the state, but charges DMV a $3.75 fee for each transaction completed at a terminal. (In contrast, the average cost for a business partner transaction does not include a service fee as this is paid, on top of the base registration fee, directly by the customer to the business partner.) Based on the expected number of transactions, DMV estimates self–service transactions will cost a total of $11 million in the current year: about $6.6 million in administrative costs and $4.4 million in transaction fee payments to the vendor.

Use of Self-Service Terminals Has Increased Significantly. In October 2010, DMV administratively redirected resources within its base budget to fund the installation of 25 self-service terminals. Subsequently, the department redirected additional resources to double the number of self-service terminals to 50. The figure below shows the number of transactions processed through self-service terminals since they were first implemented. While the total number of transactions processed through self-service terminals is small compared to other service options, use of the terminals has increased significantly during the six years that they have been in operation—from 124,000 transactions in 2010-11 to an estimated 1.2 million transactions in 2015-16.



Source: Legislative Analyst's Office

Self-Service Terminals Are Cost-Effective. The base registration renewal fee charged to customers is the same regardless of the method the customer chooses to process the renewal. However, DMV's costs to process vehicle registration transactions differ significantly by processing method. Specifically, field office staff transactions are the most costly, with the average field office transaction for a registration renewal costing $23.63. In comparison, transactions processed at self-service terminals have an average cost of about $9.37 per transaction. Internet and mail transactions are the least costly at an average cost of $4.54 and $3.69 respectively.

LAO Comments: The LAO finds that expanding the use of self-service terminals, including to locations outside of DMV field offices and outside of DMV's regular business hours, has merit. Doing so would provide greater access to DMV's customers by providing additional options to complete DMV transactions. In particular, these terminals could assist customers who pay with cash, and those who wait until the deadline to renew their registration—two of the main reasons why customers currently renew their registration in a field office. Because transactions processed through a self-service terminal have lower costs than field office transactions, expanding the use of self-service terminals could also result in operational efficiencies and savings.

The LAO raises two concerns with the Governor's proposal. First, that the DMV has provided little information about its plan to expand self-service terminals, specifically information on the sequencing plan, the location of terminals, and the estimated level of savings from expanding this technology. The LAO finds that the absence of a complete implementation plan makes it difficult for the Legislature to assess the full costs of the proposal, make appropriate adjustments to DMV's budget to account for workload shifted out of field offices, and to ensure that the expansion of self-service terminals meets legislative priorities.

Second, the LAO finds that the proposed $8 million increase is not justified and that DMV has not attempted to account for reduced field office visits associated with the use of self-service terminals. The LAO estimates that if all transactions from existing terminals directly offset the need for field office transactions and DMV was able to make sufficient adjustments to account for the lower field office workload, DMV would save up to $17 million annually. At the projected higher level of transactions under the Governor's proposal, savings could be as much as $29 million. While it is unlikely that DMV could fully capture these savings in the short run, because some of their field office costs are fixed (such as facilities costs), the department could achieve a portion of these savings in the short run, and potentially more in the longer run. Additionally, LAO notes that $4.4 million of the amount requested is already funded from DMV's base budget as a result of various redirections. The LAO also notes that under the Governor's proposal, about two million motorists are estimated to use self-service terminals. However, the costs of the self-service terminal transaction fee would effectively be spread across all registered vehicle owners rather than just those who actually use the terminals.

Finally, the LAO recommends that the Legislature reject the Governor's proposal for $8 million from the MVA to support the costs of existing self-service terminals, as well as those of additional terminals. The LAO notes that DMV could continue to fund the existing self-service terminals and expand the number of terminals without this funding augmentation. The LAO also recommends that the Legislature require DMV to develop a detailed plan on the use and expansion of self-service terminals. In order to ensure the Legislature receives the plan in a timely manner, the LAO recommends adopting budget bill language requiring DMV to submit the plan by January 10, 2017. The language should also specify that DMV shall not proceed with its expansion plan until it is submitted to and reviewed by the Legislature.

Specifically, the plan should include (1) a sequencing strategy (including the approach and timing for increasing functionality of the terminals and how that relates to expanding the number of terminals), (2) DMV's assessment of which locations are good candidates for self-service terminals and the criteria DMV used to determine these locations, and (3) how DMV intends to account for the cost savings generated from the use of self-service terminals and identify the adjustments necessary to reflect a reduction in field office workload. As the Legislature evaluates this plan, it will also want to consider the potential benefits and limitations of passing the cost of self-service terminals on to the customers who benefit from the convenience of using the kiosks, rather than spreading these costs among all registered vehicle owners.

Questions:

- How does the use of SSTs fit into DMV's business model?

- The vendor is reimbursed by the state for each transaction. As a result, the vendor has an incentive to locate terminals where they will receive the greatest number of transactions. How will DMV ensure that the locations the vendor identifies for the placement of SSTs meet the needs of underserved populations, such as individuals who do not live near a DMV office or persons who do not have a regular bank account?

Staff Comments: Staff agrees with the concerns raised by the LAO about the lack of an expansion plan for SSTs. A comprehensive long-term plan would help to ensure that DMV is implementing the most cost-effective and accessible options for processing transactions. Such a plan would help DMV to better prepare for expanding the use of SSTs and enable the Legislature to plan for future budget requests. Because any expansion of automated processing options could potentially significantly reduce the need for staff to process transactions and keep to a minimum expansions of office space that may be needed in the future, such a plan should also consider these factors.

The Legislature would also benefit from receiving information about savings from the use of SSTs so that it can determine whether to redirect staff who are "freed up" when processes are automated or to achieve savings by reducing position authority. Staff notes that the April Finance Letter (discussed later in this agenda) proposes to uses the eight staff DMV states are "freed up" by the expansion of SSTs to implement federal REAL ID requirements.

Staff Recommendation: Hold open.

Issue 3: New Motor Voter Program

Governor's Proposal: The Governor proposes $3.9 million General Fund for implementation of AB 1461 (Gonzales), Chapter 729, Statutes 2015.

Specifically, the $3.9 million is for the following:

- $424,000 for 3.7 positions.
- $1.3 million for driver license/ identification card (DL/ID) and change of address forms reprint and/or destruction.
- $1.7 million for imaging machine replacement and maintenance contract and facilities cost for new cabling.
- $457,000 for DMV DL/ID systems software modification and update.

Background: The National Voter Registration Act (NVRA) of 1993 mandated that all 50 states make it easy for U.S. citizens to register to vote when applying for a DL/ID card. This mandate include the requirement to offer the voter registration option to every customer who applies for a DL/ID card. This resulted in revisions to DMV's DL/ID card application, which currently includes a section that asks "Do you wish to register to vote or to update your voter record?" The applicant must indicate that he or she:

1. Is registering to vote for the first time or is requesting a voter registration change (name change or change in political party).
2. Does not wish to register to vote or change the voter registration address.
3. Requests the department to update the voter registration address to a new county.
4. Requests the department to update the voter registration address within the same county.

The DMV mails all completed voter registration forms to local election officials. The department currently provides files to the Secretary of State (SOS) on all DL/ID card holders approaching their 18^{th} birthday. The SOS then follows up by communicating to individuals regarding his or her right to vote. A voter registration affidavit is also enclosed with DL renewal notices. The department assists with online voter registration through the SOS's website by providing the SOS with a copy of a DL/ID card holder's digitized signature in order to complete the online voter registration process.

AB 1461 Requires DMV to Register all Eligible Applicants to Vote (Unless They Decline.) AB 1461 requires the DMV to electronically transmit to the 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, as well as whether the applicant affirmatively declined to register to vote.

Changes to DMV Processes from AB 1461. The costs that will be incurred by DMV for implementation of AB 1461 are related to the reengineering of current processes, new hardware, software, and equipment, as well as systems programming. Due to the requirement of needing additional customer information, DMV will eliminate the current practice of combining change of addresses for DL/ID cards and vehicle registration (VR) on a single form. Instead, each process (DL/ID and VR) will have separate forms and separate work streams. The change of address forms processed through the mail will now require additional time to key a significant number of new data elements to complete the voter registration portion, adding to the overall transaction time. The current renewal-by-mail process for DL/ID cards involving a tear-off stub will be replaced by a full-page form that contains all necessary elements for renewal of a DL/ID card and construction of a data file for SOS. In order to collect the voter registration information for renewal-by-mail transactions, the department will need to purchase new automated mail processing machines to handle the full-size form and number of data elements. This will create an additional headquarters processing workload for both the operation of the machines and the technician review of forms when the automated system cannot read all data elements.

AB 1461 specifies that DMV shall complete implementation one year after the SOS certifies all of the following:

- The state has a statewide voter registration database that complies with the requirements of the federal Help America Vote Act of 2002.

- The Legislature has appropriated the funds necessary for the SOS and DMV to implement and maintain the California New Motor Voter Program.

- The SOS has adopted regulations to implement the provisions of the bill.

As of February 2016, SOS estimates the earliest date to begin implementation would be July 1, 2016.

Questions:

1. Please provide an update on DMV’s implementation of the new Motor Votor Program and an update on the Secretary of State’s progress implementing the federal Help America Vote Act requirements, including the development and adopting of regulations.

2. Will DMV provide data to the Legislature on the number of individuals that register to vote, and how many individuals proceed with the second stage of the process and provide language and party preference information.

Staff Comment: It will be important for the Legislature to continue oversight of the implementation of this new program, especially given the coordination that is required with the Secretary of State.

Staff Recommendation: Hold open.

Issue 4: Amendments Supporting the Green and White High-Occupancy Vehicle Decal Program (trailer bill language)

Governor's Proposal. The Governor's budget proposes trailer bill language would make the following changes to current law related to the Green and White High-Occupancy Vehicle (HOV) Decal Program:

- Remove the limit of 85,000 on the number of decals available for the green vehicle decal program and allow eligible vehicles to receive decals until the program's expiration on January 1, 2019.

- Extend the white sticker program until October 1, 2025 making it consistent with current federal law that was amended by the federal Fixing America's Surface Transportation (FAST) Act.

- Require Caltrans to prepare and submit a report to the Legislature, on or before December 1, 2017, on the degradation status of the HOV lanes on the state highway system.

Background: AB 71 (Cunneen), Chapter 330, Statutes of 1999 authorized allowing single-occupant, clean air vehicles access to HOV lanes. The intent of the initial and subsequent legislation was to incentivize the purchase of clean air vehicles. Currently, the DMV distributes two types of decals.

- White Clean Air Vehicle decals are available to an unlimited number of qualifying federal Inherently Low Emission Vehicles. Cars meeting these requirements are typically certified pure zero emission vehicles (100 percent battery electric and hydrogen fuel cell) and compressed natural gas vehicles. An unlimited number of decals are available for these vehicles.

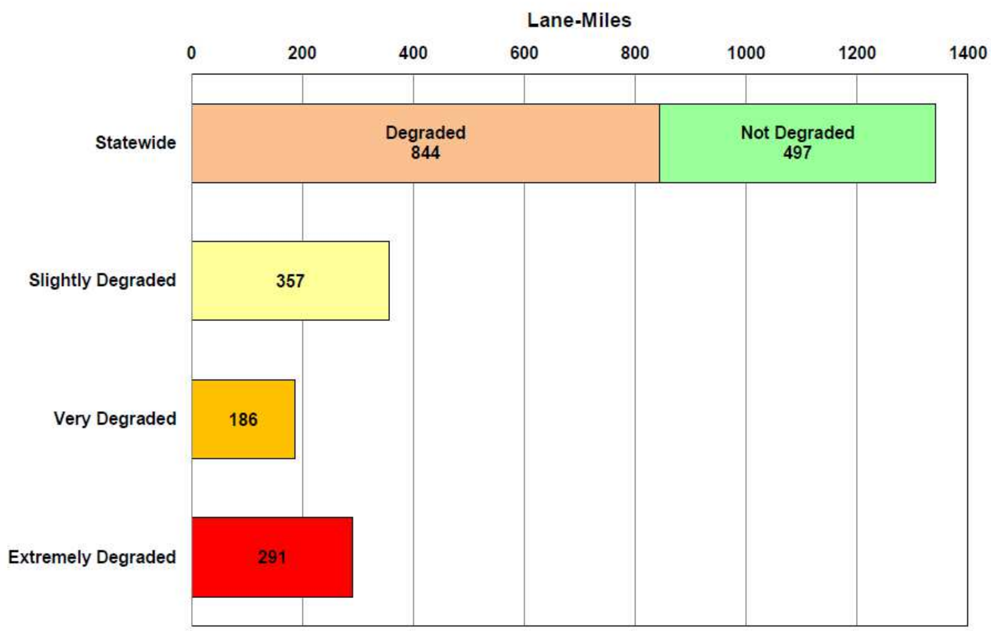
- Green Clean Air Vehicle decals are available to applicants that purchase or lease cars meeting California's transitional zero emission vehicles requirement, also known as the enhanced advanced technology partial zero emission vehicle requirement. Per SB 853 (Committee on Budget and Fiscal Review), Statutes 2014, Chapter 27, the green decal limit was increased by 15,000 to 55,000 decals effective July 1, 2014. Per AB 2013, (Muratsuchi), Chapter 527, Statutes of 2014, effective January 1, 2015, an additional 15,000 decals were made available for a new maximum of 70,000. The cap was increased in the 2015 Budget Act and the current cap on Green Clean Air Vehicle decals is 85,000.

Lane Degradation. The California Department of Transportation (Caltrans) prepared the "2014 California High-Occupancy Vehicle Lane Degradation Determination Report" (www.dot.ca.gov/hq/traffops/trafmgmt/hov/files/degrd_rept/2014-HOV-degradation-report.pdf) to report the performance of the HOV network in California as required by federal regulations. Federal law authorizes states to allow inherently low-emission vehicles (ILEVs), certain gasoline/electric plug-in hybrid vehicles, and toll-paying vehicles to access HOV lanes without meeting occupancy requirements. States that allow these exempted vehicles to use HOV lanes are required to monitor and report on the performance of those lanes.

By federal definition, an HOV lane is considered degraded if the average traffic speed during the morning or evening weekday peak commute hour is less than 45 miles per hour (mph) for more than 10 percent of the time over a consecutive 180-day period. In other words, the HOV lane's average traffic speed cannot drop below 45 mph for more than two weekdays each month. If the lane is considered degraded, then the state must limit or discontinue the use of the lane by the exempted vehicles or take other actions that will bring the operational performance up to the federal standard within 180 days after identification of the lane being degraded.

The most recent (2014) report found that during the first half of 2014, from January through June, approximately 59 percent (784 of 1,326 lane-miles) of monitored HOV lane segments were degraded and 41 percent (542 lane-miles) were not degraded. More than half of the degraded segments, 54 percent, were categorized as slightly degraded (420 of 784 total degraded lane-miles). For the second half of 2014, from July through December, approximately 63 percent (844 of 1,326 lane-miles) of all monitored HOV lane segments were degraded and 37 percent (497 lane-miles) were not degraded. Similar to the first half of the year, slightly degraded facilities accounted for the majority of all degradation, at 42 percent (357 of 844 total degraded lane-miles). The results for the second half of 2014 are shown in the figure below. The study also found that from 2013 to 2014, the number of degraded lane-miles increased approximately seven percent from 788 to 844.

STATEWIDE DEGRADATION SUMMARY BY CATEGORY
JULY 1 TO DECEMBER 31, 2014



NOTE: 1,341 lane-miles total.

The analysis suggests that factors contributing to degradation include:

- Recurrent congestion on the highway.

- Motorists from the general-purpose lanes merging into the lane near the end of an HOV facility and backing up traffic into the HOV lane.

- Lane change conflicts from motorists who attempt to enter or exit the HOV lanes.

- Traffic disruptions on the highway due to severe weather or traffic incidents, both on or outside of HOV lanes. Caltrans continues to investigate a long-term methodology to systematically identify such occurrences and exclude the freeway segments from degradation analysis.

Caltrans also found that the connection between exempted vehicles and degradation has yet to be established. Traffic counts indicate that exempted vehicles constitute a relatively small percentage of the peak hour HOV volume and are dispersed throughout the HOV network statewide.

Staff Comment: Some have raised concerns that allowing an increase in the number of single-occupant, clean air vehicles that access HOV lanes could result in lane degradation. While Caltrans has found lane degradation on its highways, it also finds that that the connection between exempted vehicles and degradation has yet to be established and it attributes degradation to other factors.

Staff Recommendation: Approve as budgeted.

Vote:

Issue 5: Capital Outlay: Field Office Replacements

Governor's Proposal. The Governor's budget requests a total of $5.6 million from the MVA for various phases of four DMV field office replacement projects. Specifically:

- $4.3 million is for the design phase of the three DMV office replacement projects (Inglewood, Santa Maria, and Delano) approved by the Legislature in the current year.

- $1.3 million is for preliminary plans to initiate a fourth DMV field office replacement project in San Diego. The proposed facility is 18,540 square feet, will be built on the same site as the existing field office, and will replace a 15,467 two–story office built in 1961.

The cost of constructing the four facilities above is estimated to be about $52 million, which the administration plans to request in future budgets.

Background: The DMV operates 313 facilities, which include customer service field offices, telephone service centers, commercial licensing facilities, headquarters, and driver safety and investigations offices. Over half of DMV facilities are customer service field offices. According to DMV, most of its field offices are programmatically deficient. For example, the department reports that many customer service field offices were built in the 1960s and 1970s and are not sufficiently sized to accommodate the number of customers who currently use the offices. This is primarily because of population increases in the areas served by the offices. In addition, DMV reports that certain customer service field offices are seismically deficient, creating safety risks.

The Administration's Five-Year Infrastructure Plan proposes $496 million from the MVA over the next five years to begin the renovation and replacement of deficient field offices and a Sacramento facility, as well as to construct two new consolidated drive test centers.

LAO Comment: The LAO finds that some of DMV's existing field offices have deficiencies that merit their replacement in the near future. However, the MVA is facing an operational shortfall and although the Governor proposes to increase MVA revenues by raising the vehicle registration fee, the LAO estimates that under the Governor's proposal (including the cost to replace the four DMV facilities), the MVA will be barely balanced over the next few years and likely have an operational shortfall in the tens of millions of dollars by 2019-20.

The LAO recommends that the Legislature consider the proposed DMV field office replacement projects in the context of a larger strategy for resolving the operational shortfall in the MVA. The Legislature may want to reduce MVA expenditures in order to help address shortfalls in the fund. As such, the Legislature may want to consider deferring the replacement of DMV field offices. Another approach for the Legislature to consider is to limit the number of additional DMV field office replacement projects it approves in the future.

Staff Comment: Staff concurs with the LAO analysis and recommendation.

Staff Recommendation: Hold open and direct the Administration to come back at the time of May Revise hearings with a prioritization of its 2015-16 budget requests and a strategy for ensuring the long-term solvency of the MVA.

Issue 6: REAL ID Implementation (April Finance Letter)

Governor's Proposal: The Governor's April Finance Letter requests $4.6 million MVA and 70 positions on an ongoing basis to begin the process of implementing AB 1465 (Gordon), Chapter 708, Statutes of 2015. AB 1465 authorizes DMV to require proof of residency for all original driver license and identification (DL/ID) card applications beginning July 1, 2016.

The proposal also requests that budget bill language be added to allow the Administration to increase this item when necessary to support activities associated with federal REAL ID compliance. No augmentation could be made any sooner than 30 days after the Joint Legislative Budget Committee has been notified in writing.

Background: Congress enacted and the President signed H.R. 1268-"Real ID Act of 2005" on May 11, 2005, which is designed to improve the security of driver's licenses and identification cards issued by individual states. The act includes certain minimum document and license issuance requirements, and it provides that only persons with legal presence status can be issued a DL/ID card. A state, however, can issue a DL/ID card to an undocumented immigrant, providing the license meets certain appearance requirements and clearly states that it cannot be used for any other official purpose.

DMV receives approximately 1.5 million original DL/ID card applications annually and does not require proof of residency for the issuance of a card; however, that will change with the implementation of AB 1465. Currently the only DLs that mandate proof of residency are for what is commonly referred to as "AB 60 applicants". AB 60 (Alejo), Chapter 524, Statutes of 2013, requires DMV to issue an original driver's license to an applicant who is unable to demonstrate proof of legal presence in the United States, if that person meets all other qualifications for licensure and provides satisfactory proof of identity and California residency. An AB 60 driver's license is valid only for driving purposes and cannot be used for identification or federal purposes.

Existing state law generally requires applicants to submit satisfactory proof of legal presence status under federal law, such as a birth certificate or approved immigration documents. Applications for the issuance or renewal of a DL/ID card must contain a section for the applicant's social security number (SSN). DMV is prohibited from accepting an application without a verified SSN unless the application was submitted with documents establishing legal presence and the Department of Homeland Security (DHS) verifies that the person is in the country legally, but not authorized to work. However, REAL ID standards go beyond these requirements. Initially compliance with REAL ID standards was to take effect January 15, 2013. However, federal DHS has determined that 21 states meet REAL ID Act standards, but the remaining states, including California, have been granted a deferment until October 1, 2020.

Questions:

1. Why is budget bill language authorizing the augmentation of additional funds to support federal REAL ID compliance necessary? Why can't DMV determine at this time what additional resources it will need for 2016-17?

Staff Comments: DMV has determined that implementation of AB 1465 will require 78 positions; however, this request is only for funding and position authority for 70 positions because under its proposal, eight positions would be redirected from efficiency achieved by expanding self-service terminals, as discussed earlier in this agenda.

Staff Recommendation: Hold open.

2720 DEPARTMENT OF CALIFORNIA HIGHWAY PATROL

Department Overview: The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic and goods on the state's highway system and county roads in unincorporated areas. The department also promotes traffic safety by inspecting commercial vehicles, as well as inspecting and certifying school buses, ambulances, and other specialized vehicles. The CHP carries out a variety of other mandated tasks related to law enforcement, including investigating vehicular theft and providing backup to local law enforcement in criminal matters. Operations are divided into eight geographic divisions around the state.

Budget Overview: The Governor's budget proposes total expenditures of $2.4 billion (no General Fund) and 10,733 positions (of these about 7,500 are uniformed officers), which is about the same level as provided in the current year.

Issue 1: Capital Outlay: Advanced Planning and Site Selection, Funding for Three Area Office Replacements, and April Finance Letter Office Replacement

Governor's Proposal: The Governor's budget provides about $31.1 million from the MVA to fund site acquisition and preliminary plans for new CHP offices in Hayward, Ventura, and El Centro. These three facilities were identified through the site selection process and advanced planning funding provided in 2014-15. Also included in this amount is the Administration's request in an April Finance Letter to substitute the Quincy Replacement Facility (proposal would revert $27.6 million to the MVA), approved in 2014-15, with the San Bernardino Area Office Replacement project. The budget also includes $800,000 from the MVA for advanced planning and site selection to identify three additional offices to replace as part of the Administration's ongoing office replacement plan. The budget does not identify the specific area offices that would be replaced.

Specifically the proposals include:

- $15 million to fund the acquisition and preliminary plans for the Hayward area office replacement project. The proposed facility would be 43,518 square feet, or roughly four times the size of the existing 11,033 square foot office that was built in 1971. The Administration plans to request funding to construct the facility as part of the 2017-18 budget, at an estimated cost of $38.1 million, for a total project cost of $53.1 million.

- $5.6 million to fund the acquisition and preliminary plans for the Ventura area office replacement project. The proposed facility would be 40,534 square feet, or over three times the size of the existing 12,469 square foot office that was built in 1976. The Administration plans to request funding to construct the facility as part of the 2017-18 budget, at an estimated cost of $37.1 million, for a total project cost of $42.7 million.

- $4.3 million to fund acquisition and preliminary plans for the El Centro area office replacement project. The proposed facility would be 33,550 square feet, or about seven times the size of the existing 4,575 square foot facility that was built in 1966. The Administration plans to request $30.4 million in MVA funding to construct the facility as part of the 2017-18 budget—for a total project cost of $34.7 million.

- $5.4 million for the acquisition and performance criteria phases of the San Bernardino Area Office Replacement project. The proposed facility would be 43,552 square feet, or over three times the size of the existing 12,253 square foot office that was built in 1973. The Administration plans to request $33.1 million in MVA funding to construct the facility as part of the 2017-18 budget, for a total project cost of $38.5 million. The San Bernardino project proposal is a replacement for the Quincy project, which was approved in 2014-15, but has been delayed because of difficulties in acquiring an appropriate site. As a result, this proposal also includes the reversion of $27.6 million to the MVA.

The figure below summarizes the budget proposals including estimated total project costs.

Governor's Budget Proposal for CHP Capital Outlay
(Dollars in Millions)

Proposed Item	2016-17 Request	Estimated Total Project Cost
Statewide Planning and Site Identification Study	$0.8	NA
Hayward: Replacement Facility	15.0	$53.1
Ventura: Replacement Facility	5.6	42.7
El Centro: Replacement Facility	4.3	34.7
San Bernardino Replacement Facility	5.4	38.5
Total	**$31.1**	**$169.0**
Quincy Replacement Facility (reversion)	-27.6	NA

In addition, the proposal includes provisional budget language to allow the Department of Finance to provide an augmentation from the MVA of up $2 million for CHP to enter into purchase options, should an option be necessary to secure a property.

Background: The CHP operates 103 area offices across the state. These offices typically include a main office building for CHP staff, CHP vehicle parking and service areas, and a dispatch center. Beginning in 2013-14, the Administration initiated a plan to replace five CHP field offices each year for the next several years. For both the current year and prior year, the Legislature has approved funding in accordance to this plan. Specifically, the 2013-14 budget included $1.5 million for advanced planning and site selection to replace up to five unspecified CHP area offices. Based on the results of this advanced planning, the 2014-15 budget provided (1) $32.4 million to fund the acquisition and design for five replacement CHP area offices in Crescent City, Quincy, San Diego, Santa Barbara, and Truckee, and (2) $1.7 million for advanced planning and site selection to replace up to five unspecified additional CHP area offices. The 2015-16 budget provided $136 million to fund the design and construction of the replacement area offices in Crescent City, Quincy, San Diego, Santa Barbara, and Truckee, as well as $1 million for advanced planning and site selection to replace five additional unspecified area offices.

The Administration's Five-Year Infrastructure Plan proposes $789 million from the MVA over the next five years to continue a statewide area office replacement program. This funding will be used to develop budget packages and select site for approximately 25 area office projects, acquire land, start design on about 20 of those projects, and begin construction for approximately 15 projects. The plan notes that the ability to fund these projects depends on the resources available in the MVA.

LAO Comments: Many of CHP's existing area offices have deficiencies that merit their replacement in the near future. However, the MVA is facing an operational shortfall. Although the Governor proposes to increase MVA revenues by raising the vehicle registration fee, the LAO estimates that under the Governor's proposal (including the costs to replace area offices in Hayward, El Centro, and Ventura), the MVA would be barely balanced over the next few years and likely face an operational shortfall in the tens of millions of dollars by 2019-20.

In view of the above, the LAO recommends that the Legislature consider the proposed CHP area office replacement projects in the context of a larger strategy for resolving the operational shortfall in the MVA. For example, the Legislature may want to reduce MVA expenditures in order to help address shortfalls in the fund. As such, the Legislature may want to consider deferring one or more of the three proposed projects. The Legislature may also want to consider reducing the proposed funding for advanced planning and site selection as a way to limit the number of additional replacement projects (and the associated costs to complete the projects) that are allowed to proceed.

Staff Comments: Staff concurs with the LAO analysis and recommends holding this item open.

Staff Recommendation: Hold open.

Issue 2: Body-Worn Camera Pilot Program—Informational Only

Governor's Proposal: Consistent with the Budget Act of 2015 and SB 85 (Committee on Budget and Fiscal Review), Chapter 26, Statutes of 2015, the Department of Finance proposes to make $919,000 available for CHP for a body-worn camera (BWC) pilot program. The funds would be for the following:

- $853,000 for hardware, including cameras, dedicated video workstations, servers, charging bays, routers, and data storage equipment.
- $24,000 for software for dedicated video workstations and servers.
- $4,000 for telecommunication upgrades to accommodate additional data.
- $38,000 for contract services for server and hardware configuration and training.

Background: SB 85 requires the CHP to develop a plan for implementing a BWC pilot program on or before January 1, 2016. The Budget Act of 2015 authorizes the Director of Finance to approve up to $1 million for a pilot program, after 30 days notice to the Joint Legislative Budget Committee and submission of a proposed scope of a pilot program. CHP submitted the plan for the BWC pilot program in December 2015.

Recent events involving law enforcement and the public have created a growing expectation for the use of BWCs by law enforcement agencies. The BCW technology offers potential benefits including reduced civil liability and an increased perception of transparency. However, there are many unknowns associated with the technology such as the logistics of data storage, privacy issues, and cost considerations. The proposed pilot program will help to test and evaluate BWCs before statewide implementation.

The objective of the study is to test a BWC system in two CHP area offices—Stockton and Oakland—to determine the effectiveness and to identify potential issues associated with BWC use. One office will store data locally on a server and the other office will upload data to a cloud system. SB 85 requires the pilot program to explore (but does not limit it to) the following:

- The types of officers that should be assigned or permitted to wear a BWC and under what circumstances it should be worn.
- The minimum specifications to be used by the CHP.
- The practicality of an officer using a privately owned BWC while on duty.
- The best location on the officer's body where a BWC should be worn.
- Best practices for notifying the public that a BWC is recording.
- The identity of the individual(s) responsible for uploading BWC data.
- The circumstances during which recorded BWC data should be uploaded.
- Best practices for recorded BWC data storage.
- Random reviews of BWC data for compliance with the pilot program and overall officer performance.
- Best practices for accessing BWC data for an officer's personal use.
- Best practices for officer review of BWC data.
- Best practices for sharing BWC data internally.
- Best practices for sharing recorded BWC data externally with the public and the news media.
- BWC training.
- A schedule for reviewing BWC policies and protocols.

Additional study objectives include the following:

- Obtain an accurate estimate of the volume of video data captured by officers and the corresponding data storage needs.
- Identify the types of data storage (cloud, local server, or the combination of the two) most appropriate for the department.
- Determine the impact, if any, BWCs will have on the number of citizen complaints and use of force incidents in the test areas.
- Determine, via survey, officer and supervisory perception of the use and effectiveness of BWCs.
- Identify unforeseen challenges associated with the use of BWC technology.
- Identify operational issues, including the process of video evidence with the local district attorney(s) and the impact, if any, of Public Records Act requests.

According to the CHP this will be a 21-month program—six months for preparation, a 12 month test phase, and three months for the final evaluation phase. During the test phase, a monthly survey will be completed by every officer using a BWC, and officers will complete problem reports for any issues with the BWC equipment.

Questions:

1. When will the pilot program start?
2. Will the evaluation report be provided to the Legislature and will it include recommendations regarding program improvements and an evaluation of if the program should be expanded department-wide?
3. What do you anticipate being the greatest challenges during the pilot program?

Staff Comments: According to CHP, the funding provided will allow the CHP to evaluate the BWC technology, associated costs, data storage requirements, and the effectiveness of the technology, as well as other factors such as the impact on citizen complaints and the use of force.

This issue is informational only.