Senate Budget and Fiscal Review—Nancy Skinner, Chair

SUBCOMMITTEE NO. 5 Agenda

Senator Maria Elena Durazo, Chair
Senator David Cortese
Senator Shannon Grove
Senator Josh Newman

Tuesday, February 22, 2022
9:30 a.m.
State Capitol - Room 4023

Consultant: James Hacker

ITEMS FOR VOTE ONLY

ITEMS FOR DISCUSSION

Public Comment

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ITEMS FOR VOTE ONLY

2600 California Transportation Commission

Issue 1: Implementation of SB 671

Governor's Budget. The budget includes $770,000 in 20223-23, and $320,000 per year for 2023-24 and 2024-25, for two full-time, limited-term positions and for a one-time consultant contract to implement the provisions of SB 671 (Gonzalez), Chapter 769, Statutes of 2021, relating to the development of the Clean Freight Corridor Efficiency Assessment. This request is consistent with the fiscal estimate of the bill at time of enactment.

Staff Recommendation: Approve as Budgeted.

2660 California Department of Transportation

Issue 2: Continuation of Proposition 1B Administrative Support

Governor's Budget. The budget includes funding for the continuation of funding for 12 positions totaling $1,750,000 for 2022-23 and 2023-24 to continue the administration of the workload associated with Caltrans' responsibilities under Proposition 1B. This request reduces the 2021-22 Proposition 1B staffing level of 18.5 by 6.5 positions in 2022-23 and 2023-24. This proposal provides Caltrans with resources to continue Proposition 1B implementation and administration over the next two fiscal years. The request for continued resources is necessary at this time because Proposition 1B administration is funded with limited term resources set to expire June 30, 2022.

Proposition 1B was approved on November 7, 2006 and is the transportation component of the infrastructure bond package funded by four separate general obligation proposals that provide funding for roads, schools, housing, and flood control projects. Proposition 1B dedicates $19.925 billion to fund State Transportation Improvement Program and State Highway Operation and Protection Program projects, corridor improvements, congestion relief upgrades, public transit expansion, reduction of air pollution, and enhancements to antiterrorism security at ports. Through 2020-21, approximately $11.7 billion has been allocated to 1,100 projects by the California Transportation Commission for transportation projects through the ten Caltrans programs. Approximately $3.6 billion has been awarded to local agencies for 1,300 local transit projects through the Public Transportation Modernization, Improvement and Service Enhancement Account.

After fourteen years of activity, the Proposition 1B program is in a period of gradual decline. Most originally programmed projects have been allocated, a majority of projects have been completed, and only a minority of projects remain in the implementation phase. This request, which is a decrease from currently-authorized levels, reflects this.

Staff Recommendation: Approve as Budgeted.

Issue 3: Net Zero Program Transfer

Governor's Budget. The Budget includes a net-zero transfer of $542,000 from the Division of Transportation Planning to the Division of Financial Programming.

The State Planning and Research (SPR) Program is a federal program administered by the Federal Highway Administration (FHWA) that provides funding for State transportation planning and research activities. The SPR program is authorized under federal transportation legislation, and is currently sited within the Planning Program. This intra-schedule transfer of resources will provide Programming permanent authorized funding within its budget to complete SPR workload. This is a technical change that has no impact on the level of resources budgeted for the program.

Staff Recommendation: Approve as Budgeted.

2720 CALIFORNIA HIGHWAY PATROL

Issue 4: Ongoing Support of Dispatch Radio Console System

Governor's Budget. The budget includes a permanent augmentation of $596,000 and position authority from the Motor Vehicle Account (MVA) to permanently retain four limited-term positions for the ongoing support of the CHP's dispatch radio console system.

Background. The CHP operates 25 emergency dispatch communications centers (CC) and two dispatch training centers. The CHP Public Safety Dispatchers provide a critical link between officers in the field and emergency services needed to minimize the toll on human life. These mission critical communications between dispatchers and officers are facilitated through radio console systems and network of radio sites that the consoles control.

Initial funding for the four limited-term positions was approved by Budget Change Proposal 2720-103-BCP-2018-GB, in Fiscal Year 2018/19, to complete replacement of obsolete dispatch consoles in CCs statewide. This request would make those positions permanent.

Staff Recommendation: Approve as Budgeted.

ITEMS FOR DISCUSSION

0521 California State Transportation Agency
2660 California Department of Transportation

Issue 5: Transportation Infrastructure Package

Governor's Budget: The budget includes $4.9 billion General Fund for a transportation infrastructure package. The transportation infrastructure package is comprised of the following investments in the transportation system:

- $2 billion General Fund for statewide transit and rail projects
- $1.25 billion General Fund for Southern California transit projects
- $750 million General Fund for active transportation and connecting communities projects
- $500 million for high priority grade separation projects
- $400 million for climate adaptation projects

This proposal is split over multiple years, with a large portion accelerated into the 2021-22 budget year. This breakdown is detailed below.

Transportation Funding Allocation					
Activity	**Department**	**Type**	**2021-22**	**2022-23**	**Total**
Transit Infrastructure	0521-CalSTA	GF	$3,250,000,000		$3,250,000,000
Grade Separations	0521-CalSTA	GF	$250,000,000		$250,000,000
Grade Separations	2660-Caltrans	GF	$250,000,000		$250,000,000
Active Transportation Program	2660-Caltrans	GF	$250,000,000	$250,000,000	$500,000,000
Climate Adaptation	2660-Caltrans	GF	$300,000,000	$100,000,000	$400,000,000
Highways to Boulevards	2660-Caltrans	GF		$150,000,000	$150,000,000
Bicycle & Pedestrian Safety Investments	2660-Caltrans	GF		$100,000,000	$100,000,000
TOTAL			**$4,300,000,000**	**$600,000,000**	**$4,900,000,000**

Background. California has a robust and expansive transportation system that helps to move people and goods around and through the state. This system is made up of multiple interlinking components, including state highways, local streets and roads, public transit networks (including intercity rail lines), freight rail lines, airports, and water ports. This system serves many millions of travelers per year, and costs many billions of dollars to operate and maintain. There are 250 highways on the state highway system, covering roughly 15,000 centerline miles and more than 52,000 lane miles. The system also includes 13,000 bridges, and 205,000 culverts. The local road system is significantly more expansive, with more than 160,000 centerline miles. California's mass transportation infrastructure consists of approximately 22,000 transit vehicles serving more than 700 transit passenger stations.

In response to the COVID-19 pandemic, the federal government passed several bills that have provided states with economic relief and helped mitigate the adverse impacts of the pandemic, including the American Rescue Plan Act (ARPA), which provided California transit agencies with $4 billion, and the Infrastructure Investment and Jobs Act (IIJA), which authorized over $500 billion for transportation over five years. Under the IIJA, California is estimated to receive almost $40 billion of formula-based transportation funding for the following programs over the next five years:

- Existing surface transportation, safety, and highway performance apportioned programs
- A new bridge replacement, rehabilitation, preservation, protection, and construction program
- A new program to support the expansion of an electric vehicle charging network
- Improving public transportation options across the state

The IIJA also includes over $100 billion in new competitive grants or augmentations to existing grant programs nationwide over five years for a variety of highway, safety, transit, intercity rail, energy, and many other projects.

Staff Comments. The proposed infrastructure package includes the structure:

- $3.25 billion for transit infrastructure projects, with $1.25 billion specifically set aside for projects in Southern California. The Administration has indicated that this funding would be routed through the existing Transit and Intercity Rail Capital Program (TIRCP), which would require changes to program guidelines.
- $500 million for grade separation projects. These projects separate roadways and rail lines to improve safety and throughput on both.
- $500 million for the Active Transportation Program, which funds planning and projects to improve bicycling and pedestrian infrastructure.
- $150 million for a new Highways to Boulevards program, which is intended to help reconnect communities separated by highways, consistent with the California Climate Action Plan for Transportation Infrastructure.
- $100 million for bicyclist and pedestrian safety projects, split between state and local projects.
- $400 million for climate adaptation, to provide and planning and projects that help improve the resilience of existing transportation infrastructure.

Opportunity for Significant Infrastructure Investment. Despite the ongoing global pandemic and its disparate health and economic impacts on Californians, state revenues are growing at historic rates and the LAO estimates the state will have a $31 billion surplus (resources in excess of current law commitments) to allocate in 2022-23. This follows a historically large budget year in 2021-22.

The strong fiscal picture, coming on the heels of a historically large budget, means the state must deal with the State Appropriations Limit (SAL), also known as the Gann Limit. The SAL limits the amount that the state may appropriate over any two year period. Using the LAO estimates of revenues and spending under current law and policy, the state would need to allocate roughly $12 billion to meet the constitutional requirements under SAL in 2022-23.

To meet those requirements, the Legislature could reduce taxes; issue tax rebates; make additional payments to schools and community colleges; or spend more on excluded purposes, such as infrastructure. This suggests that there is room for a significant, potentially historic investment in transportation infrastructure as part of this budget cycle.

Investments could refresh or improve existing infrastructure, but won't solve long term issues. While the budgetary resources that could be directed towards transportation infrastructure are significant, they are not unlimited - nor should they be counted upon to repeat in future years. As such, they should be treated, effectively, as one-time resources that could be used to temporarily augment existing transportation funding, rather than ongoing resources that can permanently expand the amount of funding available for transportation purposes. One-time resources such as this are better suited to advancing or completing major priority projects that would otherwise take years to complete with existing resources, refreshing existing infrastructure by replacing or improving the resilience of aging assets and reducing near-term maintenance costs, or funding initial planning and design work on potential future projects.

Significant ongoing maintenance costs, required to keep roadways and other transportation assets from deteriorating, remain an issue. However, these costs are ongoing in nature, and will not be addressed by a one-time infusion of additional funding. Additionally, the IIJA directed billions in new funding for roads and highways to the state, further bolstering the state's highway investments.

However, transit agencies have identified billions of dollars in new projects to expand service and increase ridership, a portion of the state's bridges are in need of expensive replacement, and climate change is exposing the state's assets to significant and increasing risks. These kinds of investments are well-suited to one-time budgetary resources, and the identified need significantly outstrips the funding proposed here. This suggests that additional funding could be useful. However, care should be taken to identify ongoing maintenance and operating costs required for new infrastructure investments, and to develop a plan for providing the needed funding once projects are complete.

Investments an opportunity to help the state reach climate goals. Roughly a third of all emissions (and 88 percent of all transportation emissions) come from on-road sources - mostly single-passenger vehicles. The state has set a number of ambitious climate targets, and will need to find ways to significantly reduce transportation-related emissions to reach them. While recent budgets have directed significant resources towards zero-emission vehicles and other decarbonizing efforts, the majority of the vehicles in the state are fossil fueled, and will remain so for the near future.

One of the most effective ways to limit vehicle emissions is to increase alternative modes of travel, including transit and active transportation. However, California's transit system is unevenly distributed and underutilized by riders across the state. Transit agencies have identified billions of dollars in potential projects to expand service and increase ridership. Should these projects be completed and lead to more drivers deciding to take transit instead of driving, they have the potential to reduce statewide emissions and help the state achieve its climate goals. Biking and walking have also increased in recent years, though much of the state lacks dedicated biking or pedestrian infrastructure at the scale needed to make these modes viable for day to day travel for most people in the state.

Additionally, the state has identified climate change as a major risk to existing transportation infrastructure. This includes sea level rise inundating coastal roads and bridges, more concentrated storms overwhelming existing drainage systems and washing out inland roads and bridges, and wildfire burn scars leading to increased flooding and washouts. These risks could cause billions of dollars worth of damage to state and local infrastructure if they are not addressed. A significant one-time investment of funds could be used to more thoroughly identify risks, develop plans and projects to mitigate them, and advance the delivery of those projects. Doing so, while expensive, could reduce future risks and costs related to climate change.

Transportation investments could be a significant job creator. Historically, infrastructure investments have proven to be significant job creators. The proposed funding is likely to be no different. Major investments such as those contemplated here could be helpful in driving the creation of good, high-paying jobs across the state, particularly if paired with contracting or labor requirements such as are typically connected with existing state and federal transportation funding.

Funding could be used to match significant new federal funds. As noted above, the IIJA creates several major new discretionary funding programs that will be administered as competitive grant programs. These programs could provide additional funding for major intercity rail capital projects, significant bridge replacement, climate adaptation work, or other statewide priorities. While the federal government is still in the process of developing guidance for these programs, most federal grants require some form of matching funding from state or local grant recipients. Significant state investments in these priority areas could allow the state to more effectively compete for additional federal funds, further increasing the funding available for priority investments. The state should consider whether any of the new federal programs represent priority areas for the state, and how best to target and leverage state funding to better compete for these funds.

LAO Comments. Based on our initial assessment of the Governor’s proposed package, we have four main findings. First, we find that the proposed spending on transportation infrastructure could complement new federal transportation funding that the state is expected to receive from the Infrastructure Investment and Jobs Act (IIJA) that was enacted in November 2021. Second, we find that it is important to consider the merits and trade-offs of using a competitive process to allocate the transit and rail funding, particularly in terms of ensuring funding allocations are distributed equitably across all regions of the state. Third, we find that although the new proposed programs have merit, the programs could benefit from evaluations to measure the extent to which they are meeting their core objectives. Finally, we note that the proposed spending is excluded from the state appropriations limit (SAL), which limits the Legislature’s flexibility to reallocate funding from the Governor’s transportation infrastructure package to other purposes.

As a result of the above findings, we have several recommendations for legislative consideration. In order to maximize available funding for transportation, we recommend the Legislature consider the Governor's proposed package in context of the anticipated federal funding, to ensure state funds are used strategically—supporting legislative priorities where federal funds are not as significant or absent, as well as helping California be competitive in receiving discretionary federal grants. In addition, we recommend the Legislature consider geographic equity in transit and rail funding, to the extent that the Legislature prioritizes that some level of base funding for the projects should be provided to all regions of the state. We also recommend the Legislature require evaluations of the new proposed programs to ensure the administration provides key information regarding programmatic outcomes to inform future policy and funding decisions. Lastly, we recommend the Legislature be mindful of SAL considerations in assessing the Governor's proposed package, as any reallocations of this funding will need to be for a similarly SAL-related purpose.

Staff Recommendation: Hold Open.

Issue 6: Fuel Excise Tax Proposal

Governor's Budget: The budget proposes to forego the annual inflation adjustment to the per gallon fuel excise tax rate scheduled to occur on July 1, 2022.

Background. The state collects excise taxes from gasoline and diesel suppliers before they deliver fuel to retail stations. In 2021-22, the tax rates are 51.1 cents per gallon on gasoline and 38.9 cents per gallon on diesel. Under current law, the state adjusts its fuel excise tax rates on July 1 every year. Each adjustment reflects a 12-month change in the California Consumer Price Index (CA CPI)—a broad measure of the prices California households pay for goods and services. For example, the rate adjustment scheduled for July 1, 2022 will reflect the 12-month change in the CA CPI from November 1, 2020 to November 1, 2021.

The administration estimates that the state's fuel excise taxes will raise $8.8 billion in 2021-22. Roughly two-thirds of these revenues remain at the state level. Most of this funding supports state highway maintenance, rehabilitation, and improvements, with a smaller amount supporting state programs that fund both state-led and local-led highway and transit improvements. The remaining one-third goes directly to cities and counties to support local street and road maintenance and rehabilitation. In addition to state excise tax revenues, the state receives federal fuel excise tax revenue for transportation. In recent years, the state typically has received roughly $4 billion per year for this purpose. Roughly 60 percent remains at the state level to support state highway maintenance and rehabilitation, and 40 percent goes to local governments. The 2021 federal Infrastructure Investment and Jobs Act will provide at least an additional $2 billion per year over five years for state and local transportation projects.

Staff Comments. The administration estimates that the 2022 inflation adjustment will be 5.6 percent. As a result, under the Governor's proposal, the gasoline excise tax would be roughly 3 cents per gallon lower than it would be under current law. The corresponding reduction in the diesel excise tax would be roughly 2 cents per gallon. The administration estimates that the resulting revenue loss would be $523 million. The state's fuel excise taxes raise revenues that support local transportation projects, such as local street and road maintenance and rehabilitation, as well as local-led highway and transit projects. The Governor proposes using the State Highway Account—which funds state highway projects—to backfill money to local governments and to state programs that support local projects to offset the revenue they would lose due to the proposed tax holiday. As a result, the proposal ultimately would reduce funding for state highways but not for local programs.

Additionally, the Administration has indicated that the intent is for this to be a one-year holiday, with a "true-up" occurring as part of the 2023-24 budget. Consequently, such a holiday would result in a larger tax rate increase in 2023 than what would occur under current law.

LAO Comments.

July 1st Rate Changes Would Require Early Action. Advance notice of future tax rates is very helpful for taxpayers and tax administrators. For smooth implementation, the Department of Tax and Fee Administration (CDTFA) generally advises state and local lawmakers to enact sales and excise tax rate changes at least 90 days before they go into effect. If necessary, CDTFA likely could implement a rate change on a shorter timetable, but passing a trailer bill in June would not leave enough time. Consequently, we advise the Legislature to treat July 1st fuel tax changes as an "early action" item to resolve in advance of the main budget package.

Slightly Lower Prices at the Pump. Available evidence suggests that lower excise taxes likely would result in lower retail prices. The exact effect on retail prices is uncertain, but most of the change in the tax rate likely would be passed through to prices at the pump. For example, if the state declined to increase the excise tax by 3 cents per gallon on July 1, retail gasoline prices likely would be 2 to 3 cents per gallon lower than if the state proceeded with the increase.

Less Revenue for Future Highway Projects. Any reduction to fuel tax rates would reduce fuel tax revenues. If the Legislature backfilled local funding as the Governor proposes, then the revenue loss primarily would reduce funding for state highway projects. The California Department of Transportation (Caltrans) plans such projects well in advance, so changes in 2022-23 revenue likely would affect funding for projects around 2024-25. Due to the State Highway Account's estimated beginning balance of $3 billion in 2022-23, the revenue loss would not affect projects planned for 2022-23 or 2023-24.

The amount of the revenue loss depends on the amount of the rate reduction and on the number of gallons of fuel sold in 2022-23. Like all forecasts, fuel consumption forecasts are subject to uncertainty, but the administration's forecast—and the resulting revenue loss estimate of $523 million—is reasonable.

Effects on Fuel Consumption Likely Modest. The administration has framed many of its January budget proposals as efforts to combat climate change. In contrast, lower fuel taxes—and the lower fuel prices that would result—likely would lead to higher fuel consumption, which in turn could lead to higher greenhouse gas (GHG) emissions and other forms of pollution. That said, two factors could make the net increase in GHG emissions modest—perhaps even zero. First, a temporary price reduction of a few cents per gallon likely would result in a small increase in fuel consumption. (For example, we estimate that the Governor's proposal would increase gasoline consumption in 2022-23 by roughly 0.1 percent to 0.2 percent.) Second, the state's cap-and-trade program sets a limit on GHG emissions across various sectors through 2030. If this emissions cap turns out to be binding, then any increase in GHG emissions from transportation fuels will be offset by an equal reduction in GHG emissions from other sources subject to the cap. (Other aspects of the proposal—such as changes in state highway projects—also could have environmental effects.)

Key Tradeoff: Lower Fuel Prices Now or More State Highway Projects Later? As noted above, lower fuel taxes provide benefits for fuel purchasers but reduce funding for state programs (primarily state highway projects). As a rough guideline, for every $175 million in revenue that the state forgoes, it can "buy" a one-cent per gallon reduction in gasoline tax rates (and a 0.7-cent per gallon reduction in diesel tax rates). The key question for the Legislature is what balance to strike between reducing fuel expenses and funding state highway projects. The connection between this fundamental policy choice and the annual inflation adjustment is tenuous at best, so we encourage the Legislature to regard the Governor's proposal as just one among a wide range of options.

Who Gains, and Who Loses? Lower fuel taxes would help people who buy fuel. Future highway projects would help people who drive on highways. These two groups overlap heavily, but there are some key differences. The people who likely would gain the most from a fuel tax holiday are those who purchase a lot of fuel relative to their use of state highways—because they mostly use surface streets, or their vehicles consume a lot of fuel, or both. The people who likely would lose the most are those who use state highways extensively but purchase relatively little fuel—because they drive electric vehicles (or fuel-efficient vehicles more generally).

One-Year Holiday Would Make 2023 Increase Steeper. A one-year tax holiday would not change 2023-24 fuel tax rates. Consequently, such a holiday would result in a larger tax rate increase in 2023 than the one scheduled under current law. For example, the Governor's proposal effectively would combine the increases currently scheduled for 2022 and 2023 into a single, larger increase in 2023. Alternatively, the Legislature could consider making these adjustments in a few steps between July 2022 and July 2023.

Staff Recommendation: Hold Open.

0521 California State Transportation Agency

Issue 7: Supply Chain Resilience and Port Infrastructure

Governor's Budget: The budget includes $1.2 billion one-time General Fund over two years for CalSTA to invest in port, freight and goods movement Infrastructure.

Background. California's ports are critical to the national supply chain. The Ports of Los Angeles and Long Beach move roughly 35 percent of all containers in the United States, approximately 40 percent of U.S. imports, and 25 percent of U.S. exports through the San Pedro Bay. California's nationally significant regional supply chains and goods movement networks have been negatively impacted by global disruptions, resulting in port congestion, extended shipping container dwell times, and bottlenecks farther downstream in the supply chain.

Both the state and federal government have recently provided funding for ports and freight rail. For example, the *2021-22 Budget Act* included (1) $160 million in General Fund for zero-emission drayage trucks and infrastructure incentives, (2) $280 million in General Fund for infrastructure projects at the Port of Oakland, and (3) $250 million in federal funds to help ports offset initial impacts from COVID-19. In addition, the federal Infrastructure Investment and Jobs Act (IIJA) that was enacted in November 2021 includes $17 billion for port infrastructure and $5 billion for freight rail nationwide.

Staff Comments. The Administration has indicated that the requested funding would be administered by CalSTA, in collaboration with Caltrans, for port-specific high priority projects that increase goods movement capacity on rail and roadways at port terminals, including railyard expansions, new bridges, and zero-emission modernization deployment p. Of this funding, $1.188 billion is for project funding and $12 million is for state operations costs to support these projects. Project funding would be allocated by CalSTA with 70 percent going to infrastructure projects supporting goods movement related to The Ports of Los Angeles and Long Beach, and 30 percent to other high priority projects supporting ports and goods movement infrastructure in the rest of the state, including inland ports.

The Administration has indicated that funding would potentially prioritize projects identified in the California Freight Mobility Plan or the Emerging Major Projects Agreement between the U.S. Department of Transportation and CalSTA. However, it is unclear how projects would be selected or prioritized.

This request is part of a larger freight package, which includes funding at other departments, including:

- $110 million for the California Workforce Development Board (CWDB) for a Goods Movement Workforce Training Campus in Southern California.
- $40 million for the California Department of Motor Vehicles (DMV) to enhance California's capacity to issue Commercial Driver's Licenses (CDLs).

- $30 million for the Governor's Office of Business and Economic Development (GO-Biz) to provide funding for operational and process improvements at ports, which includes improving data connectivity and enhancing goods movement.

LAO Comments.

Proposal Addresses Long-Term Capacity Issues. Many of the projects that this proposal would fund will take years to implement. This is in part because infrastructure projects are costly, time-intensive, and often require multiple phases of work to complete. Therefore, port improvement projects are intended to address long-term capacity issues—expanding the ability of ports and related goods movement infrastructure to move a greater number of containers than currently. In addition, these port infrastructure projects could have other benefits, such as reductions in greenhouse gas (GHG) emissions through the electrification of port vehicles and equipment. While these goals may be worthwhile, it is important to recognize that such infrastructure projects will not address the more immediate issues with the current supply chain disruptions, such as delays in goods movement, stalled ships near ports, and insufficient space for containers at ports.

Proposal Lacks Key Details. This proposal would create a new program intended to fund projects that meet certain goals, such as reduce GHG emissions, promote transportation equity, and reduce freight-related injuries and deaths. However, the Governor's proposal lacks detail on how projects will be assessed and prioritized for funding. According to CalSTA, this is because additional stakeholder feedback is needed before determining funding guidelines. Such limited information on how the program will be implemented makes it difficult for the Legislature to assess whether the program is aligned with its priorities, or if additional legislative direction is warranted. For example, additional information on how this new program differs from existing programs that fund similar port, freight, and goods movement infrastructure would be helpful for the Legislature to determine whether a new program is needed. In addition, the proposal has few accountability measures and no reporting requirements, which in turn will make future legislative oversight of the program's implementation and outcomes challenging.

Unclear Whether Geographic Allocations Reflect Needs. According to CalSTA, 70 percent of the funding is proposed to go towards projects related to the Ports of Los Angeles and Long Beach because the majority of the goods movement occurs in this region. However, it is unclear whether this split in funding is reflective of the infrastructure needs in ports, freight, and the goods movement system. For example, Los Angeles and Inland Empire projects (which include projects outside of the Ports of Los Angeles and Long Beach) constituted roughly one-third of estimated costs for projects included in the 2020 California Freight Mobility Plan, followed by the Bay Area (nearly one-third) and San Diego (about one-sixth).

Project Costs Range Widely. Costs for port, freight, and goods movement infrastructure vary significantly. For example, the 2020 California Freight Mobility Plan identified more than 300 freight projects that could be implemented in the next several years, and these project costs ranged from $350,000 to $6 billion, with the median cost at about $50 million. The wide range of costs reflects how varied these projects can be, especially in regards to scale. Therefore, without a clearer understanding of which types of projects will be prioritized, it is difficult to assess how many projects can be implemented with the proposed level of funding.

Federal Funding Anticipated, but Allocations Unclear. As discussed above, IIJA includes several billions of dollars for port and freight rail infrastructure. However, the amount of funding California will be eligible for and ultimately receive currently is unclear. Further federal guidelines on allocation of funding is anticipated in the coming months. Without a clear understanding of how much funding the state is eligible for, and for what types of projects, it is difficult to ascertain how state funding can best complement federal funds and how state funds could be leveraged to maximize federal funds.

Funding Excluded From SAL. The Governor excludes the proposed spending from the SAL, as the funds would primarily support infrastructure projects. As a result, the Legislature has limited flexibility to reallocate funding from this proposal to other purposes. The Legislature would generally need to repurpose the associated funding for other SAL-related purposes, such as tax reductions or an alternative excluded expenditure.

Staff Recommendation: Hold Open.

Issue 8: CalSTA Operational Needs

Governor's Budget: The budget includes 3.0 positions and $1.156 million ongoing for multiple operational needs, including establishing an agency-level freight policy team, funding transportation research projects, and supporting increased rent costs.

Background. At the state level, efforts to reduce air pollution and address other environmental problems began in the 1990s with a series of legislation that mandated reductions in port-related congestion and eventually led to the PierPass program in 2005. The California Air Resources Board (CARB) accelerated targets for freight related emissions reductions after passage of Chapter 488, Statutes of 2006 (AB 32). In 2007, the federal government implemented the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The SAFETEA-LU formalized freight funding programs and requires states to develop a comprehensive freight management plan that describes the freight transportation system, evaluates performance, and includes an investment plan for improvements. In 2015, the federal government implemented the Fixing America's Surface Transportation (FAST) Act, which requires states to develop a freight mobility plan as a condition of federal funding. Most recently, the Bipartisan Infrastructure Investment and Jobs Act (IIJA) created a new Office of Multimodal Freight Infrastructure and Policy at the U.S. Department of Transportation.

Prior to December 2021, CalSTA's headquarters was located at the Jesse Unruh building at in downtown Sacramento California. However, this building is currently undergoing a renovation, which required CalSTA to move its headquarters and enter into a new lease agreement with increased costs.

Staff Comments. The Administration has indicated that this request has the following components:

- 1.0 Deputy Secretary for Freight Policy, 1.0 Senior Transportation Planner, 1.0 Associate Governmental Program Analyst (AGPA), and $522,000 ongoing to establish a freight policy team that would oversee and coordinate freight policy across the state.
- $500,000 ongoing to provide the agency with a baseline budget to conduct research projects that will inform transportation policy and support CalSTA in achieving its strategic priorities.
- $135,000 to support increased rent costs from CalSTA's move from the Jesse Unruh building to a new facility.

Currently, freight policy in California is fragmented, with multiple agencies involved and unclear lines of authority and responsibility. Responsibility and authority for freight transportation is spread among three departments: (1) The California Department of Transportation (Caltrans), (2) CARB, and (3) The Governor's Office of Business and Economic Development (GO-Biz):

- Caltrans oversees the Office of Freight Planning (OFP), which is charged with development of the California Freight Mobility Plan and with all issues related to freight transportation, such as conducting the studies and coordinating the projects funded under the California Proposition 1B bond program.

- CARB is responsible for regulating freight transportation, and Chapter 728, Statutes of 2008 (SB 375) extends its regulatory power to Regional Transportation Plans. CARB is also the authority for the Low Carbon Fuel Standard and the enforcement agency for the California Sustainable Freight Action Plan (CSFAP). The CSFAP establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California's freight system.
- GO-Biz administers the economic competitiveness portion of the CSFAP.

Under this system, there is no single point of management for the state's freight policy, and there is no formal mechanism for cooperation among the agencies and departments that have responsibility. CalSTA has been working in coordination with state and federal partners throughout the pandemic, including on issues affecting the recent supply chain disruptions. The Administration has indicated that the requested positions would help CalSTA adopt a leadership role in developing and administering freight policy across the state.

Additionally, the Administration has noted that CalSTA does not currently have a dedicated research budget. However, several departments that CalSTA either oversees or regularly works with, including Caltrans and the Air Resources Board, have significant research budgets. CalSTA has in the past partnered with these departments for research needs. CalSTA is frequently statutorily required to provide evaluations on pilot programs, task forces, and policies, where no funding is appropriated to the agency. Occasionally, CalSTA will contract with consultants to assist with evaluations, studies and reports to comply with statutory requirements. These instances have required CalSTA to obtain funding from departments to comply with statutory obligations.

Staff Recommendation: Hold Open.

2600 California Transportation Commission
2660 California Department of Transportation
2740 California Department of Motor Vehicles

Issue 9: Implementation of SB 339

Governor's Budget: The budget includes $6,010,000 in State Highway Account (SHA) over two years and 6 two-year, limited-term positions for Caltrans to conduct the road charge revenue collection pilot authorize by Senate Bill 339 (Chapter 308, statutes of 2001,Wiener). Additionally, The Department of Motor Vehicles (DMV) requests $171,000 SHA and 1 two-year, limited term position and the California Transportation Commission (CTC) requests $200,000 in one-time funding to support the pilot.

Background. Senate Bill 1077 (Chapter 835, Statutes of 2014) formally started California's study of a road charge tax system and required the California State Transportation Agency (CalSTA) to complete a statewide pilot to test the feasibility of charging a fee based on vehicle miles traveled. SB 1077 required the CTC, in consultation with CalSTA, to create a Road Usage Charge Technical Advisory Committee (TAC) to make recommendations to CalSTA on the design of the pilot study. Caltrans was tasked with implementing the pilot and providing technical support for the road charge research effort. Caltrans conducted this initial study with 5,000 vehicles over 9 months from July 2016 to March 2017. Results largely proved the feasibility of a road charge tax program, but the final report noted key areas of further research that were needed to ensure driver privacy, data security, and prevent tax fraud.

Senate Bill 339 (Wiener, Chapter 308, Statutes of 2021) was signed by the Governor on September 24, 2021 to continue the state's exploration into the feasibility of transportation revenue from a fee charged per mile of vehicle travel (a road charge). SB 339 directs CalSTA to implement a pilot that assesses two different mileage rate options and collects actual road charge revenue into state funds. An interim report to the Legislature is due July 1, 2024, with the final report no later than December 31, 2026. The final report will evaluate the road charge collection effort and the potential of a road charge for sustainable and equitable transportation funding.

Staff Comments. The Administration has proposed implementing a pilot that includes 750 participants to create a sufficient sample size to meet the intent of SB 339 to study behavior changes caused by two separate mileage collection rate options. One group of participants would test a flat per mile rate and the other would test a variable per-mile rate, based on the fuel economy of the car being driven. Caltrans has indicated that they could perform a 50 vehicle pilot, using state vehicles and mileage meters that Caltrans already owns, but it is unlikely that this would meet the requirements of SB 339.

Staff Recommendation: Hold Open.

2660 California Department of Transportation

Issue 10: Advantage Management System Augmentation

Governor's Budget. The budget includes $8,000,000 in one time funding from the State Highway Account to upgrade the department's Financial Management System to a supported version of the CGI Advantage software.

Background. Caltrans implemented a commercial off-the-shelf (COTS) Enterprise Resource Planning (ERP) system, CGI Advantage v3.7, in July 2010. As a result of this approved enterprise financial management system effort, Caltrans was deferred from Financial Information System for California (FI$Cal) with the understanding that Caltrans would be required to seek approval from the Department of FI$Cal, if Caltrans needed to upgrade its software. Caltrans has not upgraded the system since the 2010 implementation, and the ERP vendor has released six versions of CGI Advantage during that time.

In 2018, Caltrans informed the Department of FI$Cal that CGI Advantage v3.7 needed to be upgraded, because the system was no longer supported by the vendor and at end-of-life. FI$Cal conducted a Fit/Gap Analysis in May 2020 and issued its conclusion in October 2020 identifying significant gaps. Caltrans and Fi$Cal discussed migrating Caltrans onto the Fi$Cal system in 2021.

Staff Comments. In 2021, Caltrans and Fi$Cal determined that the onboarding process to bring Caltrans into the Fi$Cal system would require a minimum of three years and the projected go-live date would be July 1, 2025. In the interim, Caltrans reiterated the need to upgrade Advantage to sustain its operations during the onboarding period through to the FI$Cal go-live date. FI$Cal acknowledged Caltrans' complex financial management system and supported the need to upgrade CGI Advantage to sustain operations. The Administration has indicated that upgrading CGI Advantage v3.7 to version 4.x will provide the required system stability, functionality, and security to sustain Caltrans' financial operations during the FI$Cal onboarding period.

While this request is broadly reasonable, it should be considered in the context of other major IT efforts Caltrans is currently undertaking, which will be discussed later in this agenda.

Staff Recommendation. Hold Open.

Issue 11: Information Technology Proposals

Governor's Budget. The budget includes several IT-related proposals. These include:

- A one-time increase of $535,000 State Highway Account to complete Project Approval Lifecycle stage 3 for the Enterprise Data Governance Technology Solution project.
- $18,640,000 in 2022-23, $16,749,000 in 2023-24, and $937,000 in 2024-25 and ongoing from the State Highway Account for six permanent positions, contract resources, and equipment to increase data storage and protection.
- $6,858,000 in 2022-23 for ten positions for Transportation System Network Replacement (TSNR) Year 2 project costs.
- $8,251,000 in 2022-23, $8,901,000 in 2023-24, and $4,469,000 in 2024-25 and ongoing State Highway Account for 26 permanent positions and Traffic Operations Systems Network (TOSNet) cybersecurity enhancements.

Background. Caltrans instituted a formal enterprise data governance program beginning in late 2017, which included the Caltrans Data is Authoritative Trusted and Accessible (CTDATA) initiative. Currently, each business area develops processes and methods of data management, documentation, and sharing separately through an array of manual and automated approaches. Caltrans an enterprise-level data governance system allows Caltrans to adopt a consistent and comprehensive practice to how data is governed and managed.

Caltrans' Information Technology Program – Infrastructure Management Division is responsible for the management of Caltrans' Data Storage and Protection Program and works with Caltrans business programs to maintain adequate data storage and protection capacity to meet ongoing, routine business needs. Many parts of the department collect and/or utilize very large data files (ranging from hundreds of gigabytes to terabytes in size) that need to be organized and stored.

The federal government requires Caltrans to collect the roadway inventory information for all public roads. Caltrans must comply with federal mandates and avoid the loss of federal funding by developing an updated Transportation System Network system with the required capabilities. The current TSN does not meet federal requirements for data collection and coverage of all public roads and needs updating.

The Caltrans 2017-2022 Cybersecurity Roadmap Wave III plan calls for increased cybersecurity protections for California's critical infrastructure roadway operational components and the IT applications used to support the Department. The Caltrans TOSNet has over 20,000 Operational Technology (OT) elements that are part of the critical infrastructure and currently these OT systems do not have cybersecurity protections. Information from OT systems is relayed to the Caltrans' transportation management centers (TMC), co-managed with the California Highway Patrol, which serve as the nerve centers for highway operations throughout the state.

Staff Comment.

Enterprise Data Government: The Administration has indicated that the requested resources will fund activities to develop an IT project to determine an enterprise set of data governance and management tools, which will be made available for all Caltrans staff to use. The implementation of this project will require additional funds in future years.

Enterprise Data Storage: Caltrans has indicated that there is no consistent funding in place to fund current data storage needs and enable annual expansion of storage and protection – program data volumes are increasing each year driven by more transportation projects and the increasing use of technology for data and image collection which results in higher density images and larger file sizes. Caltrans has indicated that the requested resources will allow for the establishment of a Storage Engineering and Data Protection Office as well as the expected data and storage growth over the next two years.

Caltrans plans to spend $12.2 million to purchase 2.5 petabytes of storage in FY22-23 and $11.8 million to purchase 2.3 petabytes in FY23-24. However, Caltrans anticipates costs in future years to continue the work of the office.

TSN: Caltrans previously submitted a request in 2020–21 for a one-time System Development and Implementation cost (over three years) plus annual ongoing maintenance and operations costs. The BCP was approved for Year 1 (of the TSNR Project) for $5,423,000 using Caltrans redirected resources. While Caltrans internally redirected funds for the TSNR project in 2020–21, a project delay prevented the department from spending all of the funding on the actual project. Instead, Caltrans prioritized hiring inventory module staff and acquiring IT Infrastructure items, which includes pre-work for the project.

TOSNet: The Administration has indicated that, over the two year period of the TOSNet request, Caltrans will work with the Department of Finance and the California Department of Technology to evaluate resource utilization and outcomes related to this proposal, as well as to identify outstanding TOSNet cybersecurity resources needed. Caltrans anticipates a need for additional ongoing resources for TOSNet Cyber Security. Part of the new TOSNet design is the introduction of network access control (NAC) functionality which will address National Institute of Standards (NIST) and other state and federal cybersecurity guidelines and standards in the security domains of identify, protect, detect, respond and recover. The primary benefits of a NAC solution are network visibility, improved authentication and segmentation that enable rapid isolation of unusual acting devices before they can affect Traffic Operations statewide.

These requests, taken independently, correctly identify a number of issues with Caltrans' technological infrastructure and operations. However, they are all likely to increase out year costs. The Legislature may want to consider getting a better understanding of the expected out year costs of these proposals before acting.

Staff Recommendation: Hold Open.

Issue 12: Fleet Replacement

Governor's Budget. The budget includes $176,000,000 annually for 2 years from the State Highway Account (SHA) to begin replacing Caltrans' aging fleet and to install zero emission vehicle (ZEV) infrastructure and fast fueling infrastructure to meet state mandates and regulations.

Background. Currently, Caltrans operates the largest and most diverse fleet in California with more than 12,000 vehicles ranging in size from light (8,500 Gross Vehicle Weight Rating [GVWR]) and below which includes half-ton pick-ups and sport utility vehicles; medium & heavy (over 8,500 GVWR) which includes F450s (class 4 truck) and heavy-duty diesel trucks; and off-road (over 25 horsepower) which includes diesel-fueled construction equipment. n 1993, Caltrans' annual vehicle replacement budget was $40,000,000. The annual vehicle replacement budget has not increased, and in 2020-21 was only able to replace 162 vehicles— substantially fewer than when the budget was first set almost thirty years ago.

Over 8,000 vehicles in the Caltrans fleet are eligible for replacement under current state fleet management guidelines, including approximately 600 vehicles that have been permanently removed from service and over three thousand vehicles with over 150,000 miles. In addition to the existing state fleet, Caltrans rents over 3,000 vehicles annually at a cost of more than $20,000,000.

Currently, 50 percent of Caltrans' medium and heavy-duty fleet continue to emit harmful emissions due to a lack of emission control technology which is available on newer fleets. 800 of the department's medium and heavy-duty trucks are older than 2007 and 475 of its medium and heavy-duty trucks range in age between 2007 and 2010. These two years are significant because these were milestone years for federal particulate matter (PM) and nitrogen oxides (NOx) emission reduction requirements on heavy duty engine manufacturers.

Several existing state or local rules and regulations. These include:

- EO N-79-20, which set new statewide goals to phase out gasoline-powered cars and trucks in California, ordered CARB to develop ZEV purchase requirements for state agencies when replacing their fleets.
- CARB's proposed Advanced Clean Fleet regulation, which is expected to be signed in 2022, will require public agencies like Caltrans to purchase ZEV when replacing their fleet (50 percent of purchases between 2024-2026 and 100 percent of purchases starting in 2027).
- Current CARB rules, including the In-Use Off-Road Diesel-Fueled Fleet rule and the Airborne Toxic Control Measure (ATCM) for Diesel PM from Portable Engines rule implement targets for emission levels that require Caltrans to replace 260 fleet units and 46 engines to meet compliance targets.
- DGS mandates outlined in SAM sections 4121.1 and 4121.9 require state agencies to prioritize the purchasing of ZEV in all vehicle categories where programmatically feasible when replacing their fleets.
- South Coast Air Quality Management District (SCAQMD) rules 1186.1 and 1196 require the purchasing of less-polluting sweepers and alternative fueled vehicles when replacing heavy-duty fleet by agencies who operate within their jurisdiction.

Staff Comments. The Administration has indicated that the requested funding would lead to the following outcomes:

- There will be 3,000 vehicles replaced over the two year period including 500-600 new ZEVs.
- Replace 91 to 106 fleet units annually to address CARB off Road rule.
- In year 1 Caltrans will install level 2 chargers at 148 locations and level 3 chargers at 15 locations. Year two expands beyond that and involves assessments and/or installations of an additional 300 level 2 chargers and 84 level 3 chargers.

It is worth noting that the requested funding would allow for the replacement of 3,000 units and the construction of several hundred ZEV charging locations. While this is an important start, Caltrans has identified 8,000 units in need of replacement, necessitating additional budget augmentations in the future. Additionally, even as Caltrans has identified the need to shift more aggressively towards ZEVs, this proposal still invests heavily in non-ZEV fleet units, which will likely remain in service for many years to come. Caltrans has indicated that the ZEV market does not necessarily provide enough zero-emission vehicles that meet Caltrans needs at a reasonable price, which necessitates the purchase of non-ZEVs. This is reasonable, but conflicts with existing goals around ZEV adoption. The Legislature may want to consider the extent to which it would like Caltrans to move faster on this front, and what the impact of doing so would be on cost or timing of fleet replacement and charging infrastructure construction.

Staff Recommendation: Hold Open.

Issue 13: Office of Unmanned Aircraft Systems

Governor's Budget. The budget includes $414,000 from the State Highway Account for two permanent positions, software, and ongoing training to establish the Unmanned Aircraft System (UAS) Program in the department.

Background. Unmanned Aircraft Systems (UAS) has been recognized as an innovation by the Department of Transportation, the Federal Highway Administration (FHWA), and by the California Transportation Commission as a source of savings and efficiency. Caltrans currently funds two studies through the University of California Merced and California State University, Fresno on UAS implementation at Caltrans.

Starting in 2017, the Division of Aeronautics has been overseeing Caltrans UAS operations and working on incorporating UAS technology into Caltrans business activities to improve safety, increase operational efficiency, and decrease project delivery and maintenance inspection costs. In 2019, FHWA provided seed money to support the acquisition of drones and training in the amount of $50,000. Caltrans has begun testing the use of UAS for Surveyors, Construction Inspections, Bridge Inspections, Environmental Studies, and Maintenance.

Staff Comments. The Administration has indicated that the Division of Aeronautics is seeking to implement a real-time fleet management system/solution for its UAS Program for use by Caltrans employees (internal users) and consultants/contractors (external users) working for/or on behalf of Caltrans. This tool will: 1) allow both desktop and remote users (on a tablet or smartphone) to enter and submit their drone operations; and 2) allow the Aeronautics to track drone activities (users, drones, missions) in a relational database that will house the data and information that is being entered by users as well as data tracked by systems such as GPS. While Caltrans has yet to select a tool, the cost of a fleet management system is estimated $60,000 for the first year and increasing along with number of UAS and operations each subsequent per year. Along with additional training software and other hardware and software associated with this technological advancement, it is estimated that $100,000 is needed for the fleet management system.

This should be compared against potential cost savings from the adoption of UAS for certain Caltrans activities. North Region Surveys began limited UAS implementation, and reported savings of nearly $500,000 in 2020-21. As UAS use expands across the state Caltrans expects these savings to increase. Given the potential savings from the use of UAS for certain Caltrans activities, it is reasonable to pursue wider adoption. However, this request should be considered in the context of potential cost savings, as no offsetting savings have been budgeted for. Additionally, care should be taken to ensure that security, privacy, and other concerns are addressed as UAS adoption expands.

Staff Comment: Hold Open.

Issue 14: Pedestrian and Bicyclist Safety Investigations

Governor's Budget. The budget includes a two-year limited-term increase of 12 positions and $2,256,000 State Highway Account funds for Pedestrian and Bicyclist Safety Investigation Programs consistent with the Federal Highway Safety Improvement Program (HSIP) and Caltrans' Strategic Management Plan (SMP) pedestrian and bicyclist safety targets.

Background. Under the Caltrans Strategic Plan, Caltrans strives to eliminate all deaths and serious injuries on California's roads by the year 2050. The Transportation System Network indicates pedestrian and bicyclist fatalities accounted for approximately 21 percent of traffic fatalities on the State Highway System (SHS) in California between 20014 and 2018. Available data indicate that these fatalities are trending higher in recent years.

The 2016 Pilot Pedestrian Collision Monitoring Program resulted in 129 traffic safety investigations. The 2018 Pilot Bicyclist Collision Monitoring Program resulted in 252 traffic safety investigations. These safety investigations resulted in recommended improvements, which will be implemented either by Maintenance staff or via traffic safety projects. The 2019 Pedestrian Safety Improvement Monitoring Program was released on July 31, 2020. It identified 150 locations for investigation. As of April 30, 2021, 72 of these investigations have been completed with 64 percent recommending improvements.

Staff Comments. Caltrans Traffic Operations routinely performs traffic safety investigations to determine whether improvements are needed in locations with high collision concentrations. A timely response to identified traffic safety concerns improves the safety of the public and reduce traffic fatalities, injuries and property damage collisions. Currently, there are six traffic safety programs for the state highway system. However, none of these programs specifically identify or address potential issues related to pedestrian and/or bicyclist safety.

The Administration has indicated that the requested positions would allow Caltrans to perform 400 investigations per year, helping the department to identify dangerous sections of highway and develop solutions to reduce pedestrian and bicyclist accidents. This request would allow Caltrans to pilot the creation of such a mechanism before deciding whether or not to make it a permanent part of the department's budget. While the request is generally reasonable, the Legislature should consider whether the level of requested resources is sufficient to meet the need, particularly given the large increase in active transportation infrastructure funding contemplated elsewhere in the budget.

Staff Recommendation: Hold Open.

2720 California Highway Patrol

Issue 15: Capital Outlay Proposals

Governor's Budget. The budget includes a number of capital outlay proposals for the California Highway Patrol. These include:

- $1,797,000 from the General Fund for the acquisition phase of the Antelope Valley Area Office Replacement.
- $3,018,000 from the General Fund for the acquisition phase of the Barstow Area Office Replacement.
- $2,167,000 from the General Fund for the performance criteria phase of the Gold Run Area Office Replacement.
- $2,538,000 from the General Fund for the acquisition phase of the Los Banos Area Office Replacement.
- $1,262,000 from the General Fund for the acquisition phase of the Porterville Area Office Replacement.
- $1,764,000 from the General Fund for the acquisition phase of the Redding Area Office Replacement.
- $5,476,000 from the Motor Vehicle Account for the relocation of the Tracy Area office to a new, build-to-suit facility.
- $1,500,000 from the General Fund to identify suitable parcels for replacing up to five additional field offices and to develop studies for those sites.
- $5,486,000 from the General Fund for the construction phase of one site of the California Highway Patrol Enhanced Radio System: Replace Tower and Vault, Phase 1 project, at Leviathan Peak.

Background. The Essential Services Building Seismic Safety Act (ESBSSA) of 1986 requires fire stations, police stations, emergency operations centers, CHP offices, sheriff's offices, and emergency communication dispatch centers be designed and constructed to minimize fire hazards and to resist the forces generated by earthquakes, gravity, and winds. The California Highway Patrol has a total of 111 offices (103 Area offices, eight Division offices). The majority of CHP offices were constructed prior to establishment of the ESBSSA of 1986.

In 2009, the CHP requested the Department of General Services (DGS) to review over 20 Area offices of various ages for issues, including seismic; ADA compliance, heating, ventilation, and air conditioning (HVAC), and roofing. Using the data developed by state engineers and engineering consultants, the CHP determined that approximately 75 of the 111 total offices (103 Area offices, eight Division offices) are seismically at-risk. Many of the identified offices are also older buildings that no longer meet the CHP's programmatic requirements.

The overall California Highway Patrol Enhanced Radio System (CHPERS) Phase I project includes the construction of a fully operational communications tower and associated support infrastructure at seven sites to ensure CHP has the radio coverage statewide needed to maintain operations.

Staff Comments. The CHP has a large portfolio of properties, many of which are aging and in need of replacement. The requested projects are generally reasonable, but the Legislature may want to consider whether the proposed mix of General Fund and Motor Vehicle Account is appropriate, or if another mix would be better.

Staff Recommendation: Hold Open.

Issue 16: Resources and Office Space for Swing Space

Governor's Budget. The budget includes $18.529 million in Fiscal Year (FY) 2022/23, $12.927 million in FY 2023/24, $9.963 million in FY 2024/25, and $7.002 million in FY 2025/26, all from the Motor Vehicle Account, for the protection and security of the new State Capitol Swing Space and the new State Capitol Annex.

Background. Government Code section 14615(b) states the CHP has "jurisdiction over those matters related to the security of state officers, property, and occupants of state property." As such, the CHP, Capitol Protection Section (CPS) is the primary law enforcement agency tasked with the protection of the State Capitol, Annex, State Capitol Swing Space, Capitol Park, the Legislative Office Building, and all other state buildings in the downtown Sacramento area.

Currently, the CHP's CPS location houses both CPS and the CHP's Dignitary Protection Section (DPS). The facility is approximately 14,791 square feet and costs approximately $300,000 annually. They have been located at this facility since 1995.

The Department of General Services (DGS) conducted a review of the spacing requirements for CPS and DPS, along with the required additional CHP staffing necessary for the protection of the Capitol, Annex, and other state buildings in the downtown Sacramento area. It was determined that a new facility would need to be at least 44,781 square feet to accommodate the current and additional staffing.

Staff Comments. The CHP has located an available facility that would accommodate the space requirements for the additional staffing. The facility is located in the metropolitan Sacramento area and satisfies the CHP requirements with 47,514 square feet. It would cost the CHP an estimated $2.877 million in the first year, or an increase of approximately $2.577 million. CHP has indicated that this larger facility is necessary to house the staff and equipment needed to secure both the Capitol and the new Swing Space. Currently CHP is basing staff for Capitol and Swing Space security at both the existing CPS office and CHP headquarters.

Additionally, this request includes 10 additional uniformed positions to provide management and administration of CPS and related duties in and around the Capitol and Swing Space.

The Legislature may want to consider the extent to which the Motor Vehicle Account is the best funding source for this proposal, or whether the General Fund is more appropriate.

Staff Recommendation: Hold Open.

Issue 17: Centralized Custodian of Records Unit

Governor's Budget. The budget includes two-year limited-term funding of $696,000 for six positions from the Motor Vehicle Account in Fiscal Year (FY) 2022/23 and FY 2023/24 to establish a centralized Custodian of Records (COR) Unit within the CHP headquarters.

Background. The CHP operates 25 regional Communication Centers staffed by 800 Public Safety Operators (PSO) and Public Safety Dispatchers. The CHP provides communication records relating to cases involving departmental employees and allied law enforcement agencies, city and county prosecutors, and defense counsel. The CHP also supports the right of the public to request communication records subject to the CPRA and Freedom of Information Act. In the current model, the CHP's 25 CCs are independently responsible for receiving, processing, and responding to requests for communication records.

AB 748 (Ting), Chapter 960, Statutes of 2018, and SB 1421 (Skinner), Chapter 988, Statutes of 20018, both increased the volume and complexity of CHP's work in responding to communication records requests. Due to the higher-level coordination and review of CPRA requests which reference SB 1421 or AB 748, the processing of these requests calls for specialized training.

Staff Comments. The CHP has indicated that the requested positions would focus on responding to communication records requests related to four of the larger metropolitan regional communications centers. These four centers have experienced a rising volume of records requests over the last several years. While the CHP has managed to handle most of the requests, two of the four centers have built up a backlog of requests, as detailed below.

Communications Center	Total Requests 2016	Total Requests 2017	Total Requests 2018	Total Requests 2019[1.]	Total Requests 2020[1,2]	Current Backlog
Border	1,781	1,484	1,731	2,166	1,498	No
Golden Gate	NA[3]	602[4]	577[4]	6,724	5,611	604
Los Angeles	NA[3]	1,172	1,122	3,586	3,522	No
Orange County	1,588	1,871	2,206	2,720	1,345	434
Total	3,369	5,129	5,636	15,196	11,976	1,038

1 - Total includes CPRA, informal discovery, and subpoena requests.
2 - The local COR requests have decreased due to court closures as a result of COVID-19.
3 - Records have been purged.
4 – Insufficient records were kept during these periods.

CHP has indicated that the requested resources would centralize the processing of records requests for these four centers, ideally addressing the backlog while preventing it from expanding. CHP has further indicated that the two year nature of the request would allow the department to evaluate the effectiveness of the new unit before deciding whether to extend or expand the unit's resources.

Staff Recommendation: Hold Open.

Issue 18: Highway Violence Task Force

Governor's Budget. The budget includes $4.034 million in Fiscal Year (FY) 2022/23, $3.314 million in FY 2023/24 and $3.314 million in FY 2024/25, all from the General Fund, to address violent crime occurring on state highways through a Highway Violence Task Force.

Background. The primary mission of CHP is to ensure safety and enforce traffic laws on state highways and county roads in unincorporated areas. When a violent crime occurs on state highways, CHP officers in the near vicinity—who generally are on road patrol duty—get called to the scene. These officers often become the primary investigators of the crime that occurred, and lead in collecting evidence, investigating criminal offenses, and submitting associated reports. If the investigating officer needs additional support or resources, or if the investigation requires in-depth or lengthy examination to complete, CHP's Investigative Services Unit can provide investigative support, depending on the circumstances. In response to the rising incidence of highway shootings, CHP has recently established the Highway Violence Task Force, aiming to deter highway violence and bolster investigative resources.

In recent years, the number of shootings occurring on state highways has increased. According to CHP, the number of highway shootings increased from 210 in 2019 to 471 in 2021. Shootings have increased in all CHP geographic divisions across the state, except the Northern division, which is a relatively rural area. (The operations of CHP are divided across eight geographic divisions throughout the state.) In 2021, CHP began collecting statewide data on other forms of violent crime on the state highway system, such as non-shooting homicides and thrown objects. CHP reported 355 of these types of crimes in 2021.

Staff Comments. Of the $4 million proposed for 2022-23, $2.2 million would support overtime costs to fund additional CHP officers on road patrol duty, particularly in locations where higher rates of violent crime are occurring. (As we discuss in more detail below, CHP is proposing to use overtime due to its high vacancy rate for uniformed officer positions.) The proposed amount also includes $879,000 for seven Associate Governmental Program Analyst positions and $995,000 for training, information technology (IT), and equipment to support criminal investigations.

Additionally, the use of law enforcement databases to catalogue evidence and cases utilizing Lexus/Nexus, Accurint, and the National Integrated Ballistic Information Network (NIBIN), enables investigators to link incidents and catalogue evidence. This request includes funds for use of these tools. These tools hold considerable promise, and could be useful to CHP beyond the scope of the proposed task force. However, care must be taken to ensure that privacy concerns are addressed before widely adopting these or similar technology solutions.

LAO Comments.

Modify Proposal if Addressing Highway Violence Is a Priority. To the extent that the Legislature considers highway violence a priority and wants to dedicate the same overall amount of resources as the Governor proposes, we recommend modifying the Governor's proposal in ways to ensure the funded activities will be most effective at meeting their objectives. Specifically, we recommend the following:

- ***Consider Funding Research-Based Alternatives.*** We recommend the Legislature consider options that research has found to be effective at reducing violent crime. For example, researchers have found that certain infrastructure modifications—such as installation of cameras or lighting—can reduce crime without requiring additional law enforcement presence. Accordingly, funding the installation of cameras on highway ramps to provide law enforcement with more resources to identify and apprehend suspects could be a more effective approach than that proposed by the Governor. In addition, these types of solutions might be more efficient alternatives compared to funding overtime, given that CHP is experiencing high rates of vacancies and is not fully staffed. In order to effectively weigh the trade-offs of different alternatives, the Legislature could request that CHP assess specific alternatives and present a modified proposal later this spring.
- ***Approve Positions and Funding for Investigative Supports.*** We recommend the Legislature approve the proposed $879,000 for seven Associate Governmental Program Analyst positions and $995,000 for training, IT, and equipment to support criminal investigations. As we discuss below, these additional resources could help provide additional information regarding the associated factors of highway shootings and help inform future legislative policy and funding decisions regarding the Highway Violence Task Force.
- ***Shift Fund Source to the MVA.*** We recommend the Legislature change the fund source of this proposal from the General Fund to the MVA. Given that this proposal is intended to directly benefit users of the state highway system, it would be more appropriate to use MVA for these activities. Our recommendation would "free up" $4 million in General Fund resources in 2022-23 that the Legislature could redirect to its other priorities.
- ***Require Reporting on Prevalence and Associated Factors of Highway Violence.*** With the additional investigative support positions and resources, CHP reports it would be able to better identify suspects and their vehicles, more effectively identify crime patterns, investigate links between interrelated crimes, as well as collate and analyze crime data in real time. We recommend the Legislature require CHP to report by January 1, 2024 on the numbers and locations of highway shootings, the associated factors in these shootings, as well as the outcomes of the investigatory resources (such as the number of arrests, training provided, and the benefits of requested software and equipment). This report would allow the Legislature to determine whether future resources are needed to continue the Highway Violence Task Force after the expiration of the limited-term funding proposed.

Staff Recommendation: Hold Open.

Issue 19: Increased Funding for Recruitment Advertising

Governor's Budget. The budget includes $2 million annually from the Motor Vehicle Account for three years to support recruitment efforts. Funding would support the increased costs of advertising campaigns, expand the scope of recruitment efforts, and improve diversity and inclusiveness when advertising.

Background. Recruitment of law enforcement personnel has been on the decline for over seven years. Agencies have been forced to compete more fiercely for the same candidate pool. This had led to declining numbers of applicants for CHP positions. At the same time, CHP has seen a growing number of uniformed officers depart over the last several years.

In 2019, the CHP implemented the first statewide all digital marketing campaign with outstanding results, effectively reversing the national trend in recruitment. In December 2019, at the onset of the campaign, the CHP received 899 applications. The number of applications increased incrementally month over month during the campaign, which ended with 1576 applications received in June 2020.

Staff Comments. The CHP currently has 1,107 vacant uniformed positions. The department has indicated that the goal for the recruitment effort this request would fund would be 1,000 new uniformed officers for the department.

Given the high vacancy rate in the CHP, and the importance of a fully staffed CHP in ensuring the safety of the motoring public, additional effort to recruit officers is reasonable. The Legislature may want to consider whether additional efforts are warranted, and whether the Motor Vehicle Account is the appropriate fund source for those efforts.

Staff Recommendation: Hold Open.

Issue 20: IT Baseline Cost Increase

Governor's Budget. The budget includes one-time funding of $15 million in Fiscal Year 2022-23 from the Motor Vehicle Account to cover increased technology costs.

Background. The Department has leveraged new technologies to enhance efficiencies and better meet the needs of the public. These new technology solutions result in improved delivery of public safety and service to those who reside and travel within California. The baseline costs for these technologies include, but are not limited to, the Department's Computer Aided Dispatch system, statewide network upgrades, statewide wireless installations, modem replacements, disaster recovery, privacy ad risk management, cyber security and threat assessment, cloud computing, and Microsoft Office 365 licensing.

Staff Comments. The table below reflects an increase of approximately $13.3 million in baseline costs over the last decade. This amounts to approximately a 100% increase in a ten-year period. The table does not include critical updates to aging infrastructure or future projects under development, estimated to cost an additional $1.7 million, for a total of $15 million. The $1.7 million will fund the modernization of the Academy infrastructure and virtualization of Division and Area offices.

Item	FY 12/13	FY 16/17	FY 21/22
Adobe Licensing	**	$154,500.00	$374,700.00
Cisco Software	$466,427.69	$825,315.25	$1,437,496.00
CommVault	**	$194,499.33	$775,000.00
CDT (Formerly OTech)	$3,202,650.16	$5,535,203.88	$800,000.00
F5	**	$193,164.64	*
Ruggedized Tablets	**	$407,374.92	*
HaiVision	$17,577.84	$99,556.40	$9,000.00
Timekeeping/Scheduling (Kronos)	**	$4,219,415.00	**
Log Rhythm SEIM	**	$297,838.70	*
Microsoft Licensing	$3,368,394.27	$6,837,240.72	$8,200,000.00
Microsoft Premium Tech Support	**	$471,363.00	*
Netmotion	$214,347.36	$135,257.00	*
Network Infrastructure Upgrade & Refresh	$190,135.23	$1,605,395.54	$2,416,470.00
Oracle	**	$244,072.09	$333,800.00
Palo Alto	**	$133,490.64	*
PC Equipment (Hardware, Laptops, Docking Stations, Tablets)	$3,929,538.59	$200,646.78	$4,000,000.00
Perceptive	**	$453,525.50	$20,000.00
Servers Equipment & Maintenance	$2,002,123.65	$1,032,120.61	$350,700.00
Modems & Components (MDC)	**	$231,748.36	$65,000.00
VMWare	$32,692.30	$499,026.00	$885,200.00
Cloud Computing	**	*	$820,000.00
Cybersecurity Tools/Threat Assessment	**	*	$2,891,800.00
Computer Aided Dispatch	**	*	$3,346,040.00
Total	$13,423,887.09	$23,770,754.36	$26,725,206.00

** Purchased under a different category*
*** Not purchased*

While the requested resources are generally reasonable, the Motor Vehicle Account remains fiscally constrained. The Legislature may want to consider whether an alternative fund source is appropriate.

Staff Recommendation: Hold Open.

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Issue 21: Capital Outlay Proposals

Governor's Budget. The budget includes a number of capital outlay proposals for the Department of Motor Vehicles. These include:

- $833,000 from the General Fund (GF) to fund the preliminary plans phase ($320,000) and the working drawing phase ($513,000) with a two-year expiration date to complete an elevator modernization project for the DMV Headquarters (HQ) Campus in Sacramento.
- $3,063,000 from the General Fund (GF) to fund the acquisition phase of the DMV El Centro/Brawley DMV Field Office Replacement/Commercial Drive Test Center project.
- $1,224,000 in FY 2022-23, $1,814,000 in FY 2023-24, and $1,907,000 in FY 2024-25 and ongoing for a new leased Laguna Hills Field Office due to the loss of the lease at the current office.
- $50,000 in Fiscal Year (FY) 2022-23, $660,000 in FY 2023-24, and $718,000 in FY 2024-25 and ongoing to consolidate and relocate the Vallejo Investigations District into one office.
- $600,000 from the General Fund (GF) Account to perform advanced planning and identify suitable parcels to replace two field offices.

Background. The Department of Motor Vehicles currently has 172 field offices statewide. Out of these 172 field offices, DMV has determined that approximately 30 offices need an off-site replacement and another 30 may need an off-site replacement pending further research. These requests are part of an ongoing effort at DMV to address this issue.

Staff Comment. The DMV has a large portfolio of properties, many of which are aging and in need of replacement. The requested projects are generally reasonable, but the Legislature may want to consider whether the proposed mix of General Fund and Motor Vehicle Account is appropriate, or if another mix would be better.

Staff Recommendation. Hold Open.

Issue 22: Supply Chain Resilience - Commercial Drivers Licenses

Governor's Budget. The budget includes $40 million limited-term General Fund to expand California's capacity to issue Commercial Driver's Licenses (CDLs).

Background. California and the nation are facing commercial truck driver shortages, which further disrupts the supply chain. The DMV has implemented measures to mitigate the commercial truck driver shortage and keep goods moving quickly between California's largest ports and major distribution centers. To safely and efficiently license more commercial drivers and help address the national shortage of workers in this industry, DMV has implemented Saturday commercial driving test appointments at 15 of its 23 CDL test sites, an extra testing day at select locations in late 2021, additional training for more staff to administer the tests, and redirected examiners to the areas of greatest demand to significantly expand capacity.

Staff Comments. The Administration has indicated that this funding includes $34 million ($3.5 million in fiscal year 2022-23 and $10 million annually through 2025-26) to fund leasing costs to establish dedicated commercial drive test centers in the Bay Area and Northern Los Angeles County. In addition, this proposal includes one-time funding of $6 million in 2022-23 to fund overtime on Saturdays for Licensing Registration Examiners and necessary support staff which will be directed to offices throughout the state that have appointment wait times above 30 days.

LAO Comments.

Wait Times for Commercial Drive Tests Have Increased Due to Couple of Factors. In recent years, DMV has reported an increase in wait times for individuals applying for their commercial driver's license (CDL). For example, in 2021, applicants had to wait, on average, 36 days for a commercial drive test, compared to 22 days in 2019. However, the number of CDL applications actually decreased to 4,932 in 2020-21 from 5,064 in 2018-19. As such, the recent increase in wait times likely is more attributable to reasons other than an increase in the demand for CDLs. There appears to be two primary reasons for the increased wait times:

- ***Pandemic-Related Test Cancellations.*** DMV closed or limited field office activities several times throughout 2020 and 2021 due to the pandemic. For example, DMV canceled all drive tests statewide on December 14, 2020 due to the surge in COVID-19 cases and did not resume tests until February 1, 2021. This required previously scheduled tests to be rescheduled and delayed, increasing wait times for both applicants with previously scheduled tests as well as applicants seeking new appointments.
- ***Disruptions in Availability of Testing Locations.*** DMV has reported several disruptions with their commercial drive test locations, which has led to canceling or rescheduling appointments. Of the 23 DMV locations that administer commercial drive tests, four are dedicated commercial drive test centers, which are located in Fontana, Fresno, Gardena, and West Sacramento. While these four centers have sufficient space to accommodate large vehicles required for commercial drive tests, the other test locations frequently do not, and often have to utilize public streets and alleys as well as shared parking lots to conduct the tests. For example, the test location in Lancaster uses a subleased parking lot at a municipal stadium to conduct their test. However, DMV frequently is forced to cancel or reschedule

test appointments when the stadium needs the space for events. Such disruptions have also contributed to increased wait times for commercial drive tests.

Proposal Seems Reasonable to Address Current Issues Leading to Increased Wait Times for Commercial Drive Tests… We find that the proposal is a reasonable approach to addressing the two primary factors that have led to increased wait times. In the near term, expanding testing capacity through the use of overtime would allow the department to process the backlog of applications delayed due to pandemic-related test cancellations and disruptions at test locations. For example, funding overtime would expand the available testing slots immediately, increasing DMV's testing capacity from 5,000 tests monthly to 8,800 tests monthly for a year. In the long term, the department could stabilize testing availability and expand testing capacity by having dedicated space for commercial drive tests, instead of having to rely on frequently unavailable public or shared spaces.

…But Wait Times Could Vary Depending on Changes in Demand for CDLs. In addition to the factors described above, wait times for commercial drive tests could be impacted by changes in the number of CDL applications. For example, while the number of CDL applications are currently stable, it is possible that the demand for CDLs could increase in the coming months, due to a rising need for truck drivers to move goods. In this case, wait times could increase if the number of CDL applications increases at a pace not readily accommodated by the existing CDL testing capacity. Alternatively, the demand for CDLs could decrease due to other factors. For example, at the time of this analysis, DMV recently implemented a new federal regulation which requires CDL applicants to provide proof of driver training. This additional requirement could discourage some potential CDL applicants from applying, and therefore, possibly decrease the number of CDL applications. Continued assessment of the demand for commercial drive tests is needed to determine whether additional testing capacity is warranted beyond the time frame of this proposal. ***Motor Vehicle Account (MVA) Is More Appropriate to Support Proposed Activities.*** The state currently collects an $83 fee from CDL applications, which is deposited into the MVA. Given that the proposed activities would directly support the department's work in processing CDLs, they should be funded through the MVA, rather than the General Fund as proposed by the Governor. Currently, the MVA is expected to be in relatively stable condition for the next couple of years to support the proposed costs.

LAO Recommendations

Shift Fund Source to MVA. The costs associated with this proposal are directly related to processing commercial drive tests, which the state collects a fee to support. Therefore, we recommend the proposal be funded through the MVA instead of the General Fund.

Require Ongoing Reporting. As discussed above, whether the increased wait times for commercial drive tests will be an ongoing or one-time issue is unclear. We recommend the Legislature require DMV to report by January 1, 2026 monthly wait times for commercial drive tests, the number of CDL applications received each month, and the number of CDL applicants served by region per month for the four years of proposed funding. Additional information on the demand for CDLs would allow the Legislature to determine whether

Staff Recommendation: Hold Open.