

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
ON TRANSPORTATION AND
INFORMATION TECHNOLOGY**

Assemblymember Manny Diaz, Chair

**WEDNESDAY, MAY 19, 2004
STATE CAPITOL, ROOM 126
2:00 P.M.**

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CONSENT CALENDAR

ITEM 2660 CALTRANS

ISSUE 1: MAY REVISION – TOLL OPERATIONS

Restore Positions for Toll Operations and Increase Toll Operations Reimbursement Authority (Issue 103)—Restore 7.0 toll collector positions and amend 2660-001-0042 by increasing Reimbursements by \$318,000. The added positions are to restore approximately one-third of those lost through Budget Act of 2003 Control Sections 31.60 and 4.10 reductions, and are reimbursable by the Bay Area Toll Authority.

ISSUE 2: MAY REVISION – TRAFFIC OPERATIONS WORKLOAD

Restore Positions to Perform Traffic Operations Workload (Issue 105)—Restore 18.0 positions related to traffic operations critical workload and increase Item 2660-001-0042 by \$1,588,000. The restored positions will perform activities related to Speed Zone Surveys, Ramp Metering, and High Occupancy Vehicle (HOV) Lane monitoring.

ISSUE 3: MAINTENANCE

Restore Positions to Perform Maintenance (Issue 106)—Restore 64.0 positions related to Maintenance Program critical workload and increase Item 2660-001-0042 by \$6,778,000. Included in this item is \$3,381,000 for emergency overtime.

ISSUE 4: TECHNICAL ADJUSTMENT TO GARVEE DEBT SERVICE

Technical Adjustment for GARVEE Bond Debt Service (Issue 126)—It is requested that Item 2660-002-0890 be reduced by \$20,764,000 to reflect the actual debt service requirements for Grant Anticipation Revenue Vehicle (GARVEE) bonds that are now known as a result of the recent bond sale.

ISSUE 5: TOLL BRIDGE SEISMIC RETROFIT ACCOUNT

Toll Bridge Seismic Retrofit Account – Budget Bill Language (Issue 136)—It is requested that the following provisional language be added to Item 2660-001-0650 to permit increased expenditures for seismic retrofit activities of state-owned toll bridges with 30-day notification to the Legislature.

Provisions:

1. Notwithstanding any other provisions of law, the Director of Finance may increase expenditure authority in this item after notifying the Chairperson of the Joint Legislative Budget Committee and the chairperson of the committee in each house that considers appropriations not later than 30 days prior to the effective date of the approval, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee or his or her designee, may in each instance determine.

ISSUE 6: ADDITIONAL APPROPRIATION AUTHORITY

Additional Appropriation Authority (Issue 111)—It is requested that Item 2660-398-0042 and Item 2660-398-0890 be added to provide expenditure authority of \$150.0 million under each item. Delay in the federal transportation reauthorization necessitates the establishment of contingency budget items. These items will permit a continuance of resources should reauthorization result in increased federal funds above those reflected in the 2004-05 budget appropriations. The receipt of additional federal funds will also permit the expenditure of additional State Highway Account resources.

These items will include the requirement of a 30-day notice to the Legislature prior to any expenditures and state the intent that specified activities listed below will receive priority consideration for funding:

- Performance Measures System information technology project.
- California Advanced Transportation Management System information technology project.
- Traffic Monitoring Stations analysis and repair.
- Freeway Service Patrol expansion.
- Matching funds for participation in a public/private partnership to deploy radar and microwave based detection devices on state right-of-ways.
- Additional capital outlay staffing directly related to allocations from this item.
- Financial advisor services.

The provisional language in these items will also specify that any information technology projects receiving funding through these items must first have the necessary feasibility study reports approved.

ITEM 2780 TEALE DATA CENTER**ISSUE 1: MAY REVISION – POSITIONS AND WORKLOAD INCREASES**

Reestablish Previously Abolished Positions (Issue 500)—It is requested Item 2780-001-0683 be amended to add 10.0 positions (9.5 personnel years), that had previously been abolished pursuant to Control Section 31.60 of the 2003 Budget Act and Executive Order D-71-03, be reestablished to address security, operational, and technical/administrative requirements of the Teale Data Center (TDC). No additional funding is requested for these position re-establishments because the TDC budget was not adjusted when the position authorization was previously eliminated, therefore, funding for these positions exist in the TDC's budget.

Workload Increase for Mainframe Central Processing Unit (CPU) Processing Capacity (Issue 505)—It is requested that Item 2780-001-0683 be increased by \$3,383,000 to provide additional mainframe processing capacity and hardware connectivity components for the TDC. The TDC provides mainframe computer systems capacity for its government organization customers, most of which are State agencies. This proposal, to provide expanded capacity of 369 Million Instructions Per Second and additional hardware connectivity components, is anticipated to be sufficient to meet the capacity needs for fiscal year 2004-05.

Workload Increase for Enterprise Storage Management Services (Issue 510)—It is requested that Item 2780-001-0683 be increased by \$507,000 to: (1) replace 4.6 Terabytes (TB— trillions of characters) of mainframe storage, (2) replace 6.1 TB of mid-range storage, and (3) add 2.88 TB of mainframe storage for workload growth. Without the additional storage capacity, TDC customer departments' 2004-05 business needs will not be able to be met. Further, insufficient storage capacity leads to increased risk to the State, because it would limit the capacity to install new security patches, new applications, or enhancements to existing systems. Failure to replace the older storage capacity units would result in incompatibility of storage devices with operating system environments and higher maintenance charges, if maintenance support is even available.

Workload Increase for Mid-Range Systems Replacement (Issue 515)—It is requested that Item 2780-001-0683 be increased by \$1,346,000 to replace 53 UNIX processors and 17 Windows processors (a total of 70 midrange processors). The existing servers that will be replaced cannot be further upgraded. Aging computer systems become increasingly difficult to service and support and, in some cases, replacement parts are no longer manufactured or available. Replacing older, slower processors one for one with newer, faster processors precludes the need to procure additional software licenses for additional processors, resulting in significant overall cost savings for maintaining the UNIX environment. Further, if the existing, aging midrange processors are not replaced, because their operating system versions will no longer be supported by vendors (e.g., new security patches will not be provided), those systems would become increasingly vulnerable to security breaches and system failures.

ITEMS TO BE HEARD

CONTROL SECTION 15.00

ISSUE 1: MAY REVISION – DATA CENTER CONSOLIDATION

The Governor's May Revision proposes a new Control Section for Data Center Consolidation.

Control Section 15.00 should provide requisite authority for the following:

- A consolidation of the state's general-purpose data center functions and activities (those of the TDC and the Health and Welfare Agency Data Center).
- Allow for the implementation of recommendation that may derive from the California Performance Review (CPR).
- A \$3.5 million General Fund savings pursuant to the requirements of Chapter 225, Statutes of 2003.

COMMENTS:

The Legislative Analyst Office has no issues with the proposal.

However, the issue of Data Center Consolidation was the subject of oversight hearings and during that process, the Administration provided no detail of this proposal.

The consolidation of data centers has significant policy issues covering a broad range of areas of state government and can have a significant impact on important programs, particularly under the Health and Welfare Agency.

The proposal would allow for the implementation of the CPR's recommendation. The Legislature would not have a role in approving that recommendation.

ITEM 2720 CALIFORNIA HIGHWAY PATROL

ISSUE 1: CHP STAFFING

The CHP's budget was held over at an earlier hearing because of questions raised regarding staffing levels of CHP officers.

COMMENTS:

The CHP stated at the earlier hearing and in follow-up communications that California roads are not as safe as they once were.

In addition, as a result of diverting officers for Homeland Security responsibilities and cutting 50 officers last year, the CHP now has 90 fewer officers for non-homeland security efforts than it has prior to September 11, 2001.

The Chair of Subcommittee 5 provided the CHP with a list of various workload questions that should be discussed at the Hearing.

ITEM 2740 **DEPARTMENT OF MOTOR VEHICLES**

ISSUE 1: IDENTIFICATION CARD FEES

Last year the Legislature increased the fees on California Identification Cards from \$6 to \$20.

This has had some significant unintended consequences.

COMMENTS:

The increased fee generates approximately \$19 million for the Motor Vehicle Account.

The unintended consequences of this increase is that:

- More indigent Californians are unable to afford the fee for an ID card and are going to non-profit agencies that assist in covering the costs.
- Such non-profits are now having to serve more people but do not have the resources to cover the increased fees at their existing levels.

Getting a legal identification is a fundamental starting point for people getting back on their feet.

This subcommittee should consider approving trailer bill language that waives the fees for indigent Californians for California Identification Cards. This is currently the case for seniors, regardless of income.

ITEM 2665 HIGH SPEED RAIL AUTHORITY

ISSUE 1: DEPARTMENT'S BUDGET

The California High-Speed Rail Authority (HSRA) was created by Chapter 796, Statutes of 1996, to direct development and implementation of inter-city high-speed rail service that is fully coordinated with other public transportation services. The HSRA is required to prepare a plan for the financing, construction, and operation of a high-speed network for the state that would be capable of achieving speeds of at least 200 miles per hour.

The HSRA has completed its business plan, initial finance plan, and currently is completing an initial program environmental impact report (EIR) and related technical studies.

The Governor's proposed budget includes \$1.1 million for the HSRA for 2004-05.

COMMENTS:

The HSRA should report at the hearing regarding whether they have sufficient resources and positions to complete the EIR.

ITEM 2640 SPECIAL TRANSPORTATION PROGRAMS

ISSUE 1: MAY REVISION – REVENUE ADJUSTMENT

The May Revision proposes an increase in Special Transportation Programs by \$15.9 million for a total of \$117.4 million for local transit agencies for operations and other purposes.

COMMENTS:

Special Transportation Programs is funded by the Public Transportation Account (PTA).

The PTA will be affected by the subcommittee's actions on the Proposition 42 proposal. Therefore, in addition to approving this proposal, the subcommittee should also conform the Special Transportation Programs' budget to the subcommittee's action on Proposition 42 under Caltrans' budget.

ITEM 2660 CALTRANS

ISSUE 1: CONTINUATION OF STORMWATER POSITIONS

The Administration requests \$8.214 million to provide permanent funding and authority for 81 positions (77 personnel years) out of the 154 positions established in 2002-03 as two-year limited term. The position request is less than the 154 positions established in 2002-03 to reflect the number of positions that were abolished due to vacancies on June 30, 2003.

The Administration indicates that actual workload has exceeded the resources provided in 2002-03, however, other maintenance staff have been redirected to perform the "storm water" workload required to fulfill the Caltrans' Storm Water Management Plan approved by the State Water Resources Control board and various Regional Water Quality Control Boards.

COMMENTS:

The LAO recommends making permanent all the 154 positions (147.8 personnel years) authorized as two-year limited term in 2002-03 and add intent language to the Item 2660-007-0042 citing the intent of the Legislature that these positions be exempt from the statewide hiring freeze. This would be an increase of 70.8 personnel years and \$2,853,000 above the Administration's proposal.

The Department of Finance should provide any updated information on this proposal.

ITEM 2660 CALTRANS

ISSUE 2: AERONAUTICS ACCOUNT TRANSFER

The Governor's proposed budget includes a \$745,000 transfer from the Aeronautics Account to the General Fund. This amount is half the \$1,490,000 transfer approved in the current year. This funding would otherwise be available to provide grants to local general aviation airports.

COMMENTS:

In order to close the over \$16 billion General Fund gap, the Governor has proposed to transfer various available special funds to the General Fund.

ITEM 2660 CALTRANS**ISSUE 3: MAY REVISION – TRANSPORTATION LOANS REPAYMENT, USE OF TRIBAL GAMING COMPACT REVENUES FOR TRANSPORTATION**

The Governor's May Revision makes the following proposal for transportation loan repayments:

- Transfer \$243.0 million from the General Fund to the Traffic Congestion Relief Fund (TCRF).
- Deposit \$140.0 million from estimated 2004-05 "spillover" revenues to the TCRF. To the extent the spillover revenues exceed this amount, it is proposed that the excess would be retained in the General Fund. Accordingly, trailer bill language is proposed.
- Establish a budget control section to authorize the allocation of one-time revenues resulting from the re-negotiation of tribal gaming compacts toward repayment of the 2005-06 obligation, to the extent those revenues are realized.
- Repay \$184.0 million to the State Highway Account (SHA) from the TCRF toward the outstanding \$374.0 million loan. Increase Item 2660-302-0042 by \$184.0 million to provide capital outlay expenditure authority for these resources.
- Repay \$36.0 million to the PTA from the TCRF toward the outstanding \$275.0 million loan. Increase Item 2660-301-0046 by \$36.0 million to provide capital outlay expenditures authority for these resources.
- Repay as much of the outstanding 2003-04 loan as possible under the authority of the control section.

The Governor's May Revision also proposes the following Control Section to dedicate additional revenues from Tribal Gaming compacts to the repayment of transportation loans, as follows:

SEC. 16.00 (a) Notwithstanding any other provision of law, revenues resulting from the renegotiation of tribal gaming compacts may be allocated by the Director of Finance to adjust the Department of Transportation's (Caltrans) budget for the purposes of repayment of outstanding General Fund loans to the Traffic Congestion Relief Fund (TCRF), TCRF loans to the State Highway Account (SHA), and TCRF loans to the Public Transportation Account (PTA).

(b) The Director of Finance shall allocate the revenues received pursuant to subsection (a) in the following priority order not sooner than 30 days after notification in writing of the allocation is provided to the chair of the fiscal committees in each house of the Legislature and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the Chairperson of the Joint Legislative Budget Committee, or his or her designee, may in each instance determine:

1. Repayment of outstanding SHA loans from the TCRF, including interest.

2. Repayment of outstanding PTA loans from the TCRF.
3. Traffic Congestion Relief Program projects that are allocated based on the criteria identified in Item 2660-301-3007, Provision 2.
4. Advanced repayment of local streets and roads funding due for repayment in 2008-09.
5. Advanced repayment of State Transit Assistance loans due for repayment in 2008-09.

COMMENTS:

The repayment of outstanding transportation loans is an appropriate use of the one-time Tribal Gaming revenues.

However, the subcommittee should consider whether the allocation list should be altered.

The following allocation list would better enable the funding approved by this subcommittee on May 5th to be achieved:

1. Fifty percent of the first \$770 million of revenues resulting from renegotiations of Tribal Gaming Compacts be allocated to the Traffic Congestion Relief Program (TCRF) projects.
2. All other revenues resulting from renegotiations of Tribal Gaming Compacts according to the following:
 - A. Repayment of outstanding SHA loans from the TCRF, including interest.
 - B. Repayment of outstanding PTA loans from the TCRF.
 - C. Traffic Congestion Relief Program projects.
 - D. Advanced repayment of local streets and roads funding due for repayment in 2008-09.
 - E. Advanced repayment of State Transit Assistance loans due for repayment in 2008-09.

ITEM 2660 CALTRANS

ISSUE 4: MAY REVISION – TRAFFIC CONGESTION RELIEF PROGRAM PROJECTS

The May Revision includes a proposal to provide \$163 million for the TCRP. This amount will cover the 2004-05 costs of projects with existing allocations, but not for any new projects.

In addition, the May Revision proposes Budget Bill Language and Trailer Bill Language regarding criteria for future allocations of TCRP projects.

COMMENTS:

The Governor's May Revision funds the TCRP at \$335 million less than what this Subcommittee approved on May 5th.

The Governor's proposal provides the cash flow needs for all currently allocated projects, while the earlier subcommittee action also provided cash flow needs of letters of no prejudice, 2004-05 procurement and construction allocations, and 2004-05 non-Construction allocations and future year new allocations.

The LAO has concerns that the proposed Trailer Bill Language and Budget Bill language provides too much power to the Administration and could actually make the entire Traffic Congestion Relief Act inoperable.

The LAO should provide alternative suggestions at the hearing.

At the May 5th hearing the subcommittee approved partial suspension of Proposition 42 (to the extent that still provided \$498 million for TCRP), and provided for the repayment of the suspended portion.

The May Revision calls for the total suspension of Proposition 42, but the Administration adopted this subcommittee's proposal to repay the suspended amount. The proposal calls for the repayment of 2007-08. This repayment should be provided in a statute.

ITEM 2660 CALTRANS

ISSUE 5: MAY REVISION – MID-YEAR PROPOSALS

The December 2003 Mid-Year Spending Reduction Proposals included several transportation related components, including changing the funding of the local transportation projects to conform to State project accounting (accrual to cash) to achieve an estimated one-time influx of \$800.0 million in federal fund reimbursements over the 2003-04 and 2004-05 fiscal years.

COMMENTS:

The Administration continues to support the change in accounting from accrual to cash because this change will free up additional resources on a one-time basis. However, as implementation has moved forward it has become clear that the anticipated level of resources available to move to the General Fund will not be realized primarily due to lack of federal access to apportionments, delayed federal reauthorization, and the complexity of matching apportionments to projects. It is still likely that roughly \$200 million will be available from this effort. We are modifying our Mid-Year request to retain the benefit of these efforts with transportation rather than accruing any of the benefit to the General Fund.

The May Revision withdraws the proposal to transfer \$189.0 million of the TCRF to the General Fund and to retain \$17.5 million of "spillover" sales tax revenue in the General Fund.

The LAO has concerns that the on-going cost to accomplish the cash management of local projects could far exceed the one time \$200 million benefit that the change provides.

In addition, local governments are concerned that future funds are more vulnerable under a cash system than under the current accrual system.

The Subcommittee should decide whether there is a more cost-effective ways to generate one-time federal funds. For example, an increased use of GARVEE bonds would generate one-time funds in a cost-effective way without adding vulnerabilities to local governments.

ITEM 2660 CALTRANS**ISSUE 6: MAY REVISION – CAPITAL OUTLAY SUPPORT**

The May Revision proposes the following changes for Capital Outlay support:

2004-05 Capital Outlay Support (COS) Staffing Workload			
	10-Jan	May Revision Adjustment	Total
Category			
State Staff Positions	10,546.0	388.0	10,934.0
State Staff Personnel Years (PYs)	10,000.0	370.2	10,370.2
Contracting Out Personnel Year Equivalents (PYEs) ²	500.0	726.0	1,226.0
Temp Help PYs	-	-	-
Cash Overtime PYs ³	303.0	257.0	560.0
Total PY and PYE 2004-05 Workload	10,803.0	1,353.2	12,156.2

COMMENTS:

The May Revision annually provides an update for Capitol Outlay support.

Under this proposal, 46.3 percent of the proposed workload increase are for state staff (PY) while 53.7 percent of the proposed workload increase are for contract staff (PYE).

In the past few years, the Legislature has been approving adjustments to capital outlay support on a 50/50 basis.

The Department of Finance should report at the hearing regarding the exact dollar amount budgeted per PY and per PYE.

In addition, the Department of Finance should report what the components of the costs per PY. For example, does that include equipment such as new vehicles. This is important information for the subcommittee to have since it may not be necessary to purchase a significant amount of new equipment since there have been recent reductions in PYS and therefore available equipment for the proposed new PYs.

Finally, there is no definitive answer as to when contracting out is cost effective as compared with state employees.

Therefore, the subcommittee should consider requesting the Bureau of State Audits to do an in-depth and independent review of the issue and provide recommendations for the Administration and the Legislature.

ITEM 2660 CALTRANS (AND TRANSPORTATION COMMISSION)

ISSUE 7: MAY REVISION – GARVEE BOND FUNDING LEVEL

The May Revision includes the following language regarding GARVEE bond for both Caltrans and the California Transportation Commission.

Before allocating projects in fiscal year 2004-05 that would result in the issuance of notes pursuant to Section 14553 of the Government Code that exceed \$800,000,000, the California Transportation Commission shall consult with the Business, Transportation and Housing Agency, the Department of Transportation and the Department of Finance pursuant to the requirements of Section 14553.8 of the Government Code to consider and determine the appropriateness of the mechanism authorized by Section 14553 in comparison to other funding mechanisms, and to determine and report to the Governor and the Legislature the effect of such issuances on future federal funding commitments.

COMMENTS:

This proposal appears to shift critical responsibilities away from the Transportation Commission and to the Agency, Caltrans, and Finance.

The CTC should comment on the appropriateness of this shift.