

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

Assemblymember Mike Feuer, Chair

**WEDNESDAY, APRIL 18, 2007
ROOM 127 – 4:00 PM**

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PROPOSED CONSENT

ITEM 2700 OFFICE OF TRAFFIC SAFETY

The Office of Traffic Safety's mission is to obtain and effectively administer traffic safety grant funds to reduce deaths, injuries, and economic losses resulting from traffic collisions.

The Governor's proposed budget includes \$96.3 million (almost all federal funds) for the Office of Traffic Safety, an increase of about \$11 million from the current year.

ITEM 2720 CHP FINANCE LETTER

The Department of Finance has submitted a Spring Finance Letter requesting \$2.4 million to fund the site acquisition and associated costs to replace three area offices located in Mojave, Fresno, and Grass Valley.

ITEM 2740 DMV FINANCE LETTERS

The Department of Finance has submitted Spring Finance Letters making various changes to the proposed DMV support and capital outlay budgets.

ITEMS TO BE HEARD

ITEM 0044 CONDITION OF THE MOTOR VEHICLE ACCOUNT

The Motor Vehicle Account (MVA) derives most of its revenues from vehicle registration and driver license fees. In 2006-07, those fees account for 90 percent of the estimated \$2.1 billion in MVA revenues. The majority of MVA expenditures support the activities of the California Highway Patrol (69 percent), the Department of Motor Vehicles (22 percent), and the Air Resources Board (7 percent).

LEGISLATIVE ANALYST'S FORECAST

In their analysis of the budget, the Legislative Analyst's Office provides an in depth forecast of the MVA. The bottom line of their forecast is that the proposed budget spends more MVA funds than are collected but remains balanced due to a substantial beginning fund balance. The LAO projects that MVA will have a shortfall of \$240 million in 2009-10 and more than \$600 million in 2010-11.

The LAO will present their MVA forecast at the hearing.

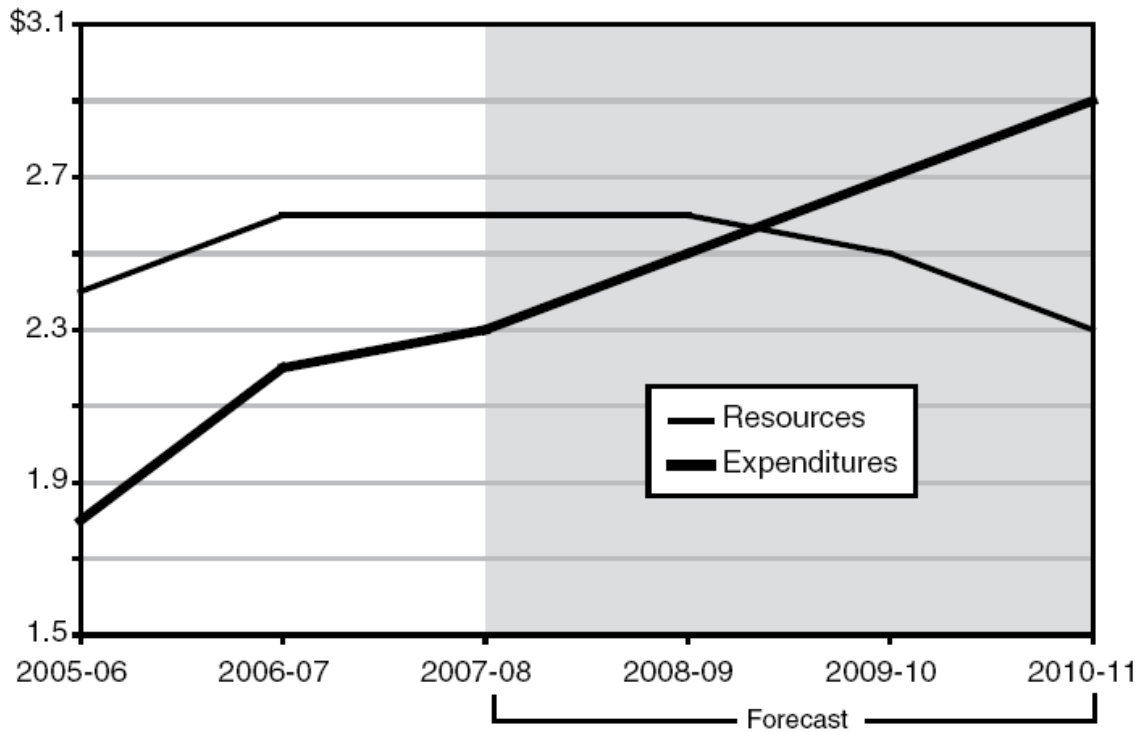
COMMENTS:

Increased MVA spending is the result of increased costs of employee compensation and multi-year projects such as the CHP's radio replacement and the DMV's information technology improvements.

In addition to the current expenditure projections, additional MVA pressures include the implementation of the Real ID Act and the implementation of AB 32 (the Global Warming Solutions Act of 2006).

Figure 2
LAO Projected MVA Shortfall

(In Billions)



ITEM 2720 CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) is the state's largest law enforcement agency. It patrols over 105,000 miles of state highways and county roads, ensures the safe operation of commercial trucks through inspection at weigh stations, and protects state facilities and the people who work and conduct business in them.

The Governor's budget proposes \$1.8 billion, an increase of \$150.1 million above revised current year funding.

ISSUE 1: ADDITIONAL STAFFING

The Governor's proposed budget includes \$17.5 million to provide partial-year funding for 120 additional road patrol officers and full-year funding for 41 nonuniformed staff. The Department of Finance submitted a Spring Finance Letter reducing the proposal by \$1.1 million to provide the correct overtime, vehicle operations, and general expense costs.

COMMENTS:

This is the second year in a row of significant increases in CHP staffing. The current year budget approved 240 road patrol officers and 70 nonuniformed staff.

The additional staff is necessary as a result of CHP staffing levels falling behind staffing ratios due to the continued population and highway miles growth.

The LAO initially raised concerns that the proposal was overbudgeted, but the Spring Finance Letter addresses their concerns.

ISSUE 2: BIENNIAL INSPECTIONS

The Governor's proposed budget includes an increase of \$7.7 million and 71.5 positions for the Biennial Inspection of Terminals (BIT) program, which is the inspection program for truck terminals (location where trucks are garaged and maintained). The proposal includes a new fee schedule to ensure that the program is self-financed and does not divert resources from other MVA-funded activities.

The proposed budget would double the number of inspections from about 18,000 to 37,000 annually.

COMMENTS:

The LAO raised several concerns regarding this proposal. Most of the concerns have been addressed; however the CHP continues to work with the trucking industry on regarding the implementation of the new fee schedule.

The LAO and the CHP should provide an update on the status of this proposal.

It is anticipated that this issue will need to be held open to enable the CHP more time to update their proposal.

ISSUE 3: TACTICAL ALERTS OVERTIME

The Governor's proposed budget includes \$24.8 million for tactical alert overtime costs. This funding began following the terrorist attacks of September 11, 2001. Funding was initially set at \$32.5 million, but that amount was administratively reduced in 2003-04 to the current proposed level of \$24.8 million.

The LAO recommends a significant reduction to this proposal of \$19.8 million and the adoption of Budget Bill Language that reverts any unused amount of the remaining funds.

COMMENTS:

The CHP has not tracked the hours of the costs of tactical alerts since 2003-04. In that year, the CHP used 71,000 hours and \$3.2 million for tactical alerts, that amount was down from 419,000 hours and \$17.4 million the year before.

Given the limited use of tactical alerts, the LAO recommends the appropriation be reduced by \$19.8 million to \$5 million.

It is important to note, that should the need for tactical alerts exceed the \$5 million recommended by the LAO, or even the \$24.8 million proposed by the Governor, there are alternative means to ensure the CHP is sufficiently funded. The CHP has the ability to shift funding within their existing budget. Also, Item 9840 of the Budget Act provides an additional \$15 million for contingencies and emergencies, and the Legislature can appropriate additional funds through a Supplemental Appropriation Bill or other urgency legislation.

The CHP indicates that while tactical alerts may not be as prevalent as immediately following the September 11 attacks, they need the funds for other emergency related purposes.

That may be the case, but that is not the purpose of the funds and the Legislature should evaluate the actual use of the funds prior to the CHP spending them for alternative purposes.

As of this writing, the CHP, Department of Finance, LAO and legislative staff continue to discuss compromises that may be available to present to the subcommittee at this hearing.

ISSUE 4: RADIO REPLACEMENT

The Governor's proposed budget includes an additional \$51 million for the second year of the radio replacement project. The existing appropriation level is \$57 million, taking the total proposed appropriation to \$108 million for the budget year.

COMMENTS:

The total cost of the radio replacement project is expected to be more than \$500 million and take several years to complete.

Due to the cost of and importance of the project, the Legislature required an annual report that is due in March each year.

The Report was finally submitted to the Legislature on April 13. As of this writing, staff and the LAO are reviewing the report.

The LAO should provide an updated recommendation for this item at the hearing.

ITEM 2740 DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The DMV also collects the various fees that are revenues to the Motor Vehicle Account. The Department is currently reviewing its methods of providing services to the public and developing alternatives to visiting the field offices.

The Governor's budget proposes \$902.9 million, (Special Funds), an increase of \$19.2 million from the revised current year budget.

ISSUE 1: REAL ID

The most significant issue facing the DMV is the implementation of the Federal Real ID Act. The Real ID Act requires states to modify driver licenses and identifications and requires that states follow certain procedures in issuing these documents.

The Governor's proposed budget includes \$8.7 million to continue Real ID related costs in the budget year. The proposed funds are for three purposes: 1) establishment of a Real ID Program organization; 2) expansion of the name field in the DMV's information database, and 3) movement of certain transactions from the DMV field offices to the web site.

COMMENTS:

The DMV should provide an in-depth presentation on the Real ID Act. The presentation should include:

- ◆ An overview of the Act;
- ◆ The latest updates on the various timelines for the implementation of the Act;
- ◆ An update of the projected costs for California to implement the Act and options for how the costs will be met;
- ◆ A discussion of any particular challenges that California faces in implementing the Act; and
- ◆ An update on any Congressional efforts to address the concerns of California (and other states).

ISSUE 2: INFORMATION TECHNOLOGY MODERNIZATION

The Governor's proposed budget includes \$23.9 million (various special funds) and 25.2 positions for the second year of an information technology modernization project with a total cost estimated at \$242 million. Last year, the Legislature approved funding of \$2.1 million and 5 positions for the first year of this project.

COMMENTS:

The IT modernization project is a multi-year project and the DMV is taking an incremental approach with “modular” progress – the intent is to migrate existing functions over to the new system over time such that some benefits are realized prior to full implementation, and risk is reduced.

The incremental program would involve the separate migration of the drivers' license database and then the vehicle registration database. The new database would maintain a link to the old while several hundred software systems that need to be updated are shifted from the old to the new database.

The DMV should provide a status update on the IT modernization project.