

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR

WEDNESDAY, MARCH 21, 2012
10:00 A.M. - STATE CAPITOL ROOM 447

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ITEMS TO BE HEARD

2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: OVERVIEW OF DEPARTMENT BUDGET

Caltrans will provide an overview of its 2012-13 budget proposal, including a summary of its Workforce Cap actions.

BACKGROUND

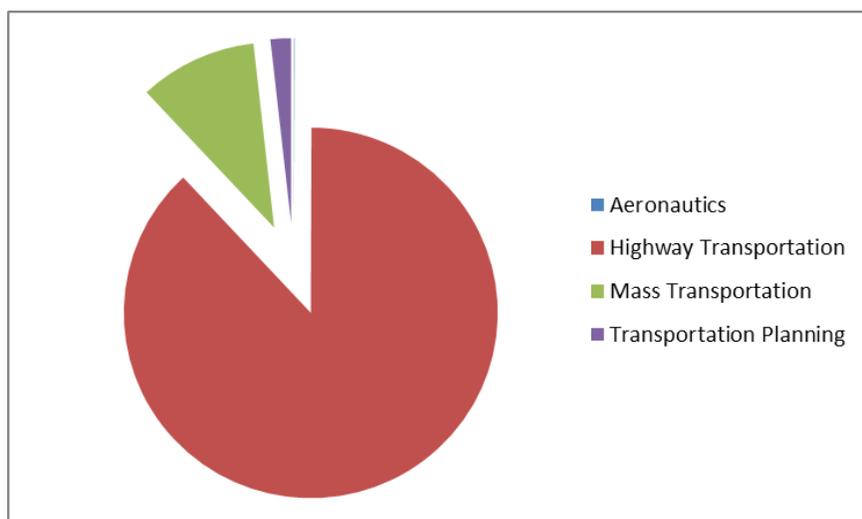
The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak, and assists local governments with the delivery of transportation projects, as well as other transportation-related activities.

The Governor's Budget proposes \$11.9 billion, including \$83.4 million from the General Fund. This reflects a decrease of \$4.4 billion, reflecting the end of the federal American Recovery and Reinvestment Act (ARRA) stimulus funds and the absence of new Proposition 1B appropriations in the Governor's January Budget.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	\$83,416	\$83,416	\$83,416	0	0
State Highway Account	3,154,026	3,433,392	3,644,048	210,656	6.1
Public Transportation Account	286,307	313,428	182,155	(131,273)	(41.9)
Other Special Funds	118,538	55,781	37,079	(18,702)	(33.5)
Federal Funds	3,839,047	5,506,809	3,883,571	(1,623,238)	(29.5)
Reimbursements	336,504	2,011,584	1,521,067	(490,517)	(24.4)
Prop 1A Bond Funds	12,200	116,694	7,423	(109,271)	(93.6)
Prop 1B Bond Funds	992,643	4,089,871	1,833,253	(2,256,618)	(55.2)
Total Expenditure	\$8,822,681	\$15,610,975	\$11,192,012	(4,418,963)	(28.3)
Positions	18,102.3	20,273.1	20,438.5	165.4	(0.1)

The bulk of Caltrans funding is spent on highways, with 17,250 positions dedicated to this function.

The chart below illustrates Caltrans funding by program:



Major Caltrans Programs

Aeronautics. The Division of Aeronautics supports California's aviation activities by promoting safe and effective use of existing airports and heliports. This program ensures that airports and heliports comply with safety regulations, provides engineering and financial assistance for safety and infrastructure improvements, maintains the California Aviation System Plan to reflect changes in the aviation network, provides guidance for land use compatibility in areas around airports, administers airport noise standards regulations, enhances goods movement to and from airports through improved ground access, and promotes and maintains aviation safety.

Highway Transportation. The Highway Transportation Program operates, maintains, and continues development of California's state highways. Development and delivery of capital projects make up the largest portion of these efforts. The program also meets its objectives through: (1) coordination and control required by federal and state law for implementing transportation projects; (2) furnishing assistance to city and county transportation programs; and, (3) management of traffic through a system of monitoring, analysis, and control. In addition, this program strives to improve highway travel, safety, and the environment through testing, research, and technology development.

Mass Transportation. The objective of the Mass Transportation Program is to support the state's transportation system by providing leadership in the implementation of safe, effective public transportation, improved air quality, and environmental protection. The program achieves its objective through: (1) the administration of intercity rail service in California, including capital projects and rail car management; (2) management of state and federal capital and operations grant programs; (3) planning, support, and coordination of mass transportation services; and,

(4) administering the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) of the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Bond Act). Additionally, the Mass Transportation Program serves to: (1) improve intercity bus passenger service through enhanced services and facilities; (2) improve public transportation needs for all persons, including the elderly, the disabled, and the economically-disadvantaged; (3) improve urban/commuter rail services; and, (4) enhance mobility options in congested corridors.

Transportation Planning. The Transportation Planning Program implements statewide transportation policy through coordination at the local and regional levels and develops transportation plans and projects. The Department prepares the long-range state transportation plan required by state and federal laws and provides long-range transportation system planning and transportation planning studies as input to the regional transportation plans, the State Transportation Improvement Program (STIP), and departmental policies and programs such as Goods Movement, Climate Action, and Regional Blueprint Planning. The Department also prepares the Interregional Transportation Strategic Plan, which guides investment of the Interregional Improvement Program funds in the STIP.

Administration. The Administration Program provides the functions required to support the programmatic responsibilities of the Department. Major activities include accounting, budgeting, auditing, office facility operations and management, information technology, and a wide range of administrative services including human resources, procurement and contracting, training, workforce planning, and labor relations.

Equipment. The Equipment Program provides mobile fleet equipment and services to other departmental programs through: (1) purchasing new vehicles; (2) receiving, servicing, and equipping new units; (3) assembling equipment components into completed units; (4) managing the fleet; (5) repairing and maintaining the fleet, including payments for fuel and insurance; and, (6) disposing of used vehicles.

Department Legal Authority

Streets and Highways Code Section 90 et seq., Government Code Section 14000 et seq.

STIP AND SHOPP

California finances its highway and mass transportation programs with a combination of state, federal, local, and private funds.

STIP The multiyear expenditure of state and federal funds for transportation capital projects is contained mainly in the State Transportation Improvement Program (STIP), a four-year programming document which is adopted every two years by the California Transportation Commission (CTC). The STIP contains projects that increase the capacity of the state's transportation infrastructure. Typical STIP projects include roadway widening, new interchanges, and high-occupancy vehicle lane construction.

SHOPP Another program, the State Highway Operation and Protection Program (SHOPP), includes all major state highway system projects that do not increase capacity, but rather provide traffic safety, roadway and bridge rehabilitation, and operational improvements. Typical SHOPP projects include roadway rehabilitation and bridge repairs.

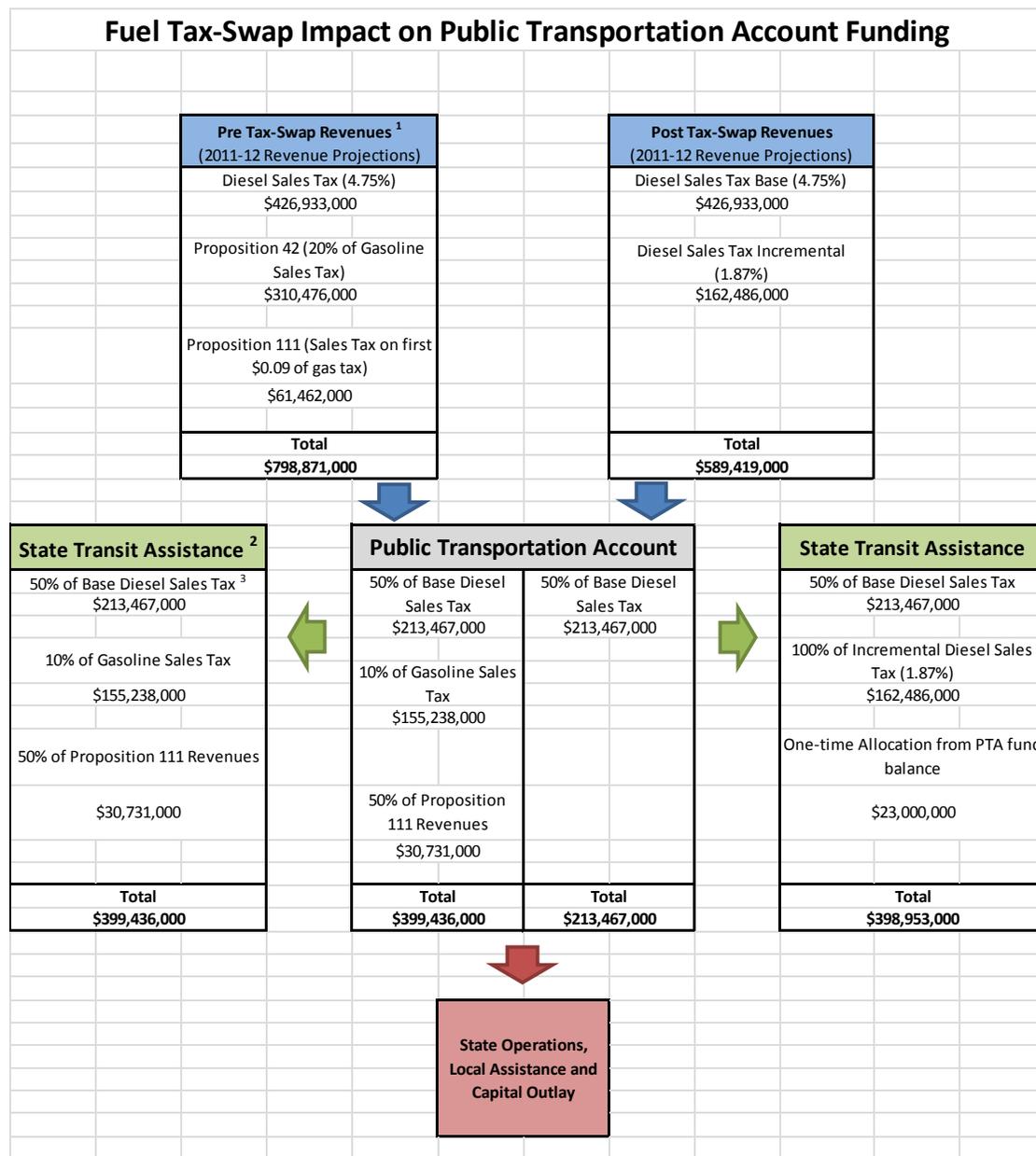
WORKFORCE CAP

The Budget includes a budget change proposal to reflect the impact of the 2011 Workforce Cap. Caltrans lost 323 positions to reach the 2011 Workforce Reduction Cap savings target. (BCP 12)

FUEL TAX SWAP

The proposed budget continues the benefits for various transportation areas that were part of the fuel tax swap. The tax swap provides about \$700 million in excise tax revenue to each of state highways and local roads, which more than offsets for the revenue lost from Proposition 42 sales tax revenues. Transit agencies anticipate receiving \$420 million from the diesel sales tax, which exceeds the \$350 million originally estimated at the enactment of the fuel tax swap. The issue for the Legislature to consider is a proposed General Fund solution of \$350 million by adopting statutory change that would repeat the 2011-12 budget action of loaning some truck weight fees to the General Fund. Under current law, truck weight fees pay for \$635 million of 2012-13 bond debt and this proposal would set aside the remaining \$350 million in 2011-12 and 2012-13 weight fee revenue as a reserve in the General Fund for future bond debt.

The Department of Finance has provided the chart below to illustrate how the gas tax swap functions:



1) Excludes spillover revenues, which were generated when the sales tax including gasoline at the 4.75% sales tax rate generated more than the 5% sales tax rate without gasoline.
 2) Beginning in 2009-10, the traditional STA share from its existing revenue streams was suspended. This reflects the revenues the STA would have traditionally received.
 3) Assumes a 50% PTA/50% STA split per Proposition 22 and the original tax swap.

**NON-CONTROVERSIAL BCP
PROPOSALS**

The Caltrans budget includes several BCP proposals that:

1. **Federalization of Pavement Preservation and Bridge Inspection Funds.** The Governor's Budget reflects the shift of \$12.4 million of cost from State Highway Account (SHA) funds to federal funds. This shift improves the cash position of the State Highway Account. *(BCP 8)*
2. **Construction Oversight of Federal Project.** The Governor's Budget proposes a \$1.3 million federal fund increase and nine limited-term positions to oversee anticipated federal workload. These positions will provide construction oversight on all federal-aid projects off the State Highway System. *(BCP 13)*
3. **Continuation of Temporary Position.** The Governor's Budget proposes to continue 57 two-year positions associated with oversight of Proposition 1B projects; 24 limited-term positions associated with OIG recommended oversight of the Safe, Affordable, Flexible, Efficient Transportation Equity Act—Legacy for Users (SAFETEA-LU) federally-funded projects; and 3 two-year positions and two-year contracting funds to implement continue Phase III of the Americans with Disabilities Act assessment of the Infrastructure Program. *(BCPs 2, 5, and 9)*

STAFF COMMENT

The Department will provide an update on the following questions:

Mission:

- Describe the purpose of your agency, department fulfills. Provide information on the process by which it was established.

Organizational Structure:

- Provide any pertinent history regarding organizational changes that have occurred or that are planned within Caltrans.
- Provide an organizational chart and discuss the major functional units of the agency.

Budget:

- What is the total agency budget?
- Detail revenue by category. Provide a dollar amount and indicate the percentage of the total revenue represented by each category.
- Detail expenses by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.

- How do you define administrative costs? What items are included in administration? What percent of the total expenses would be identified as administrative costs?

Personnel:

- How many authorized positions are there for the agency?
- How many of those are currently filled? What has been the vacancy rate over the past two years?

Staff believes that the Budget Change Proposals listed in this agenda item are non-controversial and recommends approval.

Staff Recommendation: Adopt Placeholder Statutory Language and Budget Change Proposals identified in the agenda write up.

ISSUE 2: Project Initiation Documents PIDS PROJECT PLAN

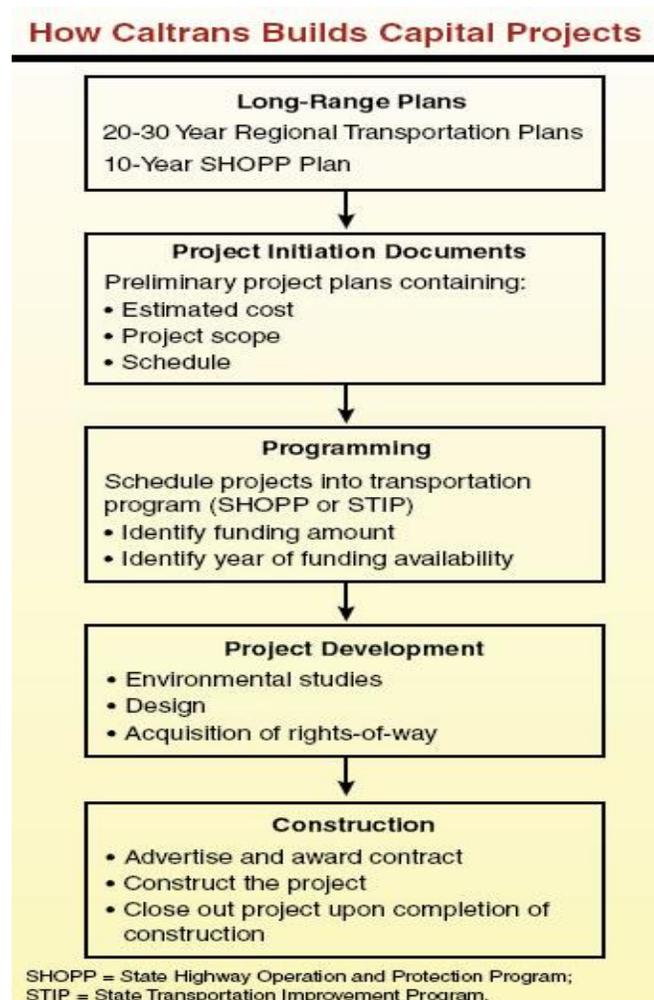
The Governor's Budget proposes a \$2.2 million and 67 positions increase related to providing project oversight for additional projects anticipated due to local project demand and workload associated with the 2011 10-Year SHOPP plan.

BACKGROUND

The Governor's Budget proposes a \$10.6 million and 67 positions increase related to providing project oversight for additional projects anticipated due to 2011 10-Year SHOPP plan.

What is a PID? Initial project plans, called Project Initiation Documents (PIDs), contain specific information, including the identification of the transportation problem, which is to be addressed in an evaluation of potential alternatives to focus on the issue, and the justification and description of the preferred solution. Each PID also includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

LAO prepared this chart to illustrate the role of PIDs in the project process.



History of PID Changes in the Budget. Since the 2009-10 budget, staffing for PIDs has been “zero-based” to reflect that year’s anticipated workload. Caltrans worked with local agencies and the California Transportation Commission to streamline PIDs by focusing the scope to avoid duplicative work and reduce cost. Caltrans also developed an annual report to estimate multi-year PIDs workload and to plan for future projects. The report helps to ensure that PIDs are focused on priority projects, rather than concepts lacking a reasonable expectation of receiving support and funding.

During the 2011-12 budget process, the Legislature twice rejected the Administration’s proposal to shift the fund source from state highway funds to local reimbursements for Caltrans’ PIDs workload related to locally-sponsored highway projects. The 2011-12 budget enacted by the Legislature maintained state highway funds for that purpose, but Governor Brown subsequently vetoed those funds from the final budget. While the Legislature’s funding level tied to the Administration’s identified workload, the veto leaves this workload unfunded in the budget. In September 2011, DOF submitted a Section 28.00 request, which enabled Caltrans to receive reimbursement for PIDs work. This year Caltrans expects local agencies to request using local funds.

The 2011-12 budget request reflects the continuation of the Section letter reimbursement process. The Governor's Budget proposes a \$10.6 million and 67 positions increase to fully implement the reimbursed PID model and address SHOPP workload.

The chart below details how these new positions would impact overall funding:

PIDS Positions	Position Count	Total Cost (thousands)	Purpose
SHA 2011-12 Base	262	\$33,279	Develop PIDs for State Funding Projects
<i>Proposed New SHA for State-Sponsored Project</i>	16	2,169	
Subtotal SHA	278	35,448	
Existing Reimbursed Positions	2	265	Ongoing BATA Work
<i>Proposed New Locally-sponsored work Reimbursed</i>	51	8,435	<i>Review and Development of local PIDs and ongoing BATA Work</i>
Subtotal Reimbursed	53	8,700	
Total PIDS staff	331	\$44,148	

Impact on Projects. Prior to the veto of SHA funding for local PIDs, Caltrans expected 126 PIDs would be completed this fiscal year. Caltrans now expects approximately 21 to 25 PIDs will be completed.

LAO RECOMMENDATION

On Friday, March 16, 2012 the LAO issued the following recommendations regarding PIDs:

Reject Governor's Proposal. The increase requested in the Governor's budget for staff to develop PIDs does not reflect efforts underway to streamline the PID process and would result in the production of PIDs for more projects than likely could be funded. Accordingly, we recommend that the Legislature reject the Governor's requested increase and maintain PID funding at the current level of \$33 million (SHA) and 264 positions.

Enact Trailer Bill Requiring Streamlining of PIDs. Streamlining PID documents to eliminate duplicative work at the PID stage would reduce costs and speed up the schedules of state and local transportation projects. Although Caltrans has been working on streamlining its PID process for over three years, it has been unable to transition away from producing lengthy PID documents. Accordingly, we recommend that the Legislature enact budget trailer legislation requiring Caltrans to use streamlined PIDs. Specifically, the department shall be required to streamline PID processes and documents for various types of projects:

- **Projects Requiring Extensive Environmental Review.** Large projects requiring an environmental impact statement under state and/or federal laws should have a PSR-PDS, developed to estimate the cost of completing the environmental review phase only. Estimating the cost, scope, and schedule of the remaining phases of work would be performed as part of the environmental review.
- **Projects Not Requiring Extensive Environmental Review.** Projects that are not expected to require extensive environmental review could use a streamlined PID that focuses on developing a reasonable cost estimate and project schedule, while excluding extraneous information, and not replicating work that will be performed during the environmental and design phases. In addition, for some simple projects, such as pavement replacement, Caltrans would not develop a PID and the initial cost estimate would be based on historical costs.
- **Oversight of Local Agency PIDs.** Caltrans should develop and implement an expedited process for the review and approval of PIDs developed by local agencies. At the PID stage, Caltrans would likely only need to determine what workload would be required of the department to perform or oversee the environmental phase of the project proposed by a local agency, and provide preliminary agreement on the project concept.

In order to ensure that Caltrans implements streamlining for PIDs, we recommend that the Legislature require the department to submit a report by May 1, 2013 detailing the changes implemented and the time and cost savings achieved.

PANEL

- Caltrans
- LAO
- Ross Chittenden, Contra Costa Transportation Authority
- Keith Dunn, Self-Help Counties

STAFF COMMENT

As the Subcommittee considers how to set policy for PIDs, there are two decision points to consider.

1. **Who pays?** The Department of Finance has shifted the burden paying for local project PIDs to locals. However, there appears to be consensus from other stakeholders that the State should pay for its own oversight efforts.
2. **What should be the Scope of the PID?** Should the Legislature consider changing the content and scope of these project documents? The LAO has proposed a new framework for PIDs, but more discussion and stakeholder input is needed to assess whether the Legislature should adopt such a streamlining effort.

Staff Recommendation: Modify the PIDs budget proposal to replace local reimbursement funding with State Highway Account funding.

ISSUE 3: MASS TRANSPORTATION PROGRAM

The Governor's budget includes a proposal to "Zero-Based Budget" approach to the Mass Transportation Program, resulting in a \$3.8 million and a 44-position reduction to program staffing.

BACKGROUND

The Mass Transportation program in Caltrans is responsible for the management and administration of state and federal grant programs that provide funding to transit and local agencies.

The Governor's budget proposes two reductions to this program:

1. **Mass Transportation:** The Governor's budget proposes a reduction of \$3.9 million and 45 positions from the Division of Mass Transportation function of the Mass Transportation program. After this reduction, \$4 million and 23 positions would remain for this function. This reduction is in part due to reduced workload from the ramp down of ARRA projects and the impact of the 2010 gas tax swap on way the State distributed local transit funding. Funding for transit projects that would have been overseen by Caltrans State Transit Grants unit is now directly allocated to local transportation projects through the State Transit Assistance program. This has resulted in a substantial reduction to the workload need for this unit.
2. **Rail:** The Governor's budget proposes a reduction of \$1.2 million and 13 positions for the Division of Rail. The Division of Rail would retain 47 staff. The reduction in staffing is a result of a reduction in the level of public relations and on-board food service management functions in the Division of Rail.

STAFF COMMENT

The Governor's Budget Summary cites the "Zero-Based Budgeting" effort undertaken with the Mass Transportation program as an example of the Governor's commitment to begin the implementation of budgeting best practices.

The Department of Finance reports that it conducted a workload analysis for this effort. Finance stated that the Mass Transportation program was chosen because of the impact of the loss of federal ARRA funds and the recent gas tax swap on the workload of the program.

Staff Recommendation: Adopt the proposed BCP

2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: DEPARTMENT OVERVIEW AND WORKFORCE CAP

DMV will provide an overview of its 2012-13 budget proposal, including a summary of its Workforce Cap actions.

BACKGROUND

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 \$963.6 million, (Special Funds), an increase of \$50.8 million from the revised current year budget. The budget also includes a reduction of 30.9 positions, mostly due to the anticipation that discounted mail in registration renewals would reduce staffing needs by 18.8 positions.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	\$0	\$0	\$0	0	0
State Highway Account, State	\$52,498	\$46,734	\$49,700	\$2,966	6.3
Motor Vehicle Account, State	518,301	817,001	869,347	\$52,346	6.4
Motor Vehicle License Fee Account,	303,411	24,911	18,200	(\$6,711)	(26.9)
Other Special Funds	3,108	6,456	4,459	(1,812)	(52.8)
Federal Trust Fund	4,975	3,832	7,482	3,650	95.3
Reimbursements	13,692	13,887	14,408	\$521	3.8
Total Expenditure	\$895,985	\$912,821	\$963,596	\$50,775	5.6
Positions	8,369.00	8,250.90	8,220.00	(30.9)	(0.4)

Major DMV Programs

Vehicle/Vessel Identification and Compliance: The objective of this program is to establish identification and ownership of vehicles and vessels of California residents, assure compliance with various related laws, collect revenue for various state and local government programs, and provide information from vehicle and vessel records to state and local agencies.

Driver Licensing and Personal Identification: The objective of this program is to evaluate the eligibility and ability of applicants for original and renewal driver licenses, to issue driver licenses and/or identification cards to those who meet specific criteria, and to provide information from driver license and identification card records to state and local law enforcement agencies.

Driver Safety: The objective of the Driver Safety program is to enhance safety for the motoring public by monitoring, suspending, and revoking the driving privilege of unsafe licensed drivers operating on public roadways.

Occupational Licensing and Investigative Services: The objective of this program is to enhance consumer protection by licensing and regulating principal segments of motor vehicle-related businesses that provide services related to the sale and use of vehicles in California and enforce laws within the Department's jurisdiction by means of criminal and administrative investigations.

New Motor Vehicle Board: The primary objectives of this Board are to enhance relations between the dealers and manufacturers throughout the state by resolving disputes in the new motor vehicle industry in an efficient, fair and cost-effective manner and to assist consumers in mediating disputes with dealers and manufacturers.

Administration: The Administration Program provides services to support programmatic responsibilities of the department including executive, administrative, legal, legislative, policy, and information support. Support services include accounting, budgeting, facility maintenance and operations, human resources, mail operations, printing services, procurement and contracting, training, and labor relations.

WORKFORCE CAP

The Governor's Budget includes an adjustment to reflect the \$24.5 million and 213.6 positions eliminated in the 2011 Workforce Reduction cap.

NON-CONTROVERSIAL BCP PROPOSALS

DMV's budget includes several BCP Proposals for which the committee received no feedback from the public, staff or LAO:

- **Implementation of AB 1215 (Blumenfield), Chapter 329, Statutes of 2011.** The Governor's Budget reflects a savings of \$1.8 million from the implementation of AB 1215, which requires vehicle sale and lease transactions by new vehicle dealers to be processed utilizing an outside business partner. It is expected that the bill will also increase the revenue from the corresponding transaction fees by \$5.7 million.

- **Operation Stonegarden Grant.** The Governor's Budget includes \$521,000 reimbursement authority to allow DMV to continue to participate in the Operation Stonegarden Grant, a cooperative agreement with the federal Department of Homeland Security and the San Diego Sheriff's Office. In 2010-11 DMV's participation resulted in 255 felony arrests along the San Diego Border.

STAFF COMMENT

The Department will provide an update on the following questions:

Mission:

- Describe the purpose of your agency, department fulfills. Provide information on the process by which it was established.

Organizational Structure:

- Provide any pertinent history regarding organizational changes that have occurred or are planned within Caltrans.
- Provide an organizational chart and discuss the major functional units of the agency.

Budget:

- What is the total agency budget?
- Detail revenue by category. Provide a dollar amount and indicate the percentage of the total revenue represented by each category.
- Detail expenses by category. Provide a dollar amount and indicate the percentage of the total expenses represented by each category.
- How do you define administrative costs? What items are included in administration? What percent of the total expenses would be identified as administrative costs?

Personnel:

- How many authorized positions are there for the agency?
- How many of those are currently filled? What has been the vacancy rate over the past two years?

Staff believes that the Budget Change Proposals listed in this agenda item are non-controversial and recommends approval.

Staff Recommendation: Adopt BCP proposal identified in the agenda.

ISSUE 2: DMV REGISTRATION FEE

The Governor's budget proposal reduces vehicle registration fees by \$5 for DMV customers who complete vehicle registration renewal transactions through the mail, Internet, phone, business partners, auto clubs, or Self-Service Terminals.

BACKGROUND

The Governor's budget proposes to incentivize DMV customers to complete vehicle registration renewal transactions in ways other than visiting a field office by providing a \$5 discount (from \$43 to \$38). The intent of this proposal is to reduce wait times and congestion at DMV field offices by reducing the total number of vehicle registration renewal transactions that staff at field offices must process.

The Governor's budget assumes that this proposal would result in a 10 percent decline in field office vehicle registration renewals. Such a decline would reduce the amount of Motor Vehicle Account (MVA) revenue collected in the budget year by \$75 million and by about \$100 million each year thereafter. DMV estimates that this proposal would result in savings of about 19 positions and \$531,000 in 2012–13, and 25 positions and \$706,000 in 2013–14.

The Department states that it believes that reductions made to DMV staffing through unallocated cuts and workforce cap reductions will allow the DMV to absorb the \$100 million reduction to MVA revenue without additional reductions in DMV staffing or operations.

COMPARISON OF DELIVERY METHODS

The highest cost vehicle registration transaction compared to other alternatives is for a vehicle owner to go to a field office.

Below is a comparison of the various renewal methods:

Average Transaction Cost by Delivery Method**Vehicle Registration Renewals**

Delivery Method	Cost
Field office	\$14.74
Self-Service Terminals	\$9.63 (Estimated cost)
Phone	\$7.84 (Includes credit card fee)
Internet	\$5.93 (Includes credit card fee)
Business Partners	\$4.37 (Private business are authorized to add additional charges)
Mail	\$3.57
Auto Club	\$3.04

From 2010-2011, 23 percent of vehicle registration renewal transactions occurred in field offices. Even though there are various delivery methods for registration renewals, the percentage of field office transactions has remained stable for several years:

Transactions by Delivery Method

Vehicle Registration Renewals

Fiscal Year	Mail	Field Office	Internet	Auto Club	Business Partners	Phone
2007–08	13,350,945	7,255,692	5,051,057	3,019,798	387,347	253,196
2008–09	11,756,201	7,402,845	5,824,576	3,050,544	460,523	174,404
2009–10	11,340,977	7,051,173	6,707,508	3,015,596	546,322	123,022
2010–11	9,871,197	6,228,268	6,749,406	3,386,255	666,882	136,519

Vehicle Registration Renewals

Fiscal Year	Mail	Field Office	Internet	Auto Club	Business Partners	Phone
2007–08	46%	25%	17%	10%	1%	1%
2008–09	41%	26%	20%	11%	2%	1%
2009–10	39%	24%	23%	10%	2%	0%
2010–11	37%	23%	25%	13%	2%	1%

LAO RECOMMENDATION

The LAO finds that the Governor's proposal could improve DMV's efficiency by reducing customer wait times and minimizing congestion in field offices. However, the LAO recommends changing registration fees to better incentivize use of less costly transactions by:

- 1) Increasing vehicle registration fees by \$7 (from \$43 to \$50) for customers that use the much more expensive services of field office staff to renew their vehicle registrations and;
- 2) Reducing vehicle registration fees by \$2 (from \$43 to \$41) for customers who complete vehicle registration renewal transactions using the much less expensive alternatives—through the mail, Internet, phone, business partners, auto clubs, or Self-Service Terminals.

The LAO's recommended approach would result in a minimal decline in Motor Vehicle Account (MVA) revenues of \$1.4 million in 2012–13 and \$1.8 million each year thereafter.

STAFF COMMENT

These are some key points and questions to consider:

- When deciding whether or not to favor some delivery methods over one in particular, it is important to discuss if each of these delivery methods are equal and if they should be treated the same.
- The reasons for DMV customers to choose to go to a field office to complete their transaction also need to be considered. Last minute renewals and cash customers are some primary reasons for people to choose to go to a field office. So, should these customers be punished for choosing to complete their registration renewal at field offices? What are the dynamics that should be looked into?
- Since the Governor's proposal is incentivizing a change in behavior, how much difference does a \$5 discount make? In other words, at what price point will DMV customers complete vehicle registration renewal transactions in ways other than visiting a field office? It would be useful to discuss the utility of such a discount in terms of what impact other states have seen by raising fees and/or providing discounts.
- Is it more advantageous to not give a \$5 discount and instead keep the \$100 million in the Motor Vehicle Account (MVA)? Given that other departments utilize the MVA revenue, it is important to consider the impact of this decision on all transportation programs. For example, MVA is \$1.7 billion of the revenue for CHP's \$1.9 billion proposed budget.

Staff Recommendation: Hold Open

Issue 3: DMV TECHNOLOGY, INFRASTRUCTURE, AND PROCESS IMPROVEMENT PROPOSALS

DMV has several technology, process, and infrastructure proposals in the Governor's budget that are intended to help avoid future costs by enabling the existing infrastructure to meet a growing demand for DMV services.

BACKGROUND

The budget contains several proposals from DMV that will shape the future of the department. DMV expects that in the future, continued growth in customers will strain their existing infrastructure—eventually leading to packed waiting rooms and long lines for services that force DMV to make expensive infrastructure expansions. DMV intends to make investments to its office appointment system and driver's license system in an attempt to make the existing customer experience more streamlined and efficient.

Investment in Office Appointment System

Currently, DMV customers can schedule a field office appointment prior to their visit by using the CAS process. Specifically, CAS allows field office staff and telephone service center staff to make appointments for DMV customers and allows customers to self-schedule certain appointments through the Internet. The department established the CAS in the mid-1980s and added the online function in 2001.

DMV's allows customers to make DMV field office appointments through the Internet. In addition to CAS, the department maintains a computer-based customer queuing system that keeps record of real-time workload information, so that field office managers can make staffing adjustments throughout the day to meet customer needs. Currently, these two systems do not interface. However, the Governor's budget requests an augmentation of \$250,000 in 2012-13 to begin the process of modernizing and combining CAS and the department's customer queuing system into one IT system. This new project would use an Internet-based system to manage customers and reduce the amount of time they have to wait at a DMV field office. According to the administration, the intent of the proposal is to reduce the number of customers that visit field offices during peak hours (typically Monday morning, the lunch hour, and workdays immediately following a holiday). The proposed project is estimated to be completed in 2015-16 at a total cost of \$15.7 million. The department intends to fund \$4.2 million of the project with existing resources and request the remaining \$11.5 million in future budget requests (including the \$250,000 being requested in the Governor's 2012-13 budget). Annual ongoing costs for the project are estimated to be \$400,000.

Expand Automated Knowledge Testing Statewide.

Currently, individuals can complete driver licensing exams electronically—rather than by paper—at a limited number of DMV field offices. The Governor's budget for 2012-13 proposes \$4.2 million in federal funds to expand this automated testing capability to all field offices, which would result in the installation of additional testing terminals throughout the state. The proposal is intended to improve customer service by reducing the amount of time it takes to administer driver license tests, which would effectively reduce wait times at DMV field offices. The total cost to complete the project is estimated to be \$9.7 million, with the plan that most of it will be

funded with federal funds. The department estimates that the project would result in staff savings of about \$1 million and 20 positions upon full implementation beginning in 2014–15.

Budget Proposes Various Infrastructure–Related Projects

The Governor's budget requests a total of \$3.4 million in one–time funding for DMV to consolidate, relocate, and replace several of its facilities. Specifically, the budget proposes:

- \$760,000 for DMV and the Department of General Services (DGS) to plan for the consolidation of the Palmdale and Lancaster field offices. The project was initially approved in the 2010–11 budget, but funds were reverted in 2011–12 due to project delays.
- \$873,000 for the department to work with DGS to relocate the San Francisco investigations office because the current lessor will not renew DMV's current lease. The budget also includes \$147,000 for rent and other ongoing expenses, such as utilities and telecommunications costs.
- \$2 million to (1) relocate the Escondido field office because the lessor will not renew the lease; and, (2) support planning activities to relocate the Newhall, Reedley, and Santa Maria field offices due to service capacity deficiencies. The DMV will submit additional funding requests for the Newhall, Reedley, and Santa Maria field offices once DGS has determined whether to pursue leases and/or purchase property to replace these particular field offices.
- \$20,000 to establish a consolidated Commercial Driver License (CDL) center in Northern California. Specifically, the proposal would consolidate the Modesto, Stockton, Vallejo, West Sacramento, and Yuba City CDL activities into one office. According to DMV, new federal regulations require that the department provide additional space to conduct commercial driver tests. The department plans to close the current West Sacramento CDL center and put it on the state's surplus property list to be sold or leased.
- \$562,000 to fund the working drawings phase of the Grass Valley field office replacement project. The 2011–12 budget included funding for the preliminary plans of this project. The total cost of the project is estimated to be \$7.7 million.

STAFF COMMENT

These budget proposals hint to DMV's view of its future. Clearly, the department is looking for strategies to handle continued growth in customers and transactions. The Subcommittee can use this opportunity to hear more about DMV's long-term strategy for addressing future challenges.

Staff Recommendation: Adopt the budget change proposals identified in the agenda.
