

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 5 ON INFORMATION TECHNOLOGY AND TRANSPORTATION

ASSEMBLYMEMBER DEAN FLOREZ, CHAIR

**WEDNESDAY, APRIL 14, 1999
STATE CAPITOL, ROOM 127
4:00 P.M.**

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2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system of more than 15,200 miles of highways and freeways. Caltrans also provides rail passenger services under a contract with Amtrak and provides support to local airports. The Governor's budget proposes \$7.9 billion for 1999-00, an increase of \$1.5 billion, or 23 percent, over revised current-year funding. The proposed budget also includes an increase of personnel years by 439.1 to 20,449.7, an increase of 2.2 percent.

ISSUE 1: HIGHWAY BEAUTIFICATION

During the March 10th hearing, Subcommittee No. 5 adopted Supplemental Report Language requiring Caltrans to report on the beautification of needs of rural state highways throughout rural areas of the State.

During discussion of the issue, subcommittee members suggested that Caltrans also evaluate the need for beautification along state highways in urban areas.

COMMENTS:

The subcommittee should adopt separate Supplemental Report Language requiring Caltrans to report on the need for highway beautification needs along state highways in urban areas.

ISSUE 2: CAPITAL OUTLAY SUPPORT

The Governor's proposed budget includes \$902.8 million for capital outlay support in the budget year. This amount actually reflects a six percent reduction from current year expenditures for capital outlay support. This is due to a technical realignment that shifts resources away from capital outlay support and to project planning. The 1998-99 Budget Act provided 1,953 additional capital outlay staff for Caltrans.

LAO recommends Supplemental Report Language directing Caltrans to provide information on staffing and expenditures on project planning work in order for the Legislature to have a more complete picture of resources needed to deliver projects.

It is anticipated that Caltrans' capital outlay support budget will be adjusted to account for new projects being programmed by the 1998 State Transportation Improvement Program amendment which is expected to be adopted by the California Transportation Commission (CTC) this month.

BACKGROUND:

The 1998 STIP programmed transportation projects totaling \$4.6 billion over the six-year STIP period. Since the adoption of the 1998 STIP, additional resources have been identified for transportation projects. This includes \$860 million in previously unanticipated federal funds and \$740 million in revised estimates of projects' cash flows and reserves.

COMMENTS:

Subcommittee No. 5 heard this issue during the March 10, 1999 hearing. At that time, the capital outlay support budget was held open pending an updated request to address the amendment to the 1998 STIP amendment.

No new information has been provided by Caltrans, the update is expected to be contained in the Governor's May Revision.

The LAO recommends the following Supplemental Report Language to ensure the Legislature receives information regarding resources used for project planning in Caltrans' annual report on capital outlay support:

In its annual report to the Legislature on capital outlay support staffing and expenditures, the Department of Transportation shall separately identify the staffing and expenditures for project planning work, including work on project study reports (PSRs) and project scope and summary reports (PSSRs).

ISSUE 3: PROJECT SCOPE AND SUMMARY REPORT STAFFING

The Governor's budget proposes approximately \$18 million for Project Scope and Summary Report (PSSR) staffing. The LAO originally recommended this portion of Caltrans' budget be cut by \$8.9 million. Since the LAO's analysis, Caltrans has provided additional information supporting the proposed funding for PSSRs. The LAO now recommends approval of the full amount but also recommends Supplemental Report Language regarding PSSRs.

BACKGROUND:

PSSRs are done on all potential State Highway Operation and Protection Program (SHOPP) which programs transportation rehabilitation projects.

The Governor's budget includes enough funding for 266 personnel year equivalents (PYE). Each PSSR requires approximately ½ a PYE to complete.

COMMENTS:

The LAO will provide the proposed Supplemental Report Language at the hearing.

ISSUE 4: PROJECT STUDY REPORTS

The budget includes \$18.9 million for 287 PYEs for project study reports (PSRs). A PSR is required on all transportation projects to be eligible for programming in the STIP.

BACKGROUND:

Currently, there is approximately \$1.8 billion available to be programmed in a 1998 STIP Amendment. As a result, there should be a need additional PSRs.

However, the California Transportation Commission (CTC) is currently in the process of abbreviating the PSR process for projects that are programmed for environmental phase during the 1998 STIP period. The PSRs for acquisition and construction phases will not be done during the 1998 STIP period. As a result the full amount budgeted for PSRs may not be needed.

COMMENTS:

Subcommittee No. 5 heard this issue during the March 10, 1999 hearing. At that time, the issue was held open until Caltrans can provide a new estimate of PSR need. However, the LAO now recommends approval of funding for PSRs despite some of the PSRs will be scaled back to cover only the environmental phases certain projects. This is due to Caltrans demonstrating PSR workload still justifies the full funding of \$18.9 million for PSRs.

ISSUE 5: FINANCE LETTER – LOCAL ASSISTANCE REAPPROPRIATION

The Department of Finance has submitted a finance letter requesting the following reappropriations to extend the liquidation period by one year and allow project completion for four Environmental Enhancement Mitigation Fund grants. Each of the projects are underway.

- \$371,000 for Old Town San Diego Historic Park, which was delayed due to litigation that has been resolved.
- \$191,000 for Henry Coe State Park, which has been delayed due to higher-than-expected bids caused by a heavy rain season. The project is scheduled for re-bid with the expectations of an improved bidding climate.
- \$200,000 for Olompali State Historic Park, which was delayed due to National Environmental Policy Act (NEPA) requirements.
- \$200,000 for McKerricher State Park / Pudding Creak, which was also delayed due to NEP requirements.

COMMENTS:

Caltrans should provide information supporting the finance letter at the hearing.

ISSUE 6: FINANCE LETTER - CAPITAL OUTLAY

The Department of Finance has submitted a finance letter requesting the following adjustments to the proposed capital outlay budget:

- A reduction of \$11,000 for the preliminary plans and working drawings phases for the Eureka District Office Building.
- An increase of \$778,000 for the construction phase of Phase II of the Headquarters Office Building fire/life safety improvements.
- The recognition of future construction costs of the Redding Office Building seismic retrofit to be \$401,000.

COMMENTS:

Caltrans should provide information supporting the finance letter at the hearing.

ISSUE 7: SAN DIEGO OFFICE – CAPITAL OUTLAY (INCLUDES FINANCE LETTER)

The Governor's proposed budget includes Budget Bill Language providing Caltrans the opportunity to enter a lease-with-option-to-purchase agreement with a private developer for the construction of a new San Diego office building. The Department of Finance has submitted a finance letter that makes technical changes to the language. The LAO recommends that other, more cost-effective alternatives be considered rather than lease-with-option-to-purchase.

BACKGROUND:

The proposal for a new San Diego office results from the current state-owned Caltrans facility in San Diego not being able to hold all employees. Currently, Caltrans leases space in ten other building in San Diego.

In addition, the cost of seismically retrofitting the current Caltrans building in San Diego would be \$38.1 million, while the estimated cost of acquiring a new facility capable of holding all employees is \$43 million.

COMMENTS:

Subcommittee No. 5 held this issue open when it was first heard during the March 10, 1999 hearing. At that time the Department of Finance was asked to provide a spreadsheet comparing the cost of the financing options for the San Diego office building.

The potential options for a new San Diego office building include the following follows:

- Lease-with-option-to-purchase. This is Caltrans current request. This allows for a speedy completion of the project but is potentially more expensive due to having to pay commercial interest rates and contract prices that provide a profit for the builder. The LAO reports that the interest rate for commercial interim and permanent financing is around eight percent.
- Direct appropriation from the State Highway Account. This would be the least expensive option because not finance costs would be needed. However, this option would take funds away from programmed STIP projects.
- Lease revenue bonds. With this option the State builds the project with bond funds and then pays of the bonds over time. According to the LAO, the current interest rate on lease revenue bonds to be around five percent. The Department of Finance recommends that should lease revenue bonds be used, initial financing should be done with a direct appropriation from the SHA.

2720 CALIFORNIA HIGHWAY PATROL(CHP)

The California Highway Patrol (CHP) is responsible for ensuring the safe, lawful, and efficient transportation of persons and goods along the state's highway system, and providing protective services and security for state employees and property.

The Governor's budget proposes \$885 million for support of the CHP, an increase of \$52 million, or 6.2 percent, over revised current year funding. In addition, the proposed budget includes \$20.4 million for capital outlay projects.

ISSUE 1: INFORMATION TECHNOLOGY PROJECTS

The Governor's proposed budget includes funding for a number of information technology projects for the CHP. Since the release of the budget, Governor Davis issued Executive Order D-3-99 which, among other important points, directs agencies to "defer commencing any new non-Year 2000 computer project that is not required by law;..."

Consistent with the Governor's leadership, the subcommittee expects to hold open all information technology proposals in the budget until it is clear that Year 2000 compliance will be obtained. As a result, the following CHP information technology proposals will be held open:

Patrol Officer Environment Automation Project	\$3,700,000
Telecommunications Infrastructure	\$3,200,000
Increased Cost for Software License Agreements	\$400,000

BACKGROUND:

Patrol Officer Environment Automation Project (POEAP): The Governor's budget proposes a \$3.7 million augmentation for the implementation of the final phase of the POEAP, which places laptop computers in CHP vehicles., automates CHP forms, and adding communication functionality. The benefits of the POEAP include enhanced patrol Officer efficiency and increased public safety by increasing Officers' actual patrol time.

Telecommunications Infrastructure: The Governor's budget proposes: \$1.5 million for radio microwave enhancements to ensure reliable and complete mobile radio coverage for the CHP throughout the State; \$67,000 for rising radio site rent costs; \$660,000 for additional radio site development in remote areas where radio communications are unavailable; \$500,000 for replacement to replace the simulcast radio systems over a three year period in Los Angeles, San Diego, San Bernardino, and Vallejo, which have exceeded there useful life expectancy; and \$475,000 to replace CHP Communications Center telephone systems with updated equipment.

Increased Cost for Software License Agreements: The Governor's budget proposes \$400,000 to address the escalating costs associated with the purchase of software license agreements, which are required prior to the installation and use of most software products.

COMMENTS:

Subcommittee No. 5 heard this issue on March 3, 1999 and held open the information technology requests pending information from the Department of Information Technology regarding the CHP's Year 2000 efforts.

It is not known precisely when DOIT will be able to provide information regarding the CHP's Year 2000 efforts, and therefore funding for the projects could be approved subject to being reopened should the Subcommittee receive information from DOIT that the CHP is not on track with its Year 2000 efforts.

ISSUE 2: ACCOUNTS PAYABLE UNIT TEMPORARY POSITIONS

The Governor's proposes \$43,000 to hire temporary help for the CHP's Accounts Payable Unit. The temporary help is necessary to ensure invoice processing is done within a statutory timeframe.

BACKGROUND:

The California Prompt Payment Act requires that state agencies submit invoices to the Controller's Office for payments to vendors for goods and services by the 35th calendar day after the postmark date of the invoice.

The workload associated with processing invoices has increased for a number of reasons, including increased number of automotive repairs, the merger with the State Police, and the addition of several facilities.

COMMENTS:

Subcommittee No. 5 heard this issue at the March 3, 1999 hearing. At that hearing, the CHP stated the \$43,000 augmentation would be sufficient to address the inventory backlog. Nonetheless the issue was held open by the subcommittee.

ISSUE 3: FINANCE LETTER – 911 CELLULAR WORKLOAD

The Department of Finance has submitted a finance letter requesting an increase of \$612,000 in reimbursement authority and 14 positions to address the increased cellular 911 calls.

BACKGROUND:

The CHP acts as the primary answering point for all cellular 911 calls. With the increased use of wireless phones, the workload associated with the 911 calls has continued to steadily increase.

The CHP receives reimbursements from the 911 Emergency Telephone Program funding through the Department of General Services.

COMMENTS:

Currently, the CHP's budget provides \$2.2 million and 53 operators to handle cellular 911 calls.

The Department of Finance estimates that the cellular 911 workload will continue to grow at an annualized rate of 36 percent.

While the CHP is mandated by statute to receive all wireless 911 calls, approximately 25 percent of wireless CHP calls do not properly belong to the CHP. The CHP should report at the hearing regarding the status of various pilot projects that are being done throughout the State that direct 911 calls directly to local law enforcement agencies.

ISSUE 4: FINANCE LETTER – SALARY INCREASE

The Department of Finance has submitted a finance letter requesting an increase of \$25.8 million for basic agreement and \$2.3 million for overtime blanket costs.

The Legislature recently approved the salary increase for uniformed officers that was negotiated with Governor Davis' Administration.

The agreement provides 1) a five percent salary increase effective July 1, 1998; (2) a two percent salary increase effective November 1, 1998; (3) an increase in retirement benefit limit from 80 to 85 percent effective January 1, 1999; (4) increased funding for health, dental, and vision care; (5) a change from a flat rate to 6.25 percent of hourly salary for half-hour lunch pay; and (6) increased senior officer differential pay.

COMMENTS:

For the past two years, Subcommittee No. 5 has attempted to provide salary increases for uniformed officers through the budget bill, however each time the efforts were ultimately vetoed by Governor Wilson.

ISSUE 5: FINANCE LETTER – PROTECTIVE SERVICES PROGRAM STUDY

The Department of Finance has submitted a finance letter requesting \$70,000 to fund the CHP's portion of a Department of Finance study of the funding for the Protective Services program.

The Protective Services Program provides protection for state dignitaries, such as the Governor and legislators, as well as state personnel and property. Until the current year, the program was funded from reimbursements from state agencies based upon a formula using total floor-space occupied by state agencies. In the current year, the CHP began using a formula based upon the number of budget personnel of state agencies.

COMMENTS:

The LAO identified this issue in their analysis of the CHP's budget. The LAO recommended that the budget provide a direct appropriation for the Protective Services Program rather than having the program being funded through reimbursements.

The Department of Finance's study will enable the Administration to effectively address the concerns of the LAO.

ISSUE 6: FORENSIC SERVICES FUND SHIFT ADJUSTMENT

The Department of Finance has submitted a finance letter requesting an increase of \$85,000 to reimburse the Bureau of Forensic Services for forensic services. This conforms with as request to increase the Department of Justice's budget by \$12.4 million for services provided by the Bureau of Forensic Services for local governments' and special fund agencies.

COMMENTS:

This is an important issue to local governments that opposed the Governor's original proposal to pass these costs on to local governments.

ISSUE 7: CAPITAL OUTLAY – INCLUDING FINANCE LETTER

The Governor's budget includes a total of \$20.4 million for a number of capital outlay projects for the CHP. The Legislative analyst reports that five of the projects, which are to be managed by the Department of General Services, should be deferred as a result of the current backlog of DGS managed projects. In addition, the LAO recommends that two of these projects not be funded because adequate justification and information has not been presented.

The Department of Finance has submitted a finance letter requesting the following changes to the Governor's proposed budget:

- Increases of \$6,000 for preliminary plans and \$10,000 for working drawings for the Willows office alterations project.
- Increases of \$1,263,000 for acquisition and \$23,000 for preliminary plans and a deferral of \$96,000 for working drawings for the South Lake Tahoe replacement facility project. According to the Department of Finance, the increase results from previous acquisition estimates being based on out-of-date cost comparables.
- Increases of \$132,000 for acquisition and \$59,000 for preliminary plans and a deferral of \$220,000 for working drawings for the Monterey replacement facility.
- Increase of \$209,000 for a new minor capital outlay project at the Bishop Communications Center.
- Increase of \$24,000 for the El Cajon office alterations project to reflect an increase of \$9,000 for working drawings and an increase in the acquisition phase of \$313,000, which was erroneously budgeted the preliminary plan costs, which has a corresponding offset of \$298,000.
- Increase of \$5,000 for preliminary plans and \$8,000 for working drawings of the South Sacramento office alterations project.

BACKGROUND:

In response to the Governor's January 10 budget, The LAO recommended the following projects be deferred because of the current backlog of DGS managed projects:

El Cajon Area Office	\$422,000
South Sacramento Area Office	\$189,000
Willows Area Office	\$158,000

Additionally, the LAO recommended the following projects not be approved because insufficient documentation supporting the projects have not been provided by the CHP:

South Lake Tahoe Area Office	\$1,151,000
Monterey Area Office	\$1,579,000

COMMENTS:

The Department of General Services has attempted to address the concerns raised by the LAO through the finance letter process. Several projects originally scheduled to begin construction in the budget year have been deferred because they would not meet the schedule to begin construction as scheduled.

2740 DEPARTMENT OF MOTOR VEHICLES (DMV)

The Department of Motor Vehicles' (DMV) responsibilities include protecting the public interest in vehicle ownership by registering vehicles and promoting public safety on roads and highways by issuing driver licenses. In addition, the DMV licenses and regulates vehicle-related businesses and provides revenue collection services for state and local agencies. The Governor's budget proposes \$617 million for the DMV, a decrease of \$21 million, or 3.4 percent, below revised current year spending.

ISSUE 1: INFORMATION TECHNOLOGY PROJECTS

The Governor's proposed budget includes funding for a number of information technology projects for the DMV. Since the release of the budget, Governor Davis issued Executive Order D-3-99 which, among other important points, directs agencies to "defer commencing any new non-Year 2000 computer project that is not required by law;..."

Consistent with the Governor's leadership, the subcommittee expects to hold open all information technology proposals contained in the budget for the DMV until it is clear that Year 2000 compliance will be obtained by the department.

BACKGROUND:

The following DMV information technology proposals will be held open:

VLF Trigger Computer Upgrades for Flexibility	\$891,000
Vehicle Registration System, Alternative Procurement of Vender	\$984,000
Telephone Service Center Upgrade	\$4,598,000
Financial System Redesign	\$4,900,000
Business Process Reengineering, fourth year	\$857,000
Business Partner Automation Program Pilot	\$0
On-line Appointment Scheduling System on DMV Web Site Pilot	\$180,000
Prototype development for Self Service Device Pilot	\$20,000
Redesign Interactive Voice Response System Pilot	\$100,000
Computer Based Data Collection and Management Queuing System	\$285,000
Internet E-Mail Request for Refunds	\$79,000

COMMENTS:

Subcommittee No. 5 heard this issue on March 3, 1999 and held open the information technology requests pending information from the Department of Information Technology regarding the DMV's Year 2000 efforts.

It is not known precisely when DOIT will be able to provide information regarding the DMV's Year 2000 efforts, and therefore funding for the projects could be approved subject to being reopened should the Subcommittee receive information from DOIT that the DMV is not on track with its Year 2000 efforts.

ISSUE 2: DATABASE REDEVELOPMENT

The Governor's proposed budget includes funding for the DMV to continue the development and installation of new systems for the DMV's three mission critical systems: occupational licensing; vehicle registration; and driver licensing.

The Legislative Analyst's Office has concerns that the DMV continues to set time frames for these projects that are unrealistic. The projected timelines provided by the DMV in 1998 are not being met.

BACKGROUND:

Between 1998 and 1994, the DMV attempted to update and redevelop its aging database systems. The project ultimately ended in failure, after \$50 million had been spent on the project. Since that time, the DMV has worked to meet the need update its computer databases by simultaneously pursuing three projects to update the three mission critical systems.

COMMENTS:

The DMV expects to finish alternative procurement of the vehicle registration system in May 2000 and expects to being the alternative procurement of the driver license system in March 2000. Based on the recent track record of not meeting deadlines, it is likely this overlap of three months will increase.

The LAO recommends the following Budget Bill Language to ensure the procurement for the driver license system does not begin until procurement of the registration system is complete.

The Department of Motor Vehicles shall not expend any resources in alternative procurement activities related to its driver license database redevelopment until the Department of Information Technology certifies to the Joint Legislative Budget Committee and the Legislature's fiscal committees that the Department of Motor Vehicles has completed the alternative procurement for the vehicle registration database.

The LAO recommends the following Supplemental Report Language to enable the Legislature to monitor and hold the DMV accountable for the progress in the redevelopment of its databases.

The Department of Motor Vehicles shall report to the Joint Legislative Budget Committee and the Legislature's fiscal committees no later than December 1, 1999, and quarterly thereafter, its projected dates for completion of each major segment of its projects to replace its occupational licensing, vehicle registration, and driver licensing database systems. The department shall include in each report the estimated cost of each identified segment. The department shall include explanations for any deviations in its estimates from the previous report.

ISSUE 3: VEHICLE LICENSE FEE REDUCTION COMPUTER REPROGRAMMING

The Governor's budget includes \$891,000 for the DMV to continue reprogramming efforts as a result of the 25 percent reduction to the Vehicle License Fee (VLF). The reduction can increase if the State's revenue meet specified targets. The DMV requests funding to upgrade its computers to accommodate potential additional cuts.

The LAO recommends funding to make these additional changes (\$668,000) not be approved because it is unlikely that the State's revenues will meet the specified targets and in any event, the DMV is in the process of redeveloping the vehicle registration systems and upgrades to a system being replaced may prove meaningless.

COMMENTS:

The DMV is spending a total of \$1.9 million in the current year to accommodate the 25 percent VLF reduction. In the unlikely event the revenue targets are met, the DMV can once again address the issue at that time.