

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

Assemblymember Pedro Nava, Chair

**WEDNESDAY, APRIL 6, 2005
4 PM, ROOM 127**

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PROPOSED CONSENT**ITEM 0840 OFFICE OF TRAFFIC SAFETY**

The Office of Traffic Safety (OTS) administers the California Traffic Safety Program. Under the provisions of state law, the office conducts a wide range of activities designed to reduce deaths, injuries and property damage that result from traffic accidents. Activities include: (1) developing the California Highway Safety Plan, which identifies major traffic safety problems, appropriate countermeasure programs and available state and federal funds; (2) administering funds to state and local governmental entities in the form of project grants; and (3) coordinating statewide traffic safety programs and activities. The nine priority areas of traffic safety are alcohol and drugs, occupant protection, pedestrian and bicycle safety, traffic records, emergency medical services, roadway safety, police traffic services, motorcycle safety and speed control.

The Governor's proposed budget includes a total of \$84.8 million (no General Fund) for OTS, an increase of \$35,000 above current year.

COMMENTS:

No issues have been raised with this budget.

ITEMS TO BE HEARD**ITEM 2720****DEPARTMENT OF HIGHWAY PATROL**

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 proposed budget includes \$1.4 billion (no General Fund) to fund 7,285 officers and 3,278 support staff, an increase of \$44.1 million and 5.5 positions above current year.

**ISSUE 1: PROPOSED CONSENT / VOTE ONLY – LAO: WORKER'S
COMPENSATION & INDUSTRIAL DISABILITY RETIREMENT**

The California Highway Patrol's workers' compensation costs have increased by approximately \$40 million since fiscal year 1996-97. In 2003-04, CHP spent \$68 million for the treatment of job-related injuries sustained by employees. The department's worker's compensation costs are made up of several components, but medical costs account for the largest portion of this expenditure (\$30 million).

Uniformed personnel who can no longer perform the duties of their job due to work-related injuries are eligible for an industrial disability retirement (IDR). IDR is normally preceded by an employee's receipt of workers' compensation benefits. Unlike regular service retirement, IDR retirees do not pay state or federal income taxes on half of their annual pension amount.

In recent years, roughly two-thirds of retiring uniformed employees received an IDR, with chiefs accounting for the highest IDR rate in the department (about 80%). The CHP's average annual percentage of IDRs is higher than the entire Public Employees' Retirement System (PERS) public safety group.

In response, CHP conducted a study of workers' compensation and IDR, which included an audit of every IDR taken by uniformed staff between January 2000 and June 2004, as well as a sample of workers' compensation claims. In November 2004, CHP released a report entitled *Worker's Compensation and Disability Retirement within the CHP*. One of the major findings was of 982 retirements by CHP uniformed staff since 2000, over 60 percent of rank-and file officers and about 80 percent of chiefs received an IDR

COMMENTS:

The Legislative Analyst's Office believes there should be further examination of worker's compensation and IDR within the CHP. The department has agreed to conduct two reports. The first will examine the reason for the disparity in IDR rates between chiefs and lower-ranking uniformed personnel. Secondly, CHP will report its established goals

and performance measures to reduce costs and claims associated with workers' compensation and industrial disability retirement.

ISSUE 2: BCP #7 – VOTE ONLY – INCREASE ADMINISTRATIVE SUPPORT

CHP is responsible for all of the administrative support services for the Business, Transportation & Housing Agency (BTH), including accounting, budgeting, personnel, and employee relations activities. Currently, CHP has a reimbursable interagency agreement with BTH for 6.0 positions.

Effective January 2004 BTH assumed programmatic responsibility for Technology, Trade & Commerce Agency (TTC), which administered 6 programs. The department is requesting to increase its administrative staff and support to absorb the increased workload. Specifically, the administration requests reimbursement authority of \$480,000 and 5.5 additional positions

COMMENTS:

Of the requested positions, 2.0 positions currently reside in BTH's budget, but are under the direction and supervision of CHP. The remaining 3.5 positions are currently limited-term positions funded by reimbursement for BTH.

ISSUE 3: BASELINE BCP – ADMINISTRATION COST

The Administration included in CHP's baseline budget a total increase of \$10.6 million to cover price increases in the following areas:

- \$4.0 million for gasoline,
- \$1.4 million for vehicles,
- \$4.6 million insurance,
- \$600 thousand for interagency services.

This \$10.6 million "baseline BCP" price adjustment was in addition to the standard "Price Letter" inflation adjustment of \$6.6 million.

COMMENTS:

1. The CHP indicates that the standard "Price Letter" inflation increase was not adjusted down to account for CHP-specific inflation adjustments. Therefore, \$1.2 million of the total inflation adjustments are duplicative.
2. The fuel estimation in BCP #7 is insufficient to cover escalating fuel cost in the budget year. CHP recently revised their fuel cost estimation based on March 8, 2005 prices and found that the amount would exceed the BCP request by \$1.3 million.

ISSUE 4: BASELINE BCP- OVERTIME PAY

Overtime pay – Augmentation. The Administration increased CHP's overtime budget by \$5.4 million as a baseline adjustment. This adjustment is in addition to employee compensation augmentations. The CHP indicates this adjustment is not intended to fund additional overtime hours, but rather fund the cost-increase for baseline overtime hours.

COMMENTS:

CHP recently reported that the usage of overtime in the first seven months of the current year is less than the overtime usage in budget year 2003-04. However, the department contends that the trend will not continue throughout the year and is just an irregularity.

ISSUE 5: CAPITOL OUTLAY – CONSTRUCTION PHASE

CHP is requesting \$4.5 million to complete the construction phase for two area offices, Williams and San Diego.

The first construction request is for \$4.3 million to replace the CHP Williams Area office, which was extensively damaged by a fire on February 25, 1999. Since the incident, operations have been relocated to a modular building on Caltrans property in the City of Williams. In September 2004, CHP received five bids for the construction phase. The lowest bid was \$754,450 higher than the amount of CHP's previous construction appropriation (\$2.97 million in 2003). The higher bids resulted from price increases in steel and lumber, factors that were not anticipated when the funds were initially calculated and approved.

The second construction request is for \$215,000 to renovate an existing 30 year-old facility, which will provide an additional 3,200 square feet of office space. The remodel is necessary to accommodate increased staffing levels and storage requirements, as well as to comply with the Americans with Disabilities Act (ADA) of 1990.

COMMENTS:

The projects are in the final stages of completion. The William has already received state resources in previous budget years (approximately \$4 million).

ISSUE 6: CAPITOL OUTLAY – PLANNING PHASE

CHP is requesting \$3.7 million to complete the planning phase of two area offices: Santa Fe Springs and Oakhurst.

The Santa Fe Springs project is requesting \$3.2 million for site acquisition and development of preliminary plans. Two additional project components will request additional funding in the out years: working drawings development (\$649,00) and construction cost (\$8.7 million). The Department of General Services (DGS) estimates the total project cost at \$12.6 million.

The Oakhurst project is requesting \$50,000 to reimburse DGS for a study to assist in the development of a future capitol outlay project. The future project will address the shift in resident population in the Oakhurst Area, which called for the establishment of a

new command to provide a more efficient response and enforcement presence in the HWY 41 corridor.

COMMENTS:

The requested amounts for these projects only cover initial project cost. The Legislature's action will represent legislative approval or disapproval of the entire project. Approval of these projects will result in additional requests in the future budget years.

ISSUE 7: CAPITOL OUTLAY – LEASE PURCHASE

CHP is requesting \$2.4 million to purchase a leased facility in Los Angeles. The department occupied the built-to-suit Area office in January 2003. The lease agreement allowed for the acquisition of the facility after January 1, 2005.

COMMENTS:

The department notes a facility savings of \$2.4 million when compared to the cumulative cost of remaining rent payments. However, the savings will be offset by maintenance and repairs costs.

ISSUE 8: USAGE OF NON-SWORN PERSONNEL (LAO)

In January 2005, the LAO released a report entitled *California Highway Patrol: Enhancing Road Patrol Services*. The report found that workload increases for the CHP have outpaced growth in road patrol officers and have limited the department's ability to conduct proactive patrols. Further, they recommend a number of actions to enhance the department's patrol services, including (1) steps to reduce officer paperwork,

- (2) pilot testing the use of non-sworn staff for non-enforcement road patrol duties and
- (3) redirecting certain uniformed staff to road patrol duties.

CHP agrees with the LAO analysis regarding the department's workload and the need to increase proactive patrols. However, they disagree with several of the LAO suggestions; either because they reduce CHP's service to the public, require technological upgrades, threaten public safety or diminishes community relationship.

COMMENTS:

The CHP and LAO have been working together to address the need for increased efficiencies. Additionally, CHP is committed to reviewing internal operations to reduce departmental hindrances to increasing proactive patrols, such as decreasing the amount of paperwork for non-injury accidents and personnel restrictions on backfilling vacant positions with non-sworn officers.

ITEM 2740**DEPARTMENT OF MOTOR VEHICLES**

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, as well as protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The DMV also collects various fees that are revenues for the Motor Vehicle Account.

The Governor's proposed budget includes a total of \$762.33 million (no General Fund) and 8,256 positions for the DMV for the 2005-06 budget year, an increase of \$7.3 million and 2.8 positions above the current year.

ISSUE 1: REIMBURSEMENT - APPROVED MANDATE CLAIM

Administrative License Suspension (ALS) became effective on July 1, 1990. Generally, ALS authorizes law enforcement, on behalf of the Department of Motor Vehicles (DMV), to immediately seize a valid California driver's license from a motorist arrested or detained for driving under the influence of alcohol or drugs (DUI), to immediately serve

an order of suspension or revocation, and to issue a temporary driver's license to the driver.

The Commission on State Mandates determined that these activities by local law enforcement agencies on behalf of the DMV are a state-reimbursable mandate. The commission also adopted a statewide cost estimate of approximately \$10 million to reimburse claims filed by local agencies for fiscal years 1997-98 through 2002-03.

The DMV is requesting \$1.5 million to be added to their baseline budget. Likewise they are requesting \$10 million for the Motor Vehicle Account to cover mandate costs from 1997-98 through 2004-05.

COMMENTS:

The Commission on State Mandates warns that the cost estimates for ALS may increase in future years due to a higher number of agency claims. According to the DMV, only 35 percent of the state's eligible claiming entities filed reimbursement claims for this program in fiscal years 2001-02 and 2002-03. Included in the number of entities without claims are San Diego, Sacramento, Santa Ana and San Jose Police Departments.

ISSUE 2: BCP - WOOSLEY V. DMV

Woosley v. DMV consist of six cases involving class-action lawsuits where plaintiffs sought refunds for Vehicle License Fees (VLF) assessment on vehicles initially registered outside of California and reclassified to avoid future VLF increases. The California Supreme Court found that the DMV incorrectly assessed the VLF, thereby violating the Commerce Clause of the United States Constitution.

Since April 1999, DMV has received 148,950 "Woosley" refund claims. In their June 2000 Statement of Decision, the Superior Court specified the refund criteria and adopted the Common Class Index (CCI) to determine overpayment amounts.

The Administration is requesting \$1.5 million to fund the administrative and legal costs.

COMMENTS:

In 2003-04 and 2005-06, the DMV absorb Woosley costs averaging \$1.1 million, by delaying various purchases, maintenance and other department operations. Furthermore, the Woosley case has yet to be settled. Remaining issues include attorney fees settlement, claims processing, issuance of refund checks and denial letters, and processing of the VLF suspension records rejected from processing in 2002.

ISSUE 3: WORKLOAD TRANSFER (LAO)

The Department of Motor Vehicles has the authority to suspend, restrict or revoke the driver license of unsafe ("high risk") motorists. These include motorists who are arrested for driving under the influence of alcohol (DUI) or have accrued a large number of moving violations (negligent operators). The largest group of high-risk drivers are comprised of individuals that may not be physically or mentally able to safely operate a vehicle.

DMV operates driver safety branches, separate from the 167 customer-service field offices, to determine whether or not high risk motorists should have the driving privileges revoked. Because of increased workloads and wait times, the LAO contends the DMV's ability to provide timely investigations and evaluations of potentially unsafe drivers has been reduced.

Current law states that individuals that have had the license temporary suspended because of a DUI must have an administrative hearing within thirty days. However, in 2003-04 only 8 percent of the cases were heard within the thirty day timeframe. To combat this trend, DMV has implemented a number of efficiencies and utilized required staff overtime to reduce delays. In December 2004, 250 department staff worked a combined 4,300 hours of overtime (17 hours per employees).

To aid the department in their effort, the LAO recommends transferring the negligent operator case from the 12 safety branches to the 167 field offices. Negligent operators account for approximately 10% of the safety branch workload.

Negligent operators are low risk drivers in the unsafe motorist category. They include motorists that accrue an excessive number of moving violations or cause multiple traffic accidents with a certain period of time, or have received written notification from DMV that their driving privileges will be suspended or revoked within 30 days.

COMMENTS

The DMV agrees with the LAO assessment that further actions need to be taken in order to decrease hearing delays for high risk drivers.

The DMV has absorbed the additional costs for the required overtime by increasing department efficiencies. However, they are still evaluating the department's ability to

continue absorbing the cost. If they can not, the waiting times for hearings would once again increase.

ISSUE 4: BCP - FIELD OFFICE RELOCATION

The administration requests one-time funding of \$781,000 to relocate three existing field offices in the community of Rocklin, Poway and Riverside East. The department is force to relocate the field offices because the site owners are refusing to renew the DMV's lease.

COMMENTS

According to the DMV, it is extremely rare that department is not able to maintain a lease. The majority of the relocation cost will be renovating the new sites to accommodate the function of the field offices.

In accordance with the department's Five Year infrastructure Plan, DMV is moving forward with the relocation project as straight leases based on the criteria that the service field offices are in need of a facility that is less than 11,000 square feet.

ISSUE 5: CAPITOL OUTLAY

DMV renovation of its Sacramento Headquarters is a fire and life safety project that will abate the hazardous materials on the third floor within Building East. Due to market instability caused by rising material and labor costs, the lowest bid was 41 percent higher than the total appropriation for the budget. The administration is requesting \$11.2 million for the sixth of eight major projects.

The DMV is requesting \$100 thousand to provide budget package preparation, architectural programming and studies for proposed capital outlay projects for the department.

COMMENTS

The DMV Sacramento Headquarter has two additional floors that require abatement. Cost for the remaining projects should be slightly higher do to inflations and market conditions. DMV will seek funding for those projects in budget years 2006-07 and 2007-08. The cost for all three remaining projects should be similar.

DMV is seeking funding for infrastructure planning. The additional resources will enable the department to study statewide demographic and population trends in order to adequately provide services in the future.