

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
On Transportation and Information Technology

Assemblymember Bob Blumenfield, Chair

WEDNESDAY, MAY 13, 2009, 4:00 PM
STATE CAPITOL, ROOM 127

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CONSENT ITEMS

ITEM 2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: SPECIALTY BUILDING FACILITIES APPROPRIATION

The Administration requests an appropriation of \$56.0 million (State Highway Account) in 2009-10 for specialty building facilities such as equipment shops, maintenance stations, material labs, and traffic management centers – these facilities are part of the SHOPP approved by the California Transportation Commission. The Budget Act includes a separate item of appropriation for better transparency and budget tracking.

Provisional language in the Budget Act restricts expenditures for specialty facilities to the amount specifically appropriated for that purpose in the “303” appropriation item. Specifically, language in the main SHOPP appropriation (the “302” item) says “*No funds appropriated in this item are available for expenditure on specialty building facilities.*” Despite this prohibition, SHOPP documents indicate the Department is spending funds from the “302” item on specialty facilities (specifically for right-of-way acquisition).

Part of the reason for the separate specialty facilities appropriation is to make sure that the Department appropriately prioritizes on-road investments and off-road investments. For example, good highway pavement would generally be a higher priority than good pavement at an employee parking lot at a maintenance station. Caltrans and the CTC also recognize this prioritization and in recent years have deferred certain specialty facility projects; however, these deferrals are not recognized in the budget request. With the amount approved in 2009 Budget Act and carry-over funds from prior years, there is about \$108 million available for specialty facilities expenditures in 2008-09 and 2009-10. However, discussions with Caltrans suggest the Department may only obligate about \$77 million through June 2010. This would suggest an excess of about \$31 million. Caltrans requests that a contingency of \$20 million be maintained for a project in litigation and for possible cost overruns.

COMMENTS

Updates from Caltrans: Caltrans indicates that they inadvertently scheduled right-of-way funding for specialty facilities in the wrong appropriation item – so the amount of \$3.7 million should be shifted to the correct item. Additionally, Caltrans believes the appropriation could be reduced by \$11.2 million and still provide sufficient funding for all planned projects and for a prudent contingency of \$20 million.

Staff Recommendation: Reduce the specialty facilities’ appropriation by \$11.2 million to tie funding to planned projects and a prudent contingency reserve. Approve a technical shift to correctly budget right-of-way for specialty facilities.

ITEMS TO BE HEARD

ITEM 2740 DEPARTMENT OF MOTOR VEHICLES

The mission of the Department of Motor Vehicles (DMV) is to effectively and efficiently serve the public by:

- Registering vehicles to identify and authorize use, and titling vehicles to establish ownership interest for consumer protection.
- Licensing and regulating the motor vehicle industry and licensing drivers to protect consumers and promote traffic safety.
- Establishing true identity to ensure the validity of licensed drivers and identification card holders, and securing personal information for consumer protection.

ISSUE 1: DRIVERS LICENSE (DL) /IDENTIFICATION (ID) CARD CONTRACT

The Administration requested \$11 million (Motor Vehicle Account) and 16 new positions to implement a new driver license/identification/salesperson card production contract. The cost of the proposed contract is \$63 million over 5 years.

The Administration submitted a Control Section 11.00 request on January 14, 2009 to sign the proposed contract, but the Joint Legislative Budget Committee (JLBC) rejected this request to allow for further discussion of issues through the budget process. The funding for the project in the 2009-10 budget was also removed, without prejudice, to continue those discussions. An associated \$3 increase in DL/ID fees is discussed separately in issue #2.

DMV's current card contract expires on June 30, 2009. The Department indicates it can extend this contract to June 30, 2010, but that the vendor is unwilling to extend the existing contract beyond June 30, 2010, due to aging equipment that is at risk of failure. DMV did complete the Request for Proposal (RFP) procurement process, and the winning bidder, a company called L1, is also the vendor for the existing contract.

New ID Features:

The new contract would include the use of biometric technology as part of the card issuance process. Automated biometric matching is not part of the current DMV procedure. The new card would additionally include the new "2-D bar code" encrypted technology required by the Real ID regulations. The 2-D bar code would not include any information not printed on the front of the card and not on the existing magnetic stripe. DMV indicates the proposed contract would not include "Real ID Compliant" markings, and that they would intend to proceed with a contract amendment if Real ID is implemented. The card would not use radio frequency (RFID) technology.

Privacy concerns:

Some concerns have been raised about the potential access to this new data. Existing law restricts the availability of this data, but allows law enforcement use and specified use by other government agencies. The extent to which law enforcement may have access to this data is not clear. Current technology only allows a "one-to-one" match,

such as matching a fingerprint to a single individual. The biometric piece of the proposed contract, however, may allow a "one-to-many" search, where law enforcement could provide a picture and request it be compared to the entire DMV database. DMV states this is not their intent. Existing law on the subject is not clear, as these sections of code were written and adopted prior to the existence of biometrics.

Additionally, there are concerns due to the fact that the vendor producing the cards will hold all the proposed data in their own databases. The Committee may wish to ask the Department for assurances of the safety measures in place to ensure the proper storage and access restrictions are imposed by the vendor.

Biometrics:

Biometrics technology is the computerized matching of an individual's personal characteristics against an image or database of images. Initially, the system captures a fingerprint, picture, or some other personal characteristic, and transforms it into a small computer file (often called a template). The next time someone interacts with the system, it creates another computer file (often called a sample), and compares it to the original template or tries to find a match in its database. Because every sample is a little different, biometrics really asks whether the sample is similar enough to the template.

The DMV believes the new biometric technology will help reduce fraud. When a person applies for a card, the new photo image of the applicant will be checked against all existing photo images (one-to-many) to help identify a person who fraudulently has cards under multiple names. The fingerprint would be checked against the file fingerprint (one-to-one) and also to track the individual across multiple stations at the DMV field office (i.e. the person who submitted the paperwork is the same person who takes the new photo). The ability to use the photo biometric matching against the existing database is uncertain – DMV indicates the technology may only adequately function with higher-quality images that the new system would capture.

Many of the concerns raised with this proposal have centered around the inclusion of biometric technology.

LAO:

The LAO raises privacy concerns with regards to the biometric technologies. They state it is unclear whether statute provides sufficient privacy protections and restrictions regarding the use of biometric technologies. The laws concerning DMV and the data they store were all developed prior to the advent of biometrics, and thus did not anticipate the need to address such information.

Further, the LAO questions the cost benefit of this technology. The Department is unable to identify how much of the total contract cost is related to the biometric software. Nor was the Department able to specifically identify the benefit (amount of fraud protection) that would be achieved. The Department cites other states receiving 5-10 percent reductions in fraud, but the LAO prefaces that statement by pointing out that California already has one of the most secure cards (and card issuance processes) in the nation, so we may not see similar impacts.

COMMENTS

During review of the Section 11.00 letter in January, considerable concern was raised by privacy advocates over the use of biometric technology. The Department was not able to specify how much could be saved on the contract by eliminating the biometric portion. Without a specific cost associated with biometrics, it is difficult to evaluate the benefits of the technology vs. the costs.

Staff concurs with the Department that a new DL/ID card contract is necessary. A new contract needs to be authorized soon to avoid a possible lapse in contracts, but that authorization should ensure that the new card is consistent with the intent of the Legislature. The primary concern to be addressed is whether or not to allow the DMV to include Biometric technology in the new contract. The Subcommittee could:

1. Approve the funding and contract as proposed.
2. Approve the funding and contract but adopt language to prohibit biometric matching technology from being included in the contract.
3. Approve the funding and contract as proposed, but amend statute related to privacy to ensure data and information are not used for purposes other than those specified by DMV as necessary to prevent fraud internally.

The Committee may wish to wait to take action on this item to give the Department an opportunity to provide the committee with costs of implementing biometrics, and the quantified benefits of the investment.

The Committee may also wish to ask for detailed information regarding the security of the data stored with the vendor, and the specific process by which outside entities must request access to data, who can request it, and what they can get access to.

Specifically, the Department should focus on any gaps in state statute that could potentially allow for excessive access to data for outside entities.

Questions:

What is the specific cost of the biometric aspect of this contract?

How will this proposal reduce the number of fraudulent ID's produced? How many does the DMV estimate exist, and what is the cost benefit of implementing this technology vs. the number of fraudulent ID's it will eliminate?

How will this technology prevent fraudulent ID's? How accurate is the technology?

What is the process for law enforcement to request data? What data are they able to receive direct access for?

ISSUE 2: FEE INCREASE FOR CARD CONTRACT AND REAL ID

The Governor's budget proposal requested a \$3 fee increase for DL/ID cards. This fee revenue would go to the Motor Vehicle Account to fund the costs associated with the proposed DL/ID contract (Issue #1) and Real ID staffing (to be discussed after May Revise). The new fee would result in about \$25 million in annual. Trailer bill language to implement this fee increase was excluded from the adopted 2009 Budget Act package to allow further legislative review.

COMMENTS

This item should conform to final actions taken on the DL/ID contract and Real ID requests. The Department identified approximately 2/3 of the fee increase as attributable to the new IDL/ID contract and 1/3 attributable to the Real ID request.

ISSUE 3: DMV IT PROJECTS

The DMV has a challenging number of medium to large information technology (IT) projects that were approved for funding in prior years and are underway. There are eight projects either recently-completed or ongoing with a total budgeted cost of about \$350 million. The largest project is the IT Modernization project, which will incrementally upgrade the DMV core systems with new system hardware and software. DMV’s core system is a 40-year old mainframe system and a replacement project failed in the 1990s with a sunk cost of approximately \$50 million. The LAO table below briefly summaries the projects.

Department of Motor Vehicles (DMV)—Information Technology Projects

Project Description	
Recently Completed Projects	
Document Imaging and Storage Replacement	Replaced the document imaging, storage, and retrieval system with five digital scanners and related storage capacity.
Remittance System Replacement	Replaced all components of the system with new equipment and new system hardware and software.
Telephone Service Center Replacement	Replaced the nine independent telephone systems in use in the Telephone Service Centers with a single virtual system.
Continuing Projects	
Information Technology Modernization	Will incrementally upgrade the DMV core systems with new equipment and new system hardware and software.
Financial Responsibility	Will develop an in-house system to track vehicle compliance with insurance requirements, and suspend vehicle registrations for lack of compliance.
Real ID ^a	Will expand DMV’s driver license and identification card system name fields to improve security and enhance Web site to enable customers to conduct more business transactions online.
International Registration Plan (IRP) System Replacement	Will replace existing obsolete computer system for processing commercial vehicle registration and electronic payment and distribution of commercial vehicle registration fees among IRP member jurisdictions.
Driver License/Identification/Salesperson Contract	Will select a vendor to continue driver license, identification, and salesperson card issuance, including the addition of various security components.

^a This project does not implement the federal Real ID Act. It is comprised of two projects—the Expanded Name Field and Web site Infrastructure System projects—that would make it easier for California to comply with the act.

COMMENTS

As indicated on the prior table, DMV has completed three of the projects. While the projects were delayed up to 10 months in completion, they were all successfully completed with an overall cost savings relative to initial estimates. The LAO table below indicates original and revised costs for all eight projects, as well as schedule slippage.

Department of Motor Vehicles' Information Technology Projects: Changes in Cost and Schedule

(Dollars in Millions)

	Project Cost Estimates				
	Original Cost	Revised Cost	Change		Delay in Completion
			Actual	Percent	
Completed					
Document Imaging and Storage Replacement	\$6	\$4	-\$2	-29%	5 months
Remittance System Replacement	8	7	-2	-20	10 months
Telephone Service Center Replacement	19	22	3	16	8 months
Continuing					
Information Technology Modernization ^a	\$242	\$208	-\$34	-14%	None
Financial Responsibility	19	19	—	—	None
Real ID	35	43	8	23	28 months
International Registration Plan System Replacement	8	11	3	32	16 months
Driver License/Identification/Salesperson Contract	11	34	23	198	19 months

^a While the completion date for this project has not been officially changed, recent reports indicate the project is currently about six months behind schedule.

The LAO indicates that while the Department has experienced some delays and cost variations, it has done a relatively good job in implementing its IT projects. The projects are still within the total amount appropriated by the Legislature. Moreover, at the time this analysis was prepared, none of the projects appeared to be at risk of failure. Nonetheless, given the number of continuing projects, and the fact that the most costly project (ITM) is still several years from completion, it is important that the Department use all available tools to assure these projects stay on schedule and budget.

LAO Recommendation: The Department should report on:

- The steps it is taking to manage its staff resources so that different projects within DMV are not competing for staff resources,
- Any recent or planned changes in its IT management approach to encourage better planning and coordination of IT projects among affected programs,
- Its use of oversight consultants and potential improvements in this regard that could achieve better IT project outcomes, and
- Efforts it will make to encourage staff to use the enterprise tools developed by the Enterprise Wide Oversight Consultant (EWOC) to improve project oversight.

Staff Comment: This item was included in the agenda partly to remind the Committee and public that while the state often has IT failure posted on the front page, there are many successes that are not mentioned. That being said, there are still significant amounts of work to be done on these projects. The Committee would appreciate continued updates on the remaining projects, particularly the IT modernization project to continue to track DMV's progress in these efforts.