

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

Assemblymember Pedro Nava, Chair

WEDNESDAY, MAY 17, 2006
ROOM 127 – 1:30 PM

CONSENT CALENDAR

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PROPOSED CONSENT

ITEM 1955**DEPARTMENT OF TECHNOLOGY SERVICES**

The Department of Technology Services (DTS) serves the common technology needs of Executive Branch agencies and other public entities with accountability to customers for providing secure services that are responsive to their needs and represent best value to the state. The Technology Services Board provides governance and guidance to the DTS.

With the May Revision, the Governor proposes a total of \$237 million for DTS.

ISSUE 1: FINAL REVISED BUDGET

The revised proposed budget includes:

- A budget year increase of \$4 million (Revolving Fund) (and \$17.7 million in the current year) to support the Child Welfare Services/Case Management System (CWS/CMS) application hosting move to the Department of Technology Services.
- A budget year increase of \$15.6 million (Revolving Fund) to support workload increases in the areas of mainframe processing capacity, enterprise storage management services, mid-range systems capacity and replacement, and network workload growth.
- A May Revision proposal to reduce the budget by \$1.1 million (Revolving Fund) to reflect savings from the consolidation of the Teale and Health and Human Services data centers.

ITEM 2720 CALIFORNIA HIGHWAY PATROL

ISSUE 1: REVISED BUDGET PROPOSALS

The Governor's revised budget proposal includes the following two changes for the California Highway Patrol:

- Additional reimbursement authority of \$800,000 to reflect increase costs associated with expansion of the Freeway Service Patrol (FSP) program.
- Reduction of a total of \$1.2 million to reflect the revised self-insurance assessment for CHP vehicles.
- Additional reimbursement authority \$509,000 and 4 positions, to reflect the increased oversight and supervisory costs associated with the increased levels of security at the Elihu Harris State Office Building in Oakland.

ITEM 2740

DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: REVISED BUDGET PROPOSALS

The Governor's revised budget proposal includes the following changes for the Department of Motor Vehicles:

- **Document Imaging and Storage Replacement.** Spring Finance Letter proposes an increase of a total of \$4 million for funding to replace 12 microfilm cameras that will be used to scan approximately 72 million registration and driver license documents per year.
- **Telephone Service Center Equipment Replacement System.** Spring Finance Letter proposes an increase of a total of \$3.4 million to provide funding to replace the existing telephony platform in the DMV's Telephone Service Centers with a voice over internet protocol platform.
- **Information Technology Modernization.** Spring Finance Letter proposes an increase of a total of \$2.1 million to provide funding to modernize DMV's aging core systems used to support its Driver License, Occupational License, and Vehicle Registration programs.
- **Driver Safety Augmentation.** Spring Finance Letter proposes an increase of \$220,000 to provide partial funding for 29.7 positions to address Driver Safety Branch workload (the rest of the cost will be redirected from existing resources).
- **DMV Enterprise-wide Oversight Consultant Plan.** May Revision proposes an increase of \$1,288,000 to provide funding for the procurement of an Enterprise-wide Oversight Consultant vendor to provide oversight services for a portfolio of key DMV Information Technology (IT) projects.

ITEM 2660

CALTRANS

ISSUE 1: SPRING FINANCE LETTER

The Governor's revised budget proposal includes the following changes contained in a Spring Finance Letter:

- 1. Federal Transportation Act – Adjustments to the Mass Transportation Budget.** The Administration requests an augmentation in federal fund expenditure authority of \$442,000 and 5.0 three-year limited-term positions to administer two new federal grant programs established by the federal Safe, Accountable, Flexible, and Efficient Transportation Equity Act-Legacy for Users (SAFETEA-LU).
- 2. Federal Transportation Act – Adjustments to the Local Assistance Support Budget.** The Administration requests an augmentation of \$3.2 million (primarily State Highway Account) and 33.0 positions (28.0 three-year limited-term and 5.0 one-year limited-term) to administer federal grant programs revised and/or added by the Safe, Accountable, Flexible, and Efficient Transportation Equity Act-Legacy for Users (SAFETEA-LU).
- 3. Federal Transportation Act – Adjustments to the Traffic Operations Budget.** The Administration requests an augmentation in State Highway Account expenditure authority of \$231,000 and 2.0 three-year limited-term positions for the development and implementation of a federally required State Strategic Highway Safety Plan (Plan). Without a federally-approved Plan, the state may lose \$90 million annually in federal safety funds.
- 4. Project Resourcing and Schedule Management.** The Administration requests budget actions to provide a total of \$11.6 million for the Project Resourcing and Schedule Management (PRSM) information technology (IT) project, which will improve employee timekeeping in the Capital Outlay Support program by allowing more accurate reporting of employee time spent by individual project. The request is split between an appropriation of \$4.5 million (special fund) and a reappropriation of \$7.1 million. The total request ties to the amount originally approved for the project by the Legislature in the 2001 Budget Act.

5. **Technical Corrections to the Governor's Budget.** The Administration requests various technical budget adjustments to correctly reflect: 2006-07 adjustments for past-year budget actions; current BCP requests; and other technical-type budget shifts.
6. **Fleet Insurance Rate Decrease.** The Administration requests a budget reduction of \$1.1 million to reflect a lowered assessment for fleet insurance costs negotiated by the Department of General Services. The revised cost for Caltrans is \$7.0 million, which is \$1.1 million less than the funding provided for this purpose in the Governor's Budget.

ISSUE 2: MAY REVISION PROPOSALS

The Governor's revised budget proposal includes the following changes contained in the May Revision:

1. **Tort Settlements.** The May Revision requests that Item 2660-001-0042 be increased by \$12.2 million to provide additional funding for Caltrans to pay tort settlements. The current funding level of \$41.1 million has been insufficient for five of the eight past years. The requested augmentation is based on a five-year average of what Caltrans has actually expended on tort settlements.
2. **Expenditure of Increased Proposition 42 Revenue.** The May Revision forecast provides for an increase of \$13,559,000 in Proposition 42 revenues, for a total estimated 2006-07 Proposition 42 transfer of \$1.42 billion. We request increases to the following capital outlay and local assistance items to reflect the expenditure of these additional revenues to fund additional transportation projects:
 - Increase Item 2660-302-0046 by \$1,356,000.
 - Increase Revenue and Taxation Code Section 7104 by \$2,061,000 for local assistance.
 - Increase Revenue and Taxation Code Section 7104 by \$8,786,000 for capital outlay.
 - Increase Item 2640-101-0046 by \$1,356,000.
3. **Special Transportation Programs.** The May Revision requests that Item 2640-101-0046 be increased to reflect the increase in anticipated revenues from diesel fuel sales tax and Proposition 42, as referenced in Caltrans Issue 308. This request would increase the funding for this item by a total of \$36,172,000, including \$34,816,000 from increased diesel fuel sales taxes and \$1,356,000 from Proposition 42 revenues. (This item may need to be further adjusted in accordance with other actions of the subcommittee).

ITEM 2665 HIGH SPEED RAIL AUTHORITY

The California High-Speed Rail Authority (HSRA) was created in 1996 to direct the development and implementation of inter-city high-speed rail service. The HSRA has completed its business plan, initial financial plan, and a program environmental impact report (EIR). Current law places a proposition on the November 2006 ballot to provide \$9.95 billion in general obligation bonds for high-speed rail and related rail projects. The total cost to build the entire system was most-recently estimated at \$37 billion.

ISSUE 1: PROPOSED BUDGET

The Governor proposes \$1.3 million (Public Transportation Account) in total expenditures for the HSRA, a decrease of \$3.9 million from the current-year budget. The decrease is due to the completion of projects with one-time funding – specifically two projects were funded in the 2005 Budget Act: a “next-tier” program EIR on the Central Valley to Bay Area route alignment and an updated financial plan.

COMMENTS:

Currently, a \$9.95 billion General Obligation bond is scheduled for the November ballot, which if passed by the voters would provide the first phase of construction funding for the high-speed rail network.

However, the Governor's so called "Strategic Growth Plan," which called for \$68 billion in new General Obligation bonds over the next 10 years, assumes legislation will be enacted that indefinitely delays the High Speed Rail Bond.

In the bond package that has passed the Legislature, projects were approved that could benefit the High Speed Rail network.

Therefore, it is appropriate to continue funding for the High Speed Rail Authority.

ITEMS TO BE HEARD**ITEM 2720 CALIFORNIA HIGHWAY PATROL**

ISSUE 1: ENHANCED RADIO COMMUNICATIONS

The Governor's proposed budget requests approval of a five-year project with a total cost of \$494 million, \$57.1 million for 2006-07, to replace the CHP's radio communications hardware and software.

COMMENTS:

This issue was discussed during a Joint Subcommittee Hearing on Emergency Preparedness.

The CHP's existing system is old, risks failure, and inhibits improvements. While the CHP is in need of a new radio system, it is critical that the new system is interoperable with other state and local emergency response agencies.

The LAO has identified an estimating error that overstates 2006-07 costs by \$760,000 for the Independent Verification & Validation (IV&V) vendor. The Administration concurs with the need for this correction.

ISSUE 2: 9-1-1 STAFFING

The Governor's proposed budget includes \$6.4 million for the partial year cost of 173 new positions to staff the 9-1-1- call centers. This issue was first heard in by Subcommittee #5 on March 29, 2006.

COMMENTS:

In total, the Administration proposes to double the size of the call-taking staff from 325 to 654 over a two year period. The ongoing annual costs for the 329 positions will be about \$19 million.

The LAO is concerned that, while a staffing augmentation is warranted, the proposal is not based on reliable data. The CHP has only had call accounting data since November, 2005.

Therefore, the LAO recommends that the proposal for a new call center staff be held open, and that the Administration resubmit the proposal with the May Revision. The LAO suggests the new proposal be based on the automated call-accounting data for all medium and large centers and that other center-dependent variables also be taken into consideration.

The CHP has been working with the new available data and hopes to have all the requested information prior to the hearing and therefore avoid putting action on the proposal until after the May revision.

The LAO should provide an update on their concerns regarding this proposal.

ITEM 2740 DEPARTMENT OF MOTOR VEHICLES**ISSUE 1: REAL ID ACT – MAY REVISION PROPOSAL**

The federal Real ID Act of 2005 requires that beginning in May 2008 all people that live or work in the United States possess a federally approved ID card.

The DMV reported on the Real ID Act at a hearing earlier in the year.

The May Revision request an increase of \$18,766,000 and 3.9 Positions (3.6 PYs) to provide increased funding to begin the planning, programming, and infrastructure development necessary for implementing the federal Real ID Act (Act) by May, 2008.

COMMENTS:

The Real ID Act sets minimum standards for the creation and issuance of driver license and identification cards that will be acceptable for official federal purposes, such as air travel and entering federal buildings.

The May Revision request has two components. The first component would add 36.4 positions and \$20,017,000 to comply with the Act's mandates of increased driver license and identification card security standards. The majority of positions will be used to establish a dedicated organization for ongoing planning, administration, implementation, and support of the Act, as well as programming and analysis of DMV's computer systems. The DMV proposes to begin work on its Real ID-related information technology systems by expanding the size of the name field to conform to Real ID requirements. The second component would allow the DMV to implement a web-based infrastructure that would enable it to move up to 2.2 million transactions out of the field offices annually once the system is fully operational in order to help make room for the additional field office visits from persons applying for Real IDs. Moving transactions out of the field offices will result in a savings of 32.5 positions and \$1,251,000.

The DMV should report at the hearing regarding why the appropriation is needed now, since the federal government has not issued final regulations and the state will need to pass implementing legislation at some point.

ITEM 2660 CALTRANS**ISSUE 1: CAPITAL OUTLAY SUPPORT - MAY REVISION PROPOSAL**

The Governor's May Revision contains the updated budget for Capital Outlay Support Project Delivery Workload.

The May Revision proposes a net reduction of \$39,343,000 and 412 full time equivalents, including 215 PYs, cash overtime (62 PY equivalents), and contract staff (135 PY equivalents). This request includes the transfer of \$8.1 million in savings from COS-Stormwater related activities to the Maintenance Program for litter removal and bridge paint containment.

COMMENTS:

In total, the May Revision funds capital outlay support at a level of about 89 percent for state staff and overtime and about 11 percent for contracting out.

The total staffing is reduced from earlier projections based on the delay of the sale of the Tribal Gaming Bond.

The budget for Capital Outlay Support may need to be adjusted in accordance with other subcommittee actions that may increase the workload for the budget year.

Due to attrition rates in capital outlay support as well as the significant workload in the near future for capital outlay support, the LAO recommends the following Supplemental Report Language:

Item 2660-001-0042 — Department of Transportation

Upon voter approval of the *Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006*, the Department of Transportation shall by March 1, 2007 provide the Joint Legislative Budget Committee with a multiyear plan for how it intends to position itself to efficiently utilize bond funds to deliver transportation projects. The report shall:

- Provide an estimate of the level of personnel resources that will be necessary to deliver transportation capital projects funded by the *Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006*. This estimate shall break out required personnel resources by fiscal year through 2010-11.

- Indicate the personnel-year-equivalent (PYE) composition, including number of state staff, student assistants, cash overtime, and consultants that the department estimates will be used to deliver these projects. The PYE composition shall be estimated for each fiscal year through 2010-11.
- Provide data on the attrition (rate and number) of capital outlay support staff, in particular engineering staff — by month for the 18 months preceding this report.
- Provide the department's plan for recruiting, training, and retaining employees with respect to anticipated attrition rates. Specifically, the report shall detail actions that the department will take to attract employees, cost effectively train its new workforce, and minimize attrition rates.

ISSUE 2: GAS TAX TRANSFER FOR GENERAL FUND DEBT RELIEF- MAY REVISION PROPOSAL

The Governor's May Revision proposes to shift over \$4.3 billion from gas tax revenues away from transportation and to assist the General Fund in repaying the recently enacted General Obligation Bonds over the next 10 years, including \$543.7 million in the budget year.

COMMENTS:

The funds the Governor proposes to shift to the General Fund purpose are generated from sales taxes collected at the pump. Generally, sales taxes on motor fuel are subject to Proposition 42. However, when the growth sales taxes on gasoline outpaces the growth of the rest of the sales taxes in the state, then the excess revenues are deposited in the Public Transportation Account.

The excess revenues are called "spillover" funds and are diverted to public transit to mitigate the added strain and increased demand on public transit systems when gas prices are high.

The Governor now proposes to use transportation taxes to repay the General Obligation bonds even though the Governor's original Strategic Growth Plan (SGP) explicitly stated that no transportation funds would be used to repay the bonds. The May Revision indicates that this proposal would make the bonds more affordable, but the bonds are already more affordable than what the Governor originally proposed – it does not make a lot of sense to say transportation funds are needed to make a \$37 billion bond package, when transportation funds were not proposed to be used to repay the SGP's original level of \$68 billion.

The transportation bond provides about \$4 billion for transit projects, but this proposal would take over \$4.3 billion away from public transit. The Legislature, in passing the bond, did not intend for it to be a net "take away" from public transit, but that is exactly what the Governor is now proposing.

If current law were to remain in place, then the Public Transportation Account would receive \$343.7 million, of which \$171.8 would go directly to the Special Transportation Programs budget, for local transit agencies.

ISSUE 3: PROP. 42 REPAYMENT – (INCLUDING MAY REVISION PROPOSAL)

The Governor's proposed budget includes the early repayment of \$920 million of the Proposition 42 funds that were suspended in 2004-05. The May Revision adds trailer bill language specifying the allocation of the proposed repayment.

COMMENTS:

Current statute requires the Proposition 42 loan from 2004-05 be repaid in the manner in which they would have been distributed in that year. The Governor's partial repayment proposal does not follow current law and instead provides no funds for public transit, less funds for the Transportation Congestion Relief Program, and more funds than permitted by current law for the STIP and for local streets and roads.

The Administration indicates the funds for local roads needs to get out immediately following the enactment of the trailer bill to address the damage to local roads due to recent storms. Interestingly, the Administration could pursue a current year appropriation through separate legislation to repay the funds early to local governments to address any pressing need, but the Administration has instead decided to wait until after the budget is passed – hopefully by July 1.

The Legislature recently passed SCA 7, which will be before the voters in November. SCA 7 establishes a Constitutional schedule to repay the outstanding General Fund debts to Proposition 42 over a 10 year period.

The following chart illustrates the Governor's divergence from current law:

\$920 Proposition 42 Loan Repayment (\$ in millions)		
	Current Statute	Governor's Proposal
Traffic Congestion Relief Program	\$678.0	\$410.0
Local streets and roads	\$96.8	\$255.0
State Transportation Improvement Program (STIP)	\$96.8	\$255.0
Public Transportation Account for State Transit	\$24.2	-
Public Transportation Account for STIP	\$24.2	-
TOTALS	\$920.0	\$920.0

ISSUE 4: SHORT TERM CONGESTION RELIEF PROJECTS – SPRING FINANCE LETTER

The Administration requests funding of \$40.3 million (State Highway Account - \$30 million one-time and \$10.3 million ongoing) and 9.0 positions to complete a number of projects over an 18-month period intended to provide short-term congestion relief in selected locations on the state highway system.

The Finance Letter indicates \$20 million in one-time funding would be used on the Interstate 210 corridor in Los Angeles (\$13.4 million for metering lights, \$1.3 million for new detection stations, \$5.3 million for consulting services including design-build). The Department notes this project would be a model for this type of traffic congestion relief strategy, which could later be expanded to other corridors.

The request includes permanent funding of \$6.2 million for the Freeway Service Patrol program. Of the amount requested, \$800,000 would be directed to the California Highway Patrol, for their administration of the program (conforming budget action is required for the CHP). The remaining \$5.4 million would fund an additional 108,000 tow-truck hours and assist approximately 90,000 motorists. By clearing disabled vehicles more quickly, this program relieves traffic congestion.

The remaining \$14.1 million (\$4.1 million ongoing) would fund various statewide projects to replace loop detectors, install changeable message signs, install other signal coordination equipment, and maintain existing equipment.

COMMENTS:

Caltrans indicates it has changed its implementation strategy since the Finance Letter was released to utilize traditional procurement instead of design-build. According to Caltrans, a statutory amendment would be needed to use design build, and the Department feels this particular project can be implemented at the same cost and within the same timeframe with traditional procurement.

Caltrans should report on why the \$20 million to support improvements to the 210 corridor in Los Angeles, was not requested through the normal SHOPP of STIP process with the California Transportation Commission.

ISSUE 5: CORRIDOR MOBILITY MANAGEMENT PROGRAM – SPRING FINANCE LETTER

The Administration requests one-time funding of \$5.0 million (State Highway Account) to further the development and implementation of Caltrans' Corridor Mobility Management Program (CMMP). Caltrans recently used existing budgetary authority to conduct a corridor management plan on Interstate 880 in the Bay Area. This request would produce a similar plan for segments of three additional corridors: I-405, I-580/205, and I-5.

COMMENTS:

Caltrans indicates that UC Berkeley produced the I-880 corridor plan at a cost of \$1.8 million. Caltrans assumes future corridor plans would cost approximately \$1.8 million each, whether they are produced through a UC campus or a private vendor. The Finance Letter indicates that the plans would determine exact causes and exact locations of traffic congestion and help identify, evaluate, and recommend exact infrastructure improvements and operational and management strategies to reduce congestion. The intent of these plans is to prioritize expenditures and create efficiencies – by producing higher levels of congestion relief per dollar spent. Caltrans indicates that the I-880 plan will not only help in planning future projects, but may also cause the local transportation authority to revise or reprioritize projects in various pre-construction stages.

The Finance Letter indicates that seven additional corridors have also been identified by Caltrans for this program. To complete all 10 corridors, the Legislature would have to approve additional one-time funding of approximately \$12.0 million. The \$5.0 million requested for 2006-07 is intended to be available to begin work on another of the seven corridors if the cost for the three requested falls below \$5.0 million.

The LAO should report their recommendation on this proposal at the hearing.