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Governor's May Revision: Funding for Local Law Enforcement Training and Traffic Amnesty Program

LEGISLATIVE ANALYST'S OFFICE





Background

- ☑ ***Court-Ordered Debt Payments Deposited Into Various Funds.*** Collection programs operated by trial courts and counties collect court-ordered debt. State law specifies how court-ordered debt revenue is distributed among various state and local funds—such as requiring that 70 percent of state penalty assessment revenues be deposited into the State Penalty Fund (SPF).

- ☑ ***SPF Supports Nine State Funds.*** The revenue deposited in SPF is distributed to nine other state funds. Two of these funds—the Peace Officers' Training Fund (POTF) and the Corrections Training Fund (CTF)—support training for law enforcement. The POTF serves as the primary funding source for the Commission on Peace Officer Standards and Training (POST), while CTF supports the Standards and Training for Local Corrections Program operated by the Board of State and Community Corrections (BSCC).

- ☑ ***Revenue in SPF Declining, Causing Shortfall in POTF and CTF.*** Revenue in the SPF peaked in 2008-09 at \$170 million and has steadily declined since to an estimated \$114 million in 2015-16. This decline in revenue has led to persistent operational shortfalls in the POTF and CTF. In 2015-16, these operational shortfalls—around \$10 million for POTF and \$4 million for CTF—will result in insolvency in both funds absent any corrective action.



Governor's Traffic Amnesty Proposal

- Reduces Debt for Participants.*** The May Revision proposes an 18-month traffic amnesty program that would provide individuals a 50 percent reduction in the debt owed for qualifying traffic infractions and misdemeanors if they pay the reduced amount in full or enroll in a payment plan. The program would begin October 1, 2015.

- Allocates SPF Amnesty Revenues to Address POTF and CTF Shortfalls.*** Amnesty revenues would go to state and local funds in accordance with state law—except for revenues deposited into the SPF, which would only benefit the POTF and CTF. The administration assumes the POTF and CTF will receive \$10 million and \$2 million, respectively.

- Reinstates Drivers' Licenses and Lowers Reinstatement Fee.*** Existing state law allows collection programs to suspend an individual's license on a one-time basis if the individual fails to pay. Programs typically require full payment before removing the suspension. The Department of Motor Vehicles (DMV) charges a \$55 fee to cover costs for reinstating a license. Under the proposal, collection programs would be required to remove license suspensions for all participants, as well as charge a \$35 reinstatement fee.

- Uses Different Method for Reimbursing Collection Costs.*** Currently, collection programs are generally allowed to recover most costs related to collecting delinquent debt (also known as cost-recovery). However, programs would not be able to cost-recover for amnesty collection activities. Instead, programs would only be allowed to charge amnesty participants a fee of up to \$50 to help offset their costs.



Governor's Traffic Amnesty Proposal (continued)

- Eliminates Civil Assessment for Participants.*** Currently, collection programs may impose a \$300 civil assessment on individuals who fail to resolve their traffic violations on time. Under the amnesty program, participants could not be charged such an assessment.

- Imposes New Responsibilities on Collection Programs.*** For amnesty participants paying in installments, collection programs would be required to (1) determine how much they can afford to pay monthly and (2) collect certain information for the Franchise Tax Board (FTB) so the board can collect any monies participants subsequently fail to pay. (The FTB would impose an additional charge to cover its costs.)

- Requires Outreach.*** Both Judicial Council and the DMV would be required to conduct specific outreach related to the amnesty program. For example, DMV must send amnesty program information with each vehicle registration renewal notice. All outreach costs are to be covered by Judicial Council.



LAO Assessment



Proposal Does Not Address Solvency of Funds

- **POTF and CTF Could Become Insolvent in 2015-16.** Under the Governor's plan, both the POTF and the CTF could become insolvent in 2015-16 because the amnesty program is unlikely to generate the projected amount of revenue. For example, the May Revision assumes a much higher rate of participation in the amnesty program than the state experienced in the 2012 amnesty program. In addition, only some of the revenues would be received in 2015-16.
- **Long-Term Solvency Problems Would Persist.** Because the amnesty program would operate for 18 months, it only provides short-term relief and does not address the long-term solvency of POTF and CTF. Additionally, the Governor's proposal does not address the long-term solvency of other funds supported by fine and fee revenue, many of which are also facing shortfalls.



Proposal May Not Fully Cover Collection Costs

- Replacing cost-recovery with a \$50 fee may only offset a portion of the collection programs' amnesty program operating costs. To the extent that the fee does not fully offset such costs—which could range in the millions of dollars of unfunded costs—courts and counties would need to redirect funding from other services.



Potential Loss of Revenue to State and Local Governments

- **Short-Term Impacts.** The proposed amnesty program may result in some debtors who otherwise would have paid in full instead paying only the reduced rate—resulting in less revenue for state and local governments. In addition, the elimination of the civil assessment for amnesty participants could result in the loss of revenue in the low tens of millions of dollars to trial courts and counties.



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- ***Long-Term Impacts.*** Offering another amnesty program within four years of the last program can result in individuals expecting that they will be offered regularly. Thus, individuals who would otherwise have paid their debt may choose to wait for another amnesty program. If the state offers another program, these individuals would pay a reduced amount. If a program is not offered, some may never pay. Both could ultimately decrease revenues in the future.



Legislative Options for Addressing POTF and CTF Shortfalls

- Adopt Amnesty Program.** If the Legislature wants to adopt an amnesty program, we recommend modifying the administration's proposal to partially mitigate our concerns. For example, the Legislature could (1) budget a lower amount of revenues from the program than reflected in the May Revision, (2) allow programs to cost-recover their operational costs and collect a portion of the civil assessment, or (3) require participants who sign up for a payment plan to pay a larger share of their debt in order to increase revenue.
- Consider Additional and Alternative Actions.** Regardless of whether an amnesty program is adopted, additional steps would need to be taken to fully address the insolvency in POTF and CTF. First, the Legislature could reduce expenditures for POST and BSCC. Second, the Legislature could redirect fine and fee revenue from programs deemed a lower priority and not supported by POTF and CTF .
- Improve Overall Collection and Distribution Process.** The Legislature could also make improvements to the state's overall collection and distribution process. For example, the Legislature could change state law to allow collection programs to impose a suspension more than once for a failure to pay. Programs would be able to lift the suspension as long as debtors are making payments. This would provide relief to debtors while giving programs the tools to ensure debtors continue to make payments. In view of the decline in court-ordered debt revenue in recent years, the Legislature may also want to comprehensively evaluate how this revenue is used and distributed, as well as restructure the existing collection process, as we recommended in a recent report.