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Motor Vehicle Account Overview

LEGISLATIVE ANALYST'S OFFICE

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Resources and Transportation

Hon. Richard S. Gordon, Chair





Motor Vehicle Account (MVA)



Background

- ***MVA Funds Come Largely From Vehicle Registration Fees.***
The MVA derives most of its revenues from vehicle registration fees. In 2010-11, these fees accounted for 91 percent of the estimated \$2.2 billion in MVA revenues. Other sources of MVA revenue include driver license and identification card fees, and a variety of other miscellaneous fees for special permits and certificates.
- ***California Highway Patrol (CHP) Receives Most of These Funds.*** The MVA revenues mainly support the activities of CHP (71 percent), Department of Motor Vehicles (DMV) (22 percent), and the Air Resources Board (5 percent).
- ***Recently MVA Funds Have Provided General Fund Relief.*** Since 2009-10, roughly \$70 million in MVA funds have been transferred to the General Fund annually to provide relief. In 2010-11, in addition to the transfer, a \$180 million loan of MVA funds was made to the General Fund that must be repaid within three years.



Key 2011-12 Budget Proposals

Motor Vehicle Account Summary of 2011-12 Expenditures			
<i>(Dollars in Millions)</i>			
Departments	State Operations	Capital Outlay	Total Expenditures
California Highway Patrol	\$1,700	\$71	\$1,771
Department of Motor Vehicles	525	13	538
Air Resources Board	107	10	117
Other	55	—	55
Totals	\$2,387	\$94	\$2,481

- Budget Proposes to Partially Repay 2010-11 Loan.*** The Governor's budget proposes total MVA expenditures of approximately \$2.5 billion in 2011-12, which is about \$30 million lower than the current-year estimate. The budget proposes the continuation of a transfer of roughly \$70 million from the MVA to the General Fund. The budget also proposes to repay \$40 million of the \$180 million loan made to the General Fund in 2010-11. The figure above shows the proposed MVA expenditures for the three main departments it funds.
- Lease for DMV Consolidated Commercial Driver License (CDL) Facility.*** The budget proposes that the state enter into a \$20,000 lease agreement to establish a consolidated CDL facility in Los Angeles to conduct testing for commercial drivers. The department currently has three CDL facilities in Escondido, San Bernardino, and West Sacramento. The department plans to establish several more throughout the state to improve customer service and result in more efficient operations. The Federal Motor Carrier Safety Administration has proposed new regulations to revise the CDL skill test. According to DMV these new skills test regulations would require the use of increased space, which the department does not have the capacity to absorb.



LAO Analysis

- Early Repayment of Loan Proposed Because Reserves Are Low.*** In the current year, a reserve of \$110 million is proposed for the MVA, an amount equivalent to the cost of one month of operations of MVA-supported departments. The budget proposes the same level of reserves for 2011-12. However, achievement of this reserve level is tied to the proposed early partial repayment of \$40 million of the loan.
- Reducing Demand for MVA Funds Could Help the General Fund.*** There are other ways to reduce the demand for MVA funds that would help to improve the MVA fund condition. This, in turn, could reduce the need to partially repay early the 2010-11 loan and could maximize the amount of funds available for General Fund relief.
- Demand for Towers for California Highway Patrol Enhanced Radio System (CHPERS) Project Less.*** According to the administration, CHP will achieve savings of at least \$7 million and likely more due to the need to build fewer towers in the current fiscal year as a result of capital outlay savings on the CHPERS project. The Legislature approved this project in 2006-07 to enhance CHP's radio interoperability with other public safety agencies and provide additional radio channels for emergency operation. The administration is still working to determine the actual amount of savings.
- Additional Savings Not Reflected in the Governor's Budget.*** In addition, the administration asserts that there will be some savings achieved in fiscal year 2011-12 from the four Personal Leave Program (PLP) days that non-uniformed staff in these departments will receive between July and October 2011. These savings are not reflected in the Governor's budget and are estimated to be approximately \$5.5 million combined between CHP and DMV.



LAO Analysis

(Continued)



Consolidated CDL Facilities Nice to Have, but Not Critical.

The new CDL facility could improve services and result in efficiencies within the department, but the facility is not a priority in the budget year. Federal regulations related to CDL skills testing have not been codified. Moreover, the proposed regulations allow for a three-year implementation period. We believe that funding for this facility could be approved in the future with minimal negative impacts to the department.



LAO Recommendations

- Maximize Funds Available for General Fund Relief.*** We recommend the Legislature consider the impact on the demand for MVA funds of two reductions in spending not reflected in the Governor's budget and an LAO recommendation to reduce spending. These two are discussed below. These savings should reduce the need to repay the entire \$40 million of the early partial repayment proposed in the Governor's budget.

- Have DMV and CHP Report on Impact of Additional Savings Not Scored in Governor's Budget.*** We recommend that the Legislature have DMV and CHP report at budget hearings on the savings available from the need for fewer CHPERS towers and from the PLP.

- Delay Lease of CDL Facility.*** We recommend the Legislature delay for one year the lease of the consolidated CDL facility (\$20,000 savings).