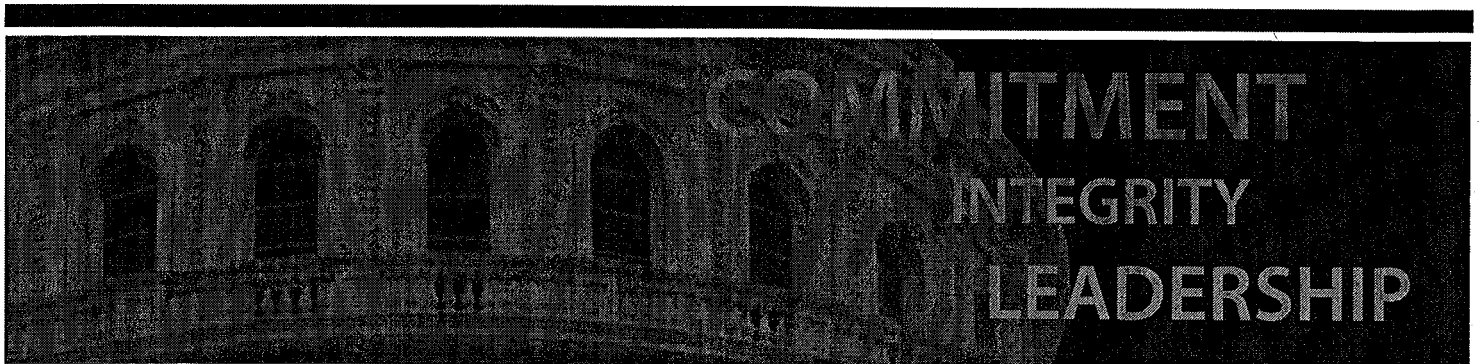


## Penalty Assessment Funds

California's Traffic Penalties and Fees Provide  
Inconsistent Funding for State and County Programs  
and Have a Significant Financial Impact on Drivers

Report 2017-126



April 26, 2018

2017-126

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the funds that the State and local governments receive from the penalties assessed pursuant to specified Government and Penal Code sections (penalties and fees).

This report concludes that California's current approach to funding state and county programs through penalties and fees from criminal and traffic violations has proven problematic both for the programs that rely on those funds and for drivers who receive costly citations. Specifically, penalties and fees intended to help pay for various programs were added to state law in a piecemeal fashion over time, and the resulting revenue has been inconsistent. Although these penalties and fees generate more than \$450 million annually for numerous state funds, the revenue is derived from penalty and fee amounts that do not appear to be based on the needs of the funded programs. Further, the revenue collected from penalties and fees is trending downward, creating challenges for many of the programs that rely on this revenue to provide services. For example, penalty and fee revenues for state funds have decreased by 14 percent to 25 percent over the last three years. Many of these funds rely on penalties for 50 percent or more of their annual revenue.

These penalties and fees also create a financial burden on drivers, particularly low-income individuals who may be unable to pay them. In fact, the cost of certain traffic offenses increase six-fold after the penalties and fees are included. Further, many of the penalties are paying for programs that are not directly related to the traffic offenses for which they are incurred. To address the problematic nature of the current funding approach, the Legislature would need to make public policy decisions about whether and to what extent to fund the programs currently receiving penalty and fee revenue. We provide recommendations of possible approaches to address the concerns we identified.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

## Summary

### Results in Brief

California's current approach to funding state and county programs through penalties and fees from criminal and traffic violations has proven problematic both for the programs that rely on those funds and for drivers who receive costly citations. Although our report focuses on traffic violations, the state laws that impose the various penalties and fees on traffic violations apply to all criminal violations as well. The State and the county entities we reviewed distributed the penalty and fee revenue to the appropriate funds during the months we reviewed, and they ultimately spent the money for allowable purposes; however, the State's approach lacks a systematic strategy. Specifically, penalties and fees intended to help pay for various programs were added to state law in a piecemeal fashion over time, and the resulting revenue has been inconsistent. These penalties and fees also create a financial burden for drivers, particularly low-income individuals who may miss payments and thus may face additional fines. The Legislature should reconsider the entire penalty and fee structure (criminal and traffic), decide whether to adjust or eliminate penalty and fee amounts, and whether to distribute the resulting revenue differently.

Although these penalties and fees currently generate more than \$450 million annually for numerous state funds, the revenue is derived from penalty and fee amounts that do not appear to be based on the needs of the programs. This makes it unclear whether the amount of revenue is sufficient to fund the service or program for which it is collected. Further, the revenue collected from penalties and fees is trending downward, creating challenges for many of the programs that rely on this revenue to provide services. For example, penalty and fee revenues for state funds have decreased by 14 percent to 25 percent over the last three years as the number of criminal cases filed has decreased and as more fines, penalties, and fees have gone unpaid.

Penalties and fees added to traffic fines have gone unpaid partially because they are a significant financial burden for the driving public, especially low-income individuals. Traffic infractions that carry a base fine of \$35 can cost an individual \$237 after penalties and fees are included. Until recently, those who did not pay their fines and penalties may also have had their licenses suspended. According to the Legislature, these penalties are regressive in that they are particularly harmful to individuals who can least afford to pay high fines.

### Audit Highlights . . .

*Our review of the revenue received from penalties and fees state laws impose on criminal and traffic violations highlighted the following:*

- » *Penalties and fees intended to help pay for various programs were added to state law in a piecemeal fashion over time and revenue has been inconsistent.*
- » *Revenue generated is derived from penalty and fee amounts that do not appear to be based on the needs of the programs and is trending downward, creating a challenge for many of the programs that rely on this revenue.*
- » *Penalties and fees added to traffic fines have gone unpaid partially because they are a significant financial burden for the driving public, especially low-income individuals.*
- » *Many penalties are paying for programs that are not directly connected to the offense.*

In addition, many of the penalties are paying for programs that are not directly connected to the offense. While an individual cited for an offense, such as failing to stop at a stop sign, will pay some penalties that support court-related programs, he or she will also pay other penalties that fund emergency medical air transportation and DNA identification services, neither of which is related to the failure to stop except in very specific circumstances.

Pending legislation would address the significant costs to indigent individuals by requiring judges to reduce the amount those individuals must pay in certain cases. However, these changes could also further reduce revenue from penalties. Thus, additional action needs to be taken to address the State's approach of using penalty and fee revenue to fund programs.

### **Selected Recommendations**

#### ***Legislature***

To ensure consistent funding streams for state and county programs, the Legislature should consider whether, and to what extent, to fund the programs that currently receive penalty and fee revenue from criminal and traffic violations. The Legislature could adjust or eliminate individual penalties and fees by considering the following factors identified in our report:

- ♦ Revenue trends and reliability of penalties and fees as funding sources.
- ♦ The significant financial impact of penalties and fees on low-income individuals.
- ♦ How well aligned the uses of penalty and fee revenues are with the offenses that give rise to the penalty or fee.
- ♦ The seemingly arbitrary amount of the penalty or fee.