

# SUBCOMMITTEE NO. 2

# Agenda

Senator Jim Beall, Chair  
Senator Hannah-Beth Jackson  
Senator Jim Nielsen



Day: Wednesday, May 22, 2013  
10:00 a.m.  
Room: 2040

Consultant: Mark Ibele

## Agenda

# Transportation

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## Issues Proposed for Vote-Only:

### 2660 Department of Transportation

#### Issue Proposed for Vote-Only:

- 1. Proposition 1B Capital Needs (Governor's Budget and May Revision Finance Letter).** This item was discussed at the subcommittee's hearing on March 14 and held open pending receipt of spring revisions. The Governor's January proposal requested a total of \$238.4 million in capital funding for projects in five categories within the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006 (Proposition 1B). The May Revision increases the requested amount by \$19.8 million for a total request of \$258.2 million. This proposal represents a Zero Based Budget (ZBB) and is based on the projects in each program for which the project proponent anticipates requesting an allocation of funding during 2013-14. This request is being made to ensure that adequate resources are appropriated to meet the anticipated need during the upcoming year.

**Background.** Proposition 1B was approved by the voters in 2006 and dedicates \$19.9 billion over a ten-year period to fund a variety of projects, including the State Transportation Improvement Program (STIP), the State Highway Operations Protection Program (SHOPP), congestion relief efforts, public transportation, reduction of air pollution and improved port security. It also provides funding to local agencies for road maintenance and improvements, safety, congestion relief, and seismic safety. Of the total funds authorized under Proposition 1B, \$12.0 billion is reserved for 10 programs funded through Caltrans. Appropriations are made annually to those programs based on anticipated project funding needs for that year. Through June 30, 2012, approximately \$8.6 billion in appropriations had been allocated by the California Transportation Commission (CTC) for projects through these ten programs. Request detail is presented in the table below:

#### 2013-14 Proposition 1B Capital Needs Requests

Fund	Revised 2013-14 Request (in thousands)
Trade Corridors Improvement Fund	\$80,661
Public Transportation Modernization, Improvement and Service Enhancement Account—Intercity Rail	\$43,801
Local Bridge Seismic Retrofit Account	\$14,408
Highway Railway Crossing Safety Account	550
State Highway Operations and Protection Program	\$77,965
State Route 99	\$40,789
<b>Total</b>	<b>\$258,174</b>

**Staff Comment.** This proposal represents anticipated funding requests as of the date of proposal development as revised in the May Revision. Project schedules

change and estimates sometimes need to be revised. Given the need to clarify these issues, the subcommittee held this item open until the spring in order for Caltrans to clarify the picture as to the level of previously appropriated funding that may be available to be applied to 2013-14 project needs.

**Staff Recommendation.** Approve the Prop 1B funding request as revised.

**Vote:**

**Issues Proposed for Discussion / Vote:****2720 Department of California Highway Patrol****Issue Proposed for Discussion / Vote:**

- 1. Air Fleet Replacement (May Revision Finance Letter #1).** The Department of California Highway Patrol (CHP) has requested \$17.0 million (Motor Vehicle Account) in order to replace three helicopters and one airplane to replace aging equipment in its current fleet. The request would replace one-time funding to replace four aircraft with the greatest amount of flying time. The request notes that as part of the department's proposal, it will conduct an analysis of its air operations program over the next year and outline a schedule to modernize and replace its fleet.

**Background and Detail.** The CHP's Air Operations Program (AOP) provides support for enforcement, pursuit management, hazardous material response, and inter-operable communications with allied agencies, traffic congestion relief, stolen vehicle recoveries, conducting searches, and transporting emergency medical supplies. CHP's air fleet currently consists of 15 airplanes and 15 helicopters. The CHP indicates that each of the three helicopters, when department specifications are met, will cost \$4.5 million and the airplane will cost \$3.5 million. The department indicates that each unit begins to experience additional maintenance issues once flight time exceeds 10,000 hours, which occurs in about ten years. The department indicates the oldest airplane and helicopters in its fleet have logged over 15,000 hours and 18,000 hours, respectively. The department indicates its desire to reduce the amount of equipment 'downtime,' resulting from increased maintenance hours and difficulties in obtaining necessary replacement parts. It also expresses the desire to standardize its fleet.

**LAO Comment.** LAO reports that it is standard procedure for CHP to replace an aircraft after it has flown 10,000 flight hours, a benchmark which all four aircrafts that CHP is proposing to replace have clearly exceeded. It also indicates that CHP has not provided (1) a time line for replacement (meaning which aircraft will be replaced in which year), (2) justification for and why each aircraft needs to be replaced, and (3) how the estimated replacement costs would impact the MVA. In addition, the CHP has not completed an analysis justifying the size of the air fleet that it will need in the future, based on workload projections. Despite this lack of basic information, the LAO indicates it does not have major concerns with the Governor's proposal.

**Staff Comment.** There is no question that the CHP's air fleet is aging and should be gradually replaced over a period of time. However, there has not been an assessment conducted regarding the optimal number and types of aircraft that could best support the activities of the department. Given technology changes that have occurred, the department may be better served with fewer aircraft or a different distribution of types of aircraft. In addition, the department has not provided a plan

for the overall fleet replacement. Instead, the current proposal indicates that the CHP will conduct an analysis of its air operations over the next year and outline a schedule to modernize its aging fleet. Staff would note that the study should be conducted in advance of additional purchases and that these purchases should be informed by the study. The subcommittee may want to require the completion of the study prior to appropriating significant funds for air fleet purchases, as long as safety is not an issue. Granted, the additional costs associated with increased maintenance would continue for an additional year, but as long as safety is not jeopardized, this alternative would be a fiscally prudent approach.

**Staff Recommendation.** Reject the request for an appropriation for air fleet replacement until an overall needs assessment and replacement plan has been conducted by the department.

**Vote:**

**2660 Department of Transportation****Issues Proposed for Discussion / Vote:****1. Increased Operating Expenses for AMTRAK (May Revision Finance Letter #2).**

The Department of Transportation (Caltrans) requests additional funding of \$18.6 million (Public Transportation Account) for operating expenses to support three state supported passenger rail services: Pacific Surfliner, San Joaquin and Capitol Corridor. The need for the funding is generated by federal requirements pursuant to the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), which calls for additional state support for rail service. The proposal will result in a continuation of the current level of service provided by these trains. The current support level is \$90.3 million.

**Background and Detail.** The state currently assists in the financing of the three routes. The Pacific Surfliner, Capitol Corridor and San Joaquin have a combined ridership of 5.6 million in federal fiscal year 2010-11 and had the second, third and fifth largest ridership of all Amtrak routes. The PRIIA requires Amtrak, in consultation with states, to develop and implement a standardized methodology for the allocation of operating costs on state-supported routes by October 2013. Under the adopted costing methodology, operating costs on routes that are currently paying 100 percent would be consistent with the current levels. The Capital Corridor and the San Joaquin pay 100 percent of costs while the Surfliner is at 70 percent (with Amtrak paying the remaining 30 percent). The budget increase will be divided among the three routes according to the following schedule: Pacific Surfliner (\$10.3 million), San Joaquin (\$7.7 million), and Capitol Corridor (\$602,000).

**Staff Comment.** Staff has no concerns with this proposal. The methodology was subscribed to by almost all states participating in the program. The proposal would assure service levels at the current level and adhere to the state transportation plan and the blended approach for the high-speed rail project. The proposal would represent three-fourths of the annual funding requirement once it begins in October 2013.

**Staff Recommendation.** Approve the May Revision appropriation request for rail operating costs.

**Vote:****2. Equipment Program—Zero Based Budget (May Revision Finance Letter #4).**

Caltrans is proposing adjustments to its equipment program based on a Zero Based Budget (ZBB) conducted by the department and Department of Finance (DOF). The proposal represents a request to reduce the base funding for the program by \$12.8 million and 41 positions, representing \$2.9 million in personal services and

\$9.9 million in operating expenses. In addition, as a result of the ZBB process, Caltrans requests a one-time increase for 2013-14 of \$10.3 million in operating expense funding to address an equipment replacement backlog and to complete special studies. The request incorporates the correction of a technical error in the Finance Letter which results of the following adjustments: a reduction in the Equipment Program of \$100,000; an increase in the Traffic Operations Program of \$18,000; an increase in the Maintenance Program of \$12,000; and an increase the Capital Outlay Support Program of \$70,000.

**Background.** The Caltrans Equipment Program has provided the equipment needs for the department since 1920. In its district locations, the program designs, purchases, assembles and provides mobile equipment for all Caltrans programs. Currently, the fleet consists of 12,137 pieces of mobile equipment, including: sedans, pick-up trucks, light- medium- and heavy-duty trucks, snowplows, excavators, loaders, graders, forklifts, trailers and message signs. The department faces equipment challenges based on old and aging equipment and maintenance backlogs. Part of this has occurred as a result of the state fiscal situation. Approximately 22 percent of the fleet is non-operational due to the backlog in equipment maintenance and repair work. An addition 26 percent of the fleet is in need of maintenance, but still operational. The estimated replacement costs for the backlog is \$172 million.

**Detail.** The proposal incorporates several components, consisting of the following:

- **Elimination of \$350,000 in Reimbursement Authority.** Additional local reimbursement authority was provided in 2009-10, but has not been used and is unnecessary at this time.
- **Vehicle Reduction Savings of \$12.4 million.** A vehicle allocation methodology (VAN) was used to identify non-essential and cost-ineffective equipment in the process of establishing an equipment baseline for the program. This resulted in a vehicle reduction list of 1,324 pieces of equipment, along with associated workload reduction for maintenance and repair on this equipment. Since this equipment will not need to be replaced, there is also savings from the reduced amortized capital value.
- **Reduce Equipment Fleet and Redirect \$196,000.** Given the seasonal and intermittent use of some equipment (largely sedans, vans and SUVs), it is more effective to lease or rent this equipment than for the state to own it. This component of the proposal would allow this to occur and also allow redirection of the savings to the repair and replacement backlog.
- **One-Time Increase of \$10.0 Million for Equipment Replacement.** The Caltrans current equipment replacement budget is approximately \$30.8 million, and the current backlog of equipment that meets or exceeds replacement criteria is \$172.3 million. This one-time infusion of \$10.0 million will allow for a small reduction in the replacement backlog.
- **One-Time Increase of \$250,000 for Special Studies.** Caltrans will conduct three special cost analysis studies related to: purchased versus state-assembled

equipment, fleet replacement selection, and human resources staffing ratios and classifications.

**Staff Comment.** The Equipment Program ZBB project was developed to incorporate program evaluation methods into the budget process as required by the Governor's Executive Order (EO) B-13-11. The ZBB process is an extensive and exhaustive 'bottom-up' construction of a program budget, based on workload analysis of all components required for the program. The Equipment Program ZBB is one of several undertaken by the department. Staff agrees with the general outcomes of the ZBB and the recommendations that were derived from this process. The one-time \$10.0 million infusion will help address the large replacement backlog that has developed over the years.

**Staff Recommendation:** Approve the May Revision Finance Letter with technical changes.

**Vote:**

- 3. Implementation of Revised Statewide National Pollution Discharge Elimination System Stormwater Permit (May Revision Finance Letter #3).** The department has requested budget adjustments in order to comply with the revised National Pollution Discharge Elimination System (NPDES) permit adopted by the State Water Resources Control Board last September. The new permit directs Caltrans to begin implementation in July 2013. The request addresses workload requirements in capital outlay support and maintenance programs due to implementing the new permit. The request incorporates the correction of a technical error in the Finance Letter which results of the following adjustments: reduction in Capital Outlay Support Program of \$1,569,000 and an increase in the Maintenance Program of \$1,569,000.

The request contains the following elements:

- Redirection of 25 positions and \$3.0 million from capital outlay support State Highway Account (SHA) line item to the capital outlay support Stormwater Management Program line item.
- Increase of 25 additional positions—four in capital outlay and 21 in maintenance—for a total of \$2.1 million. These will be funded through the redirection of existing capital outlay support operating expense funds identified in the ZBB.
- Reduction of \$18,000 from the administration of the program.

The ZBB review was conducted to evaluate the existing resources and to provide a baseline workload and staffing levels. The workload requirements of the new permit were evaluated using the baseline. The proposal results in an increase of 25 positions, but a net decrease of \$18,000 in the Caltrans budget item.

**Background.** Caltrans discharges stormwater and non-stormwater from controlled rights-of-way and facilities. The discharges are regulated under the Federal Clean Water Act (CWA) which prohibits the discharge of any pollutant unless authorized under a NPDES permit. The State Water Resources Control Board, with delegated authority from the US Environmental Protection Agency, administers and enforces the CWA. Caltrans has been operating under a permit issued in 1999. Since that time, there has developed a more comprehensive approach to compliance and self-enforcement and more challenging regulatory requirements. The new permit with more strenuous requirements will go into effect in July 2013. Compliance with the new requirement is mandatory.

**Staff Comment.** The request follows a ZBB review of Caltrans' existing stormwater program conducted in collaboration with the Department of Finance (DOF), as required by the Governors EO B-13-11.

**Staff Recommendation.** Approve the May Revision Finance Letter with technical changes.

**Vote:**

- 3. Capital Outlay Support—Project Delivery Workload (May Revision Finance Letter #5).** Caltrans is requesting that the capital outlay support (COS) program be reduced by \$36.3 million (special funds), and 256 positions (including 184 state positions), to reflect the reduced workload associated with the diminishing amount of state transportation funding (including Proposition 1B bonds) and the American Recovery and Reinvestment Act (ARRA) funding from the federal government. The proposed level of staffing will continue to reflect a ratio of 90:10 of state staff to consultant positions. The request includes proposed budget bill language to allow Caltrans to seek an increase in additional reimbursement authority of up to \$1.8 million for additional workload associated with the high-speed rail project, to the extent work proceeds earlier than anticipated.

**Background.** Over the last several years, questions have been raised about the staffing levels of the COS program and the information provided to support annual COS budget requests. In response to these concerns, the Legislature required Caltrans to provide specific information about the COS program's workload in order to better substantiate the annual budget requests.

**LAO Comment.** In the past, the LAO has noted that the department's annual COS budget request has not been justified and that the program is overstaffed. Regarding the 2013-14 budget request, the LAO indicates the proposal is a step in the right direction by reducing the size of the program to better align with workload,

but notes that some problems remain. Specifically, the LAO indicates that the information:

- Needed to justify the budget is lacking, making it impossible to determine if the amount of resources requested is reasonable.
- Fails to fully account for costs, is not transparent and precludes determination of the number of projects completed and the total costs of those projects.
- May not reveal complete support budget information for its projects, which more complete project budget data may be known to Caltrans.

**Staff Comment.** The subcommittee may want to consider approving the May Revision request of the department, coupled with reporting language that would require the department to analyze the capital outlay support program based on the zero based budget (ZBB) approach. The department has several program ZBB under its belt at this point and has experienced and learned from these endeavors. The ZBB exercise could evolve from a working group approach and include, potentially, Caltrans, Department of Finance (DOF) and the LAO. The subcommittee could consider directing staff to work with the LAO to draft suitable supplemental reporting language that would outline the process for the ZBB.

**Staff Recommendation.** Approve the May Revision Finance Letter consisting of the proposed budget reduction and budget bill language, and approve supplemental reporting language directing DOF and LAO to review the COS program based on ZBB in collaboration with Caltrans and in time for consideration in the 2014-15 budget cycle.

**Vote:**

- 5. Active Transportation Program (Proposed Trailer Bill):** This issue was discussed at the subcommittee hearing on March 14 and held open, with directions given to staff to pursue an alternative with a reform context. The Governor's budget proposes creation of the Active Transportation Program (ATP) through the consolidation of five existing programs into a single \$134.2 million program. The five programs to be consolidated include the federal Transportation Alternatives Program (from MAP-21), which includes the Recreational Trails program, the state and federal Safe Routes to School Programs (SR2S), the state Environmental Enhancement and Mitigation (EEM) Program, and the state Bicycle Transportation Account (BTA). This proposal is related to the resource reduction in the issue discussed above.

**Background and Detail:** By consolidating several small grant programs into a new larger program, this proposal is intended to enhance the profile of active transportation projects, defined as any method of travel that is human-powered. It also seeks to increase program efficiency by eliminating the need to administer

these programs individually and to focus funding on high-priority projects to reduce greenhouse gas emissions, consistent with the objectives of Chapter 728, Statutes of 2008 (SB 375). The Administration indicates that, compared to the current arrangement, the ATP will have a greater capacity and more flexibility to fund larger projects by streamlining program workload and reducing duplication of support activities (such as individual program guideline development and maintenance, training, reporting, and information systems maintenance). Consistent with this approach, the Governor's budget proposes to eliminate, over two years, five staff positions within Caltrans currently associated with administration of these programs.

The proposal seeks to achieve efficiency through creation of a single set of program guidelines and a single application and project selection process through which designated 'best projects,' among all eligible categories, would be identified and funded. Specifically, the proposed trailer bill language would require the California Transportation Commission (CTC) to develop guidelines and selection criteria for the new ATP, through a consultation process with specified entities including Caltrans, the Strategic Growth Council, the Department of Housing and Community Development, the Natural Resources Agency, the Air Resources Board, the Department of Public Health and the Office of Traffic Safety, as well as with metropolitan planning organizations and regional transportation planning agencies. The proposed language specifies a non-exhaustive list of eligible project types, including many types that are eligible under one or more existing programs. The language also specifies a non-exhaustive list of proposed selection criteria, most of which also are drawn from the criteria for the existing programs. The language does not specify how the various criteria should be applied in comparing the relative benefits of different project types.

**Staff Comment.** The Administration's proposal has some merit and there are likely to be some synergies involved in a unified program; however, there are also concerns. Collapsing multiple active transportation grant programs into one program, with a single set of guidelines and selection criteria, could have unintended adverse impacts for the types of projects funded by the current programs. The existing component programs have common elements, but each has different goals and objectives which are reflected in each program's individual guidelines and selection criteria. For example, the twin goals of the SR2S program are to both increase the number of K-12 students walking or biking to school and also improve safety for those students who do so. In contrast, BTA's primary objective is improving safety and accessibility for existing bicycle commuters. EEM funds a variety of project types, including landscaping and urban forestry designed to offset vehicle emissions, mitigation property acquisition, and roadside recreational enhancements. While such projects may have an active transportation component, this is not a primary objective of the program.

The proposal suggests that the ATP guidelines and project selection criteria will provide a framework through which these disparate types of projects will be compared and prioritized, as a single program. However, it is unclear how projects

intended to achieve very different goals will be compared and the proposal includes no specifics. Nor is it apparent how the proposal's intent to prioritize projects that facilitate compliance with the Sustainable Communities and Climate Protection Act of 2008 (SB 375) may influence project selection. Without more specificity, it is impossible to determine how projects that meet the targeted goals and objectives of the individual component programs would fare.

Due to concerns that the proposal did not adequately ensure the integrity and purpose of the various programs proposed for consolidation, at its March 14, 2013 hearing, the subcommittee deferred action on the proposed trailer bill language pending additional information. Based on subcommittee direction, Senate staff engaged with the administration and stakeholders in numerous discussions in order to establish a framework that would represent an appropriate means to advance the ATP. Although some—not insignificant—progress has been made in this regard, there are still additional discussions, information gathering, and analysis that must occur prior to an agreement. Nevertheless, the outlines of a possible pathway include the following aspects:

- Consolidate the Safe Routes to School Program, Bicycle and Pedestrian funding and Recreational Trails, under the umbrella of the ATP, thus raising these programs' profile and allowing for such efficiencies as a common application process and schedule.
- Preserve the integrity and distinct purposes of the component programs as separate project categories within the ATP and allow for variation in project eligibility and selection criteria among the categories.
- Protect existing programs by ensuring a minimum base funding level.
- Promote consistency among ATP projects selected through statewide and regional competitions through adoption of common guidelines, selection criteria, and performance measures.
- Ensure local/regional buy-in through involvement of state, regional, local and non-profit stakeholder groups and organizations.
- Create opportunities for increased ATP funding through use of incentives to leverage additional resources.
- Ensure that the combined program is resourced adequately to ensure effective project delivery and development of robust performance measures.

The efforts to date can provide a good foundation upon which to continue discussions with the Administration and stakeholders, and advance the process of redesigning and strengthening the ATP.

**Staff Recommendation:** Reject the Governor's proposed trailer bill. Adjust budget appropriations for the existing programs that were proposed for consolidation—Safe Routes to Schools, Bicycle Transportation Account, Environmental Enhancement and Mitigation Program, Transportation Alternatives Program and Recreational Trails Program—to reflect funding levels equivalent to those in the current year. Direct the Transportation Agency, through the adoption of trailer bill language, to

institute a process to develop alternative legislation and budget changes to achieve appropriate active transportation objectives for the state later this year.

**Vote:**