Senate Budget and Fiscal Review— Mark Leno, Chair

SUBCOMMITTEE NO. 2 Agenda

S. Joseph Simitian, Chair
Jean Fuller
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Hearing Outcomes

Day: Thursday, April 19, 2012
Time: Upon adjournment of session
Room: 127

Consultant: Brian Annis

Transportation

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2660 Department of Transportation

Department Overview: The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive state system of 15,200 miles of highways and freeways and provides intercity passenger rail services under contract with Amtrak. The Department also has responsibilities for airport safety, land use, and noise standards. Caltrans' budget is divided into six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center.

January Budget Overview: The January Governor's Budget proposed total expenditures of $11.2 billion ($83 million General Fund) and 20,438.5 positions. According to the Administration, the position totals include the elimination of 1,057 positions for savings of $90.0 million – these savings are associated with last year's "workforce cap" reduction, and position reduction efforts in prior years.

Proposed Budget as Revised by April Finance Letters: In April 1 Finance Letters (FL), the Governor proposes to significantly increase 2012-13 budget funding in the areas of Proposition 1A and Proposition 1B. Proposition 1A is the High-Speed Passenger Train Bond Fund and the proposal would augment Caltran's budget by $812 million to fund capital projects that would improve connectivity to high-speed rail for intercity, regional, and urban rail operators. That proposal was heard with the High-Speed Rail Authority at the April 18 hearing. Proposition 1B includes various bond special funds and funds highway capital projects, as well as some rail and mass transit capital projects – the April proposal would augment Caltrans Prop 1B funding by $1.3 billion. Including the April requests, the revised amount requested for Caltrans expenditures in 2012-13 is $13.2 billion.

Issues proposed for Vote Only:

(see actions taken on page 5)

1. **Continuation of Temporary Position (Budget Change Proposals [BCPs] 2, 5, and 9).** The Governor's Budget proposes to continue existing limited-term positions set to expire in 2011-12 for an additional two or three years. In total, for the three budget requests – or BCPs – 84 positions would continue as specified:

   - BCP 2 would extend for two years, 57 positions associated with oversight of Proposition 1B projects at a 2012-13 cost of $7.7 million in Prop 1B bond funds.

   - BCP 5 would extend for three years, 24 positions associated with federally-mandated oversight of federally-funded projects. The 2012-13 costs would be $2.1 million funded with federal funds.

   - BCP 9 would extend for two years, 3 positions and contracting funds to implement Phase III of the Americans with Disabilities Act (ADA) assessment program. The 2012-13 cost would be $5.4 million funded from the State Highway Account. The proposal also includes budget bill language that would allow the Director of Finance to augment funding by an additional $2.0 million (State Highway Account) if ADA grievance and access requests are higher than anticipated.

   The Administration indicates workload still exists for these programs in 2012-13; however, workload may change in the future and that is why the positions would continue to be limited term.

   Staff Recommendation: Approve this request, but modify the proposed budget language to require standard 30-day reporting to the Joint Legislative Budget Committee (JBLC) if the Administration chooses to utilize the authority to augment Americans with Disabilities Act funding by $2 million.

2. **Amtrak Contract Costs (BCP 6 was withdrawn by April FL 2).** In the January budget, the Governor requested an augmentation of $13.9 million to fund higher-charges for the Caltrans contract with Amtrak. An April Finance Letter indicates the Amtrak cost increase has been delayed to 2013-14 and the Administration withdraws the request for the augmentation. Approving BCP 6 and FL 2 has the effect of revising the budget to delete the $13.9 million funding augmentation.

   Staff Recommendation: Approve this request.

3. **Federal Funds for Pavement and Bridge Inspection (BCP 8).** The Governor requests the shift of $12.4 million of cost from State Highway Account (SHA) funds to federal funds. This shift improves the cash position of the State Highway Account.

   Staff Recommendation: Approve this request.

4. **Construction Oversight of Federal Projects Delivered by Local Agencies (BCP 13).** The Governor requests a $1.3 million federal fund increase and nine limited-term positions to oversee federally-funded project workload delivered by local agencies. These positions will provide construction oversight and address Federal Highway Administration direction to perform additional high-risk reviews on 30-percent of these projects.

   Staff Recommendation: Approve this request.

5. **Legal Assistance to High-Speed Rail Related to Right-of-Way (BCP 15):** The Governor requests reimbursement authority of $3.1 million to allow Caltrans to provide legal and other advice and services to HSRA as they acquire right-of-way for the Central Valley segment. This is a two-year request that would fund 8 positions of workload at Caltrans.

   Staff Recommendation: Conform to action in the High Speed Rail budget (when action is taken on the High-Speed Rail Authority's budget, this Caltrans issue would be adjusted in conformance).

6. **Position Reduction in the Mass Transportation Program (BCP 16).** The Governor requests a reduction of 58 positions for special-fund savings of $5.0 million in the Mass Transportation Program. The savings breaks down further to a reduction of 13 positions and $1.0 million for intercity rail and 45 position and $3.5 million for regional and urban mass transit. The Administration indicates these programs have been zero-based, and the adjusted staff reflects the staffing need based on workload and funding levels.

   Staff Recommendation: Approve this request.

7. **Project Resource and Scheduling Management System (PRSM) IT Project – Extension of Funding (April FL #5):** Caltrans requests an extension of the liquidation period for the PRSM system. Any unliquidated amount from the original $8.3 million appropriation would be available for cash expenditure through 2013-14. PRSM will enable the Department to effectively manage State employee project time in the $1.9 billion Capital Outlay Support Program that funds environmental studies, design services, construction engineering and right-of-way acquisition services for the state highway system. This project will use a commercial-off-the-shelf software system to provide project managers, and first line supervisors, information including the amount of dollars programmed for each project, amounts expended to date, dollar estimate to complete work, and amount remaining in the project budget.

   Staff Recommendation: Approve this request.

8. **Budget Savings from Contract Advertising on the Internet (April FL 3 plus trailer-bill language).** The Governor requests a funding reduction of $700,000 for the Capital Outlay Program that would correspond to savings from discontinuing contract advertising in newspapers and trade publications. Instead, the State would advertise contracts on the Caltrans website. Current law required advertising in either newspapers or trade publications. The requested trailer bill language would amend the Public Contract Code to allow advertising in any of three methods: newspapers, trade publications, or departmental websites.

   Staff Comment: The budget request is associated with Caltrans but the trailer bill language would apply to all State departments. The Subcommittee may wish to narrow the language to grant the authority only to Caltrans. If the Administration believes there would be budgetary benefit beyond Caltrans, a May Finance Letter could be submitted to reduce the budgets of other affected departments.

   Staff Recommendation: Approve this request, but amend the proposed trailer bill language so the new internet advertising authority would only apply to Caltrans.

9. **Baseline Funding for Tort Lawsuit Claims and Awards (Budget Correction):** In lieu of submitting a Finance Letter, the Department of Finance has informally requested that the Legislature take action to restore the baseline funding level for tort lawsuit claims and awards. The Administration indicates, that in error, the January budget reduced tort funding from $68.6 million to $38.6 million, and the request would be to restore funding at the current-year level of $68.6 million and make corresponding changes to budget bill language and capital appropriations. Prior proposals to reduce tort costs have involved trailer bill language to cap tort awards - most recently Governor Schwarzenegger requested trailer bill language to cap tort claims in 2010, but that trailer bill language was rejected. The current Administration is not requesting any tort cap or other changes in the tort areas, and requests that the baseline funding level be restored.

   Staff Recommendation: Restore baseline tort budget of $68.6 million and make conforming changes – pursuant to a request from the Department of Finance.

Summary of Vote Only Issues:

Issue #	Issue Description	Action Taken	*Vote**
1	Continuation of Temporary Positions	Approved, but added the standard Joint Legislative Budget Committee reporting requirement to the requested budget bill language.	***3-0***
2	Amtrak Contract Adjustment	Approved	***3-0***
3	Federal Funds for Pavement and Bridge Inspection	Approved	***3-0***
4	Construction Oversight for Federal Projects	Approved	***3-0***
5	Reimbursements for High-Speed Rail Authority Legal Work	Conform to action for HSRA.	***2-1***
6	Position Reduction for Mass Transit Program	Approved	***3-0***
7	Contract Advertising Savings and Trailer Bill	Approved, but modified trailer bill to only apply to Caltrans.	***3-0***
8	Project Resource and Schedule Management IT System Funding Extension	Approved	***3-0***
9	Restore Tort Lawsuit Funding to Baseline	Restored tort funding to baseline level and conforming changes.	***2-1***

Where the vote is indicated as 2 – 1, Senator Fuller was the "no" vote.

Issues proposed for Discussion and Vote:

10. **Proposition 1B Budget Request (Governor's Budget and April FL 1):** The Governor requests $3.1 billion in Prop 1B bond funds for programs administered by Caltrans. This sum breaks down into $1.8 billion in carry-over funds appropriated in prior years, and $1.3 billion in new appropriations requested for 2012-13. To get a more global perspective on Prop 1B programs, the table below shows all programs across several departments including the Air Resources Board and the California Emergency Management Agency. Overall, $12.7 billion, or about two-thirds, of Prop 1B funds have been allocated and are available for project expenditures, about $6.8 billion, or about a third, has actually been expended and is no longer in the State treasury. (Dollars in millions)

Proposition 1B Category	Total 1B Amount	Total Allocated Dec 2011	2012-13 Carryover	2012-13 New Request	Total Available for 2012-13
Budgeted in Caltrans					
Corridor Mobility Improvement Account (CMIA)	$4,500	$2,789	$690	$302	$992
State Transportation Improvement Program (STIP)	2,000	1,993	46	35	81
State Highway Operations and Preservation Program (SHOPP)	750	558	41	96	137
State Route 99 Improvements	1,000	284	281	70	351
Local Bridge Seismic Retrofit	125	38	1	15	16
Intercity Rail	400	100	121	0	121
Grade Separations	250	250	1	43	44
Trade Infrastructure	2,000	581	560	214	774
State/Local Partnership	1,000	339	83	486	569
Caltrans Subtotal	**12,025**	**6,932**	**1,824**	**1,261**	**3,085**
Budgeted outside of Caltrans					
Local Streets & Roads	2,000	1,950	0	0	0
Transit	3,600	2,450	830	0	830
School Bus Retrofit	200	196	0	0	0
Trade Infrastructure Air Quality	1,000	697	178	0	178
Port Security*	100	99	0	0	0
Transit Security*	1,000	407	103	0	103
Outside Caltrans Subtotal	**7,900**	**5,799**	**1,111**	**0**	**1,111**
TOTAL	**$19,925**	**$12,731**	**$2,935**	**$1,261**	**$4,196**

* These Prop 1B Appropriations are heard in Subcommittee #4.

Staff Comment. The Administration has indicated, generally, that the bond programs are not cash constrained. Bond sales usually occur twice a year, and are scaled to generate sufficient cash to keep appropriated bond programs moving

forward without delay. The Administration should be prepared to discuss the Prop 1B bond programs and indicate if any projects are delayed due to bond sales or other factors.

Staff Recommendation: Approve the requested funding for Prop 1B programs for Caltrans and State Transit Assistance.

Action: Approved request on a 3 – 0 vote.

11. Weight Fee / Fuel Swap Proposal (Governor's Budget Trailer Bill): The Governor's budget includes a General Fund solution of $350 million from continuing to use truck weight fee revenue to fund transportation-related general obligation bond (GO bond) debt service. Current law permanently directs truck weight fee revenue to the General Fund for eligible debt service in a given fiscal year. However, since annual truck weight fee revenue currently exceeds eligible debt service, excess truck weight fee revenue has been transferred to the General Fund in 2010-11 and 2011-12 as a pre-funding of out-year bond debt. Both types of transfers to the General Fund – either for current-year or for out-year GO bond debt - provide a General Fund budget benefit in the year the transfer is made. Current law does not provide the authority in 2012-13 and ongoing to pre-fund out-year debt, but that is proposed by the Governor to realize a $350 million General Fund solution.

Detail / Background: Proposition 22 of 2010 further restricted eligible uses of tax revenue derived from gasoline and diesel fuel sales, and in most cases, made that revenue ineligible for payment of GO debt on transportation related bonds. AB 105, Statute of 2011, reenacted the "Fuel Swap" legislation to conform to Prop 22 and discontinue the use of fuel revenue for GO debt – substituting instead truck weight fee revenue for GO debt. In general, the Fuel Swap legislation lowered the sales tax on gasoline and increased the excise tax on gasoline. This transportation refinancing was revenue neutral for consumers but made transportation funds more flexible to fund transportation-related GO debt and to restore certain mass transportation programs. Another benefit of the Fuel Swap was that "Prop 42" funding for highways and local roads was preserved. Additional detail on the Fuel Swap is available on the Committee's website in the Transportation section of the "Redbook" Overview Summary published in February 2012.

Staff Comments: The $350 million General Fund budget solution proposed by the Governor would continue the budget solution of directing weight fee revenue for current or future GO bond costs related to transportation. Continuation of this practice seems justified in the context of the ongoing budget challenges facing the State. The trailer bill would also clarify some of the existing fuel swap language due to Controller input that the existing language is not explicit on certain points. The clarification would provide that gasoline excise revenues should fully backfill the State Highway Account for any reduction of revenues due to truck weight fee transfers. Additionally, the language would clarify that the "Prop 42" revenue for highways and local roads would be backfilled fully and not reduced for any portion of Fuel Swap revenue that could be associated with off-road use.

Staff Recommendation: Approve the Administration's placeholder trailer bill language to achieve the $350 million General Fund solution and provide clarification to the Controller on the Fuel Swap language.

Action: Issue held open for additional consideration of the proposed trailer bill language.

12. Repayment of Outstanding Special Fund Loans (Governor's January Budget): The Governor's January Budget reflects deferrals of certain loan repayments for a 2012-13 budget benefit of $630 million; however, other loans are proposed for repayment. The Administration proposes to continue the repayment of the transportation loans listed in the table below. Given the budget situation, the Legislature and the Governor may need to consider further repayment deferrals. The table below represents the initial Committee staff analysis of which payment could be deferred if necessary. (Dollars in thousands)

Caltrans Fund	Total Repayment Cost	Planned Repayment Date	Maximum Deferral / GF Savings	Comment
2011-12 Budgeted Repayments				
State Highway Account, State Transportation Fund	$219,566	06/01/2012	$109,783	Repayment of 1/2 appears necessary for solvency of TCRF fund (inter-trans loan). Other half would repay PTA fund and could be deferred - baseline allocations continued.
Bicycle Transportation Account, State Transportation Fund	$6,587	06/01/2012	$6,587	Full amount could be deferred. Baseline allocations continued.
Motor Vehicle Fuel Account	$8,783	06/01/2012	$8,783	Full amount could be deferred. This is a large feeder fund.
Environmental Enhancement and Mitigation Program Fund	$4,830	06/01/2012	$4,830	Full amount could be deferred. Baseline allocations continued.
Historic Property Maintenance Fund	$3,293	06/01/2012	$2,206	Repay 1/3 for solvency of fund.
Pedestrian Safety Account, State Transportation Fund	$1,883	06/01/2012	$1,883	Full amount could be deferred. One-time dormant special fund.
2012-13 Budgeted Repayments				
State Highway Account, State Transportation Fund	$140,589	06/30/2013	$140,589	Full amount could be deferred. Baseline allocations continued.
TOTALS	**$385,531**		**$274,661**	

Staff Comment: As the table indicates, transportation loans are currently scheduled for repayment through June 30, 2013, that would have a General Fund cost of $385.5 million. The initial staff analysis suggests that about $111 million in repayments may be needed to maintain the solvency of certain transportation special funds, but as much as $275 million could be deferred with repayment in 2013-14 or thereafter. Additional detail on outstanding transportation loans is available on the Committee's website in the Transportation section of the "Redbook" Overview Summary published in February 2012.

The Subcommittee may wish to hear from the Administration and the Legislative Analyst on these loans and the ability to defer repayment. Current law requires repayment of the specified loans in 2011-12 be no later than June 30, 2012; however, the Administrations repayment plan would repay these loans about 30 days prior to the deadline, on June 1, 2012. The Subcommittee may wish to ask the Administration to delay any June 1 repayment until such time the budget is adopted.

Staff Recommendation: Depending on discussion at the hearing, either (1) act now to adopt the staff deferral plan indicated on the table as a placeholder action, which could be revised by future Subcommittee action, or (2) hold open to be revisited after the Governor's May revision is released with updated revenue estimates and revised budget solutions.

Action: Issue held open at the request of the Department of Finance so that information available with the Governor's May Revision can be considered.

13. **Reduction in Research Expenditures (April FL 4):** The Administration requests a reduction of $7 million (State Highway Account) in the Caltrans research budget – reducing funding from $39 million to $32 million. The reduction would be achieved by eliminating 4 positions ($342,000) and by reducing research operating expenses ($6.7 million). Caltrans indicates it far exceeds its required match for federal research funds, and that State funding could be reduced while still achieving the highest-priority research. Federal funding is about $15 million per year, and would not decrease if State funding is reduced from $24 million to $17 million – the federal match requirement is only 20 percent.

Detail: According to the Administration, the Department's Research Program manages a comprehensive portfolio of research to develop, test, and evaluate transportation innovations. These innovative products and services in methods, materials, and technologies enable the Department to provide continual improvement to the management of public facilities and services; protect public investment in transportation infrastructure; and enhance mobility and safety. The Department manages between 175 and 200 research projects annually covering research topics in safety, mobility, design, construction, environmental stewardship, geotechnical, structural, maintenance, preservation, pavement, transit, and other modes.

Staff Comment: It is reasonable to evaluate the research budget to see if the funding level is appropriate given other priorities such as pavement maintenance and highway rehabilitation. A portion of research funds are directed to State universities for programs such as the Institute of Transportation Studies at UC Berkeley. Caltrans indicates that about $2.8 million per year is directed to university transportation institutes. At the time this agenda was finalized, Caltrans did not know how much of the proposed reduction would be applied to California universities. In reviewing this budget request, the Subcommittee may want to hear from Caltrans on how the reduction would affect university research and other programs.

Staff Recommendation: Depending on the outcome of discussion related to Caltrans research funding for California universities, either approve or keep open to gather more information on the impact of the reduction.

Action: Held open with the request that Caltrans provide additional information on what research activity would be discontinued should the budget request be approved.

14. **Project Initiation Documents (PIDs) – Staffing and Funding (BCP 7):** The Administration is proposing to increase budgeted positions for PIDs workload from 264 positions to 331 positions and fund 53 of these new positions from local reimbursements. The overall funding for PIDs would increase $2.2 million (from $33.3 million to $35.4 million) from the State Highway Account (SHA) and would increase by $8.4 million (from $265,000 to $8.7 million) from local reimbursements. A "PID" is a preliminary planning document, or tool, that includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

Recent History of PIDs Issue in the Budget: Since the 2009-10 budget, staffing for PIDs has been "zero-based" to reflect that year's anticipated workload. Caltrans worked with local agencies and the California Transportation Commission to streamline PIDs by focusing the scope to avoid duplicative work and reduce cost. While the streamlined product exists, it is unclear if it is being applied to the right number and types of projects.

During the 2011-12 budget process, the Legislature rejected the Administration's proposal to shift the fund source from state highway funds to local reimbursements for Caltrans' PIDs workload related to locally-sponsored highway projects. The 2011-12 budget enacted by the Legislature maintained state highway funds for that purpose, but Governor Brown subsequently vetoed those funds from the final budget. While the Legislature's funding level tied to the Administration's identified workload, the veto left this workload unfunded in the budget. In September 2011, the Department of Finance submitted a Section 28.00 request, which enabled Caltrans to receive reimbursement for PIDs work. This year, the Administration continues to propose that local agencies reimburse Caltrans for PIDs work for locally sponsored capital projects on the state highway system.

Legislative Analyst Findings: According to the LAO, Caltrans typically requires PIDs to contain a substantial amount of information. Generally, PIDs include:

- Review and study of geological hazards, utilities, and environmental constraints.
- Development of travel forecasts, traffic models, surveys and maps.
- Development and analysis of potential project alternatives.
- Studies of the effects of potential project alternatives on traffic, noise, scenic resources, habitat and wildlife, community impacts, water quality, hazardous waste, cultural resources, air quality, and floodplains.
- Preparation of preliminary geotechnical, structural, storm water, and construction cost estimates and reports.
- Application for permits from numerous state and federal regulatory agencies.
- Partial design of project alternatives, and preparation of design and engineering reports.

It takes a significant amount of time to produce a PID, due in part to the numerous studies and reports that must be produced to generate all the required information. Based on information from Caltrans and local agencies, the LAO indicates that PIDs generally take from one to three years to complete. The cost to produce a PID ranges from the tens of thousands to low millions of dollars. For PIDs that are programmed for construction, a portion of the PIDs analysis is repeated in the environmental review phase of the project. The LAO believes that Caltrans is not utilizing the streamlined process for enough PIDs and is therefore generating unnecessary delay and cost for projects. Additionally, the LAO indicates the Caltrans level of workload exceeds that which would be needed for the anticipated level of construction funding.

LAO Recommendations: The Legislative Analyst recommends the Legislature reject the Governor's funding augmentation and enact trailer bill language requiring steamlining of PIDs. Specifically, the LAO recommends that the Legislature reject the Governor's requested increase and maintain PID funding at the current level of $33 million (SHA) and 264 positions. Finally, the LAO recommends the Department submit a report by May 1, 2013 detailing the changes implemented and the time and cost savings achieved.

Action in Assembly Budget Subcommittee #3 on March 21: At the March 21 hearing of Assembly Subcommittee 3 chaired by Assemblymember Richard Gordon, that subcommittee voted to replace reimbursement funding with funding from the State Highway Account, but to leave the remainder of the issue open pending the results of a workgroup that Assemblymember Gordon asked Caltrans to lead. The workgroup was to include local representatives and other interested parties and provide recommendations on the PIDs steamlining issue, including those raised by the LAO. Caltrans was directed to complete the workgroup effort by May 1, 2012, so input could be provided at subsequent budget hearings.

Staff Comment: There are several relevant issues for determining the appropriate budget level and funding source for PIDs:

- What is the appropriate scope of PIDs for different types of projects?
- What is the appropriate funding source for PIDs work on locally-sponsored projects on the state highway system?
- What is the best way to set PIDs workload based on uncertainty over federal and state funding levels?
- Should the funding mechanism be designed to incentivize PIDs *preparation* by State engineers instead of local-government engineers or their contractors? (All PIDs are ultimately *reviewed* by State engineers).

Staff Recommendation: Hold open to hear the results of the PIDs workgroup formed at the request of Assemblymember Gordon – the results should be available by May 1, 2012.

Action: Held open so the results of the workgroup can be considered.

15. Local Reimbursements for Public Private Partnerships (P3) (BCP 11): The Administration requests an increase in reimbursement authority of $2.6 million each year for two years to receive funding from local governments to review locally-sponsored P3 proposals for the state highway system. P3 projects generally have construction financed by a private partner, with debt repaid with new toll revenues. Caltrans indicates the funds would allow the department to hire fiscal and legal consultants to review P3 proposals submitted by local agencies. The Department also requests a reduction to baseline funding of $899,000 for a new funding level of $700,000 (State Highway Account) – this funding is used to support ongoing legal work on the P3 project in San Francisco known as Doyle Drive.

Background / Detail: Senate Bill X2 4 (Statutes of 2009, Cogdill), authorized Caltrans and regional transportation agencies to enter into an unlimited number of P3 agreements until January 1, 2017. Under the provisions of SB X2 4, only one project has gone through the specified approval process – that project was Doyle Drive in San Francisco, and it was different from the traditional P3 by not generating any new revenue, but rather using existing State funds to repay the private partner over an extended period of years. The Caltrans reimbursement request assumes three new projects will be submitted by local agencies in 2012-13 for financial review and one will require a legal review. Last year, the Administration requested and the Legislature approved one-time reimbursement funding of $1.6 million, which assumed three P3s would be ready for fiscal reviews – none have been submitted for review to date. The estimated cost of fiscal reviews is the same as last year's estimate – $1.6 million – but the request totals $2.6 million this year because $967,000 is added for an assumed legal review of one P3.

<u>A list from Caltrans of potential P3 projects is Attachment I at the back of this agenda</u>.

Staff Comment: The P3 program has generated significant interest and debate. The Subcommittee may wish to hear from the Administration on the following issues:

- For the eight potential P3 projects listed on Attachment I, how many would involve "availability payment" financing and how many would involve toll revenues?
- Streets and Highways Code Section 143 specifies that Caltrans is the responsible agency for projects on the state highway system and is responsible "*for the performance of project development services, including performance specifications, preliminary engineering, prebid services, the preparation of project reports and environmental documents, and construction inspection services*". How does the department view these requirements and view its role in for the eight potential P3 projects.

Staff Recommendation: Hold open for additional review.

Action: Held open for additional review.

2600 California Transportation Commission

Department Overview: The California Transportation Commission (CTC) is responsible for the programming and allocating of funds for the construction of highway, passenger rail, and transit improvements throughout California. The CTC also advises and assists the Secretary of the Business, Transportation and Housing Agency and the Legislature in formulating and evaluating policies and plans for California's transportation programs.

Budget Overview: The January Governor's Budget proposes expenditures of $3.5 million and 18.0 positions for the administration of the CTC (no General Fund) – which is similar to the revised current-year level. Additionally, the budget includes $25.0 million in Clean Air and Transportation Improvement Bond Act funds (Proposition 116 of 1990) that are budgeted in the CTC and allocated to local governments. The CTC's budget includes a reduction of $89,000 and the elimination of an Office Technician position related to last year's "workforce cap" position reduction.

Issues proposed for Discussion / Vote:

1. **Design Build / Public Private Partnership Review:** The Administration requests budget bill language that would authorize the Department of Finance to augment the the CTC's budget – with reporting to the Joint Legislative Budget Committee - by up to $400,000 (State Highway Account) to contract out with a financial consultant to assist in the review of proposed projects under the design build contract method and the public private partnership (P3) program. This request is related to SB X2 4 (Statutes of 2009, Cogdill), which mandates that the CTC establish criteria and review projects for inclusion in these programs. The 2011 Budget Act included this language, but the Administration inadvertently omitted it from this year's budget proposal. No Finance Letter has been submitted but the CTC and Department have indicated they support restoration of this budget bill language for the 2012 Budget Act.

   Staff Comment: The CTC spent $160,000 in consulting services to review the most-recent P3 project proposal – Doyle Drive in San Francisco. Funding authority anticipates about two P3 projects for annual review with an average cost of $200,000 each. Given the fiscal risk of these projects to the State, investing in a complete analysis of the proposed projects should be a prudent investment.

   Staff Recommendation: The Subcommittee may wish to conform action on this item to action taken in the Caltrans budget for Public Private Partnership Funding (see the issue on the prior page of this agenda).

   Action: Held open because the need for the CTC funding is dependent on action on the Caltrans budget request for Public Private Partnership – and that issue was held open.

Attachment I

Caltrans List of Potential Public Private Partnership (P3) Projects

Potential P3 Projects	Proposed Project Descriptions
Bay Area Express Lane Network	Bay Area highway congestion is among the worst in the nation, and the carpool lane system is fragmented by gaps that can't be closed for many decades due to lack of funds. These gaps significantly reduce the travel time savings available to carpoolers and bus riders using the lanes. The proposed Bay Area Express Lane Network will expand mobility options by creating a seamless 800-mile network of unobstructed lanes to provide a faster commute for travelers who use them.
I-710 North	Currently, I-710 stops just north of I-10. Closing the gap to connect I-710 to I-210 has been identified as the most important project in the Southern California freeway system. This project is an important project to improve traffic and air quality in the Southern California area. In addition, this gap closure will also alleviate traffic on several local and interstate freeways. The construction cost for this project will depend on several factors, including the length of the project.
I-710 Freight Corridor	As the volume of freight coming into the ports of Los Angeles and Long Beach continues to grow, more capacity is needed on the I-710 freeway to facilitate the movement of goods by rail as well as by trucks, locally and to destinations all over the United States. The expansion of the I-710 Corridor will greatly enhance goods movement, alleviate traffic and improve air quality in the area. The potential project proposes to add two "dedicated" truck lanes in each direction as well as one mixed flow lane in each direction, between the ports of Los Angeles and Long Beach and State Route 60, near downtown Los Angeles. Additionally, several interchanges along this corridor will be improved. Separating the truck traffic from auto traffic will enhance safety and reduce congestion. Due to the improved flow of traffic, air quality will also improve.
High Desert Corridor	The High Desert Corridor (HDC) will accommodate an expected three to six fold increase in traffic between the Antelope and Victor Valleys. It will provide a new level of intra-valley accessibility and carry truck and other through traffic safely around existing communities. The HDC project will construct a new 50-mile east-west freeway/expressway and possible truck toll facility between Los Angeles and San Bernardino Counties. The facility will be a six to eight lane freeway/ expressway between State Route 14 in Los Angeles County and I-15 in San Bernardino County.

Otay Mesa / SR-11	The proposed project will construct State Route (SR) 11 (a four-lane freeway) and a new U.S. Customs and Border Protection Port of Entry in the community of East Otay Mesa, San Diego. SR-11 will extend about two miles from SR-905 south to the new Otay Mesa East Port. The new freeway and port will curb traffic congestion and reduce frequent border wait times of more than six hours for commercial trucks at the nearby Otay Mesa Port and up to three hours for cars at Otay Mesa and San Ysidro ports. It will provide a efficient connection south of the border to the Tijuana-Rosarito Corridor, with links to the Tijuana-Tecate and the Tijuana-Ensenada toll roads in Baja California, Mexico.
I-5 Managed Lanes	The proposed project is to construct one additional carpool lane in each direction from Genesee Avenue to Manchester Avenue on I-5. The Department is also proposing to add two carpool/managed lanes in each direction from Manchester Avenue to Vandergrift Boulevard/Harbor Drive in Oceanside and potentially one general purpose lane in each direction from Del Mar Heights Road to State Route 78. The volume of traffic will be managed using tolls, similar to the existing express lanes on I-15. Tolls will change as lanes reach capacity to encourage high occupancy and transit users.
Route 152 Trade Corridor Project	The proposed project will develop East-West trade and mobility corridor on State Route (SR) 152 between US 101 and SR 99. The objectives of the project would be to improve the movement of goods, traffic operation and travel time reliability between Santa Clara, San Benito, and Monterey counties and the Central Valley; and, achieve full expressway standards throughout the corridor. SR 152 is the only major east-west route between I-580 to the north and SR 46 to the south, a distance of 180 miles. SR 152 is the only continuous east-west route connecting SR 99 and US 101, and also provides a viable alternative to the heavily congested I-580 (I-205)/I-238/I-880 east-west corridor. It is a vital artery for the movement of agricultural foods and other products and serves California's agricultural heartland of the San Joaquin Valley and Monterey County.
San Diego Freeway (I-405) Improvement Project	The proposed project will widen the San Diego Freeway (I-405) between State Route 73 (SR-73) and Interstate 605 (I-605). The purpose of the proposed improvement is to improve travel conditions for work, recreation, school, and commerce by increasing freeway capacity, improving traffic and interchange operations, and enhancing road safety to meet state and federal standards. The San Diego Freeway (I-405) is one of the most congested freeways in Orange County, carrying more than 300,000 vehicle trips in some sections each day. Traffic volumes on the I-405 are expected to increase significantly and the population is expected to grow 11 percent by 2040.