

# AGENDA

## ASSEMBLY BUDGET SUBCOMMITTEE No. 3 ON RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

MONDAY, MAY 19

3:00 P.M. - STATE CAPITOL ROOM 447

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ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
<b>2660</b>	<b>CALTRANS</b>	
ISSUE 1	CALTRANS SPRING FISCAL LETTERS AND OPEN BUDGET ITEMS	1
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**2660 CALTRANS****ISSUE 1: CALTRANS SPRING FISCAL LETTERS AND OPEN BUDGET ITEMS**

The Subcommittee will consider an April 1<sup>st</sup> Spring Fiscal Letter and two Budget Change proposals from January.

**BACKGROUND**

On April 1, 2014 the Department of Finance issued a Spring Fiscal Letter that proposed the following budget changes:

1. **Proposition 1B Capital Needs: Program Savings.** The Spring Fiscal Letter proposes \$243 million of additional appropriation authority of Proposition 1B to reflect updated administrative and project savings which would then be redirected into additional transportation projects. With these additional redirections, the 2014-15 budget would include a \$1.2 billion appropriation for Proposition 1B
2. **Amtrak Operating Costs.** The Spring Fiscal Letter proposes \$10.5 million to reflect the State's share of operating costs for the system.
3. **Decreased Rental Costs.** The Spring Fiscal Letter proposes a \$40,000 reduction in the 2014-15 budget (\$119,000 ongoing) for Caltrans rents, to reflect the rent avoidance from exercising a lease-purchase option on modular buildings.

In addition, the Governor's budget includes the following proposals:

1. **Federal Intercity Passenger Rail Grant Administration.** The Governor's budget includes a proposal to extend 4 positions that administer this federal program, for an annual cost of \$421,000. This federal grant funding is used for improvements such as double tracks, layover facilities, crossovers, station improvements, and procurement of rail cars for the existing passenger rail systems.
2. **I-15 Express Lane Operations.** The Governor's Budget proposes an increase of \$778,000 and 10 positions to operate the 20 mile Interstate 15 Express Lane. The express lane consists of 16 miles of moveable concrete median barriers to accommodate peak directional traffic demand. The requested staff will perform maintenance on this highway corridor, including repair and replacement needed on the moveable barrier, and responding to roadway emergencies.

**STAFF COMMENTS**

These adjustments were anticipated and reflect the latest Prop 1B funding projections and the outcome of negotiations with the federal government on Amtrak operating costs.

The Intercity Rail Grant proposal was proposed in the January budget and had not been heard previously. The Subcommittee held open the I-15 Freeway issue at the April 2, 2014 hearing.

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**Staff Recommendation: Adopt Spring Fiscal Letter and Approve as Budgeted**

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**ISSUE 2: CAPITAL OUTLAY SUPPORT STAFFING**

The Subcommittee will consider a May 1<sup>st</sup> Spring Fiscal Letter that addresses Capital Outlay Support and High Speed Rail Staffing

**BACKGROUND**

On May 1, 2014 the Department of Finance issued a Spring Fiscal Letter that proposed a \$21.8 million reduction and 195 state staff positions and 15 consultant positions that are the result of the Capital Outlay Support analysis conducted this year. This reduction reflects the diminished workload associated with diminished funding sources from the reduction of the American Recovery and Reinvestment Act and Proposition 1B.

The Capital Outlay Support program at Caltrans provides the staff support necessary to deliver transportation infrastructure projects, such as project design and management.

**STAFF COMMENTS**

The adjustment to Capital Outlay Support is the result of supplemental reporting language approved by the Subcommittee last year. As federal and bond funding has declined, the anticipated workload for this division is also expected to ebb.

Capital Outlay Support staffing needs are difficult to forecast. For example, after Proposition 1B was passed in 2006 the LAO estimated that as many as 4,800 additional staff would be needed in the 2007-08 budget to accommodate the workload. However Caltrans ultimately added about 500 Capital Outlay Support staff to accommodate this work, which was the highest-water mark in Capital Outlay Support staffing

The LAO believes that given the trajectory of current funding, that as many as 3,700 of the 9,894 staff within the Capital Outlay Support unit are no longer necessary. The Administration disputes the LAO methodology and findings.

The State followed a similar pattern of aggressively reducing state staff with its funding of Project Initiation Document staffing. As a result, while the State has identified \$25 billion in deferred transportation maintenance needs, the State no longer has a shelf of "shovel ready" projects and is limited in its ability to capitalize on opportunities to address these deficiencies. By aggressively reducing state Capital Outlay Support based upon speculative methodology, the state may be eliminating its capability to deliver transportation projects and thus create a downward spiral in State's ability to meet the transportation needs of Californians.

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**Staff Recommendation: Adopt Spring Fiscal Letter**

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**ISSUE 3: ASSEMBLY TRANSPORTATION INFRASTRUCTURE PLAN**

The Subcommittee will consider funding and staffing for transportation infrastructure.

**BACKGROUND**

The Governor's budget includes a proposed \$815 million infrastructure package. The largest piece of this package is \$337 million in transportation funding. This funding is available due to an early repayment of a \$328 million loan of special Highway Users Tax Account funds (plus interest of \$9 million) to the General Fund that was part of the 2010 Budget Act.

Caltrans intends to use this funding in the following manner:

- \$100 million for City and County projects
- \$110 million for SHOPP Capital Payment Projects
- \$100 million for SHOPP Traffic Management System
- \$27 million for Highway Maintenance.

This proposal also includes a request of \$1.7 million and 12 limited-term positions to develop Project Implementation Documents for these new projects.

**STAFF COMMENTS**

The Assembly has discussed strategies to increase funding for transportation infrastructure. To that end, Staff has prepared the following proposal for consideration:

**Additional Investment in Transportation Infrastructure**

The State Highway Account has a balance of \$527.7 million, which could accommodate additional investment in transportation infrastructure. Given the acute deferred maintenance needs identified for transportation in the Governor's 5 Year Infrastructure Plan, such investments are needed. One possibility would expand the investment in infrastructure to \$500 million total, by adding \$163 million in State Highway Account Funding, as follows:

Additional Transportation Infrastructure Investment (\$ millions)		
Project	Governor's Plan	Assembly Plan
City and County Projects	100	220
SHOPP Capital Payment	110	110
SHOPP Traffic Management	100	100
Highway Maintenance	27	70
<b>Total</b>	<b>\$337</b>	<b>\$500</b>

This additional investment would benefit local streets and roads, where shovel-ready projects can immediately go live with additional funding. In addition, more funding for maintenance can help with needed pavement projects, graffiti abatement, and accelerate the efforts to reduce Caltrans water usage in its landscaping.

**Establish a Project Shelf of \$1 billion**

On April 2, 2014 the Subcommittee directed Caltrans to develop a plan that would create a \$1 billion project "shelf" of transportation projects. To comply with this direction, Caltrans prepared the following plan for consideration by the Subcommittee:

<b>Full Time Equivalent Needs to Deliver \$1 billion to the Shelf</b>						
Resource Type	2014-15	2015-16	2016-17	2017-18	2018-19	Cumulative Total
SHOPP PIDS	28	16				44
SHOPP Pre-Construction		80	140	160	140	520
Maintenance Pre-Construction	134	134				268
<b>Totals</b>	<b>162</b>	<b>230</b>	<b>140</b>	<b>160</b>	<b>140</b>	<b>832</b>

Estimate Shelf Delivery (\$ million)	\$ 200	300	150	200	150	<b>\$1,000</b>
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Given the scarcity of "shovel-ready" projects, staff recommends augmenting Caltrans staff by this amount so that the State is in position to take advantage of any funding opportunities in the near future.

It is anticipated that Subcommittee #4 will conform on this action in the closeout of infrastructure issues.

**Staff Recommendation:**

- **Adopt the funding and staff proposed in the Governor's January Budget for the Caltrans components of the infrastructure plan.**
- **Adopt staffing plan to establish a \$1 billion project shelf**
- **Appropriate \$163 million of State Highway Account Funding for additional transportation maintenance funding**