

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE No. 5
On Transportation and Information Technology****Assemblymember Joan Buchanan, Chair****WEDNESDAY, MAY 12TH, 2010
STATE CAPITOL, ROOM 127
4:00 PM**

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CONSENT CALENDAR

Department of Transportation

1. **American Recovery and Reinvestment Act:** The Department is requesting a two-year limited term increase of five positions and \$412,000 in federal authority as a result of workload increases in federal validation, monitoring, and reporting requirements associated with efficiently administering ARRA funding. This temporary workload would be monthly reporting to the federal government on different ARRA expenses and progress of projects.
2. **April Finance Letter -- Reappropriation of Pavement Management System (PaveM):** Reappropriation of \$1 million for the Pavement Management System software development. Approved in 2009-10 to provide the department with a centralized pavement management tool, this project was delayed because its operating expenses costs were not up to date and the various milestone timelines outlined in the FSR were not realistic. The procurement will now have to go through a new process in the budget year.
3. **April Finance Letter:** Interdepartmental transfer of 3 positions and \$321,000 (State Highway Account) to consolidate emergency management preparedness and planning.
4. **April Finance Letter – ADA Lawsuit Settlement Implementation:** \$391,000 (SHA) for a two year period for 3 positions and \$3.2 million (SHA) for operations for a one year basis for the Department to establish an Americans with Disabilities Act Infrastructure program to manage the requirements placed on the Department by a recent lawsuit. This lawsuit requires the Department to conduct long term planning to identify and rectify physical obstacles that are out of compliance with ADA.
5. **April Finance Letter – Technical Corrections:** The Department is requesting various technical changes including reductions in cost, reversions, schedule changes and reappropriations. Staff has no issues with these.

Board of Pilot Commissioners

1. **April Finance Letter – Legal Cost Augmentation for Cosco Busan Litigation:** \$233,000 from the Pilot Commissioner's Fund to support the Attorney General and outside counsel litigation costs to defend the Board in lawsuits related to the Cosco Busan incident. Currently, there are 5 cases where the Board is specifically involved and the Attorney General is monitoring other matters where the Board could potentially be brought into litigation.
2. **April Finance Letter -- Centre de Port Revel Pilot Continuing Education:** \$162,000 from the Pilot Commissioner's Fund to support an additionally education course for six new licensees. This is a six day manned model ship handling course that all pilots are required to complete every five years. Based on the current contract with the Centre de Port Revel in France, and the training schedule for existing pilots, these new pilots would not be able to partake in this training until the 2013-14 fiscal year without this additional course.

ITEMS TO BE HEARD**2600 CALIFORNIA TRANSPORTATION COMMISSION**

Issue 1: Transportation Corridor Improvement Program

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006, approved by the voters as Proposition 1B on November 7, 2006, includes \$2 billion, available to the California Transportation Commission upon appropriation in the annual Budget Bill by the Legislature and subject to such conditions and criteria as the Legislature may provide by statute, for infrastructure improvements along federally designated "Trade Corridors of National Significance" in this state or along other corridors within this state that have a high volume of freight movement. The Commission is to consult the Trade Infrastructure and Goods Movement Plan, trade infrastructure and goods movement plans adopted by regional transportation planning agencies, regional transportation plans, and Cal-MITSAC Statewide Port Master Plan.

Staff Comments

In 2008, the Legislature passed AB 268 as a trailer bill in order to insure that the TCIF grants being allocated from Proposition 1B to the railroads demonstrated public benefit and were not considered "gifts of public funds." This bill contained reporting language requiring the Department to report to the Legislature before February 19th, 2009 on all memorandums of understanding or any other agreements executed between a railroad company and any state or local transportation agency as it relates to a railroad company and any state or local transportation agency as it relates to any project funded with moneys allocated from the TCIF.

Since this language was approved, the TCIF program did not meet the timelines originally anticipated in 2008 and thus the reporting language in AB 268 did not tie in with actual program expenditures. Staff is recommending that the subcommittee adopt annual reporting language in trailer bill that be amended to account for these delays as follows:

The California Transportation Commission shall report to the policy committees of each house of the Legislature with jurisdiction over transportation matters, a summary of any memorandum of understanding, along with a copy of the memorandum of understanding, or any other agreement executed between a railroad company and any state or local transportation agency as it relates to a railroad company and any state or local transportation agency as it relates to any project funded with moneys allocated from the TCIF within 30 days of receipt of such documents.

The California Transportation Commission shall submit semi-annual reports on the status of all railroad projects programmed in the TCIF program to the policy committees of each house of the Legislature with jurisdiction over transportation matters starting January 1, 2011.

Staff Recommendation: Approve proposed trailer bill.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 1: LAO Issue: Capital Outlay Support

The Analyst reviewed the Capital Outlay Support (COS) program at Caltrans and has indicated that the cumulative evidence suggests the program is overstaffed and lacks strong management. COS is a \$2 billion program within Caltrans with about 12,000 personnel year equivalents of staffing and contract resources (about 90 percent state staff and 10 percent contract staff). The COS program provides the support needed to deliver highway capital projects, including completing environmental reviews, designing and engineering projects, acquiring rights of way, and managing and overseeing construction.

LAO Findings: The LAO report (which is available at www.lao.ca.gov) makes the following findings:

- The workload that is assumed in the Department's annual COS budget request has not been justified.
- Although comparisons are difficult, Caltrans appears to be incurring significantly higher costs for COS activities than similar agencies.
- Comparisons of one Caltrans region to another suggest that COS staffing in at least some regions is excessive. There appears to be little relationship between the number of positions in a region and the size of its capital program.
- The imposition of furloughs on Caltrans COS staff appears to have had no identifiable impact on its productivity, further suggesting that the Department is over staffed for these activities.
- A review of a sample of Caltrans projects showed that COS costs regularly exceeded the norm, often by a considerable margin.
- Caltrans lacks systems and processes to manage and control COS costs.

LAO Recommendations: The LAO report makes the following recommendations:

- Adopt statutory language to require Caltrans to provide additional COS workload information beginning with the 2011-12 budget.
- Caltrans should adopt cost controls for COS and report at the hearing the steps the department is taking to control costs.
- The Bureau of State Audits (BSA) should audit Caltrans staff charging of work hours to projects to determine if these records are accurately kept.
- Reduce COS by 1,500 position equivalents (state positions and contract resources). This LAO recommendation is subject to change if the Administration is able to provide workload justification for additional staff resources.

Staff Comments: The LAO review raises serious concerns about the Department's ability to estimate staffing needs and manage resources. Caltrans was not able to reconcile their 2009-10 staffing request to workload data, nor could they provide the LAO with a full explanation of how workload is modeled to produce the staffing estimates. In the absence of any Department methodology, the LAO used several proxy measures to estimate total workload and found baseline staff resources should be reduced from about 12,000 to about 10,500, which would reduce costs by approximately \$200 million.

Since the release of this report, the LAO and the Department have been working together on a set of specific project level detail that the Department can provide to justify their COS workload going forward. Specifically, this reporting which is included in Appendix A would address, by project, budgeted costs vs. actual, and status reports on different stages of the project. In addition to this project level data, the Department has also developed a reporting methodology to track staffing levels compared to project workload at the district level in order to give the Legislature and LAO a higher level staff management report. At the hearing, the Department and the LAO should be prepared to discuss their agreed upon workload reporting formats.

Because the Department has been working to incorporate many of the information requests made by the LAO into their May COS proposal, they were not able to have it finalized and expect to release the proposal in the May Revision. As such, there is not action to take at this time.

Staff Recommendation: Hold open until the May Revision Proposal is released.

Issue 2: April Finance Letter: Bridge Inspections

April Finance Letter

The Department is requesting \$4.65 million in Federal expenditure authority with a corresponding reduction of \$1.2 million in the State Highway Account to allow the Department to fully utilize reimbursable federal funding for bridge inspection activities.

The Department is also requesting an increase of 5 positions and \$868,000 in SHA and federal funds to meet bridge inspection schedules and complete inspection reports for publicly owned bridges.

Background

The Department is responsible for conducting bridge safety inspections of approximately 12,900 state-owned bridges and 12,500 locally owned bridges in California, in accordance to federally mandated National Bridge Inspection Standards. The Federal guidelines require that Routine, Fracture Critical inspections be conducted every 24 months and underwater bridge inspections be performed every 60 months.

Bridge inspection activities are federally eligible at a federal participating rate of 88.53 percent. Currently, federal funding allocated accounts for only 70 to 80 percent. This proposal would increase that amount to maximize the level federal funds the state can receive for bridge inspections.

Staff Comments

Bridge safety has been an issue that this Subcommittee has discussed extensively with the discovery and repair of the crack on the Bay Bridge last fall. This proposal would increase the amount of federal funds that the state can use to inspect all of the state and local bridges that we are responsible for ensuring are safe for travel. Staff does not have any issues with this proposal and recommends that it be approved as budgeted.

Staff Recommendation: Approve as budgeted.

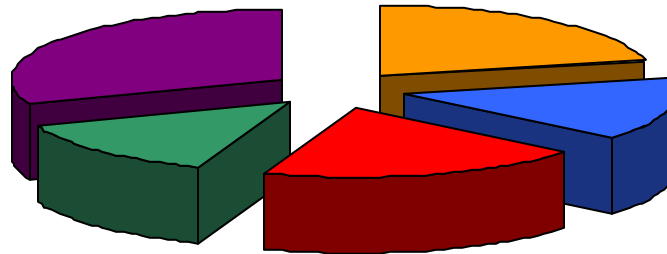
Appendix A

2010/11 Fiscal Year Workload Request Project Breakdown by Major Categories

Groups of Projects

| Groups | Projects |
|--|----------|
| Projects with no reportable milestones in Budget Year | |
| Minor Program | |
| Oversight Program | |
| Projects with reportable milestones in Budget Year or beyond | |
| Project Delivery Program | |
| TOTAL | |

Project Delivery Program Projects



- PE Projects with a Major Milestone in Budget Year (Environ., R/W Support, Design, or Const.)
- PE Projects with No Major Milestone in Budget Year
- CE Projects with Construction Milestone in the Future
- CE Projects with Construction Milestone in Budget Year
- Post Construction Projects

Milestones and FTE's by Major Categories

PE Projects with a Major Milestone in Budget Year

| Milestone | # Milestones | FTE's |
|---------------|--------------|-------|
| Environmental | | |
| R/W Support | | |
| Design | | |
| Construction | | |
| TOTAL | | |

PE Projects with No Major Milestone in Budget Year

| Next Milestone Due by Fiscal Year | Environmental | R/W Support | Design | Construction | Total Milestones |
|-----------------------------------|---------------|-------------|--------|--------------|------------------|
| Major Milestones due in FY 11/12 | | | | | |
| Major Milestones due in FY 12/13 | | | | | |
| Major Milestones beyond FY 12/13 | | | | | |
| TOTAL Milestones | | | | | |
| TOTAL FTE's | | | | | |

CE Projects with Construction Milestone in the Future

| Construction Complete by Fiscal Year | # Milestones | FTE's |
|--------------------------------------|--------------|-------|
| Major Milestones due in FY 11/12 | | |
| Major Milestones due in FY 12/13 | | |
| Major Milestones beyond FY 12/13 | | |
| TOTAL | | |

CE Projects with Construction Milestone in Budget Year

| Milestone | # Milestones | FTE's |
|--------------|--------------|-------|
| Construction | | |

Post Construction Projects

| # Projects | FTE's |
|------------|-------|
| | |

Appendix B

Capital Outlay Support Sample Workload Worksheet for Individual Projects

This worksheet would be filled in at the program level for each project to give the Department and Legislature baseline workload information.

| District | Program | Year Programmed | Project # (tie to STIP/SHOP P,etc) | Project description | Total Capital Cost | Approved Total Support Budget | Environmental Budget | PS&E Budget | R/W Support Budget | Construction Support Budget | Total Prior Year Support Expenditures | Total BY FTEs | Environmental | Completes? | Design | Completes? | R/W | Completes? | Construction | Completes? | Oversight |
|----------|---------|-----------------|------------------------------------|---------------------|--------------------|-------------------------------|----------------------|-------------|--------------------|-----------------------------|---------------------------------------|---------------|---------------|------------|--------|------------|-----|------------|--------------|------------|-----------|
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