

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 5
ON TRANSPORTATION AND INFORMATION TECHNOLOGY

Assemblymember Pedro Nava, Chair

MAY 20, 2005, 2 PM
STATE CAPITOL, ROOM 127

PROPOSED CONSENT/ VOTE ONLY

ITEM	DESCRIPTION	PAGE
2660	Department of Transportation	2
Issue 1	May Finance Letter – Lease Revenue Debt Service Adjustment	2
Issue 2	May Finance Letter – Elimination of the Transportation Development Advisory Committee	2
Issue 3	May Finance Letter – Extension of the Period of Availability for Specified Federal Grant Funds	2
Issue 4	May Finance Letter – Operational Savings	3

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
2660	Department of Transportation	4
Issue 1	May Finance Letter – Fund Proposition 42 Sales Tax Transfer	4
Issue 2	May Finance Letter – Tribal Securitization Budget Assumptions	5
Issue 3	Gasoline Spillover Trailer Bill Language	6
Issue 4	May Finance Letters – Capitol Outlay Support: Project Workload	6
Issue 5	BCP #14 – Non-Project Specific Capitol Outlay Support	7
Issue 6	May Finance Letter – Storm Water Structural Best Management Practices Maintenance	7
Issue 7	May Finance Letter – Seed Funding for Regional Blueprint Planning	8
Issue 8	April Finance Letter – Transportation Permits Management System	8
Issue 9	April Finance Letter – Bridge Safety Inspections	9
Issue 10	April Finance Letter – Performance Measurement System	9
Issue 11	April Finance Letter – Project Resourcing Schedule Management System	10
Issue 12	Staff Issue – Caltrans Specialty Facilities	10
Issue 13	Staff Issue – Freeway Service Patrol Start-Up Cost	12
2640	Special Transportation Programs	
Issue 1	May Finance Letter – Proposition 42 Funding for Special Transportation Programs	13
1955	Department of Technology Services	14
Issue 1	CWS/CMS Application Re-Hosting Project Budget Bill Language	14
Issue 2	Continuous Appropriation: Conforming Action	14

PROPOSED FOR CONSENT/ VOTE ONLY

ITEM 2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: MAY FINANCE LETTER – LEASE REVENUE DEBT SERVICE ADJUSTMENT

The Administration requests an increase in Item 2660-005-0042 by \$357,000 to adjust for lease revenue bond debt service. This adjustment is based upon revised debt service information on base rental payments, fees, and insurance costs.

ISSUE 2: MAY FINANCE LETTER – ELIMINATION OF THE TRANSPORTATION DEVELOPMENT ADVISORY COMMITTEE

The Administration requests a decrease in Item 2660-001-0042 by \$1,000. Existing law prescribes two responsibilities for the Transportation Development Advisory Committee: 1) advise Caltrans in the preparation of legislatively-required reports, and to advise Caltrans on planning and 2) design standards for development and designation of official scenic highways. Because the primary function of this committee was to provide advice to the Director, this function can more efficiently be provided on an ad hoc basis, rather than on a statutory basis.

The Administration also proposes trailer bill language to eliminate the statutory requirements of the committee.

ISSUE 3: MAY FINANCE LETTER – EXTENSION OF THE PERIOD OF AVAILABILITY FOR SPECIFIED FEDERAL GRANT FUNDS IN THE 2004-05 BUDGET ACT

The Administration requests budget bill language to extend the availability for specified Federal Grant Funds by amending the proposed Item 2660-492 to add the following:

0890—Federal Trust Fund
(1) Item 2660-399-0890, Budget Act of 2004 (Ch. 208, Statutes of 2004)

Caltrans annually receives federal trust funds in Item 2660-399-0890 for distribution as Section 163 Corridor Safety Grants. These usually take the form of Cooperative Work Agreements, and have in the past been transferred to other budget items through a budget revision. This year the Department of Finance determined that there was insufficient authority in existing provisional language to continue making these transfers. This request would enable these resources to be utilized until June 30, 2013, eliminating the potential threat of reversion.

ISSUE 4: MAY FINANCE LETTER – OPERATIONAL SAVINGS

The Administration requests the reversion of \$51.6 million in operational savings in 2004-05 and reflects an unallocated savings of \$50.0 million during 2005-06. Caltrans indicates that the current year savings were generated by a combination of salary savings (\$38.0 million), delaying contract awards (\$9.0 million), Teale Data Center cost savings (\$9.0 million), and elimination of leased space (\$600,000).

Caltrans operational savings of approximately \$50 million will result in an additional \$251.6 million in programmable resources. The additional resources will assist the completion of projects within the SHOPP (State Highway Operations and Protections Program).

ITEM TO BE HEARD

ITEM 2660 **DEPARTMENT OF TRANSPORTATION**

ISSUE 1: MAY FINANCE LETTER – FUND PROPOSITION 42 SALES TAX TRANSFER

The Administration has revised its January 10th proposal to suspend the Proposition 42 (Prop 42) transfer of gasoline sales tax revenue. The Administration has devoted one-time revenues to allow the full Prop 42 transfer to occur. The transfer is estimated to be \$1.313 billion. The funds would be allocated according to current law as follows:

- \$678 million to the Traffic Congestion Relief Fund (TCRF).
- \$254 million to the State Transportation Investment Program (STIP).
- \$254 million to cities and counties for local streets and roads.
- \$127 million to the Public Transportation Account.

COMMENTS:

If enacted, this year would mark the first Prop 42 transfer since the addition of Article XIXB of the California Constitution in 2002. To date, Prop 42 has been suspended twice creating a General Fund debt of \$2.1 billion due by fiscal year 2008-09.

The transfer would have immediate impact on slated projects within the STIP and TCRF, as well as significant resources for local roadways and transit. However, the Administrations proposal does not curb the long term challenges hindering the stability of transportation funding. As noted by the California Transportation Commission, transportation construction projects take an average of seven years to complete. In order to have a viable and healthy transportation system, the State must possess a reliable, growing source(s) of funding to program against.

Additionally, the Administration proposes to link three policy components of GoCalifornia to the passage of the Prop 42 transfer. The three policy components – AB 850, AB 1266 and SB 705 – have been introduced and are working their way through the legislative process. Significant concerns have been raised regarding the interruption of the deliberative legislative process of determining the policy merits of each proposal and their potential statewide impacts by including the policy decision into budget fiscal discussion.

ISSUE 2: MAY FINANCE LETTER – TRIBAL SECURITIZATION BUDGET ASSUMPTIONS

The Administration requests a decrease in Item 2660-302-0046 by \$152.5 million. Under current law, the General Fund owes approximately \$1.222 billion (including interest) to the TCRF, payable no later than June 30, 2006. The 2004-05 Budget Act provided for repayment using proceeds from the securitization of revenues from tribal gaming compacts. Due to delays caused by subsequent lawsuits, the 2005-06 Governor's Budget instead reflected the tribal gaming revenues in 2005-06. The May Revision proposes to reduce the amount that the tribal securitization is expected to produce in 2005-06 by \$222.0 million, thereby realizing \$1.0 billion in securitized proceeds. This revised estimate would necessitate following changes:

Decrease Item 2660-302-0046 by \$152,500,000.
Decrease Government Code Section 14556.5 by \$100,734,000.
Decrease Government Code Section 14556.5(2) by \$5,512,000.

The May Revision also includes trailer bill language to amend Government Code 63048.65 to recognize increased interest costs related to amounts owed to the State Highway Account

COMMENTS:

Resource projections for the sale of the Tribal Gaming Bonds have varied greatly. While the Governor projected a receipt of \$1.2 billion in revenue, the State Treasurer projected approximately \$850 million in revenue. Despite the variance, Tribal Gaming Revenue has been set aside for the repayment of General Fund loans to the TCRF due budget year.

Significant concerns have been raised concerning the Administration's proposal to pay the remainder of the TCRF loan. This request revises the January 10th proposal which completely eliminates the General Fund obligation to repay the remainder, by proposing trailer bill language that requires the repayment following the repayment criteria within ACA X1 4 (Keene), which states all special fund loans must be repaid by the year 2021. However, without passage of ACA X1 4 it is uncertain how the remainder of the TCRF loan to the General Fund would be repaid.

ISSUE 3: GASOLINE SPILLOVER TRAILER BILL LANGUAGE

The Administration requests approval of trailer bill language that would suspend the 2005-06 transfer of "spillover" gasoline sales tax revenue to the Public Transportation Account, and instead retain approximately \$380 million in the General Fund. Under current statute, all spillover revenue would be transferred to the Public Transportation Account, with half of that then transferred to the State Transit Assistance budget item. The "spillover" only occurs in years when gasoline prices are high relative to the prices of other goods. No spillover occurred during the period of 1994-95 through 2000-01; however, a spillover of \$11.3 million occurred in 2001-02. The past two budgets have included trailer bill language to use spillover revenue for General Fund relief. The Public Transportation Account and the STIP also receive a portion of Proposition 42 revenues.

ISSUE 4: MAY FINANCE LETTERS – CAPITOL OUTLAY SUPPORT: PROJECT WORKLOAD

The Administration requests staffing, contract and operations adjustments related to the current estimate of project workload. The Administration has submitted the following three separate Finance Letter requests:

Workload Description	Change to State Staff	Change to full-time equivalent: contract-work and overtime	Dollar Budget Change (in millions)
Base	0	-237	-\$2.4
Tribal Bond Revenue	141	542	\$96.7
Proposition 42	175	453	\$79.9
Total	316	758	\$174.2

At the time this agenda was written, the Administration had only submitted detailed information for the "Base" request. Therefore, staff does not have enough information to determine the split between contract-out work and overtime, as well as to compare those figures with historic workload distribution among these groups.

COMMENTS:

Capital Outlay is the funding mechanism for construction contracts and right-of-way acquisition. This request is to fund support costs for projects in the STIP, the State Highway Operations & Protections Program and the TCRP that are either in the construction or pre-construction phase.

Discussions within the Legislature regarding the appropriate resource ratio of state staff versus cash overtime and contract staff have yet to be concluded.

ISSUE 5: BCP #14 – NON-PROJECT SPECIFIC CAPITOL OUTLAY SUPPORT

The Administration requests a permanent increase of \$11.7 million for non-project specific contracts. Services include document reproduction, photography and satellite imagery, environmental studies, and training.

COMMENTS:

The request will allow the department to contract for highly specialized services that cannot be performed by department staff. The services provided by these contracts are varied and integral to the Programs' ability to ensure projects are completed on the schedules the department has committed to the public as well as providing a safe environment for staff and giving the department the ability to defend itself during litigation.

A detailed project list was provided to staff that includes a revised need of \$6.9 million. Staff understands that the Administration does not object to the Subcommittee reducing the funding request to meet the revised need assessment.

ISSUE 6: MAY FINANCE LETTER – STORM WATER STRUCTURAL BEST MANAGEMENT PRACTICES MAINTENANCE

The Administration requests a permanent increase of 82 positions and \$25.9 million (of this, \$14.8 million is limited-term) for the maintenance of storm-water structural treatment best management practices.

In 1993, the National Resources Defense Council and the Santa Monica BayKeeper filed a civil lawsuit alleging that Caltrans had violated the Clean Water Act by not implementing storm water runoff control measures for about 900 miles of Southern California highways and 35 maintenance facilities as required under the National Pollutant Discharge and Elimination System permit. The court found the department in violation of the Clean Water Act for failing to develop a storm water management plan and implementing the measures.

Caltrans is legally required to incorporate structural treatment Best Management Practices into the State Highway System. In addition, Caltrans is required to maintain and clean all structural treatment Best Management Practices that were installed as pilot projects, as well as reduce the amount of sediment flowing into waterways.

COMMENTS:

Court Mandates require Caltrans to include and retrofit structural storm water treatment Best Management Practices into the state's highway system. Maintenance activities are required to ensure that the new structures are properly maintained cleaned and drained to avoid standing water conditions that could promote mosquito breeding (West Nile Virus) and other vector

nuisances. The Department inventory of structural treatment pollution control Best Management Practices is expected to increase annually.

On April 20, 2005, the committee rejected a budget change proposal similar to this May finance letter, due to inaccurate estimates. This request is the Administration's revamped proposal for complying with court mandated activities.

ISSUE 7: MAY FINANCE LETTER – SEED FUNDING FOR REGIONAL BLUEPRINT PLANNING

The Administration requests a one time funding increase of \$5.0 million for Item 2660-102-0890 to provide grants to metropolitan planning organizations (MPOs) to produce regional "blueprint" planning documents. These plans will guide future development and land use decisions to promote economic development, while protecting the environment, promoting healthy cities, and reducing unnecessary travel demand.

COMMENTS:

According to Caltrans, pilot projects have been conducted by a few MPOs to providing funding for "blueprint" planning for various regions. Blueprint planning will study future land use patterns and their potential effects on the region's transportation system, air quality, housing, open space and other resources through comprehensive scenario planning. The resulting plans, reflecting different future scenarios, would then be used to develop regional and state transportation plans, as well as guide future development and land use decisions.

The Finance Letter does not provide a structural criteria and procedure for awarding seed grants. Therefore, the Legislature has no methodology to determine where and on what basis the resources will be distributed, nor how to measure the success of the seed funding.

ISSUE 8: APRIL FINANCE LETTER – TRANSPORTATION PERMITS MANAGEMENT SYSTEM (FL #3)/ EXTENSION OF THE LIQUIDATION PERIOD (FL #8)

The Administration requests a permanent increase of \$551,000 annually for ongoing maintenance and operations, as well as an extension of the liquidation period of the remaining \$5.3 million for Transportation Permits Management System (TPMS) that was originally appropriated in the Budget Act of 2000 for the of the TPMS.

TPMS is the automated system which approves routes and issues permits for oversized loads. TPMS is designed to increase highway safety by eliminating human error in the permit generating process. Currently, without TPMS, permit-checkers have to approve a safe route for the oversized load which avoids any obstacles.

COMMENTS:

In fiscal year 2000-01, prompted by a permit related fatality, Caltrans requested and received funding to develop the TPMS. This request will fund ongoing system maintenance and operation of the TPMS environments at Caltrans and Stephen P. Teale Data Center (or its successor). Furthermore, this request will allow the department to act in the most prudent manner concerning the TPMS project. The contract for this project is a performance contract. Accordingly, the Department needs the ability to withhold payment until the entire project is accepted. Final acceptance of the project is not currently scheduled to occur until after the current year.

ISSUE 9: APRIL FINANCE LETTER – BRIDGE SAFETY INSPECTIONS

The administration requests a permanent increase of \$3.4 million and 17.2 personnel years for workload associated with federally required bridge inspections. Federal law requires that Caltrans conduct regular safety inspections on 24,000 publicly-owned bridges statewide to look for any potential structural problems.

COMMENTS:

The Department has the responsibility to preserve the structural safety and operational integrity of all State-owned bridges. Additionally, the Department is responsible for ensuring all locally owned public access bridges are safe. To achieve safety and reliability in state bridges, it is necessary to conduct ongoing safety inspections in accordance with the National Bridge Inspection Standards.

ISSUE 10: APRIL FINANCE LETTER – PERFORMANCE MEASUREMENT SYSTEM

The Administration requests a 2-year limited-term increase of \$557,000 and 4.0 positions to deploy and maintain the production version of the Performance Measurement System (PeMS). PeMS will assist Caltrans with the monitoring and evaluation of real-time traffic data and allow Caltrans to more effectively report comprehensive highway system performance measures.

COMMENTS:

PeMS was initially developed as a research project, to develop standard reports for volume, speeds, travel time, delay and developing a fluent user group. PeMS is the prime component of the Department's system monitoring and evaluation effort. It will enable the Department to report comprehensive system performance measures in an ongoing and cost effective manner.

← Formatted: Bullets and Numbering

The PeMS is currently operational in six urban districts. Caltrans plans to eventually connect two additional districts. This request will not be instrumental in adding these two districts. The purpose of this Finance Letter is to evolve from the proof of concept development version to a fully supported operational version, capable of supporting many users simultaneously.

ISSUE 11: APRIL FINANCE LETTER – PROJECT RESOURCING SCHEDULE MANAGEMENT SYSTEM

The administration requests the reappropriation of \$7.1 million for the Project Resource and Scheduling Management (PRSM) system for the completion of this project. This project would allow improved reporting and scheduling of transportation projects and is also intended to allow Caltrans to meet statutory project reporting requirements. The project was delayed due to a re-scoping of the project to better fit the available resources.

COMMENTS:

According to the Department of Finance, the project as originally scoped, was expected to cost \$10.0 million more than would have been available. In April 2000, the Caltrans submitted a FSR for the PRSM system with an estimated project cost of \$13.4 million. In May 2002, Caltrans submitted a Special Project Report reflecting an increased project total of \$26.1 million.

The project has been down-scoped by Caltrans and the Department of Finance to reduce the PRSM timekeeping requirements. This change results from the fact that the Department now has a modern timekeeping system that it did not have when the FSR was prepared. According to Caltrans, the re-scoping of the project has reduced cost, bringing estimates closer to the original 2002 appropriation of \$13.4 million. The LAO has voiced concerns about the re-scoping of the project without Legislative input.

The requested resources will be re-appropriated for encumbrance and liquidation from the 2001 Budget Act. Therefore, this is not a request for additional funding. However, the resource level of \$7.1 million funds approximately half the estimated project cost (\$13.4 million).

ISSUE 12: CALTRANS SPECIALTY FACILITIES (STAFF ISSUE)

Caltrans plans to spend \$212 million through 2007-08 on non-office-building facilities. Caltrans operates 28 equipment facilities, 304 maintenance facilities and 15 material labs across the state. Additionally, all Caltrans' districts operate some type of traffic management center – either as a stand alone facility or as part of another facility. While funding for office-building projects are specifically approved by the Legislature, non-office-building facilities are not.

Non-office-building facilities are funded using the SHOPP Budget Act appropriations, which primarily funds highway projects. Under the current process, when the Legislature approves the SHOPP budget, it does not know what portion of this money will be used for facility projects off the highway system.

The 2004 SHOPP (covering the period of 2004-05) programs \$187 million for maintenance, equipment and lab facilities, and \$25 million for a new traffic management center in San Bernardino.

COMMENTS:

To track specialty building facility expenditures and increase legislative oversight, the Subcommittee may want to consider separately appropriating funds for these expenditures. The new item could include flexibility to transfer these building facility funds to highway expenditures – should the California Transportation Commission decide highway projects are a higher priority. A separate appropriation will also maintain an ongoing record of specialty facility expenditures in the "Reconciliation with Appropriations" section of the Governor's Budget.

These actions do not alter the total funding requested by the Administration, but will call for the following:

Funding Adjustments:

- Reduce item 2660-302-0042 by \$14.0 million.
- Add item 2660-303-0042 and appropriate \$14.0 million.

New Language:

- Add the following language as Provision 4 to both items 2660-302-0042 and 2660-302-0890:

No funds appropriated in this item are available for expenditures on specialty building facilities. For the purpose of this item, specialty building facilities are equipment facilities, maintenance facilities, material labs, and traffic management centers.

- Add the following language as Provision 1 of the new item 2660-303-0042:

2660-303-0042—For capital outlay, Department of Transportation, specialty building facilities, payable from the State Highway Account, State Transportation Fund.....\$14,000,000

Provisions:

- 1. For the purpose of this item, specialty building facilities are equipment facilities, maintenance facilities, material labs, and traffic management centers.*
- 2. Notwithstanding any other provision of law, funds appropriated in this item may be transferred to Item 2660-101-0042, 2660-102-0042, 2660-301-0042 or 2660-302-0042. These transfers shall require the prior approval of the Department of Finance and the California Transportation Commission.*

ISSUE 13: STAFF ISSUE – FREEWAY SERVICE PATROL START-UP COST

The Freeway Service Patrol (FSP) is a congestion management solution to quell non-recurrent freeway delays caused by minor incidents, stalled vehicles, and stray debris, which impede smooth highway operations. The program began as a pilot program in Los Angeles County and became a statewide initiative in 1992.

FSP is a composition of specially trained tow truck drivers that cover some 2,000 miles of congested freeways, offering stranded motorists free-of-charge assistance for changing a flat tire, "jump starting" a dead battery, providing a gallon of gasoline or towing a vehicle to a safe location off the freeway. Local agencies have provided a 70% funding match to state resources received to operate the program.

FSP currently has 10 programs around the state jointly administered by local or regional agencies in partnership with Caltrans and the CHP. In the budget year, three additional programs will be added in Santa Barbara, San Bernardino and Placer counties. Estimated start-up cost for the additional programs is approximately \$2 million.

ITEM 2640 **SPECIAL TRANSPORTATION PROGRAMS**

**ISSUE 1: MAY FINANCE LETTER – PROPOSITION 42 FUNDING FOR SPECIAL
TRANSPORTATION PROGRAMS**

The Special Transportation Program provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation operations and projects. Funding comes from the Public Transportation Account, which obtains its revenue from a portion of the sales tax on fuel, including some Proposition 42 funds. The Governor's January Budget proposed funding of \$137.3 million for STP – an increase of \$19.9 million (17 percent) over current-year funding. The May Revision proposes to restore Proposition 42 funding, which would increase STP revenues by an additional \$65 million. The Administration continues to propose that Public Transportation Account "spillover" revenue be retained in the General Fund. See additional information on the "spillover" revenue in the Department of Transportation section of this agenda.

ITEM 1955 DEPARTMENT OF TECHNOLOGY SERVICES

The Governor's Budget proposes the establishment of a Department of Technology Services through the consolidation of the Stephen P. Teale Data Center (Teale), The Health & Human Services Data Center (HHDSC) and the Office of Network Services of the Department of General Services (Item 1955).

The Governor's Budget proposal includes a total of \$235,446 and 776.1 positions for the created Department.

ISSUE 1: CWS/CMS APPLICATION RE-HOSTING PROJECT BUDGET BILL LANGUAGE

The administration is requesting additional language be added to 1955-001-9730 and Item 4130-001-0632 to allow the Department of Finance to make positive or negative expenditure authority adjustments for the Child Welfare Services/Case Management System (CWS/CMS) Application Re-Hosting project costs. This language will only take effect if the Governor's Reorganization Plan or similar legislation creating DTS becomes law.

The CWS/CMS application is an automated case management system used by counties to administer Child Welfare Service programs. As part of the CWS/ CMS Go-Forward Plan (GFP), application hosting activities will be transferred from an IBM facility to a state-run data center. This will increase competition for future bids to maintain or reprocur the system. The requested provision would allow the Department of Finance to adjust DTS expenditure authority to support application re-hosting activities. This would be done with 30-day notice to the Legislature following Finance review and approval.

ISSUE 2: CONTINUOUS APPROPRIATION: CONFORMING ACTION

On May 17, 2005, the Subcommittee approved Budget Bill Language for the expenditure authority for DTS. The intention of the Committee was to remove the continuous appropriation language within the Governor's Reorganization Proposal, and replace with a Budget Appropriation. The committee adopted "in lieu of" budget bill language that is consistent with current practice.

On May 18, 2005 the Senate Subcommittee adopted trailer bill language to delete the continuous appropriation authority within the statutory language proposed for DTS.