

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

Assemblymember Mike Feuer, Chair

**MONDAY, MAY 23, 2007
ROOM 126 – 1:30 PM**

CONSENT CALENDAR

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CONSENT

0502 OFFICE OF THE CHIEF INFORMATION OFFICER

ISSUE 1: OFFICE BUDGET

The Subcommittee acted at a previous hearing to establish the areas of responsibility for the Office of the Chief Information Officer. However, there was no clear agreement on the staffing level for the OCIO.

The Senate adopted the LAO's initial recommendation, but the issue is still unresolved and is expected to be discussed as the budget is before the Conference Committee.

In order to facilitate this, the budget for the OCIO should conform with the Senate action, minus \$1,000.

Recommendation: Conform to the Senate, minus \$1,000.

CONTROL SECTION 15.25

ISSUE 1: PROPOSED PTA DIVERSION

The Governor's May Revision requests that Control Section 15.25 be added to authorize the Director of Finance to adjust appropriation items to reflect cost changes as a result of the Department of Technology Services mid-year rate adjustment package adopted by Technology Services Board (TSB) on January 16, 2007, and expected changes to other rates in 2007-08. It is estimated that the net savings resulting from the 2007 rate changes would be approximately \$26.7 million statewide, assuming the same utilization of data center services.

Recommendation: Approve the May Revision proposal.

ITEMS TO BE HEARD

ITEM 2660 CALTRANS

ISSUE 1: PROPOSED PTA DIVERSION

The Governor's May Revision proposes to shift \$1.3 billion in Public Transportation Account (PTA) funds to pay the following obligations, which are currently the responsibility of the General Fund:

- ◆ \$832 million to reimburse the General Fund for the costs of Home-to-School Transportation within Proposition 98, including \$200 million for the current year.
- ◆ \$340 million for transportation-related general obligation bond debt.
- ◆ \$129 million for regional center transportation budgeted in the Department of Developmental Services.

The impacts on the public transit budget are most significant to the State Transit Assistance (STA) program, which loses \$413 million and STIP transit capital, which loses \$533 million. The Governor proposes to backfill the transit capital cut with Proposition 1B funds, which limits the goal of the bond to provide *additional* funds for transit capital.

COMMENTS:

The Governor has joined Legislators to become a worldwide leader in taking on the challenge of global warming, yet his proposal to take funding from public transit is inconsistent with his recent progress on the issue.

In addition to the environmental benefits of public transit, it is also an important transportation alternative with gas prices continuing to escalate. And the importance of public transit was on display just recently with the tanker crash in the Bay Area that shut down major highway arteries but commuters were still able to get where they needed to go with public transit.

The LAO believes the Governor's proposed use of PTA funds to reimburse the General Fund for Home-to-School Transportation is not a legal use of the PTA, and therefore considers the proposal an unachievable solution for the General Fund problem.

Given the severe impacts of the Governor's proposal to local and the distinct possibility that the biggest part of the Governor's proposal is unachievable, the subcommittee should consider the following actions:

Part 1: Budget Year Solution

- ◆ Reject the Governor's Home-to-School Proposal, and Redirect the Funds to Legitimate Transit Purposes.
 - Generates \$832 million for the PTA.
 - Has no negative affect on Governor's actual proposed reserve, assuming the LAO's opinion that it is not achievable.
- ◆ Approve PTA expenditures in accordance with the following summary:

(in millions)

PTA Starting Balance (May Revision)	\$99
Rejection of Home-to-School	832
Reject the proposal to not transfer non-Art XIX to PTA	85
Total Available PTA	\$1,016
Additional PTA Expenditures	
Fund STA's full portion of Spillover*	413
Fund full STIP transit capital	533
Increase support for High Speed Rail Authority	50
Total Additional Expenditures	\$996
Fund Balance	\$20

*based on entire Spillover, including amount diverted to GO debt.

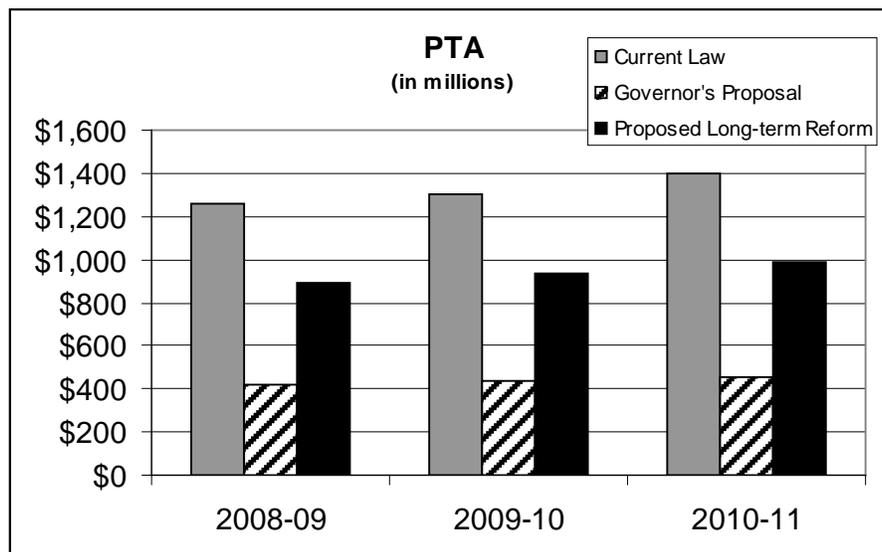
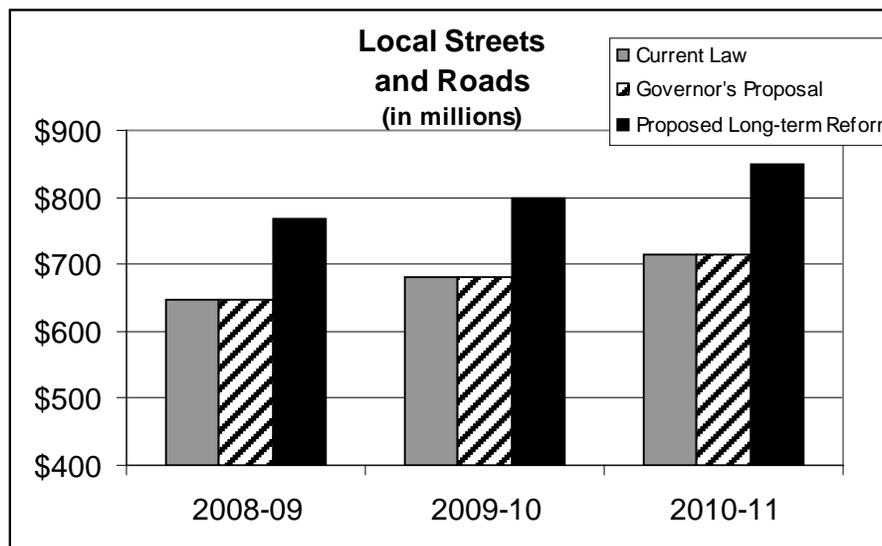
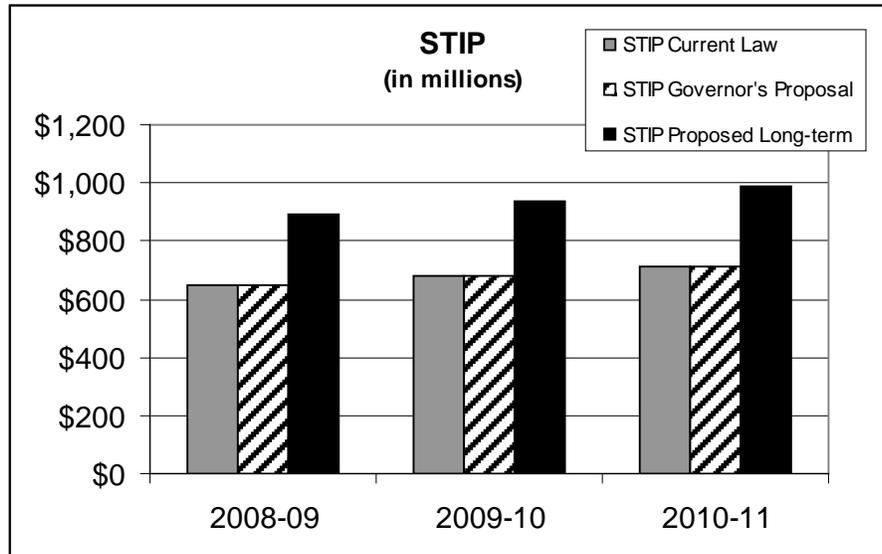
- Provides a total of approximately \$620 million for State Transit Assistance, close to the current year level, and \$413 million more than proposed by the Governor.
- Fully funds STIP transit capital with the PTA, freeing up the \$600 million in Prop 1B funds for additional projects.
- ◆ Approve Governor's proposals for \$340 million to pay general obligation debt and \$129 million for regional center transportation, to provide a total of \$469 million in General Fund relief.
 - These actions are difficult from a transit perspective, but primarily impact the PTA reserve which is mitigated with Part 2, below.
 - Not approving these General Fund solutions will jeopardize other General Fund actions in other areas of the budget, such as the rejection of the Governor's proposal to take aid away from 190,000 underprivileged children, the rejection of the Governor's cut to SSI/SSP which would take more than \$500 out of the pockets of our most needy elderly and/or

disabled California couples, and the rejection of the Governor's proposals that hurt access to the UC and CSU.

Part 2: Long-term Solution

- ◆ Mitigate the impacts of the \$469 million cut to public transit in the budget year, with reforms to Proposition 42 that provide:
 - Stability for the PTA and a significant increase over the Governor's long-term proposal.
 - A major increase for the STIP, including over \$700 million for the current STIP cycle.
 - A significant increase for local streets and roads that total over \$100 million per year.
- ◆ First, beginning in 2008-09, adds Spillover revenues to the Proposition 42 allocation.
 - This increases Proposition 42 by a projected amount of 57 percent through 2010-11 (and likely beyond, but DOF projections do not go that far out)
 - ◆ 2008-09, from \$1.62 billion to \$2.56 billion.
 - ◆ 2009-10, from \$1.70 billion to \$2.67 billion.
 - ◆ 2010-11, from \$1.79 billion to \$2.83 billion.
 - ◆ Three year total, from \$6.67 billion to \$10.45 billion.
- ◆ Second, beginning in 2008-09, change the allocation formulas of Proposition 42 to provide 35 percent to the STIP, 30 percent for local streets and roads, and 35 percent to the PTA.
- ◆ The combined three year affects of the two changes provide:
 - \$776 million increase for the STIP.
 - \$373 million increase for local streets and roads.
 - \$2.3 billion increase to the PTA above the Governor's proposal (but a decrease of \$1.1 billion from current law, assuming the PTA ever received the entire Spillover).

The charts below show the annual affects of the long-term reform, based on recent projections provided by the Department of Finance.



Additional comments:

At first blush, some local government supporters may resist the percentage reduction from 40 percent to 30 percent. But simply mathematics shows how 30% of a bigger pie can actually be more than 40 percent of a smaller pie.

And under every rational projection, under this long-term solution the pie is projected to grow by billions of dollars as far as the eye can see. Should the situation change 10, 15, or 20 years down the road, it would once again be appropriate to adjust the Proposition 42 formulas to reflect the needs and the will of the California voters.

Without the long-term solution, the \$500 million in approved Governor's PTA General Fund solutions will be difficult to approve. So, any local entities that are opposed to the concept of the long-term solution should also identify \$500 million of solutions to replace this lost General Fund solution. The first item on the list should probably be the over \$500 million in discretionary state support for local public safety programs. The list could also include cuts to CalWORKS, SSI/SSP, or the UC and CSU. Since the long-term

It should be noted that the budgets for State Transit Assistance (2640) and the High Speed Rail Authority (2665), with budget bill language requiring to completion of the financing plan, will conform to this action. In addition, the sales tax revenue estimates in the May Revision (Issues 214 and 215) are also approved with this item.

ISSUE 2: PROP 1B

The Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Prop 1B) provides for a general obligation bond issue not to exceed \$19.925 billion. The May Revision of the Governor's Budget requests appropriations totaling \$11.487 billion in Prop 1B bond funds, although only \$4.087 billion is expected to be allocated, or committed, in 2007-08.

COMMENTS:

At an earlier hearing, the Subcommittee expressed concern with the Governor's three year appropriation proposal as well as the Governor's proposal to have the flexibility to move appropriated funds from one category to another.

The Subcommittee understood to a certain extent the Administration's request for a multi-year appropriation. For example, there is legitimate concern that if all the budgeted funds for a particular category are spent by the Spring, no additional work could be completed until another appropriation is provided – most likely with the next budget in the middle of the summer. This could potentially result in the loss of prime construction months and unnecessarily delaying projects.

As a result, a staff working group was formed that developed Budget Bill Language that would enable an appropriation to be increased by 25 percent of the estimated 2008-09 need.

The chart on the next page was developed by the LAO and reflects their recommendation for Proposition 1B capital outlay and local assistance appropriations as well as their recommendation for state operations administration.

At this point in the budget process, it is appropriate to make clear that no Trailer Bill Language associated with Proposition 1B be approved. The trailer bill issues will be discussed at the conference committee and perhaps in subsequent legislation through the policy committee process.

Proposition 1B Implementation (Capital Outlay and Local Assistance Appropriations)
(In Millions)

Category	Governor's Proposal	LAO Recommendation
Item 2660		
Corridor Mobility	\$3,309 (\$594—BY)	\$594 + 25% BBL
SR 99	\$392 (\$6—BY)	\$6 + 25% BBL
Trade Corridors	\$800 (\$200—BY)	\$200
STIP	\$1,588 (\$664—BY)	\$664 + 25% BBL
State-Local Partnership	\$593 (\$200—BY)	\$200
Local Bridge Seismic Retrofit	\$35 (\$14—BY)	\$14 + 25% BBL
Grade Separation	\$248 (\$14—BY)	\$125
SHOPP	\$625 (\$382—BY)	\$382 + 25% BBL
Intercity Rail	\$383 (\$187—BY)	\$187
Other Items		
Public Transit (2640)	\$1,300 (\$600—BY)	\$600 + 25% BBL
Local Roads (9350)	\$1,050 (\$600—BY)	\$600

Proposition 1B Administration State-Operations
(In Millions)

Category	Governor's Proposal	LAO Recommendation
Corridor Mobility	\$1.407	\$1.404
SR 99	\$0.526	\$0.674
Trade Corridors	\$2.282	\$1.427
STIP	\$2.709	\$2.462
Public Transit/Intercity Rail	\$2.676	\$1.047
State-Local Partnership	\$2.186	\$0.654
Local Bridge Seismic Retrofit	\$0.156	\$0.086
Grade Separation	\$0.572	\$0.548
SHOPP	\$0.904	\$0.657

ISSUE 3: CAPITAL OUTLAY SUPPORT

The Governor's May Revision requests an augmentation of \$206 million (various funds including Prop 1B bond funds), a reduction of 100 state staff positions, and an increase of 595 contract-out resources. This request would result in total COS resources of \$1.8 billion and 13,121 full-time equivalents (FTEs) composed of 10,515 state staff, 668 FTEs of state-staff overtime, and 1,938 FTEs of contracted staff resources. Included in the request is funding of \$63.2 million to fully fund the cost of existing state staff – Caltrans indicates it is underfunded for position costs, and has been forced to maintain higher vacancies at the beginning of each year to produce savings. The request indicates that 640 FTEs are associated with Prop 1B COS workload, along with about \$119 million in Prop 1B funds.

COMMENTS:

Every year, there is significant discussion between the Administration and Legislature concerning the appropriate split of COS workload between state staff and contract resources. There is also debate over the relative cost of state staff versus contract resources.

The Governor's May Revision proposal breaks from the recent efforts to have additional staffing needs met with the existing mix between state staff and contract staff.

Contract staff is beneficial to even out the peaks and valleys in workload across the state and in individual districts, and to prevent the need for layoffs when the workload drop is dramatic. Additionally contract staff may be desirable where unique experience is needed for a specific project

However, there is not indication that future workload will diminish significantly and the cost of contract staff is significantly higher than state staff. The numbers assumed by the Administration in compiling the budget request are that state staff cost \$126,000 (including all benefits and the standard cost of operating expenses and equipment) and contract out resources cost \$209,000 per FTE. For comparison purposes, the following "Full Time Equivalent" chart shows was developed by the Senate Budget Committee staff, with assistance from Caltrans and shows the long term mix of contract and state staff.

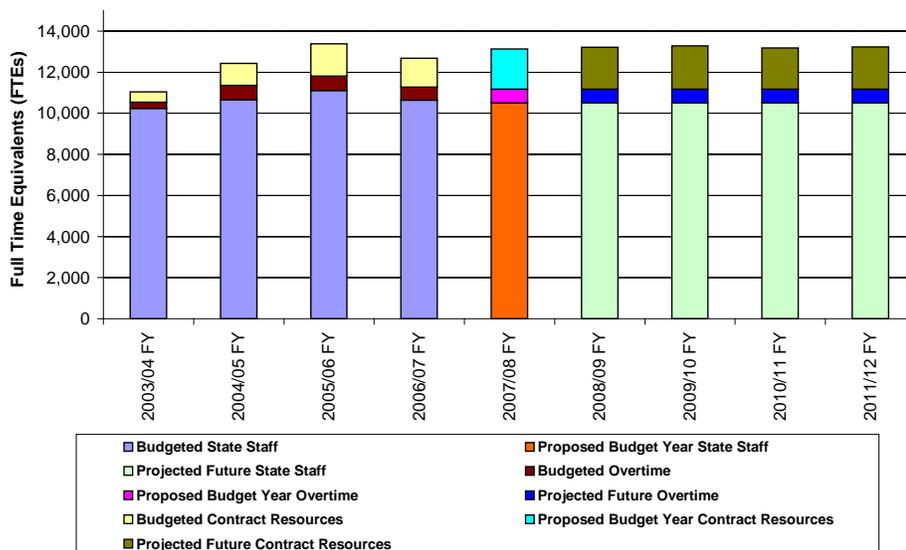
Should the Subcommittee replace the proposed contract staff with state staff, it would save the budget approximately \$50 million.

Year	State Staff	Overtime	Contract Out	Total
1988-89	6,796.2	292.0	1,047.0	8,135.2
1989-90	7,072.3	310.0	937.0	8,319.3
1990-91	7,901.5	352.9	1,207.0	9,461.4
1991-92	8,789.2	379.4	1,305.0	10,473.6
1992-93	8,760.6	379.4	1,285.0	10,425.0
1993-94	8,696.0	305.0	855.0	9,856.0
1994-95	8,394.0	299.0	801.0	9,494.0
1995-96	7,782.0	298.0	803.0	8,883.0
1996-97	7,164.0	298.0	1,306.0	8,768.0
1997-98	7,538.0	351.0	1,176.0	9,065.0
1998-99	9,434.2	691.5	921.0	11,046.7
1999-00	9,854.3	546.0	592.0	10,992.3
2000-01	10,565.3	821.9	1,159.0	12,546.2
2001-02	11,072.0	650.0	1,646.0	13,368.0
2002-03	10,803.0	650.0	1,382.0	12,835.0
2003-04	10,245.0	303.0	500.0	11,048.0
2004-05	10,651.0	699.0	1,070.0	12,420.0
2005-06*	11,200.0	710.0	1,568.0	13,478.0
2006-07*	10,638.0	636.0	1,410.0	12,684.0
2007-08 Proposed	10,515.0	668.0	1,938.0	13,121.0
Long-run average %	85%	4%	10%	
2006-07 (at Budget Act)	84%	5%	11%	
2007-08 (Proposed)	80%	5%	15%	

* At the time of the Budget Act - excludes mid-year adjustments

The following chart has the draft workload projections for Caltrans. Workload appears to be fairly steady.

Chart 3 - Historic, Budget Year and Projected Future Capital Outlay Support Resources



The LAO believes that the overall staffing level requested by the Administration is reasonable, and that the mix between state and contract staff is a policy decision that is up to the Legislature.

The LAO also suggests the Subcommittee consider developing a consolidated Proposition 1B account to fund all of capital outlay support for all the different categories of the bond, rather than having each category funding its own capital outlay support. This would dramatically reduce the administrative workload of tracking exactly how much work each position did for each specific category.

This idea has merit and should continue to be considered as the Conference Committee finalizes the budget for Proposition 1B.

ISSUE 4: VEHICLE CODE SECTION 21101.4

The Subcommittee has been asked to consider amending a statute to enable local agencies to close highways/through streets under their jurisdiction from 5 consecutive time periods of 18 months to 10 consecutive time periods of 18 months.

COMMENTS:

It is the understanding of committee staff, that this code section was originally part of the Transportation Trailer Bill in 1996, and therefore could be included in the transportation trailer bill this year.

Here is a draft of the proposed trailer bill language:

21101.4. (a) A local authority may, by ordinance or resolution, adopt rules and regulations for temporarily closing to through traffic a highway under its jurisdiction when all of the following conditions are, after a public hearing, found to exist:

(1) The local authority finds and determines that there is serious and continual criminal activity in the portion of the highway recommended for temporary closure. This finding and determination shall be based upon the recommendation of the police department or, in the case of a highway in an unincorporated area, on the joint recommendation of the sheriff's department and the Department of the California Highway Patrol.

(2) The highway has not been designated as a through highway or arterial street.

(3) Vehicular or pedestrian traffic on the highway contributes to the criminal activity.

(4) The closure will not substantially adversely affect traffic flow, safety on the adjacent streets or in the surrounding neighborhoods, the operation of emergency vehicles, the performance of municipal or public utility services, or the delivery of freight by commercial vehicles in the area of the highway proposed to be temporarily closed.

(b) A highway may be temporarily closed pursuant to subdivision (a) for not more than 18 months, except that this period may be extended for not more than **five ten** additional consecutive periods of not more than 18 months each if, prior to each of those extensions, the local authority holds a public hearing and finds, by ordinance or resolution, that all of the following conditions exist:

(1) Continuation of the temporary closure will assist in preventing the occurrence or reoccurrence of the serious and continual criminal activity found to exist when the immediately preceding temporary closure was authorized. This finding and determination shall be based upon the recommendation of the police department or, in the case of a highway in an unincorporated area, on the joint recommendation of the sheriff's department and the Department of the California Highway Patrol.

(2) The highway has not been designated as a through highway or arterial street.

(3) Vehicular or pedestrian traffic on the highway contributes to the criminal activity.

(4) The immediately preceding closure has not substantially adversely affected traffic flow, safety on the adjacent streets or in the surrounding neighborhoods, the operation of emergency vehicles, the performance of municipal or public utility services, or the delivery of freight by commercial vehicles in the area of the highway that was temporarily closed.

(c) The local authority shall mail written notice of the public hearing required under subdivision (a) or (b) to all residents and owners, as shown on the last equalized assessment roll, of property adjacent to the portion of highway where a temporary closure or extension of temporary closure is proposed.