

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

Assemblymember Pedro Nava, Chair

WEDNESDAY, MAY 3, 2006
ROOM 127 – 4:00 PM

CONSENT CALENDAR

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PROPOSED CONSENT

ITEM 2660 CALTRANS

**ISSUE 1: SPECIAL FACILITIES APPROPRIATION ITEM – TECHNICAL
CORRECTION**

The Governor's proposed budget contains provisional language in this item that is duplicative of an existing Control Section. The technical correction needs to be made.

ITEMS TO BE HEARD

ITEM 2665 HIGH SPEED RAIL AUTHORITY

The California High-Speed Rail Authority (HSRA) was created in 1996 to direct the development and implementation of inter-city high-speed rail service. The HSRA has completed its business plan, initial financial plan, and a program environmental impact report (EIR). Current law places a proposition on the November 2006 ballot to provide \$9.95 billion in general obligation bonds for high-speed rail and related rail projects. The total cost to build the entire system was most-recently estimated at \$37 billion.

ISSUE 1: PROPOSED BUDGET

The Governor proposes \$1.3 million (Public Transportation Account) in total expenditures for the HSRA, a decrease of \$3.9 million from the current-year budget. The decrease is due to the completion of projects with one-time funding – specifically two projects were funded in the 2005 Budget Act: a “next-tier” program EIR on the Central Valley to Bay Area route alignment and an updated financial plan.

COMMENTS:

Currently, a \$9.95 billion General Obligation bond is scheduled for the November ballot, which if passed by the voters would provide the first phase of construction funding for the high-speed rail network.

However, the Governor's so called "Strategic Growth Plan," which called for \$68 billion in new General Obligation bonds over the next 10 years, assumes legislation will be enacted that indefinitely delays the High Speed Rail Bond.

In the bond discussions within the Legislature, there has been consideration of including some bond funds that will ultimately benefit the High Speed Rail network, but at a level much smaller than the nearly \$10 billion called for in the High Speed Rail bond.

The status of the bond discussions are key to establishing the budget for the HSRA. The amount of bond revenues available will dictate the level of activities for the HSRA.

Given the uncertainty, the LAO recommends budget bill language that reverts any unused funds appropriated for the HSRA in the event the legislation is enacted that delays indefinitely the high-speed rail bond.

The Subcommittee may want to put off final decision on the HSPA budget until after the May Revision when perhaps more information on the bond negotiations will be known.

ITEM 2640 SPECIAL TRANSPORTATION PROGRAMS

The Special Transportation Program provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation programs.

ISSUE 1: PROPOSED BUDGET

The Governor's proposed budget includes \$235 million (Public Transportation Account) for Special Transportation Programs for the budget year, and increase of about \$34.7 million from the current year.

COMMENTS:

The budget for Special Transportation Programs is set through various statutory formulas that are in large part driven by the cost of gasoline and diesel fuel at the pump.

The Governor's May Revision, therefore, will include an updated budget for Special Transportation Programs to reflect the updated projections of prices at the pump.

ITEM 2600 CALIFORNIA TRANSPORTATION COMMISSION

The California Transportation Commission (CTC) advises and assists the Secretary of the Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies, plans, and funding for California's transportation programs.

The Governor's proposed budget includes just over \$2 million for the CTC for the budget year.

ISSUE 1: 2006 STIP OVERVIEW - INFORMATIONAL

On April 26, the CTC approved the 2006 State Transportation Improvement Program (STIP), which will provide \$5.18 billion for transportation funding over the next five years, including \$3.82 billion for highways and roads, \$1.01 billion for rail and public transit, and \$350 million for transportation enhancements.

COMMENTS:

The CTC will provide an overview of the approved 2006 STIP.

ISSUE 2: POSITION INCREASE

The Governor's proposed budget includes a net augmentation of \$171,000 and one position to perform oversight work related to the Toll Bridge Seismic Retrofit Program. Additionally, one-half of an existing position would be redirected to this workload. Oversight responsibility was added to the CTC's workload with the passage of AB 144 (Chapter 71, Statutes of 2005), which enacted a financing plan to complete work on the new east span of the San Francisco - Oakland Bay Bridge.

AB 144 requires the Executive Director of the CTC to serve on the Toll Bridge Oversight Committee. The new position would be funded by reimbursements from the Bay Area Toll Authority.

COMMENTS:

The CTC believes they need more staff for oversight work related to the Toll Bridge Retrofit Program and requests two additional positions than what is provided for in the Governor's proposed budget.

The requested additional positions would also be funded out of reimbursements from the Bay Area Toll Authority, which would increase the reimbursement by \$224,000.

The CTC indicates the Bay Area Toll Authority supports the increase of the reimbursement to support the additional two positions.

The Department of Finance should report at the hearing regarding the CTC's requested positions.

ITEM 2660 CALTRANS

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak, and assists local governments with the delivery of transportation projects, as well as other transportation-related activities.

The Governor's budget proposes \$11.5 billion, including \$2.3 billion from the General Fund, and 21,862.5 positions for 2006-07. This reflects a decrease of \$898.7 million from the revised current year budget (due primarily to cost for the Bay Bridge retrofit increasing in the current year) and an increase of 211.8 positions from the revised current year budget.

ISSUE 1: MAINTENANCE FUNDING

The Governor's proposed budget does not increase funding for the Maintenance Program, which historically supports road preservation projects. Instead, the Governor's budget appears to reflect an increase of \$105.3 million for the State Highway Operation and Protection Program (SHOPP).

In addition, the Governor's proposed budget does not include budget bill language that ensures that budget funds for highway preservation are not diverted for other purposes.

COMMENTS:

While it is possible to meet the maintenance needs through SHOPP rather than provide an increase to the maintenance program, the Legislature has significantly less oversight over the SHOPP than over the Maintenance Program.

First, the increases for the SHOPP are not accompanied with the detailed Budget Change Proposals in the January budget proposal, while changes in the Maintenance Program do require the submittal of Budget Change Proposals.

Second, the final proposed positions for the SHOPP are not submitted to the Legislature until the May Revision, while the position changes in the Maintenance Program are provided with the January budget proposal.

Finally, the LAO recommends the following budget bill language, which is in the current year budget, be added to the budget for the budget year as well. This language will ensure that funds budgeted for highway preservation are not diverted for some other purpose.

Of the funds appropriated in this item, \$81 million is for major maintenance contracts for the preservation of highway pavement and shall not be used to supplant any other funding that would have been used for major pavement maintenance.

ISSUE 2: DISTRICT 7 BICYCLE COORDINATOR

Caltrans' District 7, which covers Los Angeles and Ventura counties does not have a bicycle coordinator. Only District 11 in San Diego and District 4 in Oakland have dedicated bicycle coordinators.

COMMENTS:

According to the Los Angeles County Bicycle Coalition, District 7 has far greater number of bicycle injuries and fatalities than any other district in the state.

Caltrans has indicated they support the creation of a bicycle coordinator for District 7 and are working to find funding for the position.

Caltrans should report at the hearing regarding the full cost of adding the position, whether an existing position can be redirected for this purpose, and status of their pursuit of funding for the position.

ISSUE 3: TRANSPORTATION LOAN REPAYMENTS

The total amount of outstanding General Fund loans from transportation is approximately \$3.3 billion. A total of \$1 billion will be repaid with Tribal Gaming revenues and about \$2.3 billion is scheduled to be repaid straight from the General Fund.

The Governor's proposed budget includes the early repayment of \$920 million of the Proposition 42 funds that were suspended in 2004-05. And the updated Governor's proposed budget assumes about \$150 million from Tribal Gaming revenues will be used to repay the Traffic Congestion Relief Fund loans from 2002-03 and 2003-04.

COMMENTS:**Consistency with Current Law.**

Current statute requires the Proposition 42 loan from 2004-05 be repaid in the manner in which they would have been distributed in that year. The Governor's partial repayment proposal does not follow current law and instead provides no funds for public transit, less funds for the Transportation Congestion Relief Program, and more funds than permitted by current law for the STIP and for local streets and roads.

While the proposed budget appears to assume that the future repayments make up the differences in the adjustment proposed in the budget year, there is no guarantee that future payments will be made. The repayments are only statutory required, and as the state continues to face multi-billion structural deficits, delaying or eliminating future repayments could be considered by the Governor and the Legislature.

Therefore, not making the partial repayment of Proposition 42 loans consistent with Proposition 42 formulas puts some at risk of never seeing any repayment.

The following chart illustrates the Governor's divergence from current law:

\$920 Proposition 42 Loan Repayment (\$ in millions)		
	Current Statute	Governor's Proposal
Traffic Congestion Relief Program	\$678.0	\$410.0
Local streets and roads	\$96.8	\$255.0
State Transportation Improvement Program (STIP)	\$96.8	\$255.0
Public Transportation Account for State Transit	\$24.2	-
Public Transportation Account for STIP	\$24.2	-
TOTALS	\$920.0	\$920.0

Repayment Amount

While the Governor proposes the early repayment of the Proposition 42 loans, alternatives are being considered to establish a repayment schedule.

First, a constitutional amendment supported by the transportation community would establish a 10 year repayment schedule for all Proposition 42 loans, while making other alterations to Proposition 42. And second, the ongoing bond discussions include the consideration of repaying the loans with bond proceeds (which are then repaid with the General Fund) or through a Legislative proposal to alter Proposition 42 and provide a constitutionally guaranteed repayment schedule.

The advantages of the alternative repayment plans being considered are that the funds would be repaid immediately and could not be taken back by the General Fund – even if the state continues to face deficits.

Under the Governor's proposal, not only would the remaining \$1.4 billion (\$2.3 billion minus \$920 million) be at risk of never being repaid should the state continue to face deficits, but much of the \$920 million would not be spent over the next few years and there is nothing to keep the Governor and the Legislature from taking whatever unused funds exist back to the General Fund.

In addition, by shifting the repayment of Proposition 42 loans to either bond funds or to a 10 year repayment period would reduce the out year deficits by as much as \$2.3 billion.

In short, there is no guarantee that the entirety of the \$2.3 billion will ever be repaid – or stay repaid. But shifting the repayment to bond funds or a constitutionally guaranteed repayment schedule would guarantee the funds for transportation – while also significantly benefiting the General Fund condition over the next three years.

ISSUE 4: ENVIRONMENTAL ENHANCEMENT MITIGATION PROGRAM

The Governor's proposed budget contains no funding for the Environmental Enhancement Mitigation program (EEMP) for 2006-07.

The EEMP funds grants for projects such as hiking and biking trails, landscaping, and the acquisition of park and wildlife areas.

COMMENTS:

The EEMP was established in 1989 and provided for annual transfers of \$10 million from the State Highway Account (SHA) to the EEM Fund for a ten-year period. At the expiration of the ten-year period, the Legislature decided to continue funding at the \$10 million level and current statute cites the intent of the Legislature to allocate \$10 million annually to the EEM Program.

Due to declining SHA balances, no transfers were made from the SHA to the EEM Fund in 2003-04 and 2004-05. However, there was an existing balance in the EEM Fund of about \$10 million, and appropriations were included in the 2003-04 and 2004-05 Budget Acts to allow for EEM Program grants of \$5 million in each year.

The Legislature augmented the Governor's proposed 2005-06 budget by \$10 million (State Highway Account) for EEM; however, the Governor vetoed the entire amount.

The Subcommittee should consider approving a \$10 million appropriation for the EEMP for the budget year.

ISSUE 5: THE TOLL ROAD FORMERLY KNOWN AS "SAN ONOFRE STATE BEACH"

The Orange County Transportation Corridor Agencies (TCA) has proposed a sixteen-mile extension of Route 241 (toll road) from Orange to San Diego Counties that would essentially bisect the entire length of San Onofre State Beach. (See map on page 14)

San Onofre State Beach was created by Executive Order by President Nixon and is on land that the Department of Parks and Recreation leases from the federal government. San Onofre State Beach adjoins the Camp Pendleton U.S. Marine Corps Base

San Onofre State Beach is the sixth most visited park in the State Park System.

While Caltrans is not the lead agency in the proposed expansion project (the TCA is the lead), the department does play a roll in the reviewing and approving of the construction plans.

COMMENTS:

1. San Onofre includes world famous beaches, natural preserves, endangered species, and campgrounds used by families seeking low cost vacation sites.

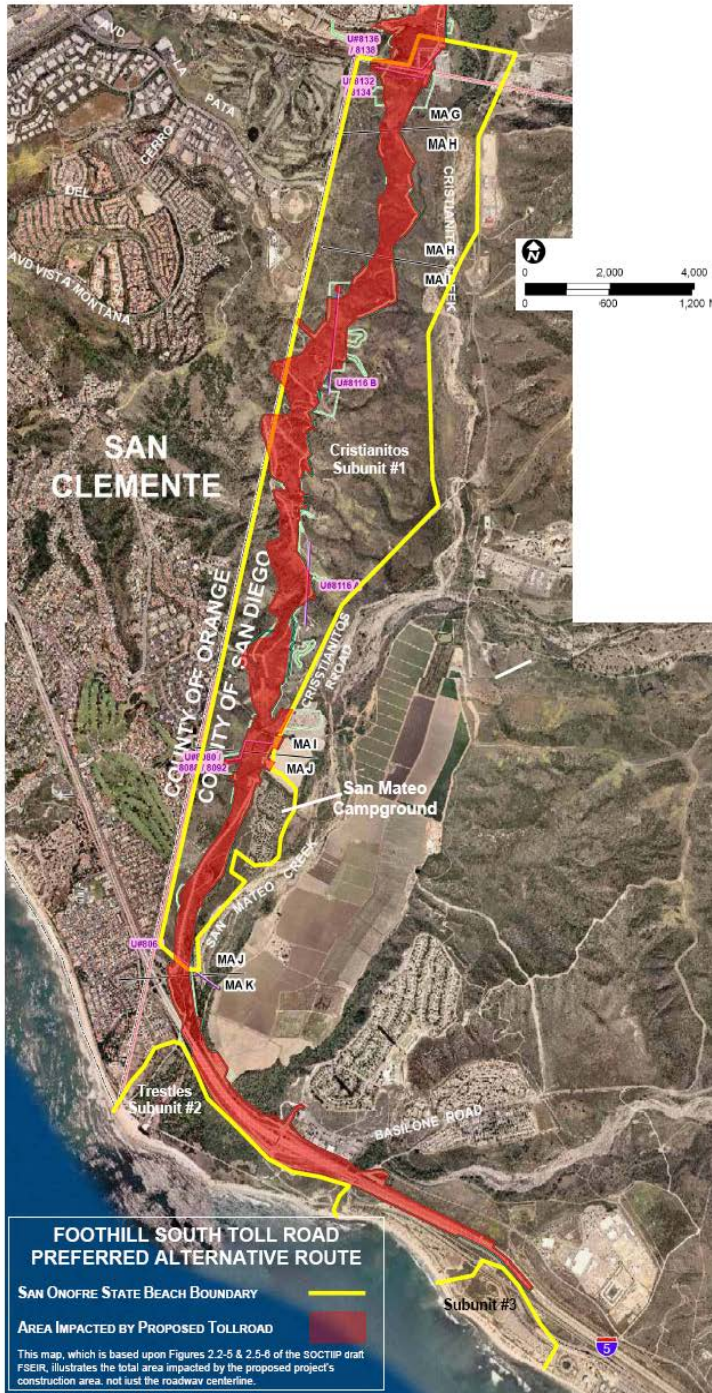
With the creation of the State Beach in 1971, Governor Regan said in part, "This is a momentous and proud day for California...This expanse of acreage, San Onofre Bluffs State Beach, now has its future guaranteed as an official state park."

But Reagan went on to warn, "As stewards of this land, we must use it judiciously and with a great sense of responsibility."

Caltrans should report at the hearing whether the building of a toll road through the San Onofre State Beach is a judicious and responsible use of the State Beach.

2. Caltrans should also report on the Caltrans exact role in the proposed project and what powers the state has in stopping the project under current law.
3. The subcommittee should consider approving each of the following:
 - a. Approve Trailer Bill Language amending the authorizing statute of the TCA to prohibit their authority to build a toll road through San Onofre State Beach.
 - b. Approve Trailer Bill Language amending the Public Resources Code prohibiting the construction of a private toll road through the San Onofre State Beach.

- c. Increase Caltrans budget by \$450,000 (State Highway Account) to provide reimbursement to the University of California to conduct an independent study to identify alternatives for relieving traffic congestion to the proposed extension of the 241 toll road through the San Onofre State Beach.



Color copies are available in Room 6026 and at the hearing.

ISSUE 6: ALTERNATIVE FUEL VEHICLES

The Governor's proposed budget includes a one-time augmentation of \$4.0 million (State Highway Account) to purchase alternative fuel vehicles and install exhaust filter trap devices on heavy-duty trucks.

Caltrans indicates these measures are necessary to comply with mandates from the South Coast Air Quality Management District (SCAQMD), which is charged with bringing Orange County and the urban portions of Los Angeles, Riverside, and San Bernardino Counties, into federal air quality compliance by 2010.

COMMENTS:

According to Caltrans, 18 highway sweepers and 29 heavy-duty trucks are due for replacement in 2006-07. The new vehicles would either use compressed natural gas (27 vehicles) or be retrofitted with specially fitted exhaust filter traps (20 vehicles).

The exhaust filter traps for heavy duty trucks are less expensive than compressed natural gas vehicles (\$8,000 versus \$106,000 per vehicle); however, Caltrans cannot pursue that option unless SCAQMD approves a Technical Infeasibility Certification Request, which Caltrans has submitted to justify that there are not enough compressed natural gas vehicles available.

Caltrans should report at the hearing regarding the status of the Technical Infeasibility Certification Request.

ISSUE 7: OWNER CONTROLLED INSURANCE

The Governor's proposed budget includes an augmentation of \$1.4 million (State Highway Account) and 1.0 position to implement the statewide Owner Controlled Insurance Program (OCIP) as a pilot program with 82 projects.

COMMENTS:

Under the OCIP the state would purchase major insurance coverage for its construction projects, rather than the individual contractors purchasing their own insurance. In theory, the increased costs to the state to purchase the insurance would be more than offset by lower bids, since the contractors would no longer need to include insurance costs. The Administration estimates that this will result in a net savings of \$40 to \$65 million over three years.

The \$1.4 million included in the proposed budget would cover the cost of hiring a consultant to assist in the implementation of the OCIP.

The LAO is concerned that the estimated cost savings may not be realized. For example, if contractors are already broadly pooling their insurance costs, then the state may not be able to purchase the insurance at a rate much better than the contractors. As a result the bids would not fall as precipitously as projected and not generate the savings currently estimated.

Therefore, the LAO recommends limiting the OCIP to a smaller pilot with the following budget bill language that will limit the pilot program to \$500 million to \$750 million in total project costs.

Additionally the LAO recommends the Legislature adopt the following supplemental report language:

By April 1 of 2007, 2008, and 2009, respectively, Caltrans shall report to the Joint Legislative Budget Committee and the policy committees on transportation on the following concerning the Owner Controlled Insurance Program (OCIP):

(1) The type and value of projects included in the pilot.

(2) The amount that Caltrans would have paid contractors for insurance coverage in the absence of an OCIP, as identified in contractors' bid statements.

(3) The amount the department paid in insurance premiums, deductibles, program administration, and any other OCIP-related costs incurred during the pilot.

(4) The estimated net cost or benefit of implementing the pilot.

(5) An assessment of the projects that were best suited for inclusion in an OCIP and the projects that were least well suited, in terms of cost effectiveness.

ISSUE 8: TRANSPORTATION PERMITS MANAGEMENT SYSTEM

The Governor's proposed budget includes a reappropriation of up to \$5.25 million (State Highway Account) to extend the liquidation period of funds approved to implement the Transportation Permits Management System (TPMS). The TPMS is the automated system which will approve routes and issues permits for oversized loads.

COMMENTS:

TPMS is designed to increase highway safety by reducing human error in the oversized-load permit generating process. Past errors in the issuance of oversized permits have contributed to bridge hits and other accidents.

The TPMS was intended to be fully implemented by the end of 2005, but various flaws were discovered in the system.

In February 2006, the project team finalized all requirements; the list of defects; change orders; and incorporated the required levels of effort into the project schedule. Additionally, Caltrans and the vendor are negotiating a contract amendment that will place financial penalties on the vendor if the system is not acceptable by September 30, 2006. Caltrans now hopes to have the system fully in operation by November 29, 2006.