AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR

WEDNESDAY, MARCH 7, 2012
9:00 A.M. - STATE CAPITOL ROOM 447

ITEMS TO BE HEARD

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ORG	**DEPARTMENT**	
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ITEMS TO BE HEARD

2660 DEPARTMENT OF TRANSPORTATION
2600 CALIFORNIA TRANSPORTATION COMMISSION

ISSUE 1: CALIFORNIA TRANSPORTATION COMMISSION NEEDS ASSESSMENT

A recent report from the California Transportation Commission frames the challenges and opportunities of funding California transportation infrastructure.

BACKGROUND

On October 27, 2011, the California Transportation Commission issued the 2011 Statewide Transportation Needs Assessment. This document paints a picture of State transportation funding needs over the next decade. The report concluded that California would need $538.1 billion, excluding the development of the High Speed Rail project, but that existing funding sources would provide $242.4 billion or 45 percent of the need over the same period. The chart below illustrates the needs.

Cost: ($ billions)	System Preservation	System Expansion and Management	Total
Highways	$ 79.7	$86.3	$165.9
Local Roads	102.9	26.5	129.3
Public Transit	142.4	32.2	174.5
Inter-City Rail	0.2	6.2	6.4
Freight Rail	0.1	22.3	22.4
Seaports	4.6	7.5	12.1
Airports	10.4	5.5	15.9
Land Ports	1	0	1
Intermodal Facilities	0	5.9	5.9
Bike/Pedestrian	0	4.5	4.5
Total	**$341.1**	**$197**	**$538.1**

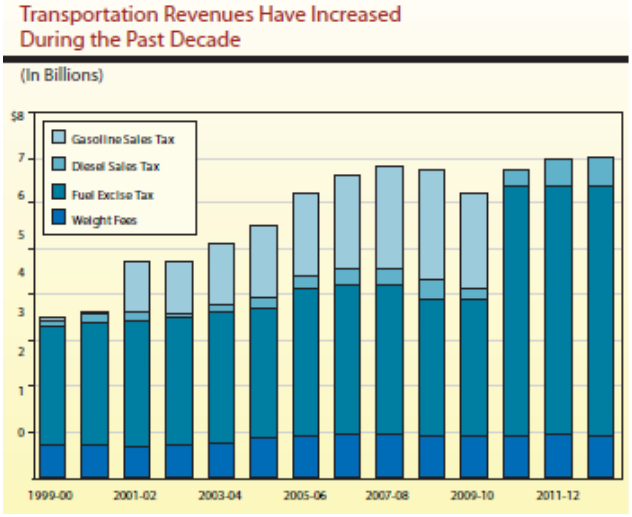
The California Transportation Commission led a coalition of California's transportation agencies to develop this statewide transportation needs assessment that reflects the multi-modal needs of California's transportation system. The coalition included the executive leadership of several representative agencies, including Caltrans, Metropolitan Planning Organizations (MPOs), urban and rural transportation planning agencies, the California State Association of Counties, the League of California Cities, the California Transit Association, the High Speed Rail Authority, the ports of Los Angeles, Long Beach and Oakland, the California Association of Port Authorities and the California Airports Council.

METHODOLOGY

To prepare this needs assessment, representatives from Caltrans and California's major Metropolitan Planning Organizations (MPOs) conducted surveys of each of the state's 18 MPOs and 26 rural regional transportation planning agencies. The surveys asked each agency to identify system expansion projects, system management projects, and system preservation projects that could be completed over the next ten years. The agencies identified these projects by using the "fiscally constrained" project list for the ten-year period detailed in their most recently adopted Regional Transportation Plan (RTP), and by using other relevant reports and studies, such as the "Local Roads Study" and the "Public Transit Study". Supplemental project listings and cost information was also obtained from Caltrans and other transportation providers in certain categories, and this information was compared to the information provided by the MPOs and RTPAs. Revenue estimates contained in the report were produced by Bay Area MTC staff, utilizing information provided by Caltrans and other sources.

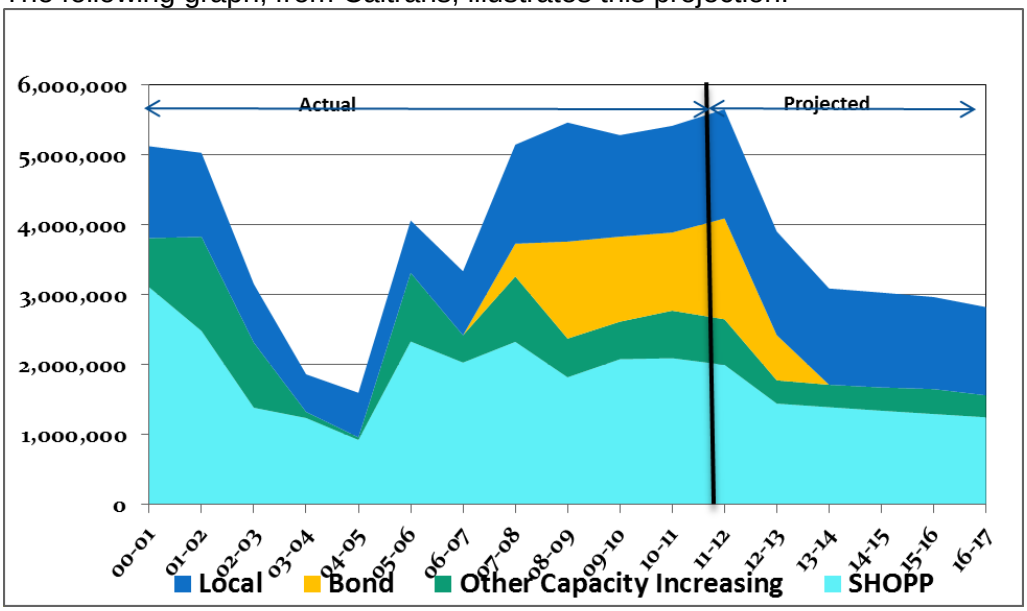
FUNDING

Overall revenues for transportation has continued to increase, with over $7 billion available in the budget year, more than double the level of funding in 2000-01. As this LAO chart below illustrates, the elements of this funding has changed, in part due to the gas tax swap.

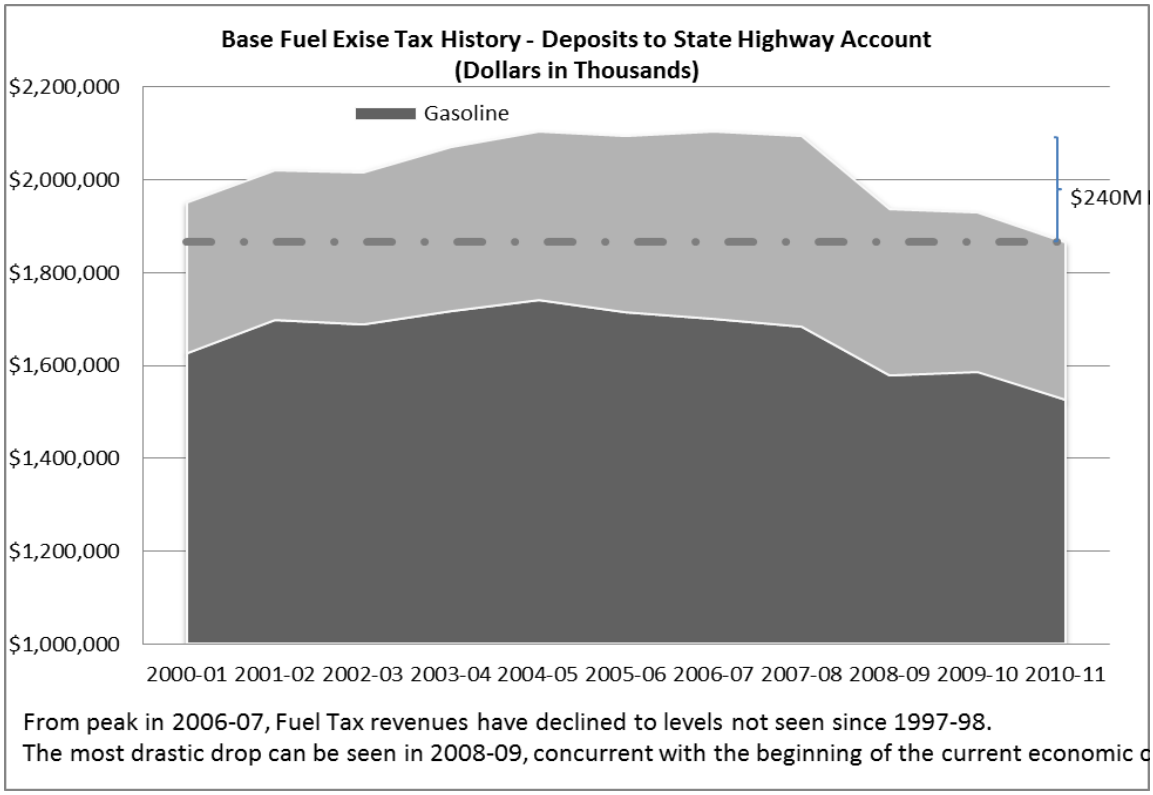


Despite this increase, the overall funding, including bond funds, suggests that overall spending on infrastructure will begin to shrink in the near future.

The following graph, from Caltrans, illustrates this projection:



In addition, the State's base $18 gas tax rate has eroded over time, as gasoline consumption has declined the revenue generated by the base amount by over $240 million per year since 2007. As motorist purchase more efficient vehicles and the automobile industry begins producing cars that use electricity and other sources of power in lieu of gasoline, this trend will continue.



OUTCOMES

In the CTC Needs Assessment Report, each MPO was asked to articulate how the improvements cited in the report would translate into outcomes using a performance management scale called the "Smart Mobility Performance Measures. The report contains the following description of these measures:

Goal	Performance Measure	Recommended Metrics
Location Efficiency	1. Support for Sustainable Growth	Consistency with regional Sustainable Communities Strategy or Alternative Planning Strategy meeting regional performance standards. Comparison of alternatives based on acres of land consumed, and relative reductions in induced VMT through: compact land use strategies, demand management, and network management.
	2. Transit Mode Share	Percentage of trips within a corridor or region occurring by bus, rail or by other form of high-occupancy-vehicle.
	3. Accessibility and Connectivity	Number of households within 30 minute transit ride of major employment center, within 20 minute auto ride of employment, within walking distance of schools. Weighted regional travel time and cost among trip producers and trip attractors.
Reliable Mobility	4. Multi-Modal Travel Mobility	Travel times and costs by mode between representative origins and destinations, aggregated over corridor or region.
	5. Multi-Modal Travel Reliability	Day-to-day variability of travel times between representative origins and destinations by mode, aggregated over corridor or region.
	6. Multi-Modal Service Quality (Level of Service: LOS)	Mode-specific and blended LOS measures of pedestrian and bicycle accommodation and comfort, transit availability and reliability, and auto travel efficiency.(1)
Health and Safety	7. Multi-Modal Safety	Collision rate and severity by travel mode and facility, compared to statewide averages for each user group and facility type.
	8. Design and Speed Suitability	Conformance with guidance identifying suitable design elements and traffic speed with respect to mix of modes and adjoining land uses and area character.(2)
	9. Pedestrian & Bicycle Mode Share	Percentage of trips within a corridor or region occurring by walking or cycling.
Environmental Stewardship	10. Climate and Energy Conservation	VMT per capita by speed range relative to State and regional targets.(3)
	11. Emissions Reduction	Quantities of criteria pollutants and GHGs
Social Equity	12. Equitable Distribution of Impacts	Impact of investments on low-income, minority, disabled, youth and elderly populations relative to impacts on population as a whole.
	13. Equitable Distribution of Access and Mobility	Comparative travel times and costs by income groups and by minority and non-minority groups for work/school and other trips.
Robust Economy	14. Congestion effects on Productivity	Time lost to congestion by trips that are economically productive and/or sustaining of essential mobility, measured as vehicle hours of delay (VHD).
	15. Efficient Use of System Resources	Additional VMT that are associated with economic productivity and/or sustaining of essential mobility compared with system expansion cost and impact.
	16. Network Performance Optimization	VHD per capita, per lane mile, per private vehicle mile, per freight vehicle mile, per transit revenue mile, and in total.
	17. Return on Investment	Person miles and revenue per lane mile of road, per transit revenue mile and per dollar invested (from all public and private funding sources). Comparison of alternatives based on benefits per dollar invested relative to: a) system user benefits (time and expense), and b) other Smart Mobility Performance Measures.

(1) Typical resource: Transportation Research Board 2010 Highway Capacity Manual.

(2) Typical resources: Caltrans DD64 Complete Streets guidelines; ITE practices on Context Sensitive Solutions.

(3) Targets set by California Air Resources Board under SB375. Rates of GHG emissions and fuel consumption both vary by speed range or "bin."

Each MPO reported different expected outcomes but overall all the MPOs indicated that the transportation system investments identified in the ten-year needs assessment would have significant positive impacts for the state. The projected cumulative economic benefits alone, both in terms of growth in jobs and growth in Gross State Products, would be significant. The MPOs also expected non-economic benefits, such as reductions in criteria air pollutants and increases in transit mode share. In addition, funding of the system preservation projects and programs described in this report were expected to lead to significant improvements in asset conditions. These would lead to greater long-term efficiency and lower ongoing maintenance costs for transportation systems.

At the same time, there are several possible categories of performance measures for which results are mixed, or for which data are not currently available. This may be explained in part by the fact that all of the existing RTPs were adopted prior to the enactment of SB 375, which has placed a greater emphasis on the relationship between transportation planning and certain performance outcomes such as GHG emission reductions.

NEXT STEPS

The CTC believes that the Needs Assessment provides a wide range of information that will be useful to the state and regional transportation agencies and organizations that have produced this report. This report can lay the groundwork for a set of policy recommendations that can be addressed by state and federal policy makers and transportation agency officials.

CTC staff is working with the four large MPOs (SANDAG, SCAG, MTSC and SACOG) to identify possible strategies to address funding and process challenges that have been identified through the development of their affected regional transportation plans. These strategies will be compiled into a document for discussions with transportation stakeholders at statewide workshops planned for the next few months. The outcome of the workshops is to develop consensus on possible state and federal legislative proposals that would address funding levels and structures, project delivery process improvements, organizational responsibilities and overlaps, prioritization of system needs, and others.

STAFF COMMENTS

The Needs Assessment provides a good picture of the State's policy changes involving transportation as it illustrates that a profound funding gap exists to continue the existing policy direction. However, this report may exaggerate this gap because it did not use a uniform methodology or standard, to defining the "needs" i.e. what are the "needs" to achieve a level of traffic congestion. Therefore, it may be more of a "wants" assessment rather than a "needs" assessment. Further discussion and analysis should help further refined our needs.

It is very likely a more refined list of "must have" transportation projects exceed the available resources, especially if the needs of the High Speed Rail project are considered. Therefore, the Assembly needs to consider how to address this funding imbalance. One possible approach is to consider strategies to reduce the overall expected costs. The Legislative Analyst Office (LAO) has suggested that the State adopt two strategies as part of its transportation planning efforts that reduce costs. First, increase investment in preventative maintenance, which helps extend the useful life of the existing infrastructure. Second, fine tune expansion efforts, the LAO believes that the State could identify smaller and more targeted expansion to relieving

congestion than our current methodology. Such analysis would allow the State to get more benefit from existing limited funding.

The CTC is using the Needs Assessment as a starting place for a much richer conversation on the future of transportation projects and funding. The Subcommittee may want to consider how the Legislature can participate or compliment CTC's efforts.

ISSUE 2: UNSPENT BOND FUNDING

The State has substantial unspent bond balances, which shapes the Governor's plan for the bond appropriations in the budget year.

BACKGROUND

In 2009, the State cash crisis derailed the Pooled Money Investment Account (PMIA) system, which used to lend capital projects state special fund balances to begin bond projects prior to the actual sale of bonds for these projects. Since that time, projects have had to wait until bonds were sold before they could get State cash to begin projects.

As of November 30, 2011, the California had an unspent balance of bond proceeds of $9.7 billion for 35 different issued bonds, about 35.5 percent of the total funds issued.

Bond Category ($ millions)	Total Available	Total Expended	Percentage Expended
Education Bonds (11 bonds)	$ 9,031.6	$ 7,375.8	81.7%
Transportation Bonds (3 bonds)	$ 7,951.5	$ 5,411.8	68.1%
Other Bonds (7 Bonds)	$ 643.2	$ 431.8	67.1%
Hospital Bonds (2 Bonds)	$ 897.2	$ 528.1	58.9%
Housing Bonds (2 Bonds)	$ 1,983.5	$ 1,029.1	51.9%
Resources Bonds (10 Bonds)	$ 6,840.9	$ 2,863.3	41.9%
Total (35 Bonds)	$ 27,348.0	$ 17,639.7	64.5%

The Department of Finance reports that due to various changes in the way bond funds are managed, and the development of a commercial paper funding mechanism, the Department expects the overall level of unspent bond funds to decrease to about $3 billion by the end of the current fiscal year.

The Department of Finance says that their policy is that project expenditures will drive their bond appropriations. Bonds will be sold to cover expected cash needs for the year, to reduce the balance of issued, but unspent bond funds. This also means that departments, like Caltrans, can continue to bring new projects online.

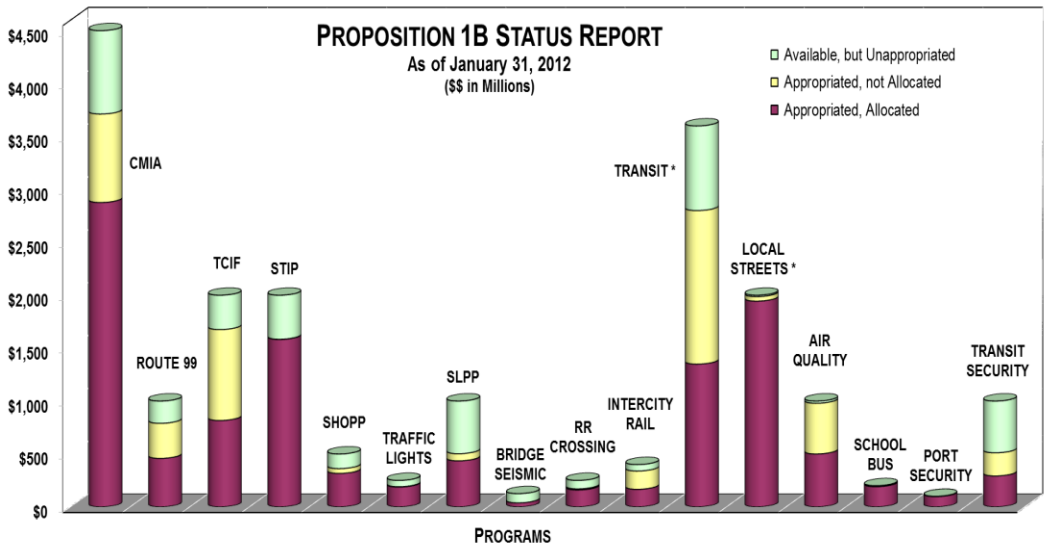
PROPOSITION 1B BOND FUNDING

Funding for transportation bond projects is primarily from Proposition 1B, the Highway, Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006. The Governor's January budget did not include the Administration's plan for Prop 1B funding for next year. The Department of Finance plans to issue a plan for the expenditure of Proposition 1B in a Spring Fiscal Letter.

In 2011-12 Proposition 1B accounted for 27.32 percent of all Caltrans and State Transit Assistance funding. As of December 2011, of the $19.9 billion authorized by the bond, $8.8

billion has been appropriated, leaving a remaining authorized unappropriated balance of $11.1 billion.

Caltrans provided the following chart to illustrate Proposition 1B Bond funding, by project area.



In addition to funding provided to Caltrans, Proposition 1B funding are also appropriated for the Air Resources Board, California Emergency Management Agency.

STAFF COMMENT

For the last three years, the State has been struggling to recover from the impact of the 2009 cash crisis. Prior to this crisis, the State has robust mechanism in place to synchronize project expenditures and bond sales to avoid large unspent bond fund balances. The 2011 unspent bond balances are mostly because these mechanisms no longer exist.

The Administration has made changes to their bond appropriation approach that may reduce the existing cash balance and minimize future balances from accruing. However, these efforts will take months to show results. There are three possible outcomes from these efforts: 1) the efforts could perfectly address the problem or; 2) it could be too little to reduce the unspent bond fund levels; or 3) it could increase the rate of spending faster than the rate of bond sales leading to a possible shortage of cash for existing projects. The Subcommittee will need to monitor this issue for a least the next year to determine which of these three outcomes is more likely.

2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: PERFORMANCE-BASED BUDGETING

On February 2, 2012, Assembly Budget Subcommittee #6 met to discuss performance-based budgeting, with Caltrans serving as pilot department for that effort. At the hearing, the Subcommittee directed that Subcommittee #3 continue the discussion and report back to Subcommittee #6 on the following:

- Create a sample template for performance-based budgeting regarding Caltrans using the four measures articulated at the hearing: 1) Congestion and Mobility, 2) Infrastructure Condition and Maintenance, 3) Project Completion, and 4) Safety.

- Discuss the Road Condition and Maintenance measurement in detail.

BACKGROUND

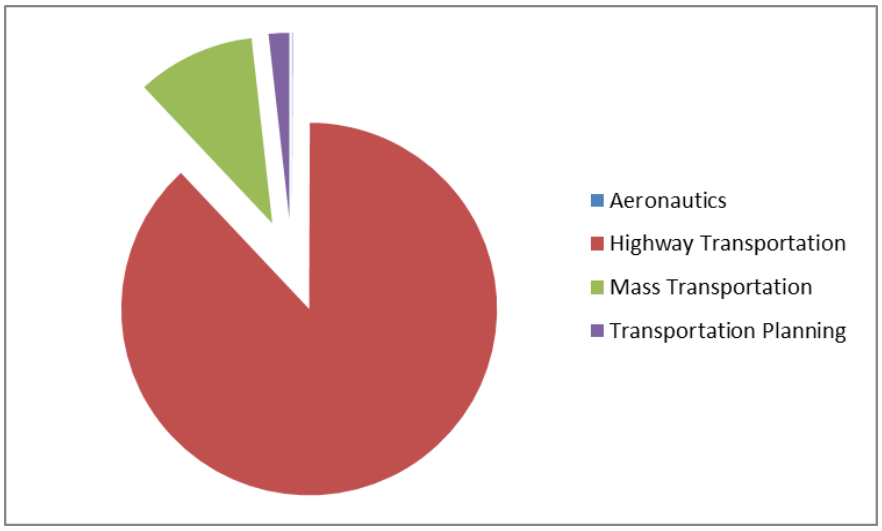
The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system with more than 50,000 miles of highway and freeway lanes. In addition, Caltrans provides intercity rail passenger services under contract with Amtrak, and assists local governments with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

The Governor's Budget proposes $11.9 billion, including $83.4 million from the General Fund. This reflects a decrease of $4.4 billion, reflecting the end of the federal ARRA stimulus funds and the absence of new Proposition 1B appropriations in the Governor's January Budget.

Fund Source	2010-11 Actual	2011-12 Projected	2012-13 Proposed	BY to CY Change	% Change
General Fund	$83,416	$83,416	$83,416	0	0
State Highway Account	3,154,026	3,433,392	3,644,048	210,656	6.1
Public Transportation Account	286,307	313,428	182,155	(131,273)	(41.9)
Other Special Funds	118,538	55,781	37,079	(18,702)	(33.5)
Federal Funds	3,839,047	5,506,809	3,883,571	(1,623,238)	(29.5)

Reimbursements	336,504	2,011,584	1,521,067	(490,517)	(24.4)
Prop 1A Bond Funds	12,200	116,694	7,423	(109,271)	(93.6)
Prop 1B Bond Funds	992,643	4,089,871	1,833,253	(2,256,618)	(55.2)
Total Expenditure	**$8,822,681**	**$15,610,975**	**$11,192,012**	**(4,418,963)**	**(28.3)**
Positions	18,102.3	20,273.1	20,438.5	165.4	(0.1)

The bulk of Caltrans funding is spent on highways, with 17,250 positions dedicated to this function. The chart below illustrates Caltrans funding by program:



EXPLORING MAINTENANCE MEASURE

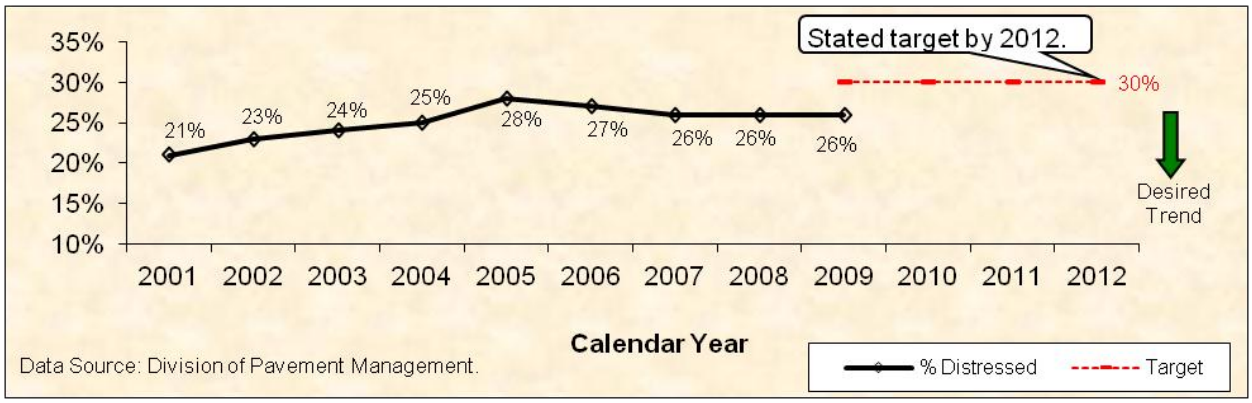
MEASUREMENT #2: INFRASTRUCTURE CONDITION AND MAINTENANCE

Goal: To keep California's transportation infrastructure maintained in a manner consistent with best practices to maximize the useful life and reduce overall costs.

Rationale: Well-maintained infrastructure yields a better experience for users and less preventable costs.

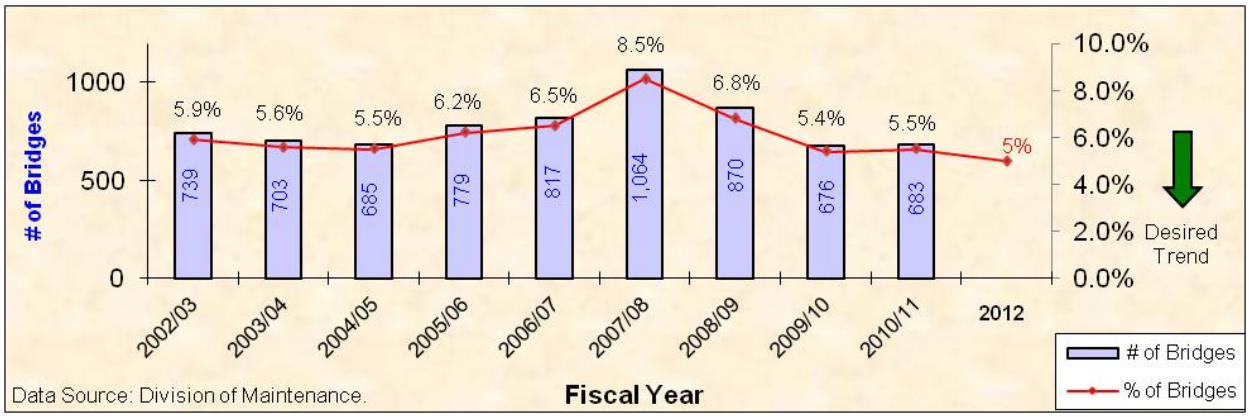
Measurements

1. Pavement Condition—Percentage of Pavement in Distressed Condition



Note on Measurement: Caltrans has begun a new effort examine how it evaluates and manages pavement that could lead to adoption of new performance measures. In addition, the Federal Highway administration has discussed allocate funding to State's based upon performance in this area and may adopt new measures in this area at some point in the near future.

2. Bridge Condition—Number and Percent of Distressed Bridges



STAFF COMMENT

Subcommittee #6 discussed whether measurements should use raw data from the department, like the measures outlined above, or to require the department to create a rating scale to assess performance. This Subcommittee may wish to consider which measurement adds the most value.

TEMPLATE FOR CALTRANS PERFORMANCE MEASURES

Subcommittee #6 identified four measures for CalTrans for consideration. A possible template for the Department could resemble the following format:

MEASUREMENT #1: CONGESTION AND MOBILITY

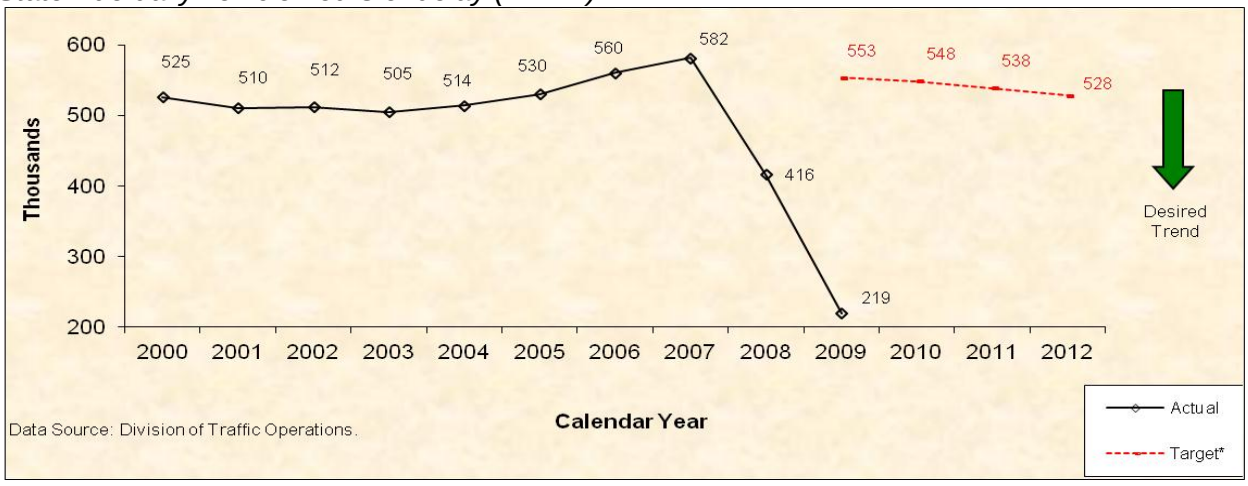
Goal: To reduce traffic congestion and increase mobility of Californians.

Rationale: Traffic has historically been one of California's most significant policy problems and has significant impact on the quality of life of all of our residents.

Measurements

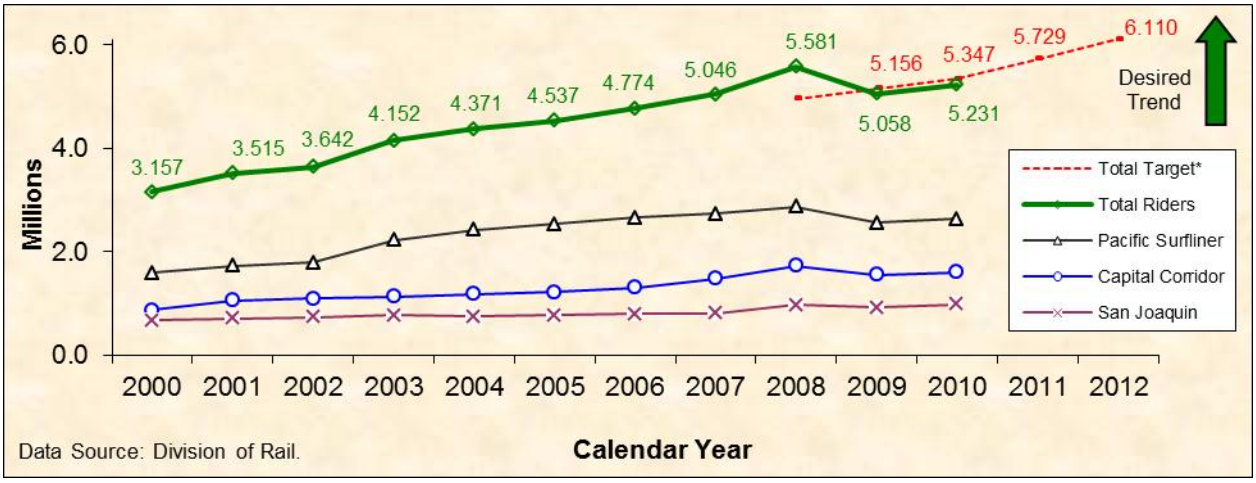
1. Congestion

Statewide daily vehicle hours of delay (DVHD)



2. Rail Ridership

Intercity rail ridership by route (Pacific Surfliner, San Joaquin, and Capital Corridor), and total ridership for the three routes



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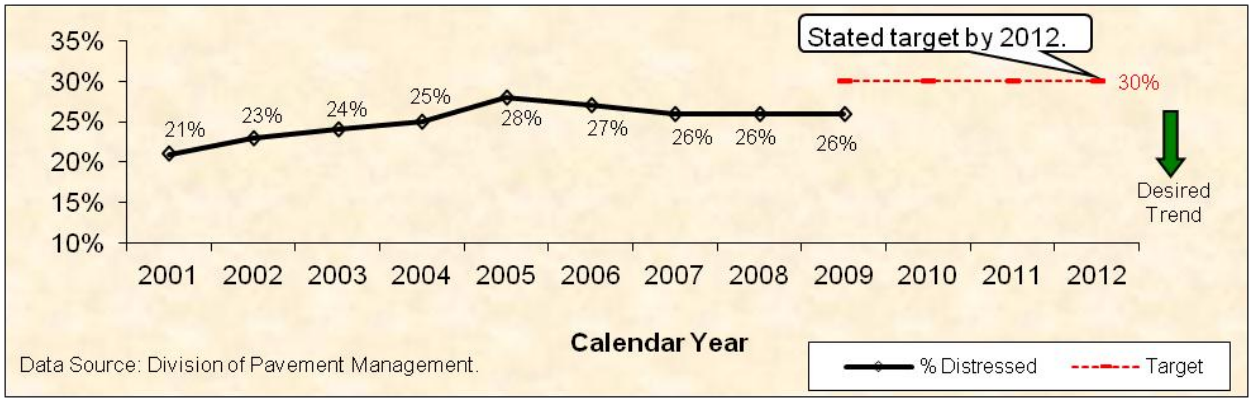

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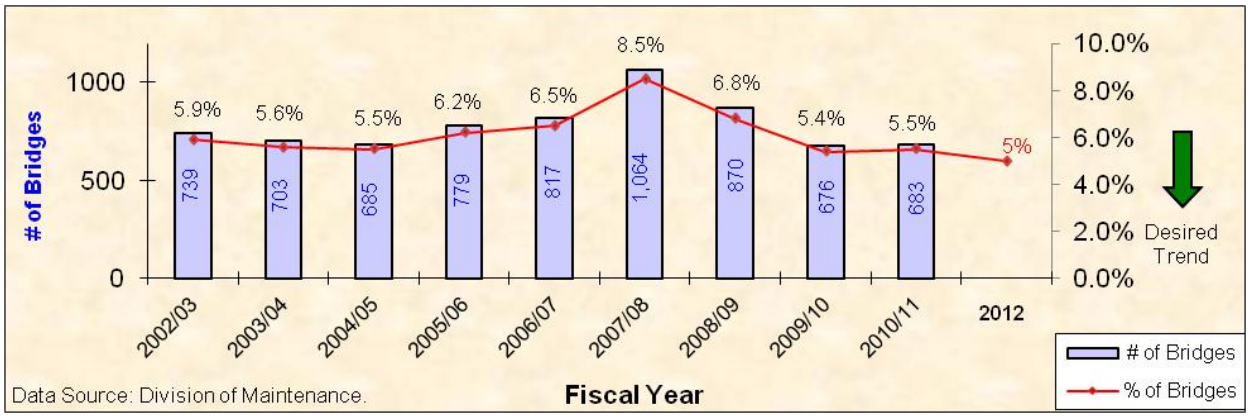


MEASUREMENT #3: PROJECT COMPLETION

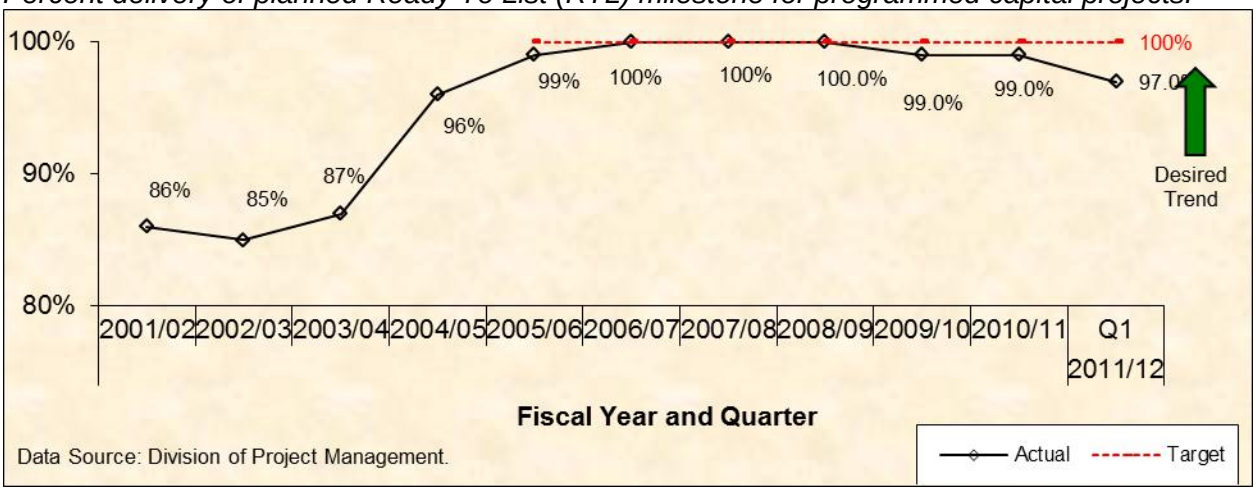
Goal: Caltrans will complete projects on time, and on budget.

Rationale: Caltrans manages a massive multi-billion project portfolio that impacts the day-to-day lives of Californians.

Measurements

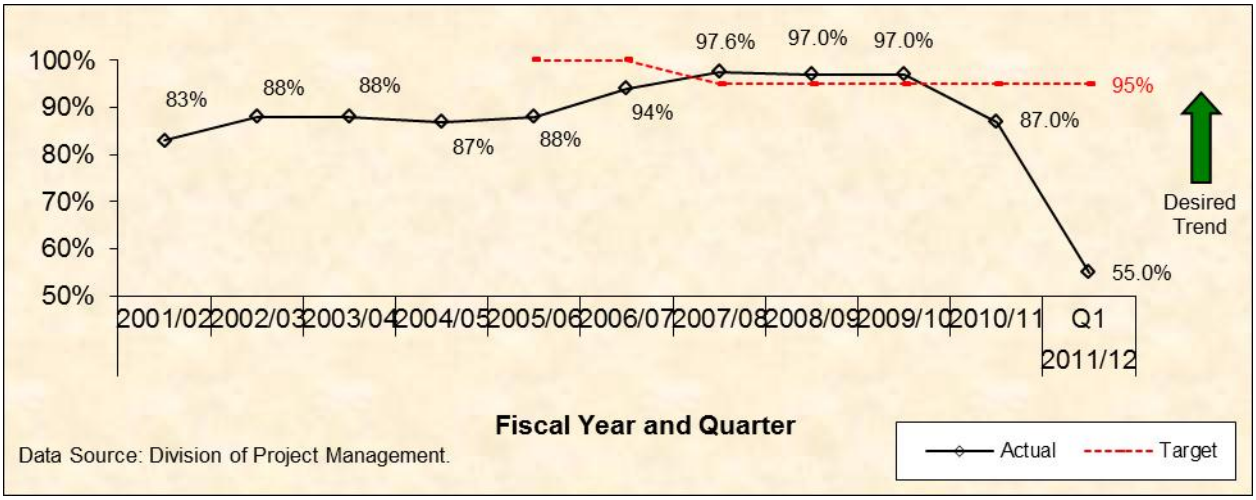
1. Programming

Percent delivery of planned Ready To List (RTL) milestone for programmed capital projects.



2. Effectiveness

Percent delivery of planned Construction Contract Acceptance (CCA) milestone for programmed capital projects.



MEASUREMENT #4: SAFETY

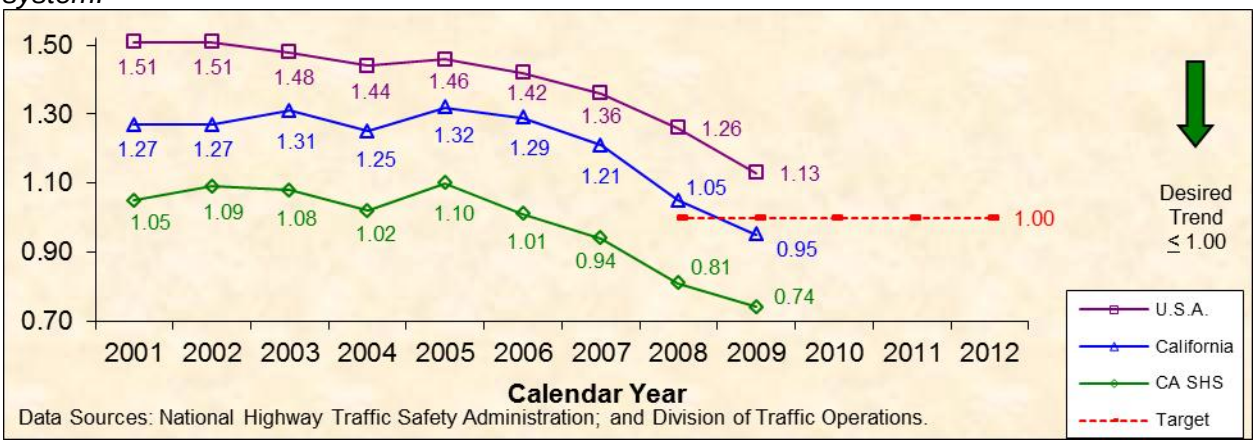
Goal: Insure the State's transportation system is safe for both the public and our state employees.

Rationale: A reliable transportation system must be safe for both travelers and the individuals that operate and maintain the infrastructure.

Measurements

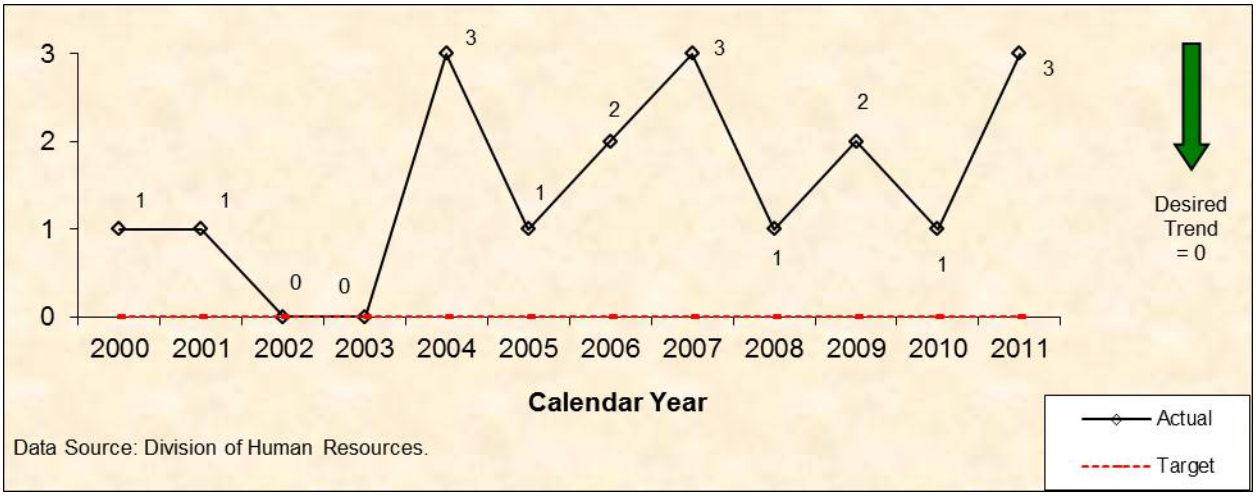
1. Public Safety

Fatalities per 100 Million Vehicle Miles Traveled (MVMT) on the California state highway system.



2. Employee Safety

CalTrans work-related fatalities



STAFF COMMENT

This draft template includes the following labels:

1. Measurement Title
2. Goal
3. Rationale
4. Measurements
5. Notes

The Subcommittee should consider whether these categories capture the elements of data that would frame performance measures.

This draft template has five measures for Caltrans, the Subcommittee should consider whether this level of detail provides too much, too little, or just the right amount of information.

Subcommittee #6 suggested five measures for Caltrans. The Subcommittee could revisit if these are the appropriate measures for Caltrans.

0520 SECRETARY FOR BUSINESS, TRANSPORTATION, AND HOUSING

ISSUE 1: TRANSPORTATION AGENCY REORGANIZATION PROPOSAL

The Governor's budget proposes a reorganization that will impact transpiration departments.

BACKGROUND

The Governor has proposed to create a new stand-alone Transportation Agency to oversee California's transportation departments. There are three governance changes in the 2012-13 budget proposal related to transportation:

1. Movement of Caltrans, Department of Motor Vehicle (DMV), California Highway Patrol (CHP), Board of Pilots, and Office of Traffic Safety from the Business, Transportation, and Housing (BTH) Agency to a new stand-alone Transportation Agency.

2. Inclusion of two independent boards, the High Speed Rail Authority and the California Transportation Commission, into the Transportation Agency organizational structure.

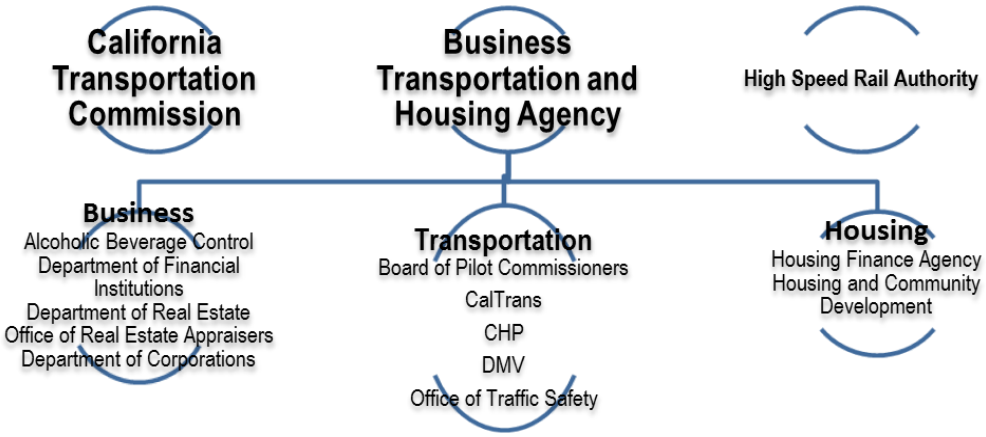
3. Eliminating the Office of Traffic Safety as a stand-alone department and folding its functions into DMV.

On March 2, 2012, the Department of Finance issued a report that suggested that the Administration will use the Government Reorganization Plan process, through the Little Hoover Commission, to handle the reorganizations proposed,

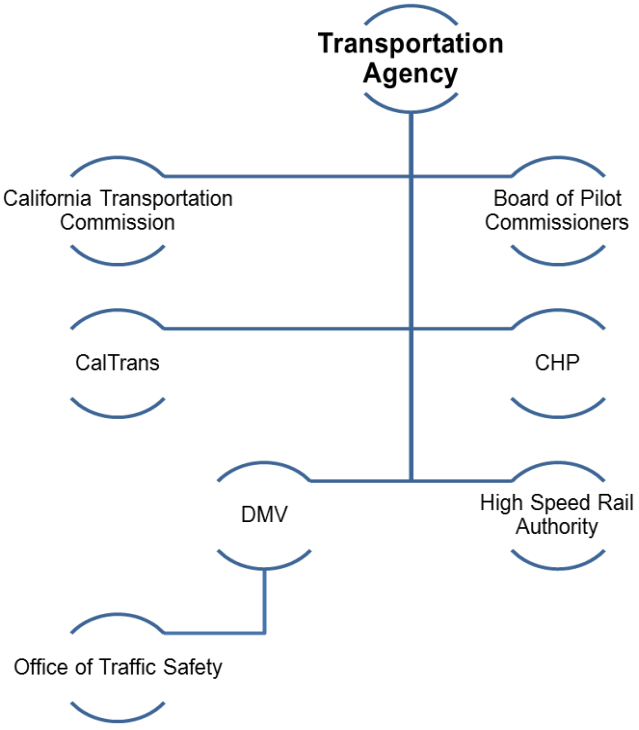
The other BTH departments would move to the proposed Business and Consumer Services Agency.

The charts below illustrate these changes to governance structure.

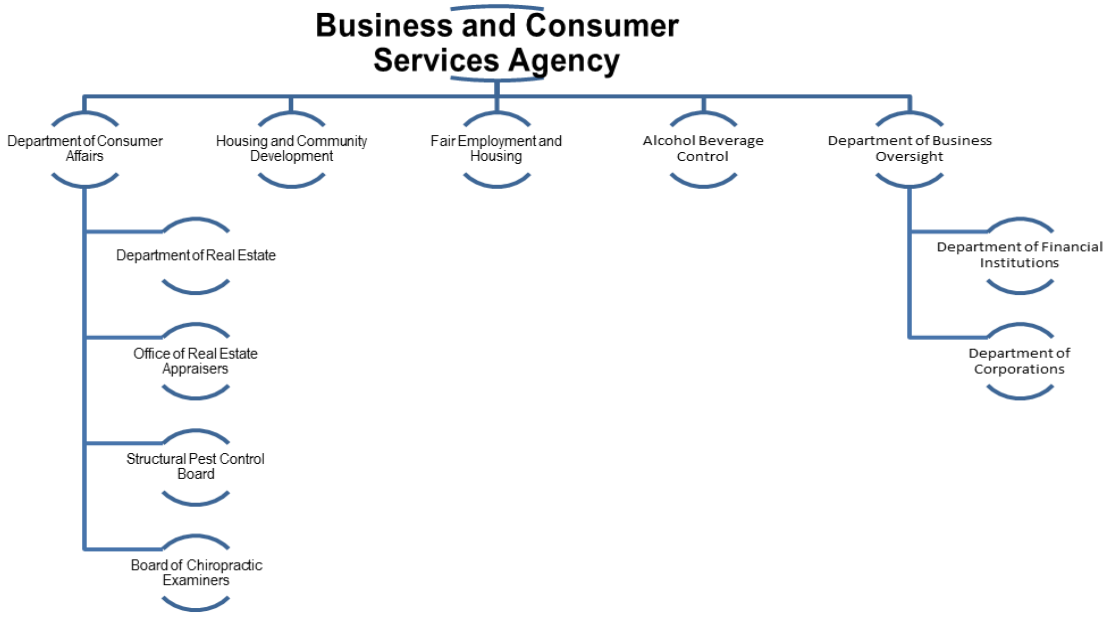
Current BTH Agency Structure, California Transportation Commission & High Speed Rail



Proposed Transportation Agency



Proposed Business and Consumer Service Agency



STAFF COMMENT

On March 2, 2012, the Department of Finance provided the Committee with a spreadsheet that indicated that which process the Administration intends to use for the various reorganizations, consolidations, and eliminations that were identified in the budget summary. The spreadsheet appears to indicate that the Transportation Agency reorganization proposals would be handled through the GRP process.

As details emerge, there are some key points to consider:

- Given the complexity of this proposal, the Assembly should consider if the budget process is the best venue to discuss these governance changes.

- The California Transportation Commission has unique responsibilities in allocating funding that are essentially delegated from the Legislature. The proposed reorganization makes this independent body subordinate to the Transportation Agency. Depending upon how this is intended to work, it is likely that the proposal could undermine Legislative Authority.

- The governance structure of the High Speed Rail Authority was the focus of several bills in 2011. This proposal may benefit from revisiting the discussions held last year about these bills. In particular, whether the new agency would have more power to manage and direct High Speed Rail Authority operations.

- The DMV does not seem like the obvious choice as the successor for the functions of the Office of Traffic Safety. While there are potential conflicts of interests of these functions being transferred to Caltrans and CHP, the new Transportation Agency may be a better fit.

- Regions are proposing their SB 375 (Steinberg), Chapter728, Statutes of 2008 plan for land use and transportation, the Assembly should consider how this new governance structure would interface with this planning effort. Does decoupling the administration of state transportation and housing programs make it harder for the state to coordinate its partnerships with these efforts over the long run?

- If the Subcommittee proceeds in formulating the new Agency, it should ask the Administration to submit a preliminary Agency Mission, Goal, and Objectives for consideration.