

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND
TRANSPORTATION****ASSEMBLYMEMBER RICHARD S. GORDON, CHAIR****WEDNESDAY, MAY 2, 2012
9:00 A.M. - STATE CAPITOL ROOM 447**

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ITEMS TO BE HEARD

2660 DEPARTMENT OF TRANSPORTATION

ISSUE 1: PROPOSITION 1B FUNDING PROPOSAL

The Department of Finance has issued a Spring Fiscal Letter that outlines the Proposition 1B funding proposal for 2012-13.

BACKGROUND

The Department of Finance issued a March 30, 2012 Spring Fiscal letter that would appropriate \$1.261 billion of Proposition 1B funding. The funding would be appropriated as follows:

| Proposition 1B Category | Total 1B Amount | Total Allocated Dec 2011 | 2012-13 Carryover | 2012-13 New Request | Total Available for 2012-13 |
|---|-----------------|--------------------------|-------------------|---------------------|-----------------------------|
| Budgeted in Caltrans | | | | | |
| Corridor Mobility Improvement Account (CMIA) | \$4,500 | \$2,789 | \$690 | \$302 | \$992 |
| State Transportation Improvement Program (STIP) | 2,000 | 1,993 | 46 | 35 | 81 |
| State Highway Operations and Preservation Program (SHOPP) | 750 | 558 | 41 | 96 | 137 |
| State Route 99 Improvements | 1,000 | 284 | 281 | 70 | 351 |
| Local Bridge Seismic Retrofit | 125 | 38 | 1 | 15 | 16 |
| Intercity Rail | 400 | 100 | 121 | 0 | 121 |
| Grade Separations | 250 | 250 | 1 | 43 | 44 |
| Trade Infrastructure | 2,000 | 581 | 560 | 214 | 774 |
| State/Local Partnership | 1,000 | 339 | 83 | 486 | 569 |
| Caltrans Subtotal | 12,025 | 6,932 | 1,824 | 1,261 | 3,085 |
| Budgeted outside of Caltrans | | | | | |
| Local Streets & Roads | 2,000 | 1,950 | 0 | 0 | 0 |
| Transit | 3,600 | 2,450 | 830 | 0 | 830 |
| School Bus Retrofit | 200 | 196 | 0 | 0 | 0 |
| Trade Infrastructure Air Quality | 1,000 | 697 | 178 | 0 | 178 |
| Port Security | 100 | 99 | 0 | 0 | 0 |
| Transit Security | 1,000 | 407 | 103 | 0 | 103 |
| Outside Caltrans Subtotal | 7,900 | 5,799 | 1,111 | 0 | 1,111 |
| TOTAL | \$19,925 | \$12,731 | \$2,935 | \$1,261 | \$4,196 |

Caltrans provided the Subcommittee with a March 2012 update on 1B Bond expenditures for Caltrans-related programs, this update indicates projects less carryover than expected in December, which results in \$2.05 billion of funding available in 2012-13.

The update is shown in the table below:

| Proposition 1B Category | Total 1B Amount | Total Allocated March 2012 | 2012-13 Carryover | 2012-13 New Request | Remaining After Request | Total Available for 2012-13 |
|--|-----------------|----------------------------|-------------------|---------------------|-------------------------|-----------------------------|
| Corridor Mobility Improvement (CMIA) | \$4,500 | \$2,914 | \$- | \$302 | \$268 | \$570 |
| STIP Augmentation | 2,000 | 1,785 | 48 | 35 | 58 | 93 |
| State Highway Operation and Protection (SHOPP) | 750 | 527 | | 96 | 100 | 196 |
| State Route 99 | 1,000 | 611 | | 70 | 116 | 186 |
| Local Bridge Seismic Retrofit | 125 | 39 | | 15 | 70 | 85 |
| Intercity Rail | 400 | 168 | 89 | 0 | 59 | 59 |
| Grade Separations | 250 | 168 | | 43 | 39 | 82 |
| Trade Corridor Improvement (TCIF) | 2,000 | 867 | 261 | 214 | 76 | 290 |
| State-Local Partnership | 1,000 | 439 | | 486 | 11 | 497 |
| Total | \$12,025 | \$7,518 | \$398 | \$1,261 | \$797 | \$2,058 |

The scheduled projects would be allocated by the California Transportation Commission in 2012-13.

The budget bill also includes language to ensure that the amount expended does not exceed the Proposition 1B allocations and that the bond funds are fully utilized within the timeframes provided by Proposition 1B.

COMMENT FROM CALIFORNIA TRANSIT ASSOCIATION

According to the California Transit Association, \$2.8 billion has been appropriated of the \$3.6 billion authorized in Proposition 1B for Transit. Only about \$1.3 billion of these funds have been allocated, but some local agencies have already drawn down their full amount of the \$2.8 billion appropriation and can no longer enter into new projects. The Association believes that if the Legislature appropriates the remaining local transit Proposition 1B bond funds in the 2013-14 budget, recipients of the bond funding will begin to plan for project based upon the appropriation. Even if the bond funds are appropriated but not allocated local agencies could issue Letters on No Prejudice to begin construction and then be reimbursed for projects with bond funds at a later date.

UPDATE ON UNSPENT BOND FUNDS

At the March 7, 2012 hearing, the Subcommittee DOF's presented its efforts to reduce the amount of unspent bond proceeds. These efforts appear to be working, over the last four months the level of unspent bond funds dropped by 20 percent. According to the Department of Finance as of March 31, 2012, there is a \$7.758 billion remaining unspent balance of bond proceeds, about 28.5 percent of total funds issued. The November 30, 2011 report showed an unspent balance of bond proceeds of \$9.7 billion for 35 different issued bonds, about 35.5 percent of the total funds issued.

STAFF COMMENT

Given the large Proposition 1B carryover amounts, the Spring Fiscal Letter seems to strike the appropriate balance of pushing projects forward without exacerbating the gap between bonds appropriations and expenditures.

Staff Recommendation: Adopt the Spring Fiscal Letter

ISSUE 2: SPRING FISCAL LETTERS (SFL)

The Department of Finance has issued a Spring Fiscal Letter for Caltrans that contains several proposals summarized below in this issue.

**NON-CONTROVERSIAL SFL
PROPOSALS**

As part of the process to update the January Budget, the Administration has issued a Spring Fiscal Letter with the following two requests:

- 1. Amtrak Contract Costs (BCP 6 was withdrawn by April FL #2).** In the January budget, the Governor requested an augmentation of \$13.9 million to fund higher-charges for the Caltrans contract with Amtrak. An April Finance Letter indicates the Amtrak cost increase has been delayed to 2013-14 and the Administration withdraws the request for the augmentation. Approving BCP 6 and FL 2 has the effect of revising the budget to delete the \$13.9 million funding augmentation.
- 2. Project Resource and Scheduling Management System (PRSM) IT Project – Extension of Funding (April FL #5).** Caltrans requests an extension of the liquidation period for the PRSM system. Any unliquidated amount from the original \$8.3 million appropriation would be available for cash expenditure through 2013-14. PRSM will enable the Department to effectively manage State employee project time in the \$1.9 billion Capital Outlay Support Program that funds environmental studies, design services, construction engineering and right-of-way acquisition services for the state highway system. This project will use a commercial-off-the-shelf software system to provide project managers, and first line supervisors, information including the amount of dollars programmed for each project, amounts expended to date, dollar estimate to complete work, and amount remaining in the project budget.

OTHER SFL PROPOSAL

- 3. Budget Savings from Contract Advertising on the Internet (April FL #3 plus trailer-bill language).** The Governor requests a funding reduction of \$700,000 for the Capital Outlay Program that would correspond to savings from discontinuing contract advertising in newspapers and trade publications. Instead, the State would advertise contracts on the Caltrans website. Current law required advertising in either newspapers or trade publications. The requested trailer bill language would amend the Public Contract Code to allow advertising in any of three methods: newspapers, trade publications, or departmental websites.

Senate Action: The budget request is associated with Caltrans but the trailer bill language would apply to all State departments. The Senate took action to narrow the language to grant the authority only to Caltrans.

TECHNICAL CHANGE REQUESTED

The Administration has identified a \$30 million scheduling error that was inadvertently included in the Governor's Budget. In lieu of submitting a Finance Letter, the Department of Finance has informally requested that the Legislature take action to restore the baseline funding level for tort lawsuit claims and awards. When developing the Governor's Budget, \$30 million for tort lawsuits and award funding was inadvertently shifted from the Caltrans legal program to the SHOPP program. This action will make the necessary technical correction to schedule the funding in the appropriate program, and restore the Caltrans' legal program budget back to \$68.6 million, which is less than the historical average of approximately \$73 million per year for these costs.

SENATE ACTION

The Senate acted on temporary position BCP's already approved by the Assembly. One of the proposals also includes budget bill language that would allow the Director of Finance to augment funding by an additional \$2.0 million (State Highway Account) if ADA grievance and access requests are higher than anticipated. Like the Assembly, the Senate adopted the proposal, but also included a standard 30-day reporting to the Joint Legislative Budget Committee (JLBC) if the Administration chooses to utilize the authority to augment Americans with Disabilities Act funding by \$2 million.

STAFF COMMENT

On April 19, 2012, the Senate Budget Subcommittee #2 took the following actions:

- Adopted the Amtrak and PRSM Spring Fiscal letters.
- Adopted the advertising trailer bill change proposed in the Spring Fiscal Letter, with the change to narrow the scope to only Caltrans.
- Adopted the technical change requested by the Administration.
- Adopted JLBC reporting language for the ADA temporary budget change proposal already approved of by the Subcommittee

Subcommittee staff believes that the proposals outlined in this issue should be approved. The Senate actions have made slight technical changes that improve these performances. Therefore, staff recommends the Subcommittee Conform to Senate action and allow these issues to be closed.

Staff Recommendation: Conform to Senate

ISSUE 3: COOL PAVEMENT

The Subcommittee will consider Caltrans role in development of cool pavement specifications.

BACKGROUND

Cool pavements are any paving techniques, technologies, and materials that reduce road temperature relative to traditional paving materials. Cool pavements to combat climate change by reflecting more light and heat into outer space.

Caltrans plays a central role in expanding the use of cool pavement in California. The department could develop cool pavement standards, specifications and guidelines that inform both state and local partners as part of their pavement programs.

STAFF COMMENT

The Subcommittee could consider the following questions:

- How is Caltrans' resilience to climate change and does Caltrans have the ability to adapt to climate change using new technologies? How will Caltrans' ability to adapt affect communities with new needs (e.g., flooding, extreme heat, etc.)?
- How does Caltrans approach new technologies and develop new specifications?
- Does Caltrans know how local governments use Caltrans' specifications?
- How does Caltrans use their guidelines or specifications to convey new information about pavement technologies / techniques / options to local public works departments? What is Caltrans' responsibility for doing this?
- What does Caltrans require to develop specifications and standards for new materials? How long does this process take?
- What does Caltrans know about cool pavements and is there an interest in developing cool pavement specifications?

Staff Recommendation: Adopt placeholder Trailer Bill Language requiring Caltrans to develop specifications for cool pavement and/or materials by January 1, 2014.

ISSUE 4: RESEARCH

A Spring Fiscal Letter proposes to reduce funding for Caltrans research.

BACKGROUND

The Administration requests a reduction of \$7 million (State Highway Account) in the Caltrans research budget – reducing funding from \$39 million to \$32 million. The reduction would be achieved by eliminating four positions (\$342,000) and by reducing research operating expenses (\$6.7 million). Caltrans indicates it far exceeds its required match for federal research funds, and that State funding could be reduced while still achieving the highest-priority research. Federal funding is about \$15 million per year, and would not decrease if State funding is reduced from \$24 million to \$17 million – the federal match requirement is only 20 percent.

According to the Administration, the Department's Research Program manages a comprehensive portfolio of research to develop, test, and evaluate transportation innovations. These innovative products and services in methods, materials, and technologies enable the Department to provide continual improvement to the management of public facilities and services; protect public investment in transportation infrastructure; and enhance mobility and safety. The Department manages between 175 and 200 research projects annually covering research topics in safety, mobility, design, construction, environmental stewardship, geotechnical, structural, maintenance, preservation, pavement, transit, and other modes.

State universities receive a portion of research funds for programs such as the Institute of Transportation Studies at UC Berkeley. Caltrans indicates that about \$2.8 million per year is directed to university transportation institutes. At the time this agenda was finalized, Caltrans did not know how much of the proposed reduction would be applied to California universities.

STAFF COMMENT

At a hearing of the Senate Subcommittee #2, the Senate requested more information regarding the likely impact and rationale for the research reduction. Caltrans has indicated that they will present this information at the hearing. With this information, the Subcommittee can judge the merits of this reduction.

Staff Recommendation: None

ISSUE 5: Project Initiation Documents PIDs WORKGROUP REPORT

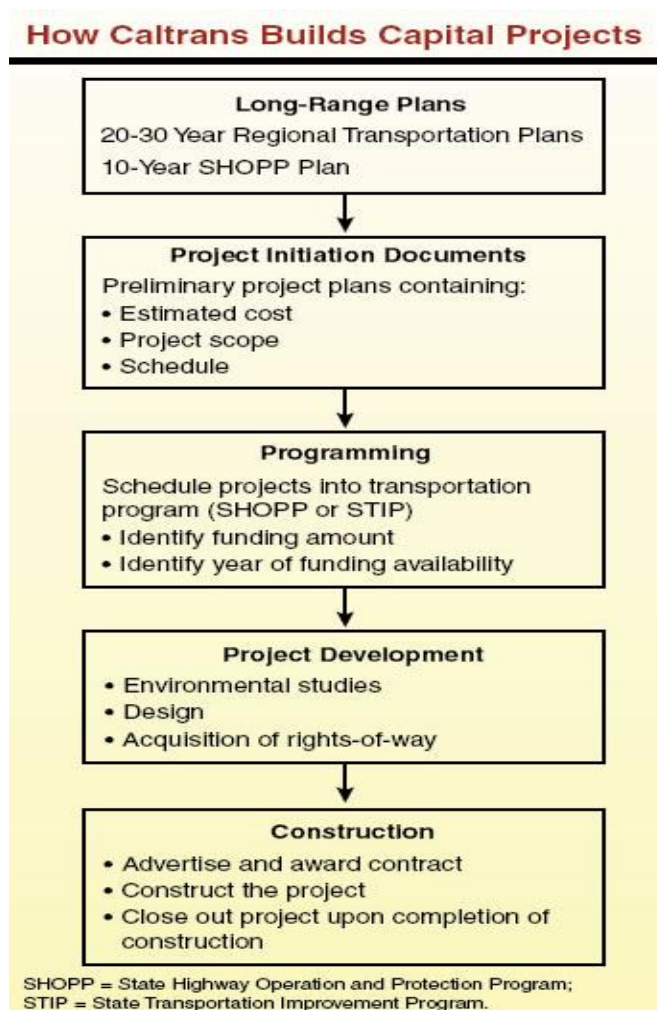
The Subcommittee will revisit the PIDs issue to receive an update on the Caltrans PIDs working group.

BACKGROUND

The Governor's Budget proposes a \$10.6 million and 67 positions increase related to providing project oversight for additional projects anticipated due to 2011 10-Year SHOPP plan.

What is a PID? Initial project plans, called Project Initiation Documents (PIDs), contain specific information, including the identification of the transportation problem, which is to be addressed in an evaluation of potential alternatives to focus on the issue, and the justification and description of the preferred solution. Each PID also includes the estimated cost, scope, and schedule of the project—information needed to decide if, how, and when to fund the project.

LAO prepared this chart to illustrate the role of PIDs in the project process.



LAO RECOMMENDATION

On Friday March 16, 2012, the LAO issued the following recommendations regarding PIDs:

Reject Governor's Proposal. The increase requested in the Governor's budget for staff to develop PIDs does not reflect efforts underway to streamline the PID process and would result in the production of PIDs for more projects than likely could be funded. Accordingly, we recommend that the Legislature reject the Governor's requested increase and maintain PID funding at the current level of \$33 million (SHA) and 264 positions.

Enact Trailer Bill Requiring Streamlining of PIDs. Streamlining PID documents to eliminate duplicative work at the PID stage would reduce costs and speed up the schedules of state and local transportation projects. Although Caltrans has been working on streamlining its PID process for over three years, it has been unable to transition away from producing lengthy PID documents. Accordingly, we recommend that the Legislature enact budget trailer legislation requiring Caltrans to use streamlined PIDs. Specifically, the department shall be required to streamline PID processes and documents for various types of projects:

- **Projects Requiring Extensive Environmental Review.** Large projects requiring an environmental impact statement under state and/or federal laws should have a PSR-PDS, developed to estimate the cost of completing the environmental review phase only. Estimating the cost, scope, and schedule of the remaining phases of work would be performed as part of the environmental review.
- **Projects Not Requiring Extensive Environmental Review.** Projects that are not expected to require extensive environmental review could use a streamlined PID that focuses on developing a reasonable cost estimate and project schedule, while excluding extraneous information, and not replicating work that will be performed during the environmental and design phases. In addition, for some simple projects, such as pavement replacement, Caltrans would not develop a PID and the initial cost estimate would be based on historical costs.
- **Oversight of Local Agency PIDs.** Caltrans should develop and implement an expedited process for the review and approval of PIDs developed by local agencies. At the PID stage, Caltrans would likely only need to determine what workload would be required of the department to perform or oversee the environmental phase of the project proposed by a local agency, and provide preliminary agreement on the project concept.

In order to ensure that Caltrans implements streamlining for PIDs, we recommend that the Legislature require the department to submit a report by May 1, 2013 detailing the changes implemented and the time and cost savings achieved.

ACTION TAKEN ON MARCH 21, 2012

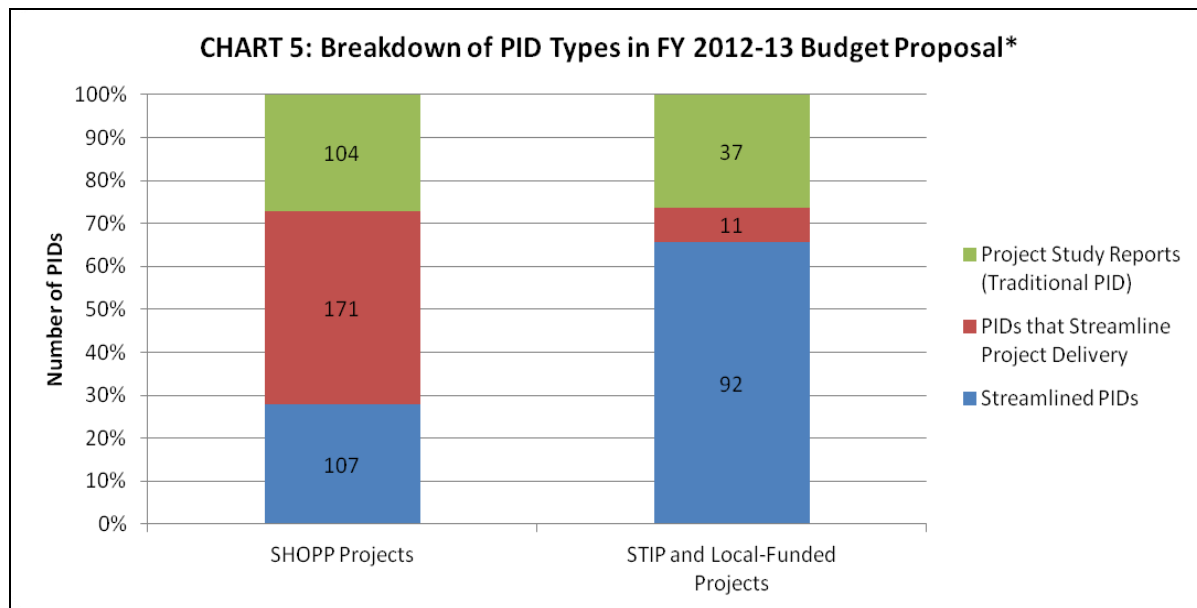
On Wednesday, March 21, 2012, Subcommittee #3 took action on this issue. The action was:

1. Modify the PIDs budget proposal to replace local reimbursement funding with State Highway Account funding.
2. Ask Caltrans to convene a stakeholder group to explore the issue of the appropriate scope of PIDs for projects, as suggested by LAO. The workgroup was asked to report back by May 1, 2012.

PIDS WORKING GROUP MEETING

As requested, Caltrans convened a PIDS Working Group Meeting on April 12, 2012. For the meeting, Caltrans brought a group of local transportation agencies as well as state staff. The workgroup achieved consensus that significant progress had been made towards streamlining PIDs. According to Caltrans, some local agencies were hoping that the streamlining efforts would have more immediate reductions in costs and schedule savings, but it was acknowledged that the new PIDs process has been in effect for less than six months.

On April 27, 2012, Caltrans submitted a letter to the Subcommittee that documented the workgroup meeting and included a seven-page report on progress of the PIDs streamlining effort. According to Caltrans, the Department has implemented 18 of the 21 recommendations of the 2010 PIDs streamlining report. The report also included the chart below to indicate the extent to which the streamlined PIDs will be used in the budget year.



STAFF COMMENT

Caltrans has reduced the size and scope of PIDs in response to oversight from the Legislature and feedback from local partners. Since PIDs inform funding decisions and identify project risks, the deliberative process insures that due diligence of the PID is still intact. As more state transportation projects are funded with local funds, it is worth revisiting state interest in PID for projects with limited to no state financial participation. Staff believes that regardless of funding source, insuring that project risks are known to the extent possible through a consistent and verifiable process is an essential role for the State. Therefore, the State should continue to pay for PID review with state funds, consistent with the prior subcommittee action.

Staff Recommendation: No Action

**0971 CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION
FINANCING AUTHORITY**

ISSUE 6: SPRING FISCAL LETTER

The Subcommittee will consider a Spring Fiscal Letter regarding the California Alternative Energy and Advanced Transportation Finance Authority.

BACKGROUND

The Administration has submitted a Spring Fiscal Letter to amend the budget bill sections for the California Alternative Energy and Advanced Transportation Finance Authority. The proposed Spring Fiscal Letter restructures the repayment terms of a \$2.4 million loan made from the Renewable Resources Trust Fund to CAEATFA. The new schedule extends the repayment of the final installment of the loan by 18 months. This extension is needed because the fees anticipated to repay the loan are accruing at a slower rate than previously expected.

CAEATFA was established in 1980 as a means to encourage the use of equipment using alternative or renewable energy sources, such as wind, solar, cogeneration and geothermal. CAEATFA provides financing for facilities that use alternative energy sources and technologies. CAEATFA also provides financing for facilities needed to develop and commercialize advanced transportation technologies that conserve energy, reduce air pollution, and promote economic development and jobs. The Authority is governed by a board that consists of the Director of Finance, the State Treasurer, the State Controller, the Chair of the Energy Commission, and the President of the PUC.

STAFF COMMENT

Staff received no feedback on this proposal, which on its face appears to reasonable.

Staff Recommendation: Adopt Spring Fiscal Letter
