

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

Assemblymember Manny Diaz, Chair

WEDNESDAY, APRIL 24, 2002
STATE CAPITOL, ROOM 127
4:00 PM

VOTE ONLY – Items Held Over from Last Hearing

ITEM	DESCRIPTION	PAGE
	CONSENT CALENDAR	3
	➤ OFFICE OF TRAFFIC SAFETY	3
	➤ CALIFORNIA HIGHWAY PATROL FINANCE LETTER	3
	➤ DEPARTMENT OF MOTOR VEHICLES FINANCE LETTER	3
2720	CALIFORNIA HIGHWAY PATROL	4
	➤ PROTECTIVE SERVICES – PROPOSED SUPPLEMENTAL REPORT LANGUAGE	4
	➤ EL PROTECTOR PROGRAM	4
2740	DEPARTMENT OF MOTOR VEHICLES	5
	➤ PENALTY INCREASES	5

CONSENT CALENDAR

ITEM	DESCRIPTION	PAGE
2660	CALIFORNIA TRANSPORTATION COMMISSION	6
2665	HIGH-SPEED RAIL AUTHORITY	6

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
2640	SPECIAL TRANSPORTATION PROGRAMS	7
ISSUE 1	PTA LOAN TO TCRF, AND STATE TRANSIT ASSISTANCE	7
2660	CALTRANS	10

ISSUE 1	TRANSPORTATION LOANS TO THE GENERAL FUND	10
ISSUE 2	FLEET GREENING	11
ISSUE 3	INFORMATION TECHNOLOGY	11
ISSUE 4	STORMWATER MANAGEMENT	12
ISSUE 5	CAPITAL OUTLAY SUPPORT STAFFING	14

VOTE ONLY – HELD OVER ITEMS FROM APRIL 10**CONSENT CALENDAR**

ISSUE 1: 2700 OFFICE OF TRAFFIC SAFETY

The Office of Traffic Safety (OTS) administers the California Traffic Safety Program. The OTS is funded primarily with federal funds (\$84.2 million), but also receives funds from the Motor Vehicle Account (\$365 million).

The Governor's proposed budget includes an increase of \$41,883,000 National Highway Traffic Safety Administration funds to support driving-under-the-influence program activities.

ISSUE 2: CALIFORNIA HIGHWAY PATROL FINANCE LETTER

The Department of Finance submitted a Finance Letter requesting \$1.4 million to reimburse Caltrans for jointly occupying buildings with Caltrans (\$1.1 million) and to reflect receipt of reimbursement from the Department of Industrial Relations for providing security services at Workers' Compensation hearings (\$300 million).

ISSUE 3: DEPARTMENT OF MOTOR VEHICLE FINANCE LETTER

The Department of Finance submitted a Finance Letter requesting the following:

- \$582,000 and .7 positions to implement Driving Under the Influence and license reissuance fees. (conforms to Issue 1 on page 8)
- \$645,000 for emergency repairs at the Rancho Cucamonga Field Office.
- \$832,000 for improved network security and virus detection.

2720 CALIFORNIA HIGHWAY PATROL

ISSUE 2: PROTECTIVE SERVICES

The Governor's proposed budget funds protective services for state properties and employees from the Motor Vehicle Account (MVA), rather than a mix of MVA and General Fund.

The LAO recommends that on an ongoing basis beyond 2002-03, CHP protective and security services be funded from a combination of General Fund, MVA funds, and reimbursements. In order to establish a baseline for this funding split, the LAO recommends the adoption of the following supplemental report language directing CHP, in cooperation with the Department of Finance, to prepare a cost-allocation study based on budget-year allocation of resources to transportation versus non-transportation-related security activities and associated expenditures.

The California Highway Patrol (CHP), in cooperation with the Department of Finance, shall prepare a cost-allocation study to provide the baseline for determining the appropriate mix of General Fund money, Motor Vehicle Account funds, and reimbursements to support CHP's protective and security activities. The study shall be based on the 2002-03 allocation of resources to transportation versus non-transportation-related security activities. This report shall be submitted to the Chair of the Joint Legislative Budget Committee and the chairs of the appropriations and budget committees of each house no later than January 10, 2003 as part of the 2003-04 budget proposal.

SUGGESTED RECOMMENDATIONS FOR DEMOCRATIC MEMBERS

Approve Supplemental Report Language.

ISSUE 3: EL PROTECTOR PROGRAM

The Governor's proposed budget makes permanent the recent six position expansion to the el Protection Program

ITEM #2740 DEPARTMENT OF MOTOR VEHICLES

ISSUE 1: PENALTY INCREASES

The Governor's proposed budget includes \$76 million in increased penalties and fees within the Department of Motor Vehicles to mitigate the fund balance problem of the Motor Vehicle Account.

CONSENT CALENDAR

ISSUE 1: 2660 CALIFORNIA TRANSPORTATION COMMISSION

The California Transportation Commission consists of nine members appointed by the Governor, all appointed to staggered four-year terms, and two non-voting ex-officio members, one from the State Senate and one from the State Assembly. The Governor's proposed budget includes \$127.9 million for the Transportation Commission.

ISSUE 2: 2665 HIGH SPEED RAIL AUTHORITY

The High-Speed Rail Authority was created by Chapter 796, Statutes of 1996, to direct the development and implementation of intercity high-speed rail service that is fully coordinated with other public transportation services. The Authority is required to prepare a plan for the construction and operation of a high-speed train network for the state, consistent with and continuing the work of the Intercity High-Speed Rail Commission conducted prior to January 1, 1997, and submit the plan to the Legislature and Governor or to the voters for approval. Chapter 791, Statutes of 2000, extended the Authority until December 31, 2003, reconstituted the Authority's membership, and continued the requirement to prepare the high-speed rail plan contingent upon a Budget Act appropriation for that purpose.

The Governor's proposed budget includes \$8.5 million for the High-Speed Rail Authority, including \$7 million for continuing costs of environmental impact studies.

ITEMS TO BE HEARD

ITEM # 2640 SPECIAL TRANSPORTATION PROGRAMS

The Special Transportation Programs budget reflects mass transit program funding that is appropriated to the State Controller for allocation to regional transportation planning agencies. Administration of the State Transportation Assistance program is performed by the State Controller and the Department of Transportation. The Governor's proposed budget includes \$115.3 million for 2002-03, an decrease of \$55.7 million, or 33 percent, from revised current-year spending.

ISSUE 1: PTA LOAN TO TCRF, AND STATE TRANSPORTATION ASSISTANCE

The Governor's proposed budget includes the \$100 million loan from the Public Transportation Account (PTA) to the Transportation Congestion Relief Fund (TCRF), as contained in the refinancing of the Transportation Congestion Relief Plan (TCRP), approved by the Legislature in 2001.

BACKGROUND:

The PTA is the primary state funding source for mass transportation. PTA revenues are primarily generated from various fuel sales taxes.

The PTA funds the State Transit Assistance (STA) program, intercity rail services, and transit capital improvements.

The STA program receives 50 percent of annual PTA revenues by statute; however, the 2001 Budget Act set the STA 2001-02 transfer as \$171 million notwithstanding statute. The remaining PTA funds support various other public transportation purposes, including intercity rail service, capital improvements of transit systems, rail and mass transportation planning and support, and high-speed rail development.

COMMENTS:

The PTA currently faces two challenges not anticipated at the time the TCRP refinancing was approved. First, lower gasoline and diesel fuel prices (primary funding sources for the PTA) have resulted in lower PTA revenues. Second, the Board of Equalization (BOE) interpreted the diesel fuel sales tax exemption on farming equipment to be broader than anticipated at the time the tax cut was approved, thus costing an additional \$15.9 million.

The LAO has recommended the PTA loan to the TCRF be reduced to assist the PTA fund condition. At the time the recommendation was made, the BOE was expected to interpret the diesel fuel sales tax exemption to cost another \$47.5 million. Since the amount was later reduced, the LAO's recommendation is not as critical.

Nevertheless, the State Transit Assistance (STA) budget has been reduced by 33 percent for the budget year.

The Department of Finance should report at the hearing whether reducing the PTA loan to the TCRF and allocating the funds instead to the STA will have a negative impact on current of potential May Revision proposals to use TCRF funds to balance the General Fund.

ITEM 2660 CALTRANS

The Department of Transportation (Caltrans) constructs, operates, and maintains a comprehensive transportation system of more than 50,000 miles of highway and freeway lanes. Caltrans also provides rail passenger services under a contract with Amtrak and provides support to over 100 local airports. The Governor's proposed budget includes \$9 billion for 2002-03, an increase of \$1.2 billion, or 14.9 percent, over revised current-year spending.

ISSUE 1: TRANSPORTATION LOANS TO THE GENERAL FUND

As part of the proposed solution to close the General Fund gap, the Governor's proposed budget includes a \$672 million loan from the Transportation Congestion Relief Fund (TCRF) to the General Fund.

To ensure no TCRF funded projects are delayed by the loan, the budget also proposes a \$474 million loan from the State Highway Account (SHA) to the TCRF.

To enable the SHA loan, the budget proposes deferring a \$342 million transfer from the SHA to the Toll Bridget Retrofit Account. The Toll Bridge Seismic Retrofit Account will instead receive \$210 million in Interim Bond Financing.

BACKGROUND:

The TCRF was created in 2000 as part of the Transportation Congestion Relief Program. The TCRF initially received a \$1.6 billion transfer from the General Fund and was to receive an additional \$678 million annually for five years to fund 141 designated transportation projects.

As part of the current year budget, the annual transfer from the General Fund was deferred for two years and a \$238 million loan from the TCRF to the General Fund was approved. In addition, various loans from other transportation accounts were approved to ensure the cash flow needs of the 141 projects are met.

COMMENTS:

This loan proposal is a significant part of the Governor's proposal to close the General Fund Shortfall. At the time the Governor's proposed budget was released, the General Fund shortfall was identified at \$12.5 billion. Since that time, the Legislative Analyst Office has projected the shortfall to be \$17.5 billion. It is possible that May Revision figures may have the shortfall being even greater.

According to the LAO, TCRF expenditures will be much less than projected in the Governor's budget. As a result, the LAO recommends the following sets of Budget Bill Language. The first limits the loan from the SHA to the TCRF to the amount actually needed in the TCRF.

The amount to be transferred to the Traffic Congestion Relief Fund is limited to an amount needed for cash-flow purposes, up to the amount specified in the item.

The second proposed language enables the TCRF loan to the General Fund to be greater, should the TCRF balance provide for a larger loan.

The Director of Finance may authorize the transfer of an amount exceeding the \$672 million provided by this item if the Director determines both that (1) the General Fund condition necessitates such a transfer and (2) expenditures from the Traffic Congestion Relief Fund are lower than originally expected and the additional transfer will not negatively affect cash-flow needs of transportation projects. Any additional transfer may be authorized not sooner than 30 days after notification in writing of the necessity therefor to the Chair of the Joint Legislative Budget Committee and the chairs of the committees of both houses that consider the state budget and that consider appropriations. The total amount transferred by this item shall not exceed \$1 billion.

When the proposed loans were discussed at an earlier hearing, Subcommittee members expressed concern over the potential loss of interest income to the SHA.

In addition the Metropolitan Transportation Commission is concerned about the impact of the loan proposal on the state's toll bridge seismic retrofit program. Their concerns include details on the revised 20-year financing plan, and additional updates of State Highway Account and Seismic Retrofit Account balances and expenditures.

The Department of Finance should respond to the above concerns of the Subcommittee members and the MTC at the hearing and indicate whether they anticipate the concerns will be addressed in the May Revision.

ISSUE 2: FLEET GREENING

The Governor's proposed budget includes \$10 million (SHA) to continue the "fleet greening" of Caltrans' mobile fleet.

BACKGROUND:

The Fleet Greening program began in the current year with a \$20 million allocation.

The Fleet Greening program entails the retrofit of Caltrans' green diesel fleet, increasing the number of bi-fuel and electric/solar vehicles, purchasing more hybrid vehicles, and purchasing liquefied petroleum gas dedicated vehicles. Caltrans will focus its efforts in those regions that have the highest levels of nitrogen oxide (NOx) emissions from Caltrans' mobile fleet.

COMMENTS:

The LAO is concerned that benefits of two of the actions to reduce emissions, the use of liquefied petroleum gas equipment (\$150,000) in place of certain diesel equipment and the purchase of hybrid passenger vehicles (\$886,000), are not worth the cost. Therefore, the LAO recommends these two proposals be rejected. Caltrans' responds that while specific elements of the proposal may not pass a cost/benefit analysis, the entire proposal should be analyzed in its totality.

The LAO is also concerned that the California Air Resources Board has not yet approved the technology Caltrans plans to use to retrofit its diesel engines. As a result, the \$11million allocated in current year has not yet been spent. The budget year proposal call for an additional \$5.5 million for diesel engine retrofits. As a result, the LAO recommends the following Budget Bill Language to ensure that funds not used for the retrofits are not redirected to other purposes:

Any portion of the \$5,494,000 transferred to the Equipment Service Fund from the State Highway Account, State Transportation Fund by Item 2660-031-0042 for diesel engine retrofit and staff overtime that is unexpended for the approved emission reduction purposes at the end of the fiscal year shall be transferred back to the State Highway Account.

ISSUE 3: INFORMATION TECHNOLOGY

The Governor's proposed budget includes \$77.4 million (SHA) for various information technology projects.

BACKGROUND:

The proposal includes \$2.4 million to contract for the development of an information technology Enterprise Integration Plan and \$75 million to develop and implement four department-wide projects over three years, including:

- A financial management system.
- A construction management system.
- A land management system.
- A contract payment system.

COMMENTS:

According to the LAO, Caltrans will not complete the Integration Plan until August of 2003. The LAO states that the integration plan must be completed before beginning the proposed department-wide projects. And that since the projects would not begin until 2003-04, the funding should be provided in that year's budget.

Caltrans responds that they can begin two of the projects prior to the Integration Plan being completed and that the budget provides for a three year appropriation to cover the time frame of the remaining costs.

The LAO suggests that if the entire \$75 million is not rejected, then the Subcommittee should approve only the amount expected to be spent during the budget year. They put that amount at \$3.2 million.

ISSUE 4: STORMWATER MANAGEMENT

The Governor's proposed budget includes \$23.4 million to implement the stormwater management plan.

BACKGROUND:

The federal Clean Water Act requires that the discharge of pollutants into waters from any point source comply with a National Pollutant Discharge Elimination System (NPDES) permit. Caltrans received a statewide NPDES permit from the State Water Resources Control Board for stormwater discharges from the state highway system and any other Caltrans facilities. In order to comply with the permit, Caltrans must annually submit a statewide plan for implementation. Caltrans current Stormwater Management Plan (SWMP) was approved in May 2001.

The \$23.4 million augmentation is to comply with the SWMP.

COMMENTS:

The LAO recommends the Legislature delete \$600,000 for Caltrans' review of highway rights-of-way. The LAO states that Caltrans has already completed its review as required by the Water Resources Control Board. The department concurs with the analysis, thus the additional funds are not needed.

A component of this proposal authorizes the Department of Finance to review and evaluate the long-term cost implications of Caltrans' compliance with the Clean Water Act. The LAO recommends the following Supplemental Report Language be approved to ensure the review is shared with the Legislature.

The Department of Finance shall provide to the Joint Legislative Budget Committee an implementation review of the Department of Transportation's stormwater management practices. The Department of Finance shall provide a preliminary report of its findings to the Joint Legislative Budget Committee by January 10, 2003 and a final report by July 1, 2003.

In addition, the LAO believes Caltrans does not have reliable workload estimates for \$13.5 million on 154 positions proposed for maintenance and project specific treatment controls. Therefore, the LAO suggests the funds be approved on a two-year limited term basis.

ISSUE 5: CAPITAL OUTLAY SUPPORT STAFFING

The budget for capitol outlay support is annually updated in the May Revision. However, the current year budget for Capitol Outlay Support is significant because it is the first budget to include increase contracting out positions that were permitted as a result of the passage of Proposition 35 in November, 2002.

BACKGROUND:

As a result of the passage of Proposition 35, the Governor proposed approximately 630 contract positions for capitol outlay support. The Legislature ultimately approved a 50/50 split of the positions between contract positions and state employees.

COMMENTS:

Proposition 35 significantly increase Caltrans' ability to use contract positions for capitol outlay support.

The LAO indicates that Caltrans had only spent \$35 million of the \$232 million budgeted for contract positions.

Caltrans indicates the all the new state positions have been filled through the normal hiring process.

Caltrans and the Department of Finance should address the following issues at the hearing:

- Has the increased number of contract positions enhanced project delivery and saved the state money?
- What competitive process is used to select among contractors for specific projects?
- Why has Caltrans not expended more of the funds allocated for contracting out? Does Caltrans expect the funds to be expended by the end of the budget year?
- Does Caltrans continue to have difficulty hiring and retaining engineers as is believed to have been the case in past several years?

The LAO recommends the following Budget Bill Language to ensure funds budgeted for contracting out are not diverted to other purposes:

The funds appropriated in Schedule (2) for specialty consultant contract resources and for architectural and engineering consultant contract resources for capital outlay support that are unencumbered for that purpose or that are encumbered for such contracts but unexpended at the end of the fiscal year shall revert to the fund from which they were appropriated.