# AGENDA

## SUBCOMMITTEE NO. 5
## ON INFORMATION TECHNOLOGY AND TRANSPORTATION

### ASSEMBLYMEMBER PEDRO NAVA, CHAIR

**WEDNESDAY, MARCH 30, 2005**
**STATE CAPITOL, ROOM 127**
**4:00 P.M.**

| ~~ITEM~~ | ~~DESCRIPTION~~ | ~~PAGE~~ |
|---|---|---|
| **ITEMS TO BE HEARD** | | |
| **2660** | **Department of Transportation** | |
| Issue 1 | Informational Item: Toll Bridge Seismic Retrofit Program | **2** |

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## Item: 2660 DEPARTMENT OF TRANSPORTATION

## ISSUE 1: TOLL BRIDGE SEISMIC RETROFIT PROGRAM

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~~After the Loma Prieta earthquake in October 1989, the Department of Transportation (Caltrans) expanded it previously limited efforts to retrofit highway bridges into a statewide bridge seismic retrofit program. Phrase 1 of the expanded program called for retrofitting 1,039 of the most seismically vulnerable of the state's 12,000 highway bridges. In addition, Caltrans determined that seven of nine state-owned toll bridges needed retrofitting.~~

~~**Bridges in Toll Bridge Seismic Retrofit Program**~~

~~**San Francisco Bay Area**~~

- ~~San Francisco-Oakland Bay Bridge~~
- ~~Richmond-San Rafael Bridge~~
- ~~San Mateo-Hayward Bridge~~
- ~~Benicia-Martinez Bridge~~
- ~~Carquinez Bridge~~

~~**Southern California**~~

- ~~San Diego-Coronado Bridge[a]~~
- ~~Vincent Thomas Bridge[a]~~

~~a Toll collection has been discontinued on these two bridges.~~

After the Loma Prieta earthquake in October 1989, the Department of Transportation (Caltrans) expanded its previously limited efforts to retrofit highway bridges into a statewide bridge seismic retrofit program. Phase 1 of the expanded program called for retrofitting 1,039 of the most seismically vulnerable of the state's 12,000 highway bridges. In addition, Caltrans determined that seven out of the nine state-owned toll bridges needed retrofitting.

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**Bridges in Toll Bridge Seismic Retrofit Program**

**San Francisco Bay Area**

- San Francisco-Oakland Bay Bridge
- Richmond-San Rafael Bridge
- San Mateo-Hayward Bridge
- Benicia-Martinez Bridge
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**Southern California**

- San Diego-Coronado Bridge[a]
- Vincent Thomas Bridge[a]
- A toll collection has been discontinued on these two bridges.

In 1994, the Southern California Northridge earthquake prompted Caltrans to expand its retrofit program to an additional 1,155 bridges throughout the state, these additional bridges became known as Phase~~Phrase~~ II.

Initially, the seismic retrofit program did not possess a dedicated funding source. The program was primarily funded by redirecting federal transportation funds from other non-seismic retrofit projects. To relieve the pressure on transportation funding, the Legislature and administration placed on the March 1996 ballot Proposition 192. With voter approval, Prop 192 authorized the issuance of $2 billion in general obligation bonds for the entire program, including $650 million for toll bridge seismic retrofit.

Proposition 192 was expected to provide enough resources to fully fund both Phrase II and the toll bridges. However, Caltrans later reported that the estimated cost of retrofitting the San Francisco-Oakland Bay Bridge (Bay Bridge) had risen above $1 billion, thus exceeding the funding level of the proposition. To address the increased cost, Senate Bill 60 (Kopp) and Senate Bill 226 (Kopp) (Chapters 327 and 328, Statutes of 1997) authorized $2.6 billion for to the retrofitting of all bridges, of which $1.3 billion was for the east span of the Bay Bridge. The bill provided three sources of funding:

- A "seismic surcharge" of $1 extra toll collected on all seven state owned Bay Area toll bridges for up to ten years which would provide up to $907 million.
- Another third of the total funding would come from state sources mainly the State Highway Account and the Public Transportation Account~~(approximately $858 million)~~.
- The remainder would be funded~~funding~~ by Proposition 192.

The 1997 estimates for the seismic retrofit program also proved to be optimistic. As toll bridge project experienced construction delays, Caltrans pushed back the delivery dates for the program, but did not re-estimate the program until April 2001. When revised, Caltrans projected the toll bridge retrofit cost at approximately $4.6 billion, which was 77 percent higher than the 1997 estimate.



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To fund the higher estimated cost, AB 1171 Dutra (Chapter 907, Statues of 2001) authorized $5.1 billion in total expenditure authority, including up to $4.6 billion to cover the cost of toll bridge seismic retrofit. Plus, the legislation provided an additional $448 million in "overrun" authority if costs should rise even higher. The majority of the increased funding would come from extending the seismic surcharge ($1 extra toll) to January 1, 2038 and allowing the state to bond against this revenue stream. AB 1171 would bring the tolls contribution to $2.3 billion. The expected completion timeframe for the Bay Bridge was 2008.

**Major Features of Toll Bridge Funding Legislation**

| Year | Statute | Features |
|---|---|---|
| 1996 | Proposition 192 | • Authorized $2 billion in general obligation bonds to fund bridge seismic retrofit, including $650 million for toll bridges.<br>• Stated that all toll bridge seismic retrofit costs were to be funded with bonds, with no contribution from state funds or tolls. |
| 1997 | SB 60 and SB 226 (Kopp) | • Provided total authorization of $2.6 billion for toll bridge seismic retrofit from three sources (Proposition 192, state transportation funds, and increase in tolls).<br>• Implemented a "seismic surcharge," increasing Bay Area bridge tolls from $1 to $2 for up to ten years.<br>• Created the Bay Area Toll Authority to administer toll funds. |
| 2001 | AB 1171 (Dutra) | • Provided total authorization of $5.1 billion (primarily from extension of $1 toll increase) for toll bridge seismic retrofit, including $448 million in overrun authority.<br>• Extended seismic surcharge to January 1, 2038. |

In all, the estimated total cost for the program increase more than seven-fold between 1996, when dedicated funding was first set aside for the program, and 2001.

**Current Status:~~status:~~**

Caltrans has completed ~~complete~~ seismic retrofit work on five of the seven toll bridges in the seismic retrofit program. Only the San Francisco-Oakland Bay Bridge and the Richmond-San Rafael Bridge remain. Caltrans' latest estimates are that the Richmond-San Rafael Bridge is 80 ~~80~~ percent complete and will be finished in 2005. The west span of the Bay Bridge is complete except for the rebuilding of the San Francisco approach to the bridge, which will be under construction until~~last through~~ 2008. The Bay Bridge east span is the least complete, and is not likely to be open to traffic before 2012. The viaduct portion of the east span is currently under construction and is projected to be complete in 2007.

In August of 2004, Caltrans informed the Legislature that the program could cost $8.3 billion -- $7.4 billion for specific projects and a contingency reserve of $900 million– and would be completed no sooner that 2013.



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The largest contributor to the estimated $3.2 billion cost increase has been the replacement of the East Span of the Bay Bridge. Of the $3.2 billion, $930 million is attributable to the May 2004 bid to build the superstructure of the signature span, which is within the East Span. The remaining $2.3 billion is due to factors unrelated to the superstructure bid, such as $556 million in additional Caltrans support costs and the need for a $900 million program contingency reserve.

## Options:

Two significant questions currently face the Legislature concerning cost overruns in the Seismic Retrofit Program. First, should the Bay Bridge East Span be redesigned? And second, how will the program be funded?

In the context of crafting the state budget, the second question takes preference. Considering the range of options facing the legislature with regards to the design of the east span – re-biding the superstructure, cable-stayed redesign and skyway redesign – a myriad of scenarios may increase~~increased~~ cost pressure on funding for non-seismic retrofit transportation projects.

The funding solution to generate the additional $3.2 billion will largely depend on the funding split between state and local sources. The Legislature has a number of choices with varying impacts, such as a large transportation revenue increased to a drastic cut in funding for other transportation programs. Below are the options presented by the Legislative Analyst Office in congruence with their analysis of the State Budget.

## Primary Funding Sources:

- **Increase Gas Tax Revenue.** One state funding possibility would be to raise the excise tax on gasoline and diesel fuel. A 6-cent increase in this tax, for example, would raise more than $3 billion over three years. If the funding is not needed that quickly, smaller tax increases could be considered. Once the necessary amount of bridge funding was provided, the tax increase could be discontinued or used for other transportation needs. This option would spread payment for the retrofit program among all the state's drivers, while not reducing funding for other transportation projects.

- **Bond Against Increased Toll Revenue.** The largest funding source currently being used for the toll bridge seismic retrofit program is a $1 seismic surcharge on Bay Area bridge tolls. In effect until January 1, 2038, this surcharge will be used to pay the debt service on bonds issued in 2003 and to be issued in 2005 for toll bridge seismic retrofit, as well as to fund several other Bay Area transportation projects.

- **Bond Against Existing Gas Tax Revenue.** The State Constitution authorizes bonding against future gasoline and diesel excise tax revenues, subject to voter approval. The annual debt service on these bonds, however, must be less than 25 ~~25~~ percent of the state's annual excise tax revenue that is used for street and

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highway purposes. Given that these revenues total over $3 ~~3~~ billion annually, the state would certainly have the capacity to issue a bond to cover the entire amount of additional seismic retrofit funding needed. However, this would reduce gas tax funding for transportation projects statewide for the duration of the debt-service payments (typically 30 years).

- **Bond Against Future Federal Revenue.** Federal law allows states to bond against future federal transportation revenues. This debt instrument is known as a Grant Anticipation Revenue Vehicle (GARVEE) bond. Current state law limits the amount of GARVEE bonding. Specifically, debt service on the bonds cannot exceed 15 ~~15~~ percent of the state's annual federal transportation funding. To date, the California Transportation Commission (CTC) has issued $658 ~~658~~ million in GARVEE bonds to allow transportation projects to continue through the current funding downturn. In addition, the CTC's current policy is to issue GARVEE bonds with terms no longer than 12 years. However, even within these restrictions, the State Treasurer estimated in May 2004 that the state had the capacity to issue about $5 ~~5~~ billion-worth of GARVEE bonds. Issuing these bonds would reduce funding for transportation projects statewide for the duration of the bonds by the amount of the annual debt service.

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- **Issue General Obligation Bond.** Finally, the state's other major borrowing option is to issue general obligation bonds. Pledging the state's full faith and credit could provide all the funding needed by the toll bridge seismic retrofit program. However, because the General Fund already faces a sizeable budget shortfall, any additional borrowing would put additional pressure on non-transportation programs for the duration of the debt-service payments.

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- **Use Near-Term State Transportation Funding.** The only major option that does not require borrowing or revenue increases would be to use state funding that is dedicated to other transportation projects in the near term. Cutting the state's expected allocations for new transportation projects in half over the next three years could provide over $3 ~~3~~ billion for toll bridge seismic retrofit in the near term. However, this would have a severely detrimental effect on the rest of the state's transportation program.

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## Other Options to Provide~~provide~~ Additional Funding

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- **Refinance Existing Toll Bonds.** Currently, the seismic surcharge dollar in the Bay Area tolls is administered by Caltrans, while the other two dollars of toll are administered by the Bay Area Toll Authority (BATA). One option originally proposed by the Governor in August 2004 was to consolidate the administration of all tolls under BATA. This would allow BATA to combine the toll bridge seismic bonds with its own outstanding debt and refinance them as a single package. The BATA estimates that this could reduce debt-service costs and free up $400 million to $500 million for use on the seismic retrofit program. This money would come at no expense to other projects and would not require a revenue increase.

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- **Redirect Toll Money Used for Other Purposes.** A portion of the revenue from the current seismic surcharge is to be used for certain specified Bay Area transportation projects unrelated to toll bridge seismic retrofit. The administration has proposed redirecting this money to the seismic retrofit program. This action could generate an additional $550 ~~550~~ million, though this would be at the expense of those Bay Area transportation projects.

- **Extend Existing Seismic Surcharge.** The current seismic surcharge is set to expire on January 1, 2038. Extending this surcharge for ten years and bonding against that revenue stream would allow the state to generate approximately $150 ~~150~~ million. This would be paid primarily by Bay Area drivers.

- **Delay Funding for Old East Span Demolition.** While it is not technically a source of funding, the state does have the option of delaying the provision of funding for the demolition of the existing east span of the Bay Bridge. This would reduce the amount of funding the state must raise in the near term by approximately $300 ~~300~~ million. The existing span cannot be demolished until after the new span is complete, so funding will not be needed for this contract for more than five years.

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