

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE No. 5
On Transportation and Information Technology****Assemblymember Joan Buchanan, Chair****WEDNESDAY, APRIL 14, 2010****STATE CAPITOL, ROOM 127****4:00 PM**

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VOTE ONLY CALENDAR

Department of Transportation

- 1. Fuel Cost Increase:** Caltrans is requesting a permanent increase of \$5.7 million in operating expenses in the state Highway account as a result of increased fuel costs. Currently, the department's fuel budget is based on \$2.64 per gallon fuel price. This proposal would align it with a \$3.06 per gallon fuel price.

Staff Recommendation: Approve as budgeted

CONSENT CALENDAR

- 1. Enterprise Resources Planning Financial Infrastructure Reduction:** The Administration requests a permanent decrease of \$255,000 (State Highway Account) and a decrease of three positions. This reduction recognizes a workload decrease that will result from the new E-FIS information technology (IT) project. E-FIS is a new accounting system for Caltrans that will replace almost 70 legacy IT systems. E-FIS is expected to be in operation beginning in early 2010-11. Caltrans committed to eliminating the three positions when the project was initiated because the Feasibility Study Report suggested a work decrease with the system.

Staff Recommendation: Approve as budgeted

- 2. Technical Corrections to Various Programs:** The Administration requests technical corrections due to mistakes in implementing the Legislature's direction to stop the practice of "cross allocation" or moving funding across Caltrans programs outside the Section 26.00 process. Some of the shifts were miscalculated at the time and this BCP would adjust the funding by program to correct this. It is a net-zero shift overall.

Staff Recommendation: Approve as budgeted

- 3. Roadway Design Software (RDS) IT Project:** The Administration requests to move forward by two years the multi-year funding plan for the RDS, which will replace the department's design software. This project was previously approved by the Legislature, but procurement issues have delayed the project. The total cost of the project is \$10.1 million (SHA), \$200,000 less than originally anticipated.

Staff Recommendation: Approve as budgeted

ITEMS TO BE HEARD

2670 BOARD OF PILOT COMMISSIONERS

Issue 1: Efforts to Improve the Performance of the Board

The Cosco Busan incident brought new attention to the Board. Legislation passed in 2008 (SB 1627, Wiggins) established a new position at the Board of Assistant Director (increasing staffing from 2.5 positions to 3.5 positions), placed the formerly independent Board under the umbrella of the Business, Transportation and Housing Agency, and required a performance and financial audit of the Board by the Bureau of State Audits (BSA). The BSA released its audit in November 2009, and the full report is available at the following link: <http://www.bsa.ca.gov/pdfs/reports/2009-043.pdf>.

Audit Findings: The BSA audit included the following findings:

- The board did not consistently adhere to state law when licensing pilots. In one case, it licensed a pilot 28 days before he received a required physical examination; he piloted vessels 18 times during this period.
- The board renewed some pilots' licenses even though the pilots had received physical examinations from physicians the board had not appointed and, in one case, renewed a license for a pilot who had not had a physical examination that year.
- Of the 24 investigations we reviewed, 17 went beyond the 90-day statutory deadline for completion.
- The board did not investigate reports of suspected safety standard violations of pilot boarding equipment, as required by law.
- The board failed to ensure that all pilots completed required training within specified time frames.
- The board paid for business-class airfare for pilots attending training in France, which may constitute a misuse of public funds.

The Auditor also provides a long list of recommendations to establish new procedures and recordkeeping to address the audit findings.

Board Response to Audit: The Board generally accepted the findings and recommendations of the audit. A February 2010 BSA report titled *Implementation of State Auditor's Recommendations* found the Board has implemented some recommendations, others were partially implemented, and others were pending. That report is available at <http://www.bsa.ca.gov/pdfs/reports/2010-406.pdf>.

Staff Comment: The Board should briefly indicate if any of the adverse findings have reoccurred since the November audit and outline their progress in implementing the Auditor's recommendations.

Staff Recommendation: None, item is informational

Issue 2: New Office Assistant Request

Governor's Budget

The Administration requests \$75,000 (Board of Pilot Commissioners' Special Fund) and 1.0 new permanent position to address filing and other clerical workload. This position will be the first point of contact to the public, as well as provide program and clerical support services to the board

Staff Comment

Staff understands that there is a significant backlog in basic clerical organization at the Board. As reported by the BSA, it appears that there has been a sincere effort to respond to the general findings of the BSA audit by establishing structured professional protocols within the board. At the time of their review, however, the BSA found that the Board had not implemented recordkeeping improvements recommended by the audit. While the Board did receive 1 new position with the passage of recent legislation, this position has been converted into a "staff services analyst" that will be primarily responsible for organizing old files and improving clerical administration; leaving no first point of contact or additional clerical support for the board. By providing the board with a point of contact for the public, this request would allow the other staff member to address the organizational backlog and necessary reforms identified in the audit. Because the current staffing levels do not allow for the board to address their current significant organizational backlog, staff feels that this request for one position is warranted.

Staff Recommendation: Approve staffing request

2600 CALIFORNIA TRANSPORTATION COMMISSION

Issue 1: Implementation of SB 4 – Public Private Partnerships

Governor's Proposal

The Governor's budget is requesting a one-time appropriation of \$200,000 (Non General Fund) to contract out with fiscal consultants to provide cost/benefit and financial feasibility reviews for State Public Private Partnership (P3) and Design Build transportation projects.

Staff Comment

In 2008, the Legislature approved two-year funding of \$100,000 per year for 2008-09 and 2009-10 for consultants to review High Occupancy Toll (HOT) projects associated with AB 1467 (Statutes of 2006, Nunez). Reviews in that program cost about \$50,000 per project; however, the scope of review was less broad because it only included the feasibility of toll revenues being sufficient to fund the cost of the project – not the contract terms of a P3. This year's proposal would include both the review of the sufficiency of toll revenues (as applicable) to support the contract as well as the terms of a P3 contract.

The CTC is responsible for programming and allocating funds used in transportation projects throughout California. Before allocating funds for a project, the CTC must do an analysis to determine whether the Department is choosing the most cost effective financing option and whether there will be funding available for the life of a project as to avoid a project stoppage – this includes an evaluation of the accuracy of project timelines and total cost estimates. This proposal would give the Commission needed expertise to do this evaluation for P3 and Design Build projects which they currently do not have since these are fairly new development strategies to the State. Due to greater breadth of review from prior year reviews, the cost is estimated to be closer to \$80,000 per project. So the budget funding would provide for two to three project reviews per year. Given the fiscal risk of these projects to the State, investing in a complete analysis of the proposed projects should be a prudent investment.

Staff Recommendation: Approve as budgeted

2660 DEPARTMENT OF TRANSPORTATION

Issue 1: Oversight Issue – CEQA Assistance

Background

AB X2 8 (Nestande), Statutes of 2009, was approved in February of 2009 and provided CEQA assistance to 13 specified projects in order to accelerate the projects through permitting to construction. These projects vary widely in size and scope but together account for more than \$925 million and are expected to create approximately 16,661 new jobs.

As outlined in the chart on the next page, the Department reports that contracts for 2 projects of the 13 have been awarded since this bill was approved with the remaining 11 projects expected to be awarded between April and December 2009. The Department cites an inability to secure bond funds as a primary reason for delay.

Staff Comments

Statutory CEQA exemptions and/or assistance are tools that the Legislature and Administration have used to accelerate projects when there is an extraordinary need for either the infrastructure that they are funding – such as bridge construction after an earth quake – or the economic stimulus that the projects will create. When this piece of legislation was discussed in February 2009, it was characterized to the Legislature by the Administration that the adopted CEQA relief would significantly accelerate projects to provide immediate economic and job growth benefit to the state's declining economy.

Beginning last year and extending to present day, the bond freeze greatly limited the amount of cash available from bond sale proceeds for statewide bond projects. In order to prioritize limited cash from bond sale proceeds, the Treasurer's Office and the Department of Finance have used the measurements of job creation and public safety to determine which projects will have bonds sold for them in the market. When AB X2 8 (Nestande) was approved, it was presented to the Legislature by the Administration that the high priority of the projects and their potential economic benefit warranted a relaxation of their state environmental permitting requirements. These projects were streamlined under the intent to create the 16,6221 jobs that are estimated to be attributed to the projects. To date, only two of these projects have been awarded contracts and are in construction.

In November, the Treasurer sold \$716.8 million in bonds for new transportation projects. At the hearing, the Department should discuss with the subcommittee how the projects SB X2 8 ranked among other new transportation projects when deciding which projects to advance with the revenue generated from this bond sale. Additionally, the Department should discuss what process they use to make this determination. Lastly, the Department should provide an update on the status of these projects and whether these CEQA exemptions will ultimately result in a shortened design-to-construction timeline than if they weren't given CEQA relief.

Status of Assembly Bill X2 8 Projects As of April 12, 2010
(Information Provided by the Department)

Project	County	Original Award Date	Current Award Date	Project Cost (in millions)	Estimated Jobs	Comments
U.S. Highway 101 interchange modification, adding southbound auxiliary lane and southbound mixed flow lane, from Interstate 280 to Yerba Buena Road	Santa Clara	3/2010	4/2010	\$63.0	1,134	Project was accelerated 4 months and was ready for award in December 2009, but failure to secure adequate bond funding in early 2009 delayed allocation. The project is scheduled to be awarded in April 2010.
Construct north and southbound high-occupancy vehicle lanes on Interstate 805 from Interstate 5 to Carroll Canyon Road, including construction of north-facing direct access ramps	San Diego	12/2009	6/2010	\$102.0	1,836	Project was accelerated 2 months and was ready for award in October 2009, but failure to secure adequate bond funding in early 2009 delayed allocation. The project is scheduled to be awarded in June 2010.
State Route 99, Los Molinas rehabilitation and traffic calming, from Orange Street to Tehama Vine Road	Tehama	3/2011	4/2010	\$3.5	63	Project was accelerated 15 months and was ready for award in December 2009, but failure to secure adequate bond funding in early 2009 delayed allocation. The project was awarded in April 2010.
State Route 99, Island Park widening project, adding one mixed flow lane in each direction, from Ashlan Avenue to Grantlund Avenue	Fresno	9/2012	4/2010	\$32.0	576	Project was accelerated 31 months and was ready for award in December 2009, but failure to secure adequate bond funding in early 2009 delayed allocation. The project is scheduled to be awarded in April 2010.
State Route 99 median widening, adding one mixed flow lane in each direction, from State Route 120 west to 0.4 miles north of Arch Road	San Joaquin	3/2012	3/2012	\$108.0	1,944	Due to federal permitting issues, the project is scheduled to be awarded on its original award date.

Project	County	Original Award Date	Current Award Date	Project Cost (in millions)	Estimated Jobs	Comments
Palm Avenue grade separation	San Bernardino	7/2012	11/2010	\$35.0	630	19 month acceleration. This project is scheduled to be awarded in November 2010.
Sacramento Intermodal Track Relocation Project as specified in the approved Railyards Specific Plan	Sacramento	—	—	\$51.6	929	This project was included by the Legislature—award dates are not available to Caltrans.
State Route 57 northbound widening, from Katella Avenue to Lincoln Avenue	Orange	8/2011	12/2010	\$41.1	740	7 month acceleration. This project is scheduled to be awarded in December 2010.
Addition of auxiliary westbound lane to State Route 91, from Interstate 5 to State Route 57	Orange	12/2012	12/2012	\$73.4	1,321	This project is still scheduled to be awarded in December 2012 due to extensive right-of-way acquisition.
State Route 91 widening, adding one mixed flow lane in each direction from State Route 55 to Weir Canyon Road	Orange	12/2011	12/2010	\$96.0	1,728	12 month acceleration. This project is scheduled to be awarded in December 2010.
State Route 12 pavement rehabilitation and shoulder widening on Bouldin Island	San Joaquin	8/2012	12/2010	\$50.0	900	19 month acceleration. The project is scheduled to be awarded in December 2010.
U.S. Highway 101 pavement rehabilitation and shoulder widening	San Luis Obispo	5/2012	12/2009	\$50.0	900	28 month acceleration. This project was awarded in December 2009 as a design-sequencing project.
U.S. Highway 101 Doyle Drive reconstruction	San Francisco	10/2010	7/2009	\$220.0	3,960	14 month acceleration. This project was awarded in July 2009.
Total				\$925.6	16,661	

Issue 2: Continuation of Transportation Bond Act Administration

Governor's Budget

The Department is requesting the reauthorization of 75 two-year limited term positions and \$9.1 million (Proposition 1B funds) that have been previously approved to implement various Proposition 1B Programs. This reauthorization is necessary because all previously approved Budget Change Proposals (BCPs) and Finance Letters (FL) for Proposition 1B are set to expire on June 30, 2010 and this proposal would maintain current staffing as projects continue to move forward.

Background

Proposition 1B, Approved by the voters on November 7, 2006 dedicates \$19.925 billion over a ten year period to fund State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) projects, corridor improvements, congestion relief upgrades, public transit expansion, reduction of air pollution, and enhancements to anti-terrorism security at ports. IT also provides funding to local cities and counties for local street and road improvements, road maintenance, safety, congestion relief, rehabilitation, seismic bridge projects, and for support of state and local partnerships.

The following is a summary of previously approved BCPs and FLs that are set to expire by June 30, 2010:

- **2007-08 FL #1** – Established 47 three-year, limited-term positions for workload associated with the implementation of the Proposition 1B program and creation of the related funds and accounts.
- **2008-09 BCP #38** – Established an additional 5 two-year, limited-term positions for workload associated with the implementation of the Proposition 1B program.
- **2008-09 BCP #15** – Established 4.5 two-year, limited-term positions for Accounting, Mass Transportation, and Rail to provide additional resources to enable the Department to carry out its responsibility under the Bond Act.
- **2008-09 FL #4** – Established 18 two-year, limited-term positions for additional workload associated with Proposition 1B program implementation.

Staff Comments

Staff feels that the positions and operating and expenses requested by Caltrans are warranted because they were previously approved by the Legislature and are scheduled to expire although the projects that they support will continue into the near future. At the hearing, the Department should be prepared to present to the subcommittee on why these positions were initially established as limited term when it appears that at the time of approval workload was anticipated to be for more than three years. Additionally, Caltrans should discuss with the subcommittee whether they anticipate more than two years worth of workload for the requested staff and whether a longer term position authority should be considered.

Staff Recommendation: Approve as budgeted

Issue 3: Air Quality Mandates

Governor's Budget

The Governor's budget is requesting a one time appropriation of \$57.3 million (State Highway Account) to replace or retrofit 435 vehicles and pieces of equipment (As shown in the below chart). This includes both on-road and off-road vehicles. Caltrans indicates this budget augmentation is necessary to comply with State Air Resources Board (ARB) and South Coast Air Quality Management District (SCAQMD) regulations. This request represents the second year of a five year air quality retrofit that will cost a total of about \$260 million.

Summary of Equipment Compliance Costs for 2010-11			
Mandate	Compliance Requirement	# of Equipment	Cost (in thousands)
ARB In-Use Off-Road Diesel Vehicles	Replace Vehicles	101	\$15,482
	Retrofit Vehicles	53	1,014
ARB Large Spark Ignition	Replace Vehicles	28	1,263
ARB On-Road Heavy-Duty Diesel Vehicles	Replace Vehicles	101	15,482
	Retrofit Vehicles	53	1,014
SCAQMD Fleet Rule for Alternative –Fueled Heavy Duty Vehicles	Replace Vehicles	32	10,021
Federal EPA Diesel Emission	Incremental Costs		1,062
TOTAL		435	\$57,330

Background

Several recent air quality related mandates enacted by the ARB and the SCAQMD require that Caltrans comply with more stringent air quality emissions requirements for by either replacing or refurbishing vehicles and equipment in its non compliant, on-road and off-road fleet. Noncompliance to the SCAQMD Rule and ARB mandate would expose the state to up to \$16,000 per day fines.

Staff Comments

The Department reports that it will need a total of \$159 million in funds for the 5-year plan to bring equipment into compliance. At the hearing, the Department should be prepared to discuss whether they are meeting the compliance targets set out by their plan.

Additionally, staff understands from the Department that the Air Resources Board has been working with the Department to provide some flexibility in their compliance schedules. At the hearing, the Department should discuss these developments with the subcommittee. Because any changes that may occur in the compliance timeline will change the amount of resources needed, staff recommends that the subcommittee hold this item open until more information is available.

Staff Recommendation: Hold open

Issue 4: Load Rating of State Bridges

Governor's Budget

The Governor's Budget requests to absorb new workload for load rating of State bridges by: (1) redirecting 9 positions that provide engineering support for toll bridge traffic operations in the San Francisco Bay Area; and (2) shifting \$1.3 million from the litter pickup budget to fund the positions. The load rating determines the weight or load of vehicles that a bridge can safely carry. The 9 new bridge positions would complete a new load rating assessment of 6,800 State bridges over a ten-year period to comply with new federal requirements. The BCP indicates that engineering support for toll bridges and litter removal activities are both very important to the Department, however litter removal contract has been stalled due to litigation and the bridge load rating activities are a higher priority.

New load ratings are not required for all State bridges – for example, excluded are those designed to current standards (designed since 1976), and bridges that do not carry vehicular traffic. For the 6,800 bridges in question, the existing load ratings were developed with older computer modeling that did not include all bridge design data and the base load rating cannot be verified or updated with the existing system. The requested positions would review bridge records, perform a new load rating with new software, and write a summary report for each bridge.

LAO Recommendation

The Analyst recommends the Administration look at alternatives that would allow the work to be completed more expeditiously (instead of over 10 years). For instance, Caltrans could contract out some of the work, or assign more State staff to the task in order to complete the work sooner.

Staff Comment

The load rating assessment of a bridge feeds directly into how these bridges are used and how they are inspected. While this workload may not have the same immediate public safety impact as a bridge inspection program, this workload does impact public safety. Staff understands from the Department that they will be attempting to identify additional staff that can be redirected for this purpose as they prepare their May Capital Outlay Support request. At the hearing, Caltrans should explain why 10 years is an acceptable length of time to perform these safety load ratings – instead of a quicker implementation as suggested by the LAO. Additionally, the subcommittee should discuss with the Department whether they will be evaluating additional staffing options and how many additional staff would be necessary to accelerate this program to a 5-year effort.

Staff Recommendation: Hold open

Issue 5: New Environmental Requirements

Governor's Budget

The Department is requesting a permanent increase of \$515,000 for six positions, \$51,000 for operating expenses and a one time increase of \$154,000 for interagency agreements for a total request of \$720,000 for increased federal environmental workload for the Local Assistance Program.

LAO Comments

The Department currently has about 360 positions in its Local Assistance Division. The program's staff size has grown by about 25 percent since 2005-06 when the current federal transportation act was authorized. During the past five years, staffing increases were provided for the Department to handle changes in workload mainly related to new and updated federal requirements. While Caltrans has provided some workload explanation for the incremental increases over the past five years, it has not provided an assessment of how its total workload relates to overall program staffing.

In order to evaluate future requests, such an assessment of the Division's positions and workload is needed. Thus, the LAO recommends that the Department report on its positions and workload for all local assistance activities. Because much of the local assistance workload is tied to the federal transportation program, which is expected to be reauthorized in the next year or two, the LAO recommends the Department report on this information after the next federal authorization by Congress. Specifically, the LAO recommends adopting the following Supplemental Reporting Language:

The California Department of Transportation (Caltrans) shall report no later than 180 days after the adoption of a new federal transportation act on the department's local assistance workload and staffing levels. The report shall include the following:

- 1) A baseline review of the department's local assistance workload, including a listing of major activities performed, the level of resources needed to complete each activity, and how the workload aligns with current staffing levels.*
- 2) A description of the changes to the local assistance workload from requirements of the new federal act.*

Staff Comments

As discussed by the LAO, the Legislature will need a comprehensive base of workload data for the local assistance division in order to align its staffing with new federal funding levels when the federal transportation act is reauthorized. Because recent federal transportation funding has moved through a variety of vehicles, not just the reauthorization, the LAO should discuss whether their language should be amended to broaden the report trigger. Additionally, the Senate transportation budget subcommittee recently approved only half of this proposal. The Department should be prepared to discuss, whether there are preferences of how the funding would be split between the three segments of the proposal (\$515,000 for six positions, \$51,000 for operating expenses and a one time increase of \$154,000 for interagency agreements) if the subcommittee decided to take the same approach.

Staff Recommendation: Approve half funding and supplemental report language

Issue 6: Public Private Partnerships

Governor's Budget

The Administration proposes an appropriation of \$3.45 billion (\$495 million State Highway Account/ \$2.95 Federal Trust Fund) to fund multi-year “availability payments” (over about 30 years) for one designated highway project (a portion of Doyle Drive – about \$1.4 billion of the total) and other non-designated highway projects (about \$2.1 billion). “Availability payments” are a type of public private partnership (P3) where the private partner initially funds the project and then the state compensates the private partner with payments over many years. Here, future federal funds are proposed with about \$115 million directed annually to this purpose over 30 years (for Doyle Drive, there would be a \$150 million payment upon completion of construction plus about \$38 million annually after that).

Background

California has used P3s for past highway investments with mixed results – Route 91 linking Orange and Riverside counties and Route 125 in San Diego County are examples. Senate Bill X2 4 (Cogdill) Chapter 2, Statutes of 2009, revised the P3 process, by removing the statutory limit on the number of P3s and removing the Legislature from the approval process.

Nationally and internationally, P3 agreements are often developed for toll roads with the advantage being that toll revenue can be used to support the long-term project maintenance and contractor payments. This proposal would differ in that Doyle Drive will not be a tolled road therefore the state would instead provide availability payments to the P3 contractor to maintain the availability of the road miles agreed upon in the contract.

LAO Comments

Overall, the LAO finds the Governor’s proposal is “problematic” and recommends rejecting the proposal. The full LAO March 2 report is available at: <http://www.lao.ca.gov>. The LAO makes the following findings and recommendations:

- SB X2 4 specifically requires that P3 project agreements include financing from toll or user fee revenues – the proposed agreement does not appear to be allowed under current law.
- The Doyle Drive proposal would fund the developers for project operations and maintenance out of federal funds – these costs are not eligible for federal funding **(Staff notes that the Department has amended their request in an April Finance Letter to attempt to address this issue).**
- \$2.1 billion of the request is undesignated and budget bill language allows the Department of Finance open-ended authority to augment the \$3.45 billion. This provides little or no opportunity for legislative review and oversight.
- This proposal, as specified for Doyle Drive, may not reduce State costs. The Administration assumes the developer could reduce construction costs relative to the standard process, but the basis for this assumption is not identified.

Staff Comments

In their April 8th meeting, the California Transportation Commission (CTC) was scheduled to hear the proposed Doyle Drive P3 project but decided to delay action until May. In their staff analysis, CTC staff recommended that the project be rejected because; (1) the project does not appear to be consistent with a statutory requirement that tolls or user fees be collected and applied to the project cost, and (2) that approval of the project's financial plan would create a new long-term commitment from the State Highway Account, which is already oversubscribed and underfunded. If the CTC ultimately does reject this proposal, the Doyle Drive portion of the Governor's comprehensive P3 proposal would need to be taken out of the financing.

Aside from CTC concerns related to Doyle Drive, subcommittee staff has serious concerns with this proposal as it requests the Legislature to continuously appropriate \$2.1 billion for a 30 year period for projects that have not been identified and with budget bill language that would allow unlimited authority for the Administration to augment this proposal.

At the hearing, the Department needs to give the subcommittee an overview of how P3 contracts function, what their advantages/disadvantages are, and how Caltrans ultimately will make the decision as to whether it is in the state's best interest to pursue a P3 contract for a project. Additionally, Caltrans needs to make comments as to whether it is anticipated that Doyle Drive will be more cost effective as a P3 financed project than traditional pay-go or GARVEE financing. Lastly the Department should discuss what happens to TIGER funds awarded to Doyle Drive if the state pursues the project through a P3 contract.

Staff Recommendation: Hold open until a decision on Doyle Drive is final at the California Transportation Commission.

Issue 7: Changeable Message Signs

Governor's Budget

The Administration has requested budget trailer bill language to allow advertising on highway Changeable Message Signs (CMSs). No Budget Change Proposal was provided to explain or justify this request. No revenue is scored in the Governor's budget for this proposal, and no revenue estimate has been provided by the Administration.

According to the Administration's trailer bill language, "the Department would obtain private sponsors and advertisers who would provide additional transportation funding in return for the right to place advertisements on the updated emergency message signs in a manner that does not detract from the signs' public-service announcement function." The language indicates the proposal would require either a waiver from the Federal Highway Administration or a change in federal law. The language indicates the private sponsor and Caltrans would share advertising revenue, but the language does not specify what the state share would be. The language specifies Caltrans would not be required to adopt regulations, but would rather post guidelines on its website.

Staff Comment

The Administration should update the Subcommittee on this proposal and indicate if it has a revenue estimate, or if there has been any response from the federal government with regards to a waiver. There are traveler information and safety concerns with this proposal. Some CMSs are used to display travel times from one destination to another (which is not necessarily a safety issue, but is valuable information to travelers) – would this content be replaced with advertising? The signs would also pose concerns related to distracted driving and highway beautification. Lastly, the Department should discuss whether there are estimates as to how much energy these signs would consume

Staff Recommendation: Reject this request

Issue 8: Project Initiation Documents

Governor's Budget

The Administration requests to shift 96.5 positions and \$12.5 million from State funding (State Highway Account) to local reimbursement for department workload associated with Project Initiation Documents (PIDs), or initial planning documents, for locally-funded projects.

Background

Project ideas are identified in the long-range plans. Before potential projects can be developed and constructed, however, detailed project planning work must first be completed. Initial project plans, called PIDs, contain specific information, including the identification of the transportation problem that is to be addressed an evaluation of potential alternatives to address the problem, 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.

Currently, PIDS for locally funded projects are funded by the Department. In last year's budget discussions, the Department was required to convene meetings with stakeholders to find efficiencies in the PID process and report those findings to the Legislature by March 1, 2010. Additionally, the 2009-10 budget reduced the Planning Divisions budget by roughly \$15 million for developing PIDS

LAO Comments

Caltrans and the Department of Finance have indicated that an April Finance Letter is being considered which would address the workload of Caltrans' entire Planning Program, including the PID development efforts discussed in this request. Therefore, the LAO recommends holding this item open until the Finance Letter is submitted so that these decisions about funding sources and workload can be coordinated more effectively.

Staff Comments

Budget bill language in the 2009 Budget Act requires Caltrans to provide a report to the Legislature by March 1, 2010, with options to share costs, lower costs, streamline procedures, and reduce delays associated with PIDs. That report was due March 1, so the subcommittee would have the benefit of that information as it held its March and April Subcommittee hearings; however, the report had not been provided as this agenda was finalized.

Additionally, staff and the LAO are currently reviewing a recent April Finance Letter proposal that has been proposed to replace the Governor's budget proposal. Given that this proposal is being replaced by the April Finance Letter and the Administration has not yet submitted its report on PIDs, staff recommends that the subcommittee reject this request and reopen consideration, as warranted, once the April Finance Letter once the report has been received.

Staff Recommendation: Reject this request