

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

Assemblymember Pedro Nava, Chair

WEDNESDAY, APRIL 20, 2005, 4:00 PM
STATE CAPITOL, ROOM 127

CONSENT CALENDAR

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CONSENT ITEMS

ITEM 2600**CALIFORNIA TRANSPORTATION COMMISSION**

The California Transportation Commission (CTC) advises and assists the Legislature and Administration in formulating and evaluating state policies, plans and funding for California's transportation programs. Furthermore, the CTC is responsible for producing and updating the State Transportation Improvement Program (STIP) and the STIP Fund Estimate biannually, and program and allocate transportation revenues and bond funds for the construction of highways, passenger rail and transit improvements in California.

The Governor's proposed budget includes a total of \$77,139 (Special Fund) and 13 positions for the CTC, an increase of \$438,000 (1%) above current year.

COMMENTS:

No issues have been raised.

ITEMS TO BE HEARD

ITEM 2640 SPECIAL TRANSPORTATION PROGRAMS

The Special Transportation Program (STP) provides funding to the State Controller for allocation to regional transportation planning agencies for mass transportation projects.

The Governor's proposed budget includes \$137 million (Special Fund) for STP, an increase of \$19,892 from current year.

COMMENTS:

Under current law, STP would receive half of the projected Public Transportation Account "gasoline spillover" (approximately \$113 million). The Administration has proposed to retain all spillover funding (\$216 million) in the General Fund.

The Special Transportation Programs is solely funded out of the Public Transportation Account (PTA).

ITEM 2660 DEPARTMENT OF TRANSPORTATION

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 \$8 billion, all from special funds and 22,445.5 positions. This reflects a decrease of \$119 million but an increase of 87.2 positions from the current year.

ISSUE 1: TRANSPORTATION FUNDING**Proposition 42**

Proposition 42 was approved by California voters in March 2002. Under the Proposition, revenue from the sales tax on gasoline is to be transferred from the General Fund to the Transportation Investment Fund. However, the law allows the transfer to be suspended in years in which the transfer would have a significant negative fiscal impact on the General Fund. Since fiscal year 2003-04, Proposition 42 has been either partially or fully suspended, with the suspended amount to be repaid with interest in later years.

The Governor's budget proposes to achieve \$1.3 billion in General Fund savings by suspending the Proposition 42 transfer for fiscal year 2005-06. This year represents the third consecutive suspension for the Proposition, resulting in a total cut of \$3.4 billion in transportation spending. The Governor also proposes suspending Proposition 42 for the 2006-07 budget year, though that action cannot be taken until next year.

In addition, the Governor seeks a constitutional amendment to eliminate the ability of future legislatures to suspend Proposition 42 after fiscal year 2006-07. The constitutional amendment would also consolidate all suspension repayments through 2006-07 and repay the entire amount in even increments over a 15-year period. Currently, there are two outstanding Proposition 42 repayments: 1) \$1.2 billion due by June 2008, and 2) \$856 million due June 2009. Under the Governor's proposal, the General Fund would not fully repay these amounts or \$2.6 billion from suspending Proposition 42 in 2005-06 and 2006-07 until 2020. The constitutional amendment would allow for this debt to be bonded against.

Gasoline Spillover

Chapter 1406 of the Statutes of 1972 created the Public Transportation Account "Gasoline Spillover." The Gasoline Spillover creates revenue for the state's mass transit system only when revenues from the gasoline sales tax at the 4.75 percent rate exceed revenues from all taxable sales at the 0.25 percent rate.

For the last three years, the PTA has received spillover revenue. For 2005-06, the Governor seeks to achieve a General Fund savings of \$216 million, by suspending the transfer. Under current law, the spillover revenue would fund public transportation programs including local rail, transit and intercity rail services.

Tribal Gaming Bonds

The 2004-05 Budget Act assumed repayment of \$1.4 billion in transportation loans that were due to be repaid no later than June 30, 2005. This repayment was to be primarily accomplished by dedicating \$1.2 billion in bond proceeds derived from certain Indian Gaming revenue.

Under the tribal gaming compacts signed in 2004, five gaming tribes are to provide one-time funds to the state by securing a portion of their revenue from casino expansion.

Due to litigation filed against the State, the timing of the bond sale is unknown. The budget proposes a trailer bill to make repayment of the \$1.214 billion "explicitly contingent upon receipt of the tribal gaming revenue." This implies that if tribal gaming revenue falls short and only a smaller amount of bonds can be issued, the amount of repayment in fiscal year 2005-06 would be limited to the smaller amount, thereby eliminating the General Fund's obligation to make up the difference in fiscal year 2005-06. Current law states that the General Fund must make up the difference by June 30, 2006. The one time funds, at the time estimated to be \$1.2 billion, are to be used to repay General Fund debts to transportation.

COMMENTS:

The California Transportation Commission has developed the following funding options to illustrate various fiscal scenarios and their impacts on the STIP and the Traffic Congestion Relief Program (TCRP).

Below are the range of alternative funding options that would address the most immediate needs:

Funding Option 1: Funding to complete existing TCRP allocations, plus funding for new STIP allocations programmed in 2005-06 that do not require TCRP matches.

Resources Needed by Fiscal Year for Funding Option #1

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
Resources Needed	\$256 M	\$716 M	\$402 M	\$ 0

Funding Option 2: Add funding for the remainder of new STIP allocations programmed in 2005-06, plus the new TCRP allocations required to match them.

Resources Needed by Fiscal Year for Funding Option #2

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
Resources Needed	\$319 M	\$871 M	\$503 M	\$72 M

Funding Option 3: Add funding for new TCRP allocations to repay currently approved Letters of No Prejudice.

Resources Needed by Fiscal Year for Funding Option #3

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
Resources Needed	\$438 M	\$871 M	\$653 M	\$72 M

Funding Option 4: Add funding for new TCRP allocations for all other construction projects ready for delivery in 2005-06.

Resources Needed by Fiscal Year for Funding Option #4

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
Resources Needed	\$848 M	\$1.161 B	\$809 M	\$283 M

Funding Option 5: Add funding for new allocations for all remaining TCRP projects, including preconstruction and construction work in future years.

Resources Needed by Fiscal Year for Funding Option #5

	2005-06	2006-07	2007-08	Beyond
STIP Programming for 2005-06 without TCRP Match	\$256 M	\$640 M	\$384 M	\$ 0
STIP Programming for 2005 with TCRP Match	\$57 M	\$142 M	\$85 M	\$ 0
TCRP Match for STIP Programming in 2005-06	\$6 M	\$13 M	\$16 M	\$72 M
TCRP Existing Allocations	\$ 0	\$76 M	\$18 M	\$ 0
TCRP Repayment - Approved AB 1335 Letters of No Prejudice	\$119 M	\$ 0	\$150 M	\$ 0
TCRP Construction in 2005-06	\$410 M	\$290 M	\$156 M	\$211 M
TCRP Preconstruction in 2005-06 and Future Year Preconstruction and Construction	\$262 M	\$341 M	\$516 M	\$853 M
Resources Needed	\$1.110 B	\$1.502 B	\$1.325 B	\$1.136 B

Likewise, the Department of Transportation has also prepared a report that allows the Legislature to determine the effect of the Governor's proposals on the size of the transportation program and the funding needs for the TCRP in 2005-06 as outlined in the LAO Analysis of the 2005-06 Budget Bill. The below is a table summarizing the projected allocation levels for various funding scenarios.

Summary of SHA/TIF/PTA Allocation Scenarios (dollars in billions)						
Scenario	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Scenario 1 - Best Case	\$1.1	\$3.4	\$3.3	\$3.1	\$3.2	\$14.2
Scenario 2 - Governor's Proposal Assuming Gaming Bond Revenue	\$0.9	\$2.8	\$2.1	\$3.0	\$3.1	\$11.9
Scenario 3 - Governor's Proposal Assuming No Gaming Bond Revenue	\$0.9	\$2.3	\$1.8	\$3.0	\$3.1	\$11.1
Scenario 4 - Worst Case	\$0.9	\$2.0	\$2.1	\$2.1	\$2.1	\$9.2

PANELISTS:

- California Transportation Commission
- Department of Transportation

ISSUE 2: BUDGET DISPLAY (LAO)

Most funds in the Governor's Budget, including federal funds and the General Fund, are displayed on a modified accrual basis, as required by state law. This means that the budget generally shows "expenditures" from funds at the time the state commits to making a payment, not when the payment is actually made. State law, however, provides an exemption for four Caltrans funds. Statute allows the Department of Finance (DOF) to establish whatever accounting and reporting system it desires for these four state funds, which represent roughly half of Caltrans' budget.

DOF has chosen to display the capital outlay and local assistance expenditures for each of these funds on a cash basis, while continuing to show state operations expenditures on a modified accrual basis. By contrast, all expenditures from other transportation funds, including federal funds, continue to be shown on a modified accrual basis.

Displaying part of Caltrans' budget on a cash basis and part on a modified accrual basis makes it impossible to determine Caltrans' total expenditures in a given year. This practice prevents the Legislature and the public from holding the department accountable for managing taxpayer funds, tracking program changes over time, determining the level of support expenditures required to deliver scheduled transportation programs, and comparing Caltrans' expenditures to those of other programs.

The LAO recommended the enactment of legislation requiring transportation expenditures to be displayed according to standard budgetary display requirements.

COMMENTS:

The Department of Finance has concerns about displaying the budget differently, because they believe the current display provides the truest picture of Caltrans expenditures. Furthermore, DOF has also expressed concerns about showing the entire budget display on a cash basis, because the change would cause negative numbers to appear in the Governor's budget.

The LAO has shown a slight preference towards displaying the entire Caltrans budget in a modified accrual basis, but have stated their overall interest is to have a consistent display.

ISSUE 3: FINANCE LETTER: OAKLAND SEISMIC RETROFIT PROJECT

The Administration requests an augmentation of \$651,000 in working drawings, for a total of \$2.2 million in working drawings, for the Oakland District Office. The requested augmentation will finance three additional three activities: 1) \$350,000 to investigate and document as-built conditions in all the damper and connection retrofit locations; 2) \$100,000 to ensure compliance with assurance codes; and 3) \$191,000 for agency retained items to inventory and move furniture prior to construction.

COMMENTS:

The Oakland District Office is a steel frame structures constructed in 1991 utilizing the seismic provision of the 1988 Uniformed Building Code. Unfortunately, the 1994 Northridge earthquake did considerable damage to steel frame structures, such as the Oakland District Office. After recommendations by seismic evaluations from the Department of General Services and the University of California at Berkeley, Caltrans moved forward in their effort to retrofit the structure.

Initial projections estimated that the project would be ready for construction this budget year. However, unforeseen testing concerns have slowed pre-construction progress. Such as, the administration has amended its initial request of \$34.5 million for construction.

ISSUE 4: FINANCE LETTER – SAN DIEGO OFFICE BUILDING: COMPUTER NETWORK

The administration requests \$920,000 to fund the purchase, installation, and maintenance costs of the computer network infrastructure for the new Caltrans San Diego District 11 Office.

COMMENTS:

According to the department, the purchase and installation of such equipment is necessary because the network needs to be installed and fully tested in the new facility before staff can occupy the space.

The Department of Finance also notes that there will also be additional one time costs of \$72,470 in 2006-07 and ongoing cost of \$52,470 annually starting in 2007-08 for ongoing network maintenance.

ISSUE 5: FINANCE LETTER – SAN DIEGO OFFICE BUILDING: COMMISSIONING, OPERATIONS AND MAINTENANCE

The administration requested \$607,000 to fund the initial commissioning, operations and maintenance of the new Caltrans San Diego District 11 Office Building Complex.

COMMENTS:

Currently, Caltrans is leasing facilities for the operation of San Diego District 11. Therefore, maintenance costs have been built into their existing lease agreement. Approximately half of the request will create a six month maintenance budget for the department.

The commissioning of the building assumes the other half of the finance letter request. Commissioning a building is the process of testing all the functions and systems of the facilities to ensure proper functionality and ensure a safe working environment.

The Department of Finance also notes that there will be additional costs of \$2.6 million in 2006-07 and \$1.3 million in annual ongoing costs thereafter, as well as a reduction of 3.0 positions in 2006-07.

ISSUE 6: FUEL AND INSURANCE COST ESCALATION

The Administration requests \$13.1 million in additional expenditure authority to fund various Caltrans programs for prices increases for fuel and insurance. The increase for fuel is \$9.8 million (\$26.5 million) and the increase for insurance is \$3.2 million (to 8.8 million).

COMMENTS:

The Department of Finance has indicated that it will reforecast is fuel projects for the May revise.

ISSUE 7: INFRASTRUCTURE PRESERVATION AND INSPECTION

The Administration requests a permanent increase of 38.0 personnel years and \$45.8 million for highway infrastructure preservation and to implement the statewide culvert inspection and repair program.

The highway infrastructure preservation will assume \$42.3 million for major maintenance contracts. The major maintenance contract dollars will be directed primarily toward pavement preservation projects around the state. Each Caltrans district will be targeted for funds in proportion to the amount of pavement preservation work that exists per district. Pavement preservation is dedicated to preserving pavement in good condition rather than repairing damaged pavement, which is more appropriately completed by capital rehabilitation projects.

The remaining \$3.5 million and 38 personnel years are for the implementation of a statewide culvert inspection program. The state highway system contains approximately 205,000 culverts, which are closed conduits that allow water to pass. Currently, there is no formalized, routine inspection program to identify the present condition of culverts and note deficiencies and repair strategies.

COMMENTS:

The 2004 Budget Act included a one-time augmentation of the same amount (\$45.8 million) and approved budget trailer legislation (SB 1098) requiring Caltrans to provide the Legislature with a five-year maintenance plan by January 31, 2005. Currently, the report has been released to the Administration, but has yet to be received by the Legislature. The report is necessary to evaluate the appropriateness of this request

The culvert inspection program request is for partial funding. Caltrans projects a fully funded program would require 104 personnel years and \$51 million. It is anticipated that a fully funded program would ideally inspect all culverts within 7.5 years. However, the requested resources do represent the total program needs, but represent a sufficient amount to start up a program statewide, which will add a minimum of one team per district.

ISSUE 8: MAINTENANCE OF ELECTRONIC TOLL COLLECTION EQUIPMENT

The Administration requests a permanent increase of \$289,000 of reimbursement authority and 3 positions for the maintenance and materials cost of toll facilities and electrical toll collection equipment associated with the Advanced Toll Collection and Accounting System (ATCAS).

The Bay Area Toll Authority was created by the California Legislature in 1997 to administer the toll on the San Francisco Bay Area's seven state-owned toll bridges. In 2000-01, the Advanced Toll Collection and Accounting System was installed on all the toll bridges in the Bay Area. Prior to December 2003, a contractor maintained ATCAS. Beginning in January 2004, the maintenance of the system has become the responsibility of the department.

COMMENTS:

According to the department, the proposal does not impact the State Highway Account balance and will prevent equipment failure for safety purposes. Maintenance includes the work to maintain and repair the Advanced Toll Collection and Accounting System such as toll collection devices, servicing card readers, and lane controllers.

ISSUE 9: STORMWATER MAINTENANCE

The Administration requests a permanent increase of 45 positions and \$11.7 million for the maintenance of storm-water structural treatment best management practices.

In 1993, the National Resources Defense Council and the Santa Monica BayKeeper filed a civil lawsuit alleging that Caltrans had violated the Clean Water Act by not implementing storm water runoff control measures for about 900 miles of Southern California highways and 35 maintenance facilities as required under the National Pollutant Discharge and Elimination System permit. The court found the department in violation of the Clean Water Act for failing to develop a storm water management plan and implementing the measures.

The Department is legally required to incorporate structural treatment Best Management Practices statewide into the State Highway system. In addition the department is required to maintain and clean all structural treatment Best Management Practices that were installed as pilot projects, as well as reduce the amount of sediment flowing into waterways.

COMMENTS:

The Legislative Analyst agrees that the April 2004 settlement between the department and the plaintiffs to incorporate pollution control structures into the highway system statewide will increase departmental maintenance costs. However, the LAO contends that the request is based on a poor estimate of the number of structures it will have to maintain in the budget year and beyond. The estimate is based on survey of four of Caltrans' 12 districts in the summer of 2004. However, the district chosen for the sample were not representative of the state as a whole, and it was unclear how many of the 487 structure were already built. Therefore, the LAO suggests rejecting the request, but allowing the department to submit a new proposal in the May revision of the budget.

Caltrans is working on a new estimate for the program and has committed to completing that process by the May revision.

ISSUE 10: STRATEGIC PERFORMANCE MEASURES

Caltrans requests a permanent increase of 4.0 positions and \$657,000 to initiate developing and implementing strategic organizational and transportation system performance measures, including funding for external and internal surveys.

Caltrans' proposal is a direct response to recommendations from the California Performance Review and the Performance Improvement Initiative. The Strategic Performance Measurement serves four major functions: internal communications, management of business functions, decision support and external communications.

According to the department, the current resource level of 2.5 positions and \$200,000, which includes 1 permanent and 1.5 temporarily redirected position, is insufficient to fully implement recommendations.

COMMENTS:

The Performance Improvement Initiative incorporates recommendations and concerns identified by the external transportation Expert Review Panel. The key objectives of their recommendation is for Caltrans to develop and implement strategic performance measurement tools to 1) transform the department into a more nimble, responsive and accountable business partner, 2) assess results of transportation decisions and investments, and 3) continuously improve department productivity and services by aligning and realigning department functions.

ISSUE 11: HISTORIC PROPERTY MAINTENANCE

The Administration requests a permanent increase in expenditure authority of \$1.5 million to fund repairs and maintenance on historic properties that Caltrans owns for highway right-of-way purposes.

Caltrans owns residential and other properties that were purchased as right-of-way for highway construction. In some cases, the properties included houses that have been declared historically-significant and as such state and federal law require their preservation. Many of these properties are located on the Route 710 corridor in Pasadena and have been owned by Caltrans for over 40 years.

COMMENTS:

The 2001 Budget Act contained provisional language that required the department to submit to the Legislature a work plan and cost estimated to the rehabilitation of historic properties located on the 710 corridor. According to the department, the plan is currently in the review process and should be released to the legislature with the budget subcommittee process.

ISSUE 12: CAPITOL OUTLAY SUPPORT

The Administration requests a permanent increase of \$11.7 million for non-project specific contracts. Services include document reproduction, photography and satellite imagery, environmental studies, and training.

COMMENTS:

The request will allow the department to contract for highly specialized services that cannot be performed by department staff. The services provided by these contracts are varied and integral to the Programs' ability to ensure projects are completed on the schedules the department has committed to the public as well as providing a safe environment for staff and giving the department the ability to defend itself during litigation.

Caltrans and the Department of Finance have indicated that the resources requested for these services will be reduced in the May revision.

ISSUE 13: EQUIPMENT PROGRAM

The Administration requests one-time funding of \$75,000 to reimburse DOF and the Office of State Audits and Evaluation, to serve in an advisory role as the department develops record keeping systems for the Equipment Program to meet state and federal reporting requirements.

An audit conducted on the Equipment Service Fund by the Office of State Audits and Evaluation (OSAE) has identified inconsistencies in reporting requirements and rental rate complexities. The Department is currently addressing the findings of the audit and will work to continue improving the existing procedures and rates or develop new procedures. The department will develop a work plan with specific action items to accomplish.

OSAE will review and assess the department's work plan, monitor its progress toward accomplishing the steps in the work plan and advise the Department of Finance of Caltrans' progress on a quarterly basis.

COMMENTS:

The Equipment Program administers the fleet of vehicles for all programs within Caltrans. The purpose of the program was to better enable Caltrans to utilize its fleet, by allowing idle service equipment to be rented to local government agencies and other customers. Over a five year period, the program has only executed one contract, and currently no vehicles are scheduled to be leased.

The OSAE is one of several audits being conducted on the Equipment Services Program. Each of the audits have identified similar findings. An audit by Klynveld, Peat, Marwick and Goerdeler also raised concerns regarding the financial requirement being placed on the fund.

**ISSUE 14: ENVIRONMENTAL ENHANCEMENT AND MITIGATION PROGRAM
(STAFF ISSUE)**

The Administration is proposing no funding for the Environmental Enhancement and Mitigation program (EEMP). Section 164.56 of the Streets and Highways Code states the intent of the Legislature to allocate ten million dollars (\$10,000,000) annually to the EEMP Fund. The allocation allows for the awarding of grants to local agencies to undertake environmental enhancement and mitigation projects that are directly or indirectly related to the environmental impact of modifying existing transportation facilities or for the design, construction, or expansion of new transportation facilities.

COMMENTS:

The EEMP has not received a new allocation since 2001-02. For the last two fiscal years, the EEMP has issued \$10 million in grants out of the remainder of the EEMP Fund.

According the Trust for Public Land, since 1991 virtually every county has completed projects because of this program.

ITEM 2665**HIGH-SPEED RAIL AUTHORITY**

The California High-Speed Rail Authority (HSRA) was created in 1996 to develop and implement an inter-city high-speed rail service that is coordinated with other public transportation services.

The Governor's budget proposes \$3.9 million and 3.5 positions for HSRA, an increase of \$2.1 million from current year.

ISSUE 1: BCP – EIR LEGAL DEFENSE

The HSRA is requesting \$500,000 to contract with the Department of Justice for the legal defense of the High Speed Rail Project.

HSRA anticipates the completion on majority of the program-level environmental impact report (EIR)/federal-level Tier 1 Environmental Impact Statement (EIS) on the high-speed rail system by the end of the current year. Per the California Environmental Protection Act (CEQA), the authority will be required to prepare an administrative record for the defense of the Environment Impact Report (EIR) as well as respond to all lawsuits filed regarding the EIR.

COMMENTS

The requested funds allow for the legal defense of this phase of the High Speed Rail Authority statewide, including the "next-tier" program EIR to study the Central Valley to San Francisco Bay Area route.

ISSUE 2: NEXT-TIER PROGRAM EIR/EIS

THE HSRA is requesting a one-time augmentation of \$1.7 million for the preparation of the "next-tier" program EIR to study the Central Valley to San Francisco Bay Area portion of the planned high-speed train route. This study will be an entirely new EIR process, and not part of the current program EIR.

COMMENTS

According to the Authority, a secondary environmental study for the Central Valley to the San Francisco Bay Area is warranted because the initial study did not furnish enough information to support a particular route corridor.

ISSUE 3: FINANCING PLAN

The HSRA is requesting \$500,000 to complete a financial plan for the high-speed rail system. Current law provides for a proposition on the November 2006 ballot to provide \$9.95 billion in general obligation bonds for the high-speed rail and related rail projects, which was not an element in the Business Plan completed in 2000.

COMMENTS

On June 24, 2004, the Governor implored the Authority to prepare and present viable plans that can sustain an independent and rigorous review. The Authority prepared a financing plan as part of the Business Plan published in June 2000. Due to project evolution and changes in the state and federal fiscal environments, the plan needs to be updated.