

THE 2005-2006 STATE BUDGET

Transportation

THE Governor's budget proposes total expenditures of \$10.5 billion in fiscal year 2005-06 for roads, highways, mass transit and intercity rail, vehicle licensing and registration, and highway law enforcement. Transportation funding includes the Department of Transportation, California Transportation Commission, California Highway Patrol, Department of Motor Vehicles, High Speed Rail Authority and Office of Traffic Safety. Transportation programs are funded with state and federal fuel taxes, sales and use taxes on diesel fuel, bond proceeds, motor vehicle and driver licensing fees, truck and trailer fees, and local sales taxes.

CALIFORNIA TRANSPORTATION COMMISSION

The California Transportation Commission (CTC) advises and assists the Administration and the Legislature in formulating and evaluating State policies, plans and funding for California's transportation programs.

The Governor's budget proposes \$77 million, all from special fund sources and 13 positions. This reflects an increase of \$5,000 and no new positions.

Major Provisions

State Transportation Improvement Program

The 2004 State Transportation Improvement Program (STIP) Fund Estimate assumed that \$5.4 billion in STIP projects would be carried over from the 2002 Fund Estimate, resulting in no new projects being added to the 2004 STIP. During the 2002 Fund Estimate period, the CTC programmed transportation projects assuming the 2002 Fund Estimate projection of available resources would materialize. This programming level, combined with decreasing resources, is reflected in the 2004 STIP Fund Estimate. The reduction of anticipated resources also required the CTC to significantly slow allocations for projects.

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 revised 2004-05 budget.

Major Provisions

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 created 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: \$1.2 billion due by June 2008 and \$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 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.

Other Key Provisions

- **Fuel and Insurance Increases.** The Governor's budget proposes an augmentation of \$26.1 million for increases in fuel and insurance operating expenses for various departmental programs.
- **Infrastructure Preservation.** The Governor's budget proposes an increase of \$42.3 million for major maintenance contracts. The major maintenance contract dollars will be directed primarily toward pavement preservation projects around the state. Pavement preservation projects are projects to extend the life of roadways.
- **Culvert Inspection and Repair Program.** The Governor's budget proposes an increase of \$3.4 million to complete the first phase of permanently implementing a statewide culvert inspection and repair program. A two year pilot culvert pilot project, ending on June 2003, found that approximately 38 percent of the culverts along the State Highway System have some level of deficiency. The system contains approximately 205,000 culverts.

- **Storm Water Structural Treatment.** The Governor's budget proposes an increase of 45 positions and \$11.6 million for the maintenance of Storm Water Structural Treatment Best Management Practices. A settlement agreement filed in the U.S. District Court in Los Angeles on April 7, 2004 requires Caltrans to integrate and retrofit where deemed necessary, structural treatment Best Management Practices for storm water pollution control. The request allows Caltrans to continue meeting some of the requirements outlined in the Statewide Water Permit and Storm Water Management Plan, but additional permanent positions will be required to meet the new court ordered statewide structural treatment mandate.
- **Strategic Performance Measures.** The Governor's budget proposes an increase of 4 positions and \$657,000 to develop and implement strategic organizational and transportation system performance measures. Strategic Performance Measurement serves four major functions: internal communications, management of business functions, decision support and external communications. This request is in direct response to recommendation from the California Performance Review.

HIGH-SPEED RAIL AUTHORITY

The California High-Speed Rail Authority's mission is to plan, design, build, and operate a high-speed train system for California.

The Governor's budget proposes \$3.9 million, all from special funds and 3.5 positions for the Authority. This represents an increase of \$2.1 million above the revised 2004-05 Budget.

Key Provisions

- **Environmental Impact Report Legal Defense.** The Governor's budget proposes a one time augmentation of \$500,000 for the Authority to cover administrative and consulting costs. In the budget year, the authority, per California Environmental Quality Act, will be required to prepare an administrative record for the defense of their Environmental Impact Report (EIR) as well as response to any litigation on the nearly completed program level environmental impact report environmental impact report and federal level Tier 1 environmental impact statement (EIS). According to Department of Justice analysis, the total cost of providing legal services for the high-speed train project could exceed \$1 million, in fiscal years 2005-06 and 2006-07 combined.
- **Next-Tier Program EIR/EIS.** The Governor's budget proposes a one-time augmentation of \$1.7 million to complete technical studies. Due to a large number of detailed comments received on the draft EIR/EIS, the Authority has determined the need for additional substantive studies for the

alignment selection connecting the Central Valley to the San Francisco Bay Area. The funding provided in fiscal year 2004-05 was insufficient to conduct the needed studies.

- **Financial Plan.** The Governor's budget proposes a one-time augmentation of \$500,000 to complete a financial plan for the high-speed rail project. The Authority prepared a financing plan as part of the Business Plan published in June 2000. Since the completion of the plan, the high-speed train project has evolved. Likewise, the state and federal environment has changed, warranting the Governor to request an updated plan.

CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) is the state's largest law enforcement agency. It patrols over 105,000 miles of state highways and county roads, ensures the safe operation of commercial trucks through inspection at weigh stations, and protects state facilities and the people who work and conduct business in them.

The Governor's Budget includes \$1.4 billion (special funds) to fund 7,285 officers and 3,278 support staff, an increase of 44.1 million and 5.5 positions above the current year.

Major Provisions

Capital Outlay

The Governor's budget proposes additional resources for five capitol outlay projects, totaling \$10.2 million.

CHP is requesting \$3.3 million for their Santa Fe Springs Area office. The office was intended to house 60 officers, it currently staffs 114 officers and no longer meets the Departments operational requirements. This project consists of acquiring an appropriate site, developing preliminary plans and construction. The project has been approved since fiscal year 2001-02, but deferred due to budgetary constraints. This request is for land acquisition and preliminary plan development. Department of General Services estimates the entire project to cost \$12.6 million.

The San Diego Area command has been maintain by the CHP for 29 years. CHP is requesting \$215,000. CHP proposes to renovate the facility to provide an additional 3,200 square feet of office space and to comply with the Americans with Disabilities Act of 1990. This request is for preliminary plan development. DGS estimates that the entire project would cost \$2.7 million.

CHP is requesting \$2.4 million to purchase the leased Central Los Angeles Area office. The Office is built to suit the department's current and anticipated space needs requirements for the 156 assigned personnel.

The Governor's budget also proposes \$50,000 to fund CHP's reimbursement of DGS for a future capitol outlay project. Due to the shift in resident population, CHP believes it is necessary to establish a new command to provide more efficient response and enforcement presence in the Oakhurst Area in the HWY 41 corridor.

Lastly, CHP is requesting \$4.3 million for the construction phase of the Williams Area office, to complete the process of returning the office to a full and permanent operation. The Williams office was extensively damaged by a 1999 fire. Since the incident, the operations have been relocated to modular buildings on property owned by Caltrans.

Other Key Provisions

- **MOU for Uniformed Positions.** The Governor's budget includes an increase of \$65 million for the fiscal year 2005-06 costs of implementing the current memorandum of understanding (MOU) with the California Association of Highway Patrolmen. The current MOU expires after fiscal year 2005-06.

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The DMV also collects the various fees that are revenues to the Motor Vehicle Account. The Department is currently reviewing its methods of providing services to the public and developing alternatives to visiting the field offices.

The Governor's Budget proposes \$762.3 million, (special funds) and 8,256 positions. This represents an increase of \$7.3 million and 2.8 positions above the revised 2004-05 budget.

Major Provisions

- **Field Office Relocations.** The Governor's budget proposes \$782,000 for the relocation of three field offices to continue services in Poway (\$196,000), Riverside-East (\$253,000) and Rocklin (\$333,000). The offices are being forced to relocate because their leasers are refusing to renew the Department's leases.

- **Driver's License Administrative Suspension.** The Governor's budget includes \$1.5 million to reimburse local agencies for the cost of the immediate administrative suspension of licenses of drivers operating a vehicle under the influence of alcohol by law enforcement officers in the field.