

SUBCOMMITTEE NO. 4

Agenda

Michael Machado, Chair
Robert Dutton
Christine Kehoe



Monday, December 3, 2007
1:00 p.m.
Room 4203

Consultant: Brian Annis

Oversight Hearing: Proposition 1B Implementation

Background / Informational Presentation by:

Legislative Analyst's Office: Anthony Simbol, Principal Fiscal and Policy Analyst

Available for Questions and Comments:

California Transportation Commission: John Barna, Executive Director

California Department of Transportation: Ross Chittenden, Proposition 1B Program Manager

Department of Finance: Mark Monroe, Principal Budget Analyst

Public Comment

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Overview of Prop 1B Budget for 2007-08

The 2007 Budget Act and associated legislation appropriated a total of \$4.2 billion, or 21 percent, of total Proposition 1B funds. The bond categories and appropriations (in millions of dollars) are as follows:

Proposition 1B Category	Total 1B Amount	2007-08 Appropriations	Allocations through Nov	Budget Entity
Categories with already-selected projects:				
Corridor Mobility Improvement Account (CMIA)	\$4,500	\$608	\$139	Caltrans
State Transportation Improvement Program (STIP)	\$2,000	\$727	\$413	Caltrans
State Highway Operations and Preservation Program (SHOPP)	\$500	\$280	\$26	Caltrans
State Route 99 Improvements	\$1,000	\$14	\$8	Caltrans
Local Bridge Seismic Retrofit	\$125	\$14	\$14	Caltrans
Categories with formula-based allocations:				
Local Streets & Roads	\$2,000	\$950	\$0	Shared Revenues
Transit	\$3,600	\$600	\$0	State Transit Assistance
Categories with guidelines / project section underway:				
Intercity Rail	\$400	\$188	\$0	Caltrans
Grade Separations	\$250	\$123	\$0	Caltrans
Traffic-Light Synchronization	\$250	\$123	\$0	Caltrans
Categories outside CTC / Caltrans:				
School Bus Retrofit*	\$200	\$193	\$0	Air Resources Board
Trade Infrastructure Air Quality*	\$1,000	\$250	\$0	Air Resources Board
Port Security	\$100	\$41	\$0	Office of Emergency Services
Transit Security	\$1,000	\$101	\$0	Office of Emergency Services
Categories with 2008-09 implementation (no 2007 Budget Act appropriation):				
Trade Infrastructure	\$2,000	\$0	\$0	Caltrans
State/Local Partnership	\$1,000	\$0	\$0	Caltrans
TOTAL	\$19,925	\$4,213	\$599	

* These Prop 1B Appropriations are heard in Subcommittee #2

To date, Caltrans indicates that about \$600 million has been allocated (or made available for expenditure) to project sponsors. The Administration indicates allocations should accelerate over the next 7 months such that the majority of appropriated funds should be allocated by the end of 2007-08.

Suggested Areas of Discussion

1. Bond categories with already-selected projects. The California Transportation Commission (CTC) has programmed individual projects for the following bond categories. Also indicated is the number and amount of project allocations in 2007-08, as planned at the time of the Budget Act:

- **Corridor Mobility Improvement Account (CMIA)** – Allocations were planned for 9 projects in 2007-08 with allocations totaling \$594 million.
- **State Transportation Investment Program (STIP)** – Allocations were planned for 32 projects in 2007-08 with allocations totaling \$804 million.
- **State Highway Operations and Improvement Program (SHOPP)** – Allocations were planned for 10 projects in 2007-08 with allocations totaling \$269 million.
- **State Route 99** - Allocations were planned for 2 projects in 2007-08 with allocations totaling \$6 million.
- **Local Bridge Seismic Retrofit** - Allocations were planned for 17 projects in 2007-08 with allocations totaling \$17 million. (Note, most of these are “design” phase not right-of-way or construction.)

Project Status: Caltrans and the CTC should update the Subcommittee on whether any of the projects planned for allocation in 2007-08 will be delayed until 2008-09. Secondly, can any projects planned for allocation in 2008-09, or later, be advanced for allocation in 2007-08? What are Caltrans and the CTC doing to accelerate project completion, and what are the constraints that result in some projects not going to construction until 2012? Will Caltrans request additional 2007-08 appropriation authority for these projects (using provisional language in the 2007 Budget Act)?

Staffing and Contracting Out: Caltrans should update the Subcommittee on hiring additional state staff and contract staff to perform design, environmental, and construction oversight activities. Caltrans estimated Prop 1B engineering workload in 2007-08 would be about 640 personnel-years. Including non-bond workload, the Legislature approved net new staffing and contract resources of about 500 personnel-years for 2007-08, with 90 percent state staff resources and 10 percent contract resources. The budget assumed these new staff resources would be quickly brought onboard in early 2007-08.

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Staff understands that Caltrans hired 149 new Capital Outlay Support (COS) staff in the July – October 2007 period (includes both bond and non-bond). Hiring at this level only fills excess vacancies the Department had on June 30, 2007, and backfills attrition. So through October 2007, Caltrans has not made any measurable progress in hiring the 450 new staff included in the budget. Government Code 12439 requires the Controller to abolish any state position vacant for more than 6 months; therefore, many of the newly authorized positions may be abolished. Caltrans indicates that engineering service contracts are underway to expend about 85 percent of budgeted resources. Caltrans will likely enter into additional contracts which would increase the expenditure of budgeted resources – perhaps to the budgeted level.

If the Administration's May workload estimates proved accurate, the slowness in hiring would result in project delays. However, the Administration indicates that workload estimates from May overestimated the workload need. Caltrans indicates that not all individual projects were known at that time and that the mix of selected projects has a lesser workload. Additionally, construction inflation has decreased the number of projects that can be accomplished with the fixed level of bond funds. Caltrans should inform the Subcommittee on their hiring goals for the next 7 months and indicate how many positions may be abolished under the Government Code 12439 vacancy rule.

Public testimony as applicable.

2. Bond categories with formula-based allocations. Existing statute defines a formula-based allocation for the following bond categories. Also indicated is the amount of planned allocations in 2007-08, and a brief description of the statutory allocation methodology:

- **Local Streets and Roads** – The budget includes allocations of \$400 million to cities and \$550 million to counties. Statute specifies that cities and counties submit project descriptions to the Department of Finance (DOF), who monthly reports to the Controller on those cities and counties who have met the reporting requirement. Upon the notification from DOF, the Controller will allocate the funds. No funds have been allocated to date.
- **Transit** – The budget includes allocations of \$600 million to transit operators. Statute specifies that the Controller develop a list of eligible entities and identify the amount each entity may receive. Eligible project sponsors must submit project descriptions to Caltrans, who reports to the Controller on transit operators who have met the reporting requirement. Upon the notification from Caltrans, the Controller will allocate the funds. No funds have been allocated to date.

The Department of Finance and Caltrans should update the Subcommittee on the status of project approvals and allocations for these bond categories. Staff understands that the Administration is currently working with the Treasurer and the Controller to determine bond issuance costs and fund distribution costs, so that these amounts can be deducted from the allocations. The Administration is trying to resolve these cost issues prior to developing reporting templates and reporting instructions that would allow local entities to submit their projects for review and qualification. While the Administration is hoping to resolve these administrative cost issues within the next few months, it is delaying the allocation process. The Administration may want to consider a concurrent, as opposed to sequential, process, where they allow local entities to submit their projects for qualification now, even as issues of administrative cost are still being resolved.

Note, these categories differ from the first group in that appropriated funds may be allocated “all at once” when qualifying projects are identified, instead of project by project. These may include smaller road and transit projects that can expend funds in a relatively short time.

Public testimony as applicable.

3. Bond categories with guidelines / project selection underway. The following categories have 2007-08 allocations, but the project guideline / project selection process is still underway.

- **Intercity Rail** – The budget includes allocations of \$188 million for intercity rail improvements on the three rail corridors Caltrans operates with Amtrak. Budget Bill language proposed by the Administration and approved by the Legislature requires the completion of an audit prior to expenditure of funds. The language requires the audit to be completed by March 31, 2008. The audit is being performed by the Office of State Audits and Evaluations in the Department of Finance and the first phase will include, “an accurate measure of the daily average and peak ridership for each segment of Caltrans’ intercity rail routes, actual existing rail equipment availability and ridership capacity, train schedules, and trainset configurations utilized to support ridership demand.” The second phase of the audit will include “an accurate measure of Caltrans’ methodology for forecasting future ridership and rail equipment requirements.” Given the audit requirement, the first allocation will not likely occur before May or June of 2008.
- **Grade Separations** – The budget includes allocations of \$123 million for grade separations. Statute requires the CTC to adopt guidelines by February 15, 2008, in cooperation with the Public Utilities Commission, Caltrans, and the High Speed Rail Authority. The CTC indicates they are on track to meet the statutory deadline and that project selection should occur in the spring with the first allocations as early as May or June of 2008.
- **Traffic-Light Synchronization** – The budget includes allocations of \$123 million for traffic light synchronization. Statute requires that \$150 million of the \$250 million available from Proposition 1B be allocated to a city with a population exceeding 3.5 million – only the City of Los Angeles meets that criterion. The CTC is on track to adopt allocation guidelines in January 2008. Project selection should occur in the spring with the first allocations as early as May or June 2008.

The CTC and Caltrans should update the Subcommittee on the status of project programming and guideline approval.

Public testimony as applicable.

4. Other project delivery / oversight issues. The subcommittee may want to hear updates from the CTC and Caltrans on related topics.

- **Prop 1B categories with 2008-09 implementation** – The Trade Corridor Improvement Fund (TCIF) and the State Local Partnership Program Account were not appropriated in the 2007 Budget Act – implementation is planned for 2008-09.

The CTC and Caltrans should update the Subcommittee on their efforts to adopt guidelines and projects for the Trade Corridor Improvement Fund. The CTC did adopt TCIF guidelines at their November 27 meeting which assumed that the \$2.0 billion TCIF program can be augmented by non-bond funds in the range of \$500 million to \$1.0 billion (using existing and/or new state and/or federal funds). Additionally, the CTC adopted TCIF corridor programming ranges defining the amounts intended for different geographic areas of the state. As indicated above, no appropriation was included for TCIF in the 2007 Budget Act, so implementation of the program still depends on a future legislative action.

- **Non-bond STIP & Prop 1B impacts** – Many planned projects are funded with both bond and non-bond resources. Additionally, many planned projects are eligible for funding under several bond categories, as well as non-bond funding sources. Therefore, the availability of non-bond funding has an affect on Prop 1B projects. The CTC recently adopted the 2008 STIP Fund Estimate which projects a reduction in available funds of \$820 million (excluding bond funds) in the 2007-08 to 2010-11 period, relative to the 2006 STIP estimate. This is primarily due to the redirection of Public Transportation Account “spillover” funds in the 2007 Budget Act and trailer bills, and secondarily the policy bill SB 717, which shifts an increased portion of Prop 42 transit funds from the STIP to direct allocation to transit agencies under the State Transit Assistance budget item (about \$85 million annually beginning in 2008-09).

The CTC and Caltrans should update the Subcommittee on the non-bond 2008 STIP, and how that may affect future Prop 1B appropriations and allocations.

Public testimony as applicable.