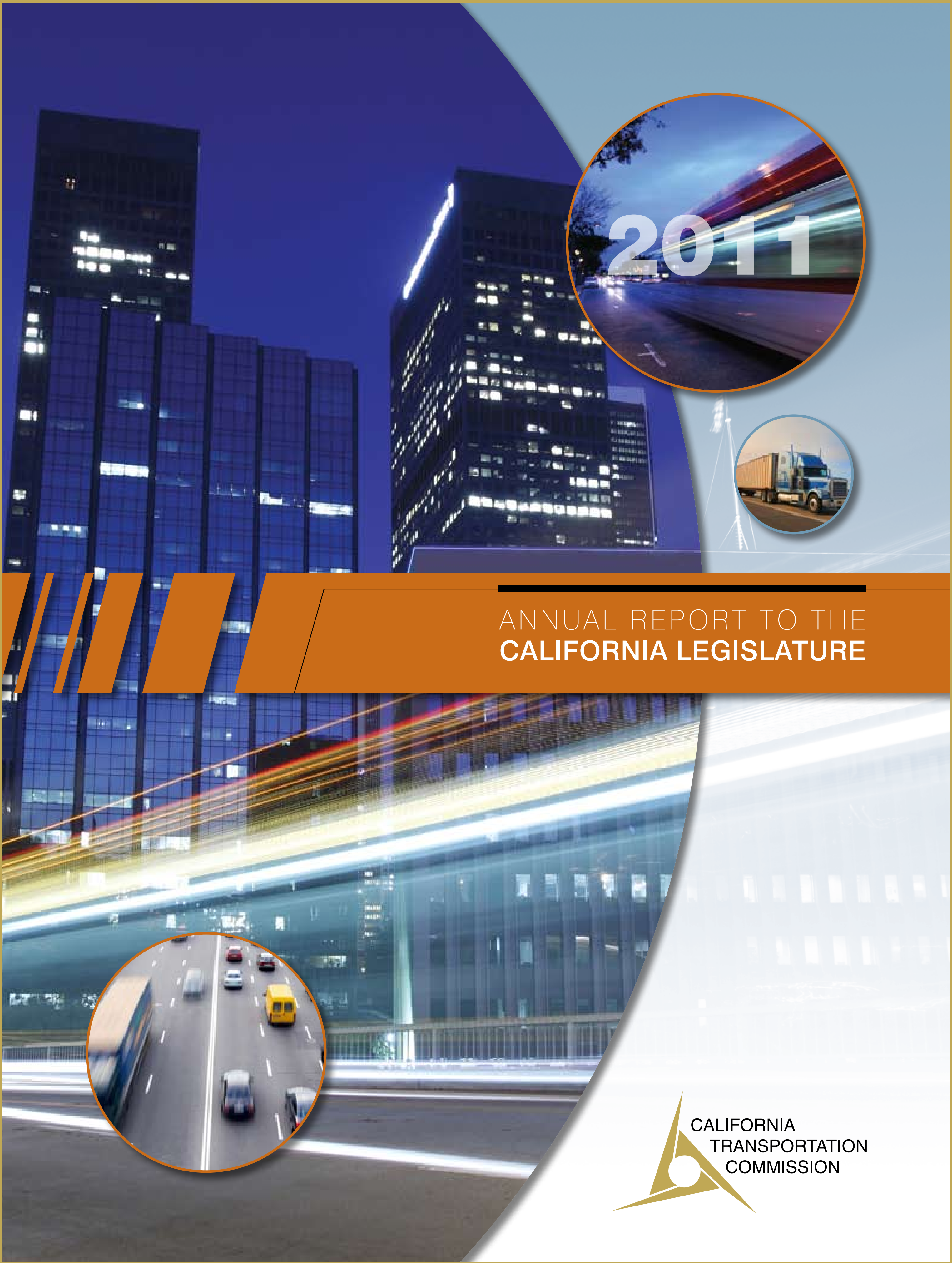


2011

ANNUAL REPORT TO THE CALIFORNIA LEGISLATURE

CALIFORNIA
TRANSPORTATION
COMMISSION

CHAIR AND VICE CHAIR LETTER

MEMBERS OF THE LEGISLATURE:

We are pleased to submit the California Transportation Commission's (Commission) annual report to the Legislature for 2011. State law mandates that the Commission report to you each year identifying timely and relevant transportation issues facing the state and summarizing the Commission's major policy decisions in the past year.

Overall, the Commission allocated over $5.5 billion in state and federal transportation funding in the 2010-11 fiscal year, helping the state to achieve transportation construction activity in excess of $10 billion in state construction contracts alone, creating over 180,000 private and public sector jobs. This is the sixth consecutive year that the Commission has allocated more than $4 billion to transportation projects.

To date, the Commission has programmed (committed) $10.9 billion of the $11.625 billion of the Proposition 1B (Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006) funds under its purview. The remaining $700 million represents primarily State-Local Partnership Program funds, which are to be programmed on a five year period on a formula basis. The Commission has allocated $5 billion of the programmed Proposition 1B funds, primarily to projects that were ready to commence construction. In addition, the Commission has worked with local agencies and reprogrammed $307 million in savings from construction projects in the Corridor Mobility Improvement Account to additional projects.

Allocation capacity for the State Transportation Improvement Program (STIP), the biennial five-year plan adopted by the Commission for future allocations of certain state transportation funds for state highway improvements, intercity rail, and regional highway and transit improvements, continues to present a challenge. Effective July 1, 2010, the gas tax swap eliminated the sales tax on gasoline sales and increased the gasoline excise tax from 18 cents to 35.3 cents. While intended to be revenue neutral, the gas tax swap has significantly altered STIP funding sources. The STIP allocation capacity for 2011-12 is $842 million, while projected allocation need in 2011-12 is estimated to be $940 million. In addition to allocation capacity being short by approximately $100 million, the mix of funds available to allocate to projects in 2011-12 is different than was assumed, based on the existing statute, when the 2010 STIP Fund Estimate was adopted. This creates a fund type mismatch due to certain restrictions on the use of these funds for particular types of projects. This mismatch is exacerbated by the low State Highway Account cash balance and low Public Transportation Account allocation capacity.

The State Highway Operation and Protection Program (SHOPP) is a four-year program of projects for the maintenance and preservation of the state highway system and its supporting infrastructure. Projects in the SHOPP are limited to capital improvements relative to maintenance, safety, and rehabilitation of state highways and bridges, capital improvements that do not add new traffic lanes to the system. Projected funding available for the SHOPP is $2 billion per year, which is 37 percent of the $7.4 billion annual need. In the absence of new revenue sources, the condition of the transportation system will continue to deteriorate, impacting the ability to improve mobility across California.

In order to better understand how we can best preserve, maintain, and improve the state's transportation system over the next decade, the Commission, in 2010, launched the development of a statewide transportation needs assessment. The goal of this assessment is to detail the multimodal needs of our transportation system for the next ten years and identify possible strategies to respond to such needs. The report is being developed using resources (staff and financial) from several Metropolitan Planning Organizations (MPOs), regional transportation planning agencies, Caltrans, and other transportation agencies and stakeholder organizations. A final report is due to the Commission by the end of the calendar year.

As we look toward next year, the Commission will focus on six issues. The annual report includes a discussion and provides options and/or recommendations to the Legislature, and the Administration, on how the state can address the issues identified.

- Pursuit of reliable funding to address the state's transportation needs – For nearly ten years the key issue facing transportation has been, and will continue to be, limited transportation funding. We continue to rely on static funding levels even though our ability to fund critical improvements has been eroded by increased vehicle fuel efficiency and fixed rates.

- Investment in the State's transportation system - The level of investment in the state's transportation system in recent years has not kept pace with the increasing demands for the movement of both people and goods. Failing to adequately invest in the restoration of California's roads, highways, bridges, airports, seaports, railways, border crossings, and public transit infrastructure will lead to further decay and a deterioration of service from which it will take many years and an even greater investment to recover.

- Federal transportation re-authorization and potential loss of federal revenues– Despite the fact that Congress ultimately passed an extension of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users and the federal taxes, the need for a long-term re-authorization at or above current funding levels remains a significant issue for California. The need for the re-authorization is now even greater because of the potential loss of federal excise tax revenue. The impact of these federal taxes expiring could potentially be devastating to California's transportation program.

- Costs and benefits of regulatory compliance – Regulatory agencies should be held to a higher expectation of making the regulatory process more transparent, agencies more accountable, and regulations more cost effective. Regulations should be subjected to cost-benefit analyses and to greater scrutiny by the entities that are being regulated.

- Innovative project delivery methods to advance the delivery of transportation projects - Since the Legislature granted authority for design-build and Public Private Partnerships (P3) for highway projects in 2009, the Commission has authorized eight state highway projects, and has approved only one P3 project, but not without controversy. On the design-build side, local agencies are not allowed to use any of the five local slots to implement priority projects on the state highway system. On the P3 side, questions have arisen concerning the interpretation of state statutes and the Commission's role in selecting and approving the first P3 project. The Commission looks forward to working with the Legislature and the Administration on improving the process for vetting and approving future P3 projects.

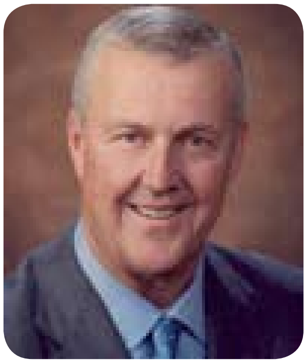
- Implementation of Senate Bill (SB) 375 (Chapter 728, Statutes of 2008) – As the MPOs move forward with the implementation of SB 375, the state will be a critical funding and process partner to ensure that the objectives of the bill are achieved in an aggressive but also in an economically viable way to allow the development and implementation of comprehensive regional transportation plans and sustainable communities strategies.

Much work needs to be done in 2012. California can no longer afford to operate as it has been and must find new, stable, and innovative ways of generating transportation revenues while continuing to provide enhanced mobility, and ensuring that funding decisions contribute to the most efficient and effective transportation system. The Commission urges both the Legislature and the Administration to keep these issues in mind as you begin the next legislative session.

The Commission looks forward to working with you and the Administration to reconcile the need for transportation funding that is stable, reliable, flexible, and adequate with the need to resolve the state's budget deficit.

Sincerely,

DARIO FROMMER
Chair



JAMES C. GHIELMETTI
Vice Chair

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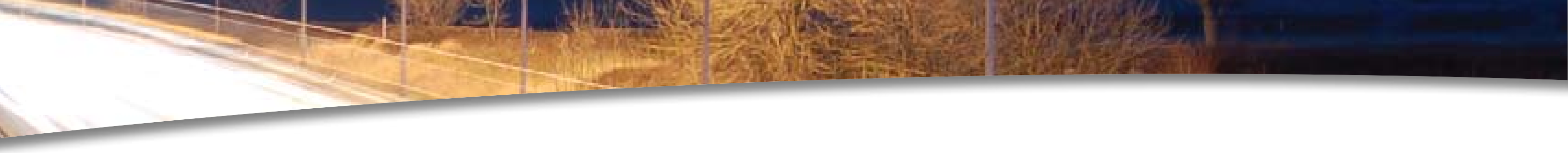
THE COMMISSION IN BRIEF

The California Transportation Commission (Commission) is responsible for programming and allocating transportation funds used in the construction of highway, intercity passenger rail, aeronautics and transit improvements throughout California.

The Commission consists of eleven voting members and two non-voting ex-officio members. Of the eleven voting members, nine are appointed by the Governor, one is appointed by the Senate Rules Committee, and one is appointed by the Speaker of the Assembly. The two ex-officio non-voting members are appointed from the State Senate and Assembly, usually the respective chairs of the transportation policy committee in each house. The Commission is a part-time body that holds public meetings one or two days per month, at which time it formally reviews, approves and/or adopts state transportation policy. The Commission is primarily responsible for the following activities:

- Advising and assisting the Secretary of the Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for state transportation programs
- Adopting the biennial five-year State Transportation Improvement Program (STIP) and approving the biennial four-year State Highway Operation and Protection Program (SHOPP)
- Adopting the biennial five-year fund estimate of state and federal funds expected to be available for the STIP and SHOPP
- Allocating state funds for capital projects, consistent with the STIP, SHOPP, Traffic Congestion Relief Program, Proposition 116 (Clean Air and Transportation Improvement Act of 1990), Proposition 1A (Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century of 2008), and Proposition 1B (Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006)



- Allocating state funds for capital grants from the Aeronautics Account and the Environmental Enhancement and Mitigation Program Fund

- Adopting guidelines for the development of Commission-administered programs and regional transportation plans

- Approving project proposals for public private partnership agreements and authorizing projects for procurement utilizing the Design-Build Demonstration Program

- Determining eligibility of projects for High Occupancy Toll lane implementation

- Approving right of way matters such as new public road connections, resolutions of necessity, relinquishments, Director's Deeds and airspace leases

The Commission is required to adopt and submit an annual report to the Legislature by December 15 of each year. The report must include a summary of the Commission's prior-year decisions in allocating transportation capital outlay appropriations, and identify timely and relevant transportation issues facing the State of California. The annual report must also include an explanation and summary of major policies and decisions adopted by the Commission during the previously completed state and federal fiscal year, with an explanation of any changes in policy associated with the performance of its duties and responsibilities over the past year. The annual report may also include a discussion of any significant upcoming transportation issues anticipated to be of concern to the public and the Legislature.

The Commission is supported by an executive director who oversees a staff of 18 and an annual budget of approximately $4 million. The executive director acts as a liaison between the Commission and the Legislature and its staff, interpreting actions taken by the Commission and reporting to the Commission on areas of concern to the Legislature. The executive director also acts as a liaison with the Secretary of the Business, Transportation and Housing Agency, the Director of the California Department of Transportation, and regional transportation agencies' executive directors and their respective staff. Furthermore, the executive director serves as a member of the Toll Bridge Program Oversight Committee and the California Transportation Financing Authority.

ISSUES FOR 2012

The California Transportation Commission (Commission) will focus on the following six issues as we look ahead at 2012. The first issue, as has been for the last decade, is the pursuit of reliable funding to address the state's transportation system needs. Reliable, sustainable and growing transportation revenue sources are critical to California's economic vitality and global competitive advantage. The second issue is the level of investments in the state's transportation system not keeping pace with the increasing demands for the movement of both people and goods. The future of the state's economy and our quality of life depend on a transportation system that is safe and reliable, and which moves people and goods effectively and efficiently. The third issue is the federal transportation re-authorization and climate change legislation. Solvency of the Highway Trust Fund (HTF) and reduced regulatory barriers accompanied by the tools, flexibilities and the appropriate levels of funding are critical to address infrastructure investment needs, create much-needed jobs, and get the nation's economy back on the right track. The fourth is the need to strike a balance between costs and benefits of regulatory compliance recognizing the trade-offs associated with transportation funding allocation decisions given the current state of limited resources. The fifth is the effectiveness of available innovative procurement methods for project delivery and the potential for enhanced flexibility, clarity and certainty. The sixth is the objectives to reduce greenhouse gas (GHG) emissions and to coordinate planning decisions and investments in transportation with land use and housing. Flexibility and appropriate funding levels are needed to allow the development and implementation of comprehensive regional transportation plans and sustainable communities strategies (SCS).

1. RELIABLE TRANSPORTATION FUNDING

Over the years, the key issue facing transportation has been, and will continue to be, limited transportation funding. We continue to rely on static funding levels even though our ability to fund critical improvements has been eroded by increased vehicle fuel efficiency and fixed rates. In fact, for nearly the last decade the Commission has identified transportation funding as a key issue in our annual report to the Legislature.

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2010 Annual Report to the California Legislature:

- California needs to establish a reliable, sustainable and growing transportation funding system.
- New revenue sources are needed to address our aging and underfunded transportation infrastructure.
- Revenue streams are unstable and insufficient to maintain and improve existing transportation assets.
- The state's repeated diversions of transportation funds, to meet General Fund shortfalls and to pay debt service on general obligation bonds, created even greater funding gaps, uncertainty and chronic instability.

2009 Annual Report to the California Legislature:

- Ongoing state budget challenges, combined with reduced revenues from transportation taxes and fees, are jeopardizing the delivery of existing transportation capital programs.
- While the Administration and the Legislature have spared Proposition 42 (Traffic Congestion Improvement Act of 2002) funding, transit capital and operating funds have been decimated to provide budget deficit relief.
- California lacks sufficient funding to preserve and maintain this asset [California's current transportation system], and the cost of maintaining and preserving this asset is increasing due to the cumulative effects of an aging system, growing traffic demands, and rising costs.

2008 Annual Report to the California Legislature:

- Transit capital and operating funds have been decimated to provide budget deficit relief.
- The reduction in transit funding is resulting in reduced service at a time when transit ridership is increasing. These funding cutbacks threaten overall mobility and sustainability issues in California.

- The ongoing budget saga, combined with reduced revenues from transportation taxes and fees, is jeopardizing delivery of existing transportation capital programs.
- The budget challenges also jeopardize the state's ability to access Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006) funds in the bond markets through the sale of infrastructure bonds.

2007 Annual Report to the California Legislature:

- The state's chronic budget deficits threaten to ensnare transportation funds in deficit reduction schemes that have little to do with providing mobility.
- We can barely afford half of the state's major rehabilitation needs.
- Both transit capital and transit operating resources are inadequate to meet the needs of today's riders, let alone fund needed service improvements to comply with coming climate action regulations.
- While transportation enjoys an embarrassment of bond funding, day-to-day funding may be in such short supply that the Commission may be forced to adopt a State Transportation Improvement Program (STIP) allocation plan that results in limited delivery and costly delays.

California needs to establish a reliable, sustainable and growing transportation funding system.

2006 Annual Report to the California Legislature:

- Notwithstanding the substantial and welcome shots in the arm that Propositions 1A (Transportation Funding Protection Act of 2006) and 1B provide, transportation in California still needs a stable revenue source to fund existing capital programs.
- California is under-investing in the rehabilitation and maintenance needs of the state highway system. The state's gas tax can now only cover between fifty and sixty percent of the annual rehabilitation need in the State Highway Operation and Protection Program (SHOPP), rapidly increasing the number of distressed lane miles on the system.

2005 Annual Report to the California Legislature:

- State funding for transportation remains unstable, unreliable, increasingly inflexible, and woefully inadequate.
- For the first time, annual revenues from the basic per-gallon fuel tax and from truck weight fees are insufficient even to meet ongoing state highway maintenance, operations, and rehabilitation costs.
- Sales tax transfers alone are insufficient to provide an adequate base of funding for transportation improvements. Originally conceived as supplements to the funding provided by the basic per-gallon fuel tax, these transfers—even when fully authorized—provide no more than about half of the amount the state was making available for transportation improvements just a decade ago.

- Once again, the Commission has been forced to halt making new project allocations.
- California's state transportation program is in shambles, the victim of five years of neglect and abuse. Even as the Governor and Legislature were providing a welcome $1.3 billion infusion to transportation from Proposition 42 this year, another $1.9 billion was being delayed or diverted while the last vestige of a stable and reliable funding program was disappearing.
- The constitutional firewall that had protected transportation funding for decades vanished in just three years.

2004 Annual Report to the California Legislature:

- This year, we must report to you that the state transportation program stands at a crossroads. Our highways are growing ever more congested and our aging road and transit system infrastructure is deteriorating.
- While our needs for transportation infrastructure expansion and repair are expanding geometrically, we have been reducing our investment to meet these transportation needs dramatically.
- For the last two years, the Commission has been forced to stop making new allocations to projects from all three of the major components of the state transportation program… this represents a loss to California's economy in terms of reduced productivity, increased congestion, increased user costs, and increased system operating and maintenance costs.
- Applying standard economic multipliers, the work not going to construction this year alone will result in the loss of well over 50,000 jobs.

2003 Annual Report to the California Legislature:

- California is in the unenviable situation of needing to rebuild its aging transportation systems and expand the capacity to handle the growth in population and freight movement within the state at a time when the funding to preserve, protect and expand the system is at an all time low point.
- With transportation funds repeatedly taken to close the General Fund deficit… billions of dollars in needed and promised transportation projects have been stopped in their tracks or delayed for years.

2002 Annual Report to the California Legislature:

- In December 2002, the California Department of Transportation (Caltrans) advised the Commission that it is closely monitoring and projecting cash flow for each of the three transportation funds (State Highway Account (SHA), Public Transportation Account (PTA) and Traffic Congestion Relief Fund (TCRF)), and that it now

While our needs for transportation infrastructure expansion and repair are expanding geometrically, we have been reducing our investment to meet these transportation needs dramatically.

projects a cash deficit of over $170 million by the end of 2002-03 and over $630 million by the end of 2003-04 unless there are unanticipated project delays or unless corrective action is taken.

- At its December 12, 2002 meeting, the Commission suspended approval of project allocations, except for emergency, safety and seismic retrofit projects.
- In order to keep the delivery of projects on schedule, the Commission urgently recommends that the Legislature and the Governor either staunch the flow of state dollars out of transportation programs or make up the losses with new revenues.

While there have been numerous changes to state law and the state's constitution, our state continues to face the same transportation funding issues. As discussed below, California's transportation system needs far exceed projected revenues over the next ten years. Our investments have not kept pace with the increasing system demands for the movement of both people and goods. The Commission continues to urge the Legislature and the Administration to protect existing funding and enact funding alternatives to address California's transportation needs.

The future of the state's economy and our quality of life depend on a transportation system that is safe and reliable, and which moves people and goods effectively and efficiently.

2. THE STATE'S TRANSPORTATION SYSTEM

Historic investments in California's transportation system, the largest and most complex in the nation, have helped fuel the state's economic success. According to United States Department of Commerce estimates, California has the highest gross domestic product (GDP) in the United States, and ranks as the world's eighth largest economy (California's GDP was $1.9 trillion in 2009).

Our level of investment in the state's transportation system in recent years, however, has not kept pace with the increasing demands for the movement of both people and goods. Failing to adequately invest in the restoration of California's roads, highways, bridges, airports, seaports, railways, border crossings, and public transit infrastructure will lead to further decay and a deterioration of service from which it will take many years and an even greater investment to recover. The future of the state's economy and our quality of life depend on a transportation system that is safe and reliable, and which moves people and goods effectively and efficiently.

In order to better understand how we can best preserve, maintain, and improve the state's transportation system over the next decade, the Commission, in 2010, launched the development of a statewide transportation needs assessment. The goal of this assessment is to detail the multimodal needs of our transportation system for the next ten years and identify possible strategies to respond to such needs. The report, which is near completion, is being developed using resources (staff and financial) from several Metropolitan Planning Organizations (MPOs), Regional Transportation Planning Agencies (RTPAs), Caltrans, and other transportation agencies and stakeholder organizations. A final report is due to the Commission by the end of the calendar year.

While the report is not yet complete, there are some striking preliminary findings:

- The cost of system preservation (rehabilitation and maintenance) is estimated at $340 billion to bring transportation facilities into a state of good repair within the ten-year period from 2011 to 2020
- The cost of system expansion and system management over the same period is estimated at $195 billion based on fiscally constrained regional transportation plans
- The revenue from all sources from 2011 to 2020 is estimated at $240 billion, which represents about 45 percent of the estimated total need. This leads to a shortfall of about $294 billion
- Assuming historic levels of funding for preservation, nearly $150 billion of all revenues would be allotted for system preservation, leaving less than $95 billion for system expansion and system management projects (less than 50 percent of the projected need)

It is important to note that not only are transportation revenues well below the funding levels needed, but the revenues are frequently limited by statute to specific uses or geographic regions in ways that limit the state's ability to prioritize expenditures or to fund projects based on need or performance.

While the statewide transportation needs assessment, when completed, will provide key information to policy makers, the Commission believes that the report should be viewed as a beginning rather than an end. Once the report is complete, transportation agencies and policy makers will ultimately need to struggle with the prioritization of limited resources and with opportunities to provide additional revenue to address the most critical needs. The Commission also believes that the needs assessment should be an on-going activity. The Commission intends to request designated funding to regularly update the needs assessment (biennially) in order to begin normalizing the data and to keep the information current. As a matter of reference, the last needs assessment for California's transportation system was published in 1999 in response to Senate Resolution 8 (Burton, 1999). The Commission was requested to produce and submit to the Senate Committee on Transportation and to the President pro Tempore of the Senate a ten-year needs assessment of the state's transportation system.

Transportation agencies and policy makers will ultimately need to struggle with the prioritization of limited resources and with opportunities to provide additional revenue to address the most critical needs.

3. FEDERAL RE-AUTHORIZATION: KEY ISSUES FOR CALIFORNIA

As reported in the Commission's 2009 and 2010 Annual Reports, the federal act for highway and surface transportation (the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, or SAFETEA-LU) lapsed on September 30, 2009. Since then, Congress passed several resolutions to continue the lapsed authorization. The issue of re-authorization loomed larger this year with both the federal excise tax on motor vehicle fuels and the act that authorizes federal aid for transportation set to expire on September 30, 2011, before last-minute action was taken for a six-month extension.

Despite the fact that Congress ultimately passed an extension of SAFETEA-LU and the federal taxes through March 31, 2012, the need for a long-term re-authorization at or above current funding levels remains a significant issue for California. The need for the re-authorization is now even greater because of the potential loss of federal excise tax revenue. The impact of these federal taxes expiring could potentially be devastating to California's transportation program. While state statutes (Revenue and Taxation Codes Sections 7360, 8651, and 60050) include a trigger to increase state excise taxes if federal allocations are reduced, the same statutes reference out-of-date federal excise tax rates. As is, this trigger would still result in a significant net decrease in transportation revenue.

As noted in the Commission's 2010 Annual Report, the greatest challenge for re-authorization is the insolvency of the HTF and the inability to effectively plan for future projects that meet growth and demand. Solvency of the HTF and appropriate levels of funding are critical to address infrastructure investment needs, create much-needed jobs, and get the nation's economy back on the right track. The Commission continues to urge Congress to enact funding alternatives that provide the greatest potential for augmenting or replacing the gas tax. For example, a national Vehicle Miles Traveled (VMT)-based fee system could provide a transition from the gas tax to a revenue mechanism more directly linked to transportation system use and impacts. The Commission also urges the Legislature to update the state statutes that trigger increases in the state excise taxes on fuels to offset decreases in the federal excise taxes. These updates should eliminate the references to specific excise tax rates to segregate the requirement for a reduction of federal financial allocations to the state into a separate trigger to increase the state excise taxes.

The Commission's 2010 Annual Report also noted ongoing discussions in Congress on how to address the issue of climate change as it relates to transportation policies and how to reduce the United States dependence on foreign oil. Implementing national and state climate change polices will require funding above and beyond current funding levels. At both a state and national level, diverting funding from existing resources to address unfunded mandates will result in further deterioration of an already overburdened and unreliable revenue system. The Commission continues to urge Congress and the State Legislature to ensure that any enacted climate change legislation at the federal or state level is accompanied by the tools, flexibilities and the appropriate levels of funding necessary for successful implementation.

4. REGULATORY COMPLIANCE: COSTS & BENEFITS

Sound regulatory enforcement promotes the welfare of Americans in many ways, by increasing public safety, improving working conditions, and protecting the air we breathe and the water we drink. While regulations can be distinguished from legislation authorizing the promulgation of regulations, this discussion is intended to encompass the act of governmental regulation in its broadest sense, including statutes and administrative actions permitted by statute and regulation.

Governmental regulation can be broadly defined as administrative actions that assign, constrain, or allocate rights and responsibilities to achieve social or economic outcomes that would otherwise not occur in an unfettered marketplace. While the outcomes to be achieved may be laudable, such regulations occur in California more often without detailed analysis of the costs and benefits, including the non-monetary costs and benefits of regulatory compliance. It is possible to make an overall determination as to whether society is better or worse off through a benefit-cost analysis of proposed regulations. The Commission believes that the evaluation of the monetary and non-monetary benefits and costs of regulations can help decision-makers identify probable consequences of proposed actions.

Regulatory agencies should be held to a higher expectation of making the regulatory process more transparent, agencies more accountable, and regulations more cost effective. Regulations should be subjected to cost-benefit analyses and to greater scrutiny by the entities that are being regulated. A small group of lawmakers from both parties and both chambers of the United States Congress introduced a measure on September 22, 2011 that is said to streamline and bring transparency to the process by which federal agencies analyze and formulate new regulations and guidance documents. The Regulatory Accountability Act of 2011 (S. 1606) would seek to modernize the 1946 Administrative Procedures Act by codifying requirements for cost-benefit analysis that administrations of both parties have sought through executive order. This legislation is said to take what has been learned for the past 30 years about cost and benefit analysis and infuses it into the DNA of every regulation.

At the state level, on October 6, 2011, Governor Brown signed Senate Bill (SB) 617 (Chapter 496, Statutes of 2011) into law which is intended to reform the regulatory process to promote business growth. According to the legislative digest, this bill requires the Department of Finance, in consultation with other state entities, to adopt regulations for conducting the standardized regulatory impact analyses, as

Regulatory agencies should be held to a higher expectation of making the regulatory process more transparent, agencies more accountable, and regulations more cost effective.

While the goals of many of these regulations may be laudable, there is a growing realization that we simply are not allocating limited resources in the most cost-effective manner.

specified, to be utilized by state agencies when promulgating major regulations pursuant to the act, and, in particular, in developing the standardized regulatory impact analysis. The bill requires, on or before November 1, 2013, the Department of Finance to submit these adopted regulations to the Senate and Assembly Committees on Governmental Organization and publish the adopted regulations in the State Administrative Manual.

As these regulations are developed and the criteria for the impact analysis are established, the Commission urges the Administration and the Legislature to ensure that regulatory agencies conduct reliable cost-benefit analyses, highlighting assumptions and risks, and adopt the "least costly" regulatory alternative that would achieve the intended policy goals. Regulatory agencies should also be required to review existing regulations for continuing applicability. Adopted regulations should be subjected to routine assessment and validation of projected cost-benefit analyses once such regulations are actually implemented.

Nearly every transportation project requires some type of a permit or is subject to some regulatory compliance process at the federal, state, and/or local level. The balance between costs and benefits is a difficult policy issue, but there needs to be a recognition of the trade-offs associated with funding allocation decisions given the current state of limited resources. While the goals of many of these regulations may be laudable, there is a growing realization that we simply are not allocating limited resources in the most cost-effective manner. Unless we analyze the potential economic consequences of some regulations, the soaring costs of compliance will hinder our ability to improve our transportation system, thus hindering the very things we are trying to protect: our quality of life and our productivity and economic competitiveness.

5. INNOVATIVE PROJECT DELIVERY

Transportation agencies throughout the state are experiencing unprecedented pressure to deliver projects in the most effective and efficient manner. The impacts of increased congestion, higher demand for service, and declining revenues cannot be ignored. Innovative project delivery procurement methods, with their overarching benefits of reduced project costs and expedited project completion, are critical in advancing the delivery of critical infrastructure improvements. In California, innovative project delivery concepts, such as design-build and public private partnerships (P3) are codified in law under Chapter 6.5 (commencing with Section 6800) of Part 1 of Division 2 of the Public Contract Code and Section 143 of the Streets and Highways Code.

Chapter 6.5 established the Design-Build Demonstration Program, which allows Caltrans and local transportation entities, if authorized by the Commission, to use the design-build procurement method to deliver a limited number of projects on a demonstration basis through January 1, 2014. Chapter 6.5 authorizes local transportation entities to deliver up to five projects that may be for local street or road, bridge, tunnel, or public transit projects within the jurisdiction of the entity; and Caltrans to deliver up to ten state highway, bridge, or tunnel projects. The Riverside County Transportation Commission (RCTC) was given a separate authority to deliver the State Route 91 (SR 91) Express Lane Project as an additional project to the fifteen projects in the design-build demonstration program authorized by the Legislature.

Section 143 authorizes Caltrans and regional transportation agencies, until January 1, 2017, to enter into an unlimited number of comprehensive development lease agreements with public or private entities for the development of transportation projects. Section 143 provides that P3 project and associated lease agreement proposed by Caltrans or a regional transportation agency shall be submitted to the Commission, and that the Commission shall select and approve the project before Caltrans or regional agency executes the final lease agreement.

Since the current authority for design-build and P3 was granted in the spring of 2009, the Commission has authorized nine state highway design-build projects and has approved only one P3 project, but not without controversy. On the design-build side, local agencies are not allowed to use any of the five local slots to implement priority projects on the state highway system. As described in last year's report, the RCTC had to seek special legislation to commence with implementation of the SR 91 extension as a stand-alone project-specific authority.

On the P3 side, however, the interpretation of Section 143 and the Commission's role in selecting and approving the Presidio Parkway project was met with much scrutiny and political wrangling. The ambiguity of Section 143 and its provisions, in particular with respect to revenue and financing options, resulted in a lengthy public debate and ultimately a Commission vote to approve the project but not its financial proposal which relied on long-term (30 years) annual payments from the SHA. The Legislature approved the financial proposal through a project-specific continuous appropriation in the Budget Act of 2010-11.

The lack of clarity of the process outlined in Section 143, may lead to diminished interest by private and public sectors in pursuing additional P3 projects.

None of the issues raised during the approval process of the Presidio Parkway project have since been resolved either legislatively or administratively. As a matter of fact, even after the legislative budget action, some legislative bodies continued to question the appropriateness of the Presidio Parkway project as a P3 application. The lack of clarity and the uncertainty of the process outlined in Section 143, and how the Administration and the Legislature may respond to similar future projects may in fact lead to diminished interest by private and public sectors in pursuing additional P3 projects. Among the issues that the Legislature and the Administration should address are:

- A clear understanding of which projects are appropriate P3s, and which are not. Should P3 projects be limited to those that generate new revenue, either through a toll or some other user fee? Should a project with great benefit for one specific region be funded through that region's share of existing state programs, such as the STIP? Should P3 projects be limited to those that add capacity to the existing system as opposed to replacement and reconstruction projects?
- A clear understanding of how to determine whether a P3 is financially beneficial. The Legislative Analyst's Office (LAO) examined the business case of the Presidio Parkway project and found the Caltrans' assumptions to be questionable. Should the LAO establish acceptable ranges for key assumptions before financial analyses are conducted?
- More meaningful oversight. While Section 143 requires the Commission to approve P3 projects, the Commission's approval decision is based on the project proposal and not on the specifics of the final negotiated lease agreement. Should the Commission have a role in the review of the final negotiated lease agreement?

In a time of constrained and dwindling resources to address our transportation needs, we must collectively encourage and facilitate innovative project delivery approaches that are based on sound public interest principles.

The Commission urges the Legislature and the Administration to bring clarity and certainty to critical alternatives to conventional project delivery. Design-build authority must be flexible and unconstrained by the type or location of a project or who is managing the procurement contract. Clear principles and expectations are badly needed for the P3 alternative, so public and private entities can work from the same platform with certainty in pursuing projects that can move expeditiously through a very time and resource sensitive procurement process. In a time of constrained and dwindling resources to address our transportation needs, we must collectively encourage and facilitate innovative project delivery approaches that are based on sound public interest principles.

6. IMPLEMENTATION OF SB 375

The Sustainable Communities and Climate Protection Act of 2008 (SB 375, Chapter 728, Statutes of 2008), is the nation's first legislation to link transportation, land use, and housing planning. SB 375 requires the state's 18 MPOs to create a SCS to meet regional GHG reduction targets for light trucks and automobiles for 2020 and 2035. The California Air Resources Board (ARB) set regional GHG targets in September 2010, completing the first step in implementing SB 375. The ARB may adopt new targets for the MPOs in the next four years and it is mandated to adopt new targets within eight years.

In April 2010, the Commission adopted revisions to the Regional Transportation Plan (RTP) Guidelines to address the planning requirements of SB 375. Planning strategies to address congestion, urban sprawl, interregional travel, jobs/housing balance, and other elements of a sustainable community, must now be incorporated in the

RTPs prepared by the MPOs. These strategies place a responsibility on the MPO to maximize strategic planning decisions to promote a reduction of GHG emissions while ensuring that the decisions made today can be maintained in the future. The timing for this process will vary among MPOs as the federally-mandated RTPs are completed at different times.

The San Diego Association of Governments (SANDAG) was the first MPO within the group of large MPOs that is required to prepare a new RTP. In April 2011, SANDAG released its draft RTP and its SCS for public review and comment and has since responded to approximately 4,000 public comments from nearly 1,500 individuals and organizations. ARB staff has reviewed the RTP and SCS submitted by SANDAG and has recommended that, if the SANDAG Board approves the draft SCS, ARB accept the SANDAG finding that implementation of the SCS would meet related regional GHG targets. The SANDAG Board is expected to act on the RTP and SCS on October 28, 2011. The Southern California Association of Governments and the Sacramento Area Council of Governments will follow with their individual RTPs in 2012, and the Metropolitan Transportation Commission will be the last of the group of large MPOs to adopt a new RTP in 2013.

As the MPOs move forward with the implementation of SB 375, the state will be a critical funding and process partner to ensure that the objectives of the bill are achieved in an aggressive but also in an economically viable way for regions to achieve the environmental objectives of Assembly Bill 32 (Chapter 488, Statutes of 2006) and SB 375. The Commission will continue its work with the state's transportation stakeholders in updating the RTP guidelines, when necessary, and in identifying needed clarifications to existing law that the Legislature should address in order to facilitate the achievement of California's climate action goals.

In any case, the Commission continues to urge the Legislature to provide the necessary flexibilities and increased funding levels to allow the state's MPOs to successfully achieve the objectives of SB 375. Key to the implementation of SB 375 is the ability to provide enhanced travel choices and the flexibility of existing revenue sources to allow for their considerations. Another is the flexibility of existing regulatory processes needed by local governments to ultimately create the desired land use changes.

Key to the implementation of SB 375 is the flexibility of existing regulatory processes needed by local governments to ultimately create the desired land use changes.

OVERVIEW OF 2011

Approving the 2012 Fund Estimate (FE) assumptions, administering Proposition 1B (Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006) programs, administering the Proposition 1A (Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century) program, authorizing design-build procurements and considering projects for public private partnerships, and allocating state and federal transportation funds, among other activities, dominated the California Transportation Commission's (Commission) agenda for 2011:

- Approved the 2012 FE of State Highway Operation and Protection Program (SHOPP) and State Transportation Improvement Program (STIP) programming capacity for 2012-13 through 2016-17 on August 10, 2011. The 2012 FE includes new capacity of $1.483 billion for STIP over the five year period 2012-13 through 2016-17, and $6.045 billion for SHOPP over the same period.
- Adopted the 2012 STIP Guidelines on August 10, 2011
- Continued with programming of remaining Proposition 1B funds which primarily represent State-Local Partnership Program (SLPP) funds, which are to be programmed over multiple years, and award savings from construction projects in the Corridor Mobility Improvement Account (CMIA)
- Continued to administer the program of projects for the $950 million of Proposition 1A, even though the Schwarzenegger and the Brown Administration vetoed budget appropriations for all but the Positive Train Control projects in budget years 2010-11 and 2011-12

- Approved additional projects for procurement utilizing the Design-Build Demonstration Program, and continued the debate of public-private partnerships
- Continued to work with statewide transportation stakeholders, allocating nearly $5.5 billion in state and federal transportation funding, helping the state to achieve transportation construction activity in excess of $9.5 billion in state construction contracts alone

PROJECT DELIVERY

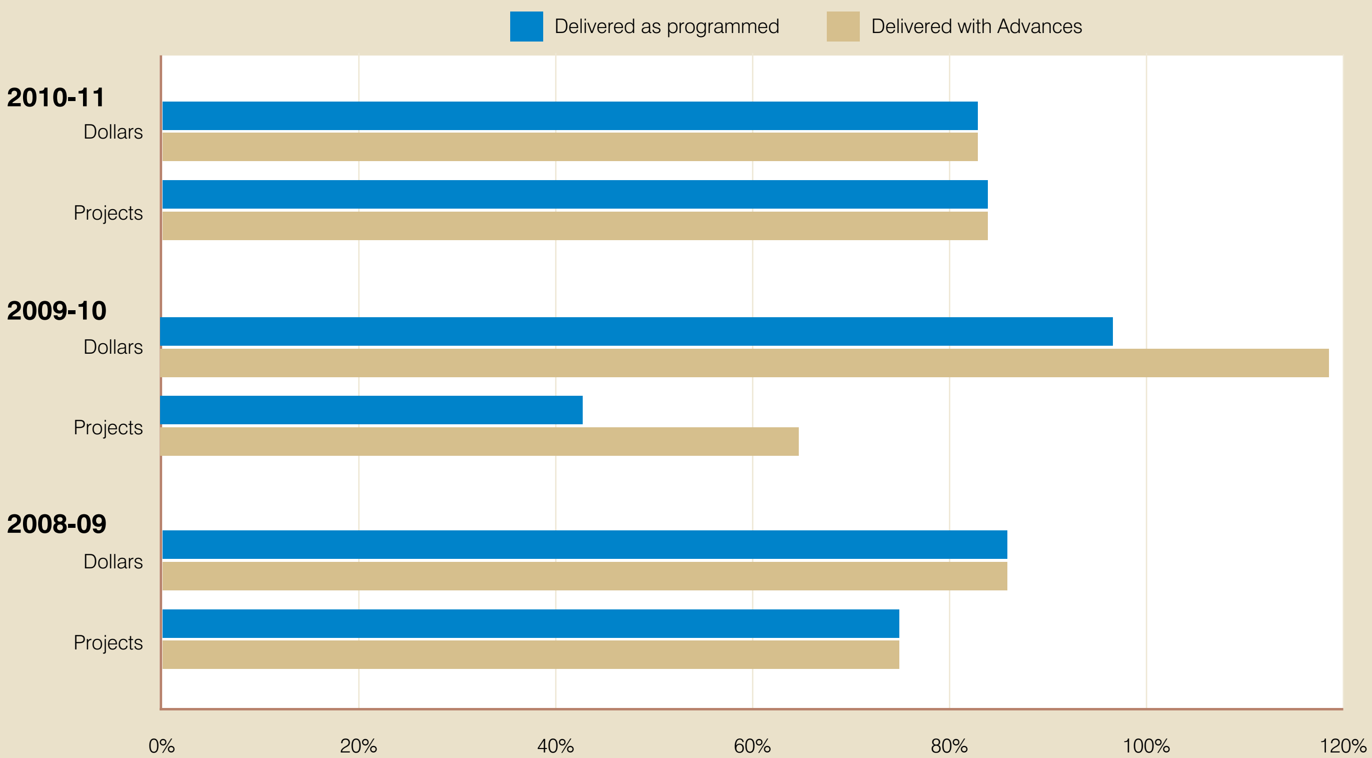
The Commission tracks delivery for projects programmed and funded from the STIP, SHOPP, Regional Surface Transportation Program (RSTP), and Congestion Mitigation and Air Quality (CMAQ) program. For the STIP and SHOPP, the Commission measures delivery in terms of allocations made to projects programmed for each fiscal year. For the RSTP and CMAQ programs, under which federal funds are programmed directly by regional agencies, the measure of delivery is the obligation of the federal funds by a local agency. Project delivery (ready for STIP construction allocation or federal obligation) was less than 100 percent in 2010-11 for the California Department of Transportation (Caltrans) and local agencies due to the severe economic conditions and the lack of bond allocation capacity.

STIP Project Delivery

The Commission tracks project allocations as scheduled in the STIP. For Caltrans projects, the Commission allocates project funding only for construction capital outlay on a per project basis. The Commission also allocates right-of-way capital outlay funds to Caltrans on an annual lump sum basis, for further sub-allocation by Caltrans to specific project activities. The Commission does not allocate funds for Caltrans support activities, which include environmental and design work, right-of-way support, and construction engineering.

Caltrans achieved an 83 percent project delivery rate by delivering 30 of the 36 originally scheduled projects for 2010-11. In 2010-11, the Commission allocated $215.5 million to these STIP projects, allocated $19.6 million in supplemental funds to previously allocated projects, and made Assembly Bill (AB) 608 (Chapter 815, Statutes of 2001) adjustments to previously allocated projects totaling a minus $24.3 million (these are adjustments to decrease the allocation due to cost savings greater than 20 percent at contract award).

Caltrans STIP Delivery



Caltrans achieved a 83 percent project delivery rate by delivering 30 of the 36 originally scheduled projects for 2010-11.

The following compares Caltrans STIP delivery for 2008-09, 2009-10 and 2010-11:

Caltrans STIP Delivery (dollars in millions)

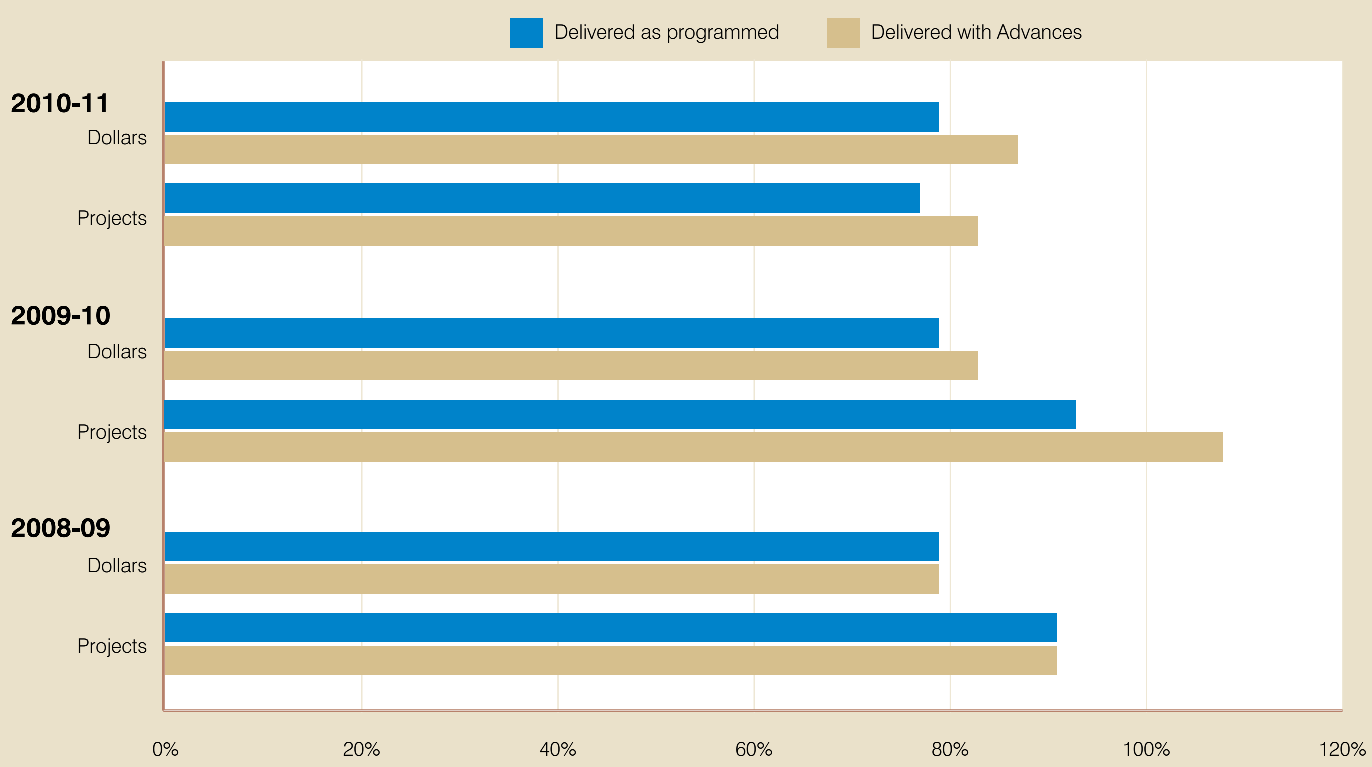
	2008-09		2009-10		2010-11	
	Dollars	**Projects**	**Dollars**	**Projects**	**Dollars**	**Projects**
Programmed	$370.475	42	$289.907	32	$298.517	36
Extensions	-$91.770	-4	-$164.201	-1	-$46.935	-6
Lapsed	-$1.193	-2	0	0	0	0
Delivered as programmed	$277.512	36	$125.706	31	$251.582	30
Percent delivered as programmed	75%	86%	43%	97%	84%	83%
Advanced	0	0	$61.509	7	0	0
Delivered with advances	$277.512	36	$187.215	38	$251.582	30
Percent delivered with advances	75%	86%	65%	119%	84%	83%
Prior-year extensions delivered	$3.079	1	$21.119	6	0	0
Total delivered	$280.591	37	$212.720	48	$251.582	30
Funded by allocation	$232.400	24	$208.334	44	$215.512	24
Funded with non-STIP funds (primarily ARRA)	$6.883	4	$4.386	4	0	0
Placed on pending list, not funded	$370.475	9	$0	0	$36.070	6

For local agency projects, unlike Caltrans projects, the Commission allocates all programmed STIP funds and tracks each individual programming component (environmental, design, right-of-way, and construction) as a separate project. The local agencies achieved a 79 percent project delivery rate by delivering 242 of the 306 originally scheduled projects for 2010-11. In addition, local agencies delivered 21 projects originally requested in 2009-10, and 25 projects in advance of their programmed year. In 2010-11, the Commission allocated $396.4 million to local agency STIP projects. Of the 64 undelivered local projects, the Commission granted delivery deadline extensions for 26 projects valued at $90.1 million. Thirty-eight projects valued at $25.4 million were allowed to lapse by local agencies. The lapsed funds reverted to county share balances to be available for programming in the next county share period (in the 2012 STIP).

It should be noted that the number of projects originally scheduled for delivery in 2010-11 decreased, as many projects were re-programmed to later years with the adoption of the 2010 STIP.

The local agencies achieved a 79 percent project delivery rate by delivering 242 of the 306 originally scheduled projects for 2010-11.

Local STIP Delivery



The following compares local STIP delivery for 2008-09, 2009-10 and 2010-11:

Local STIP Delivery (dollars in millions)

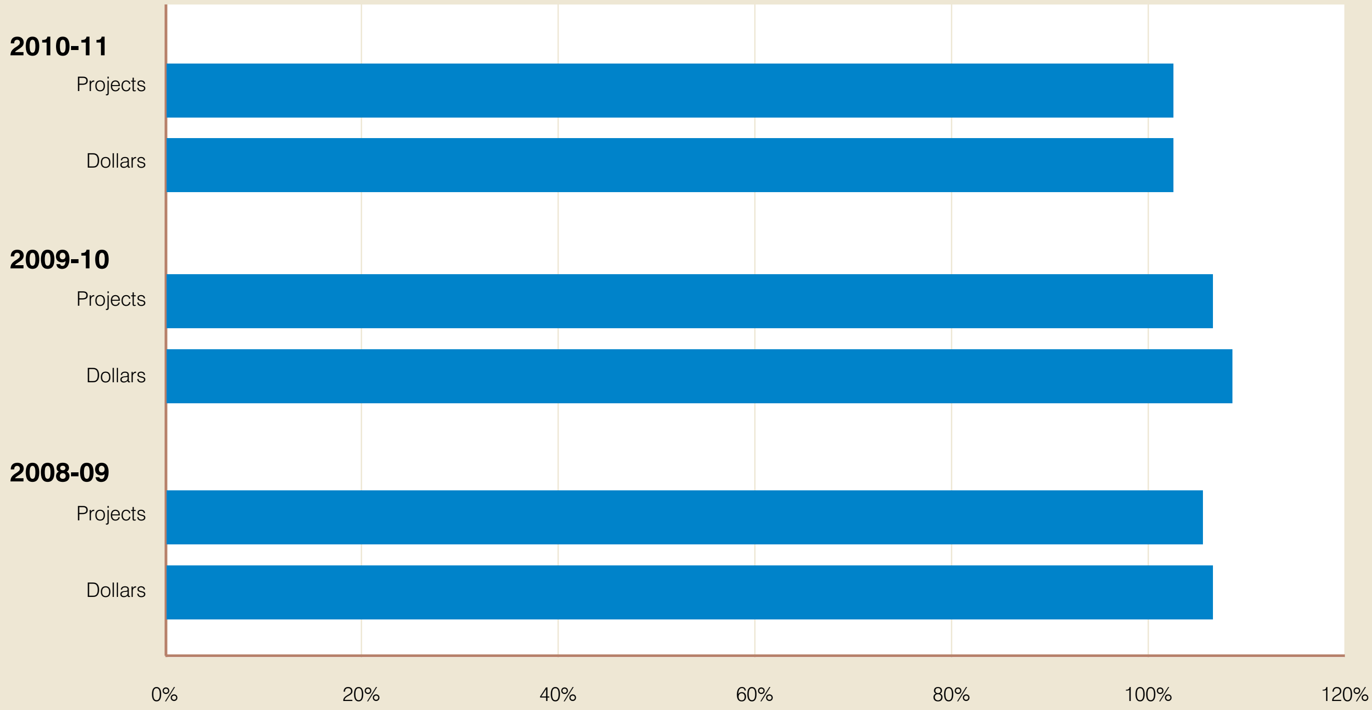
	2008-09		2009-10		2010-11	
	Dollars	**Projects**	**Dollars**	**Projects**	**Dollars**	**Projects**
Programmed	$543.085	257	$297.225	203	$492.293	406
Extensions	-$35.414	-29	-$6.341	-12	-$90.116	-26
Lapsed	-$15.366	-24	-$15.701	-30	-$25.425	-38
Delivered as programmed	$492.305	204	$275.183	161	$376.752	242
Percent delivered as programmed	91%	79%	93%	79%	77%	79%
Advanced	$0	0	$47.179	7	$33.117	25
Delivered with advances	$492.305	204	$322.362	168	$409.869	267
Percent delivered with advances	91%	79%	108%	83%	83%	87%
Prior-year extensions delivered	$22.462	21	$28.460	6	$15.520	21
Total delivered	$514.767	225	$350.822	174	$425.389	288
Funded by allocation	$440.717	169	$261.597	164	$357.902	271
Funded through AB 3090	$18.432	1	$45.041	3	$38.467	4
Funded with non-STIP funds (ARRA)	$3.613	5	$38.028	3	0	0
Placed on pending list, not funded	$52.005	50	$6.156	4	$29.020	13

SHOPP Project Delivery

Caltrans achieved a 102 percent SHOPP delivery rate, by delivering 269 projects, of which 263 were projects originally scheduled for 2010-11. The variance includes projects that are not typically included in the approved SHOPP. These categories of projects include minor projects, emergency and seismic retrofit projects allocated by Caltrans under Commission delegated authority, and SHOPP administered Transportation Enhancement (TE) projects. In 2010-11, the Commission allocated $2.9 billion to SHOPP projects, which includes delegated allocations made by Caltrans.

Caltrans achieved a 102 percent SHOPP delivery rate, by delivering 269 projects, of which 263 were projects originally scheduled for 2010-11.

SHOPP Delivery



The following compares SHOPP delivery for 2008-09, 2009-10 and 2010-11:

Caltrans SHOPP Delivery (dollars in millions)

	2008-09		2009-10		2010-11	
	Dollars	**Projects**	**Dollars**	**Projects**	**Dollars**	**Projects**
Planned	$1,475	234	$1,483	247	$2,882	263
Delivered	$1,557	245	$1,609	263	$2,949	269
Percent	106%	105%	108%	106%	102%	102%

During 2010-11, the Commission allocated $219.4 million, which was fully utilized by Caltrans for right-of-way activities.

Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-01 authorizes Caltrans to sub-allocate funds from the Commission's yearly allocation for the total right-of-way program to individual projects for the acquisition of right-of-way, relocation of utilities, and other necessary right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. During 2010-11, the Commission allocated $219.4 million, which was fully utilized by Caltrans for right-of-way activities.

Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. In 2010-11, Caltrans achieved a 92 percent delivery rate for environmental document delivery, completing 31 draft and 138 final environmental documents (these numbers include Categorical Exclusions that do not require Commission action).

The Commission, as a responsible agency under the California Environmental Quality Act (CEQA), allocates funds to projects for design, right-of-way or construction after the final environmental document is complete and the Commission has approved the project for consideration of future funding. During 2010-11, the Commission received final environment documents for 82 projects. Of those documents, 39 were completed by Caltrans as the CEQA Lead Agency, and 43 were completed by local agencies as the CEQA Lead Agency. All 82 projects were approved for future consideration of funding. In addition, the Commission provided comments on one Notice of Preparation (NOP) and three Draft Environmental Impact Reports (EIRs) prepared by Caltrans. The Commission also provided comments on three NOPs and seven Draft EIRs prepared by local agencies.

Local RSTP and CMAQ Projects

AB 1012 (Chapter 783, Statutes of 1999) was enacted with a goal of improving the delivery of transportation projects. The AB 1012 "use-it-or-lose-it" provision states that regional agency RSTP and CMAQ funds that are not obligated within the first three years of federal eligibility are subject to reprogramming by the Commission in the fourth year.

Caltrans monitors the obligation of funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of any apportionment reaching its three year limit. A region with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three year limit is reached.

Caltrans released its AB 1012 "use-it-or-lose-it" notices for the 2008-09 federal apportionments in September 2011. As of June 30, 2011, the AB 1012 balance report shows approximately $6 million of RSTP funds in the counties of Ventura and San Bernardino may be subject to reprogramming (the following table shows the 2008-09 allocation and use only in the first year of availability). Those funds are to be fully obligated by the local agencies prior to the end of the federal fiscal year (September 30, 2011).

Regional agencies have dedicated considerable effort toward improving the delivery of RSTP and CMAQ projects. The 2010-11 RSTP and CMAQ appropriations are in their first year of availability and will continue for the next two years. The following table shows how the Commission's 2010-11 RSTP and CMAQ allocations, totaling $1.475 billion, were used by regional agencies in the first year of availability (as of June 30, 2011) and provides a comparison with the usage of prior first year availability:

Use Of Local Assistance Allocations, First Year Of Availability (dollars in thousands)

	2008-09		2009-10		2010-11	
Category	**Allocation**	**Use**	**Allocation**	**Use**	**Allocation**	**Use**
RSTP	$429,197	$131,261	$416,749	$93,399	$414,191	$124,720
RSTP match & exchange	$57,849	$53,429	$57,849	$51,506	$57,849	$49,559
CMAQ	$407,874	$122,991	$405,266	$49,509	$405,266	$219,217
FTA Transfers	$0	$170,177	$0	$185,123	$0	$191,667
Subtotal, RSTP/CMAQ	$894,920	$477,858	$879,864	$379,537	$877,306	$585,163
Br. Inspection & Match	$3,375	$467	$3,375	$0	$3,375	$212
Br. Rehab & Replacement	$70,572	$100,175	$199,084	$57,775	$197,120	$106,664
Bridge Seismic Retrofit	$159,385	$55,740	$30,874	$87,097	$30,874	$8,941
RR Grade Crossing						
Protection	$11,716	$0	$11,716	$847	$11,716	$0
Maintenance	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Grade Separations	$15,000	$9,859	$15,000	$0	$15,000	$15,000
Hazard Elimination/Safety	$47,212	$7,359	$47,212	$11,955	$47,212	$11,584
High Risk Rural Roads	$7,428	$1,615	$7,428	$3,892	$7,428	$969
Safe Routes to School	$44,922	$8,431	$44,922	$16,009	$44,922	$12,444
Freeway Service Patrol	$25,479	$22,476	$25,479	$22,736	$25,479	$25,479
High Priority Projects	$208,170	$64,970	$208,170	$99,144	$208,170	$51,687
Miscellaneous	$4,700	$30,936	$4,700	$33,070	$4,700	$48,456
Total	**$1,494,879**	**$779,886**	**$1,479,824**	**$714,062**	**$1,475,302**	**$868,599**

For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on the table and included in the "use of allocation" figures for RSTP and CMAQ.

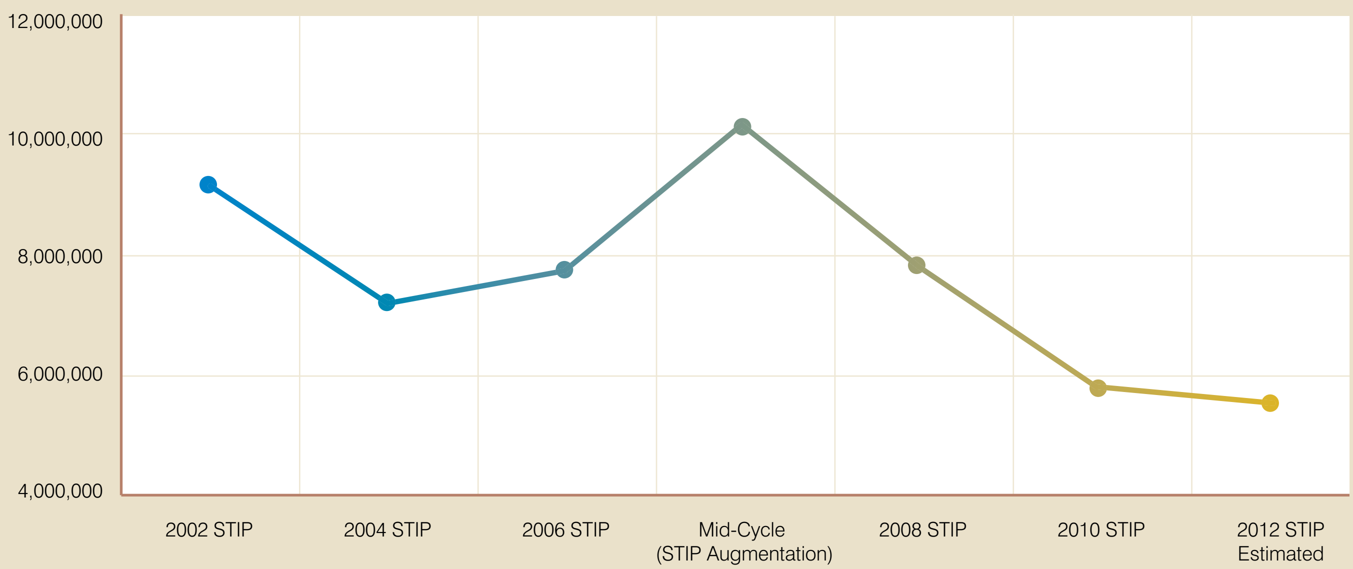
STATE TRANSPORTATION IMPROVEMENT PROGRAM

The STIP is the biennial five-year plan adopted by the Commission for future allocations of certain state transportation funds for state highway improvements, intercity rail, and regional highway and transit improvements. State law requires the Commission to update the STIP biennially, in even-numbered years, with each new STIP adding two new years to prior programming commitments.

STIP funding in previous years came primarily from Proposition 42 (Traffic Congestion Improvement Act of 2002) Transportation Investment Fund (TIF) transfers (gasoline sales tax), Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006) bond proceeds (Transportation Facilities Account (TFA)), and the Public Transportation Account (PTA). This changed in March 2010 (and was reenacted in March 2011) due to the passage of the "gas tax swap" legislation (ABX8 6, Chapter 11, Statutes of 2010 and ABX8 9, Chapter 12, Statutes of 2010). Effective July 1, 2010, the gas tax swap eliminated the sales tax on gasoline sales and increased the gasoline excise tax from 18 cents to 35.3 cents. While intended to be revenue neutral, the gas tax swap has significantly altered STIP funding sources, by eliminating TIF funding, reducing PTA funding (and effectively eliminating it in future years), and adding State Highway Account (SHA) funding.

STIP allocation capacity continues to present a challenge since much of the capacity is from the TFA. Many allocation requests are deferred and placed on the delivered

Historic STIP Programming Levels (5-Yr STIP Periods including Carryover From Prior Years)



list to await the next bond sale.

The STIP allocation capacity for 2011-12 is $842 million ($395 million TFA), while projected allocation need in 2011-12 is estimated to be $940 million (including projects delivered in 2010-11 that could not be allocated due to lack of funding and projects with allocation extensions expiring in 2011-12). In addition to allocation capacity being short by approximately $100 million, the mix of funds available to allocate to projects in 2011-12 is different than was assumed, based on the existing statute, when the 2010 STIP FE was adopted. This creates a fund type mismatch due to certain restrictions on the use of these funds for particular types of projects. This mismatch is exacerbated by the low SHA cash balance and the low PTA allocation capacity.

Future STIP allocations will be based on the following priorities:

- State-only requests:
    - Planning, Programming and Monitoring
    - Required state match for federalized projects (assumes toll credits are fully utilized), and
    - Projects less than $1 million unless federalized
- Highway/Local Road and Transit construction allocations: allocations greater than $15 million or allocations for projects with other Proposition 1B construction funding will be funded with TFA, unless the projects are federalized and sufficient federal funds are available

- Large requests for state-only funds for pre-construction components may be deferred (placed on delivered list) and will be considered for allocation at the end of the year should sufficient state funds remain

2012 STIP Fund Estimate

The development of the 2012 STIP FE began with the Commission's adoption of the methodology and assumptions on May 11, 2011, and the adoption of the 2012 STIP FE on August 10, 2011. The FE covers the five-year period of 2012-13 through 2016-17.

Key FE assumptions include:

- Fuel Excise Tax revenues will not grow through 2012. Starting in 2013 and continuing through 2016-17, revenues will increase by about 1.8 percent for gasoline and 2.8 percent for diesel each year

- Weight fee revenues will remain flat from 2010-11 through 2012. Starting in 2013 and continuing through 2016-17, weight fee revenues will increase by their ten-year growth rate of 2.3 percent

- Federal Obligation Authority (OA) will remain at the 2008-09 level of $3.0 billion. This was the last year of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and, without any changes in law, this level is assumed to remain constant through the FE period. The August redistribution is assumed to be $109 million per year based on the average received from 2007-08 through 2009-10.

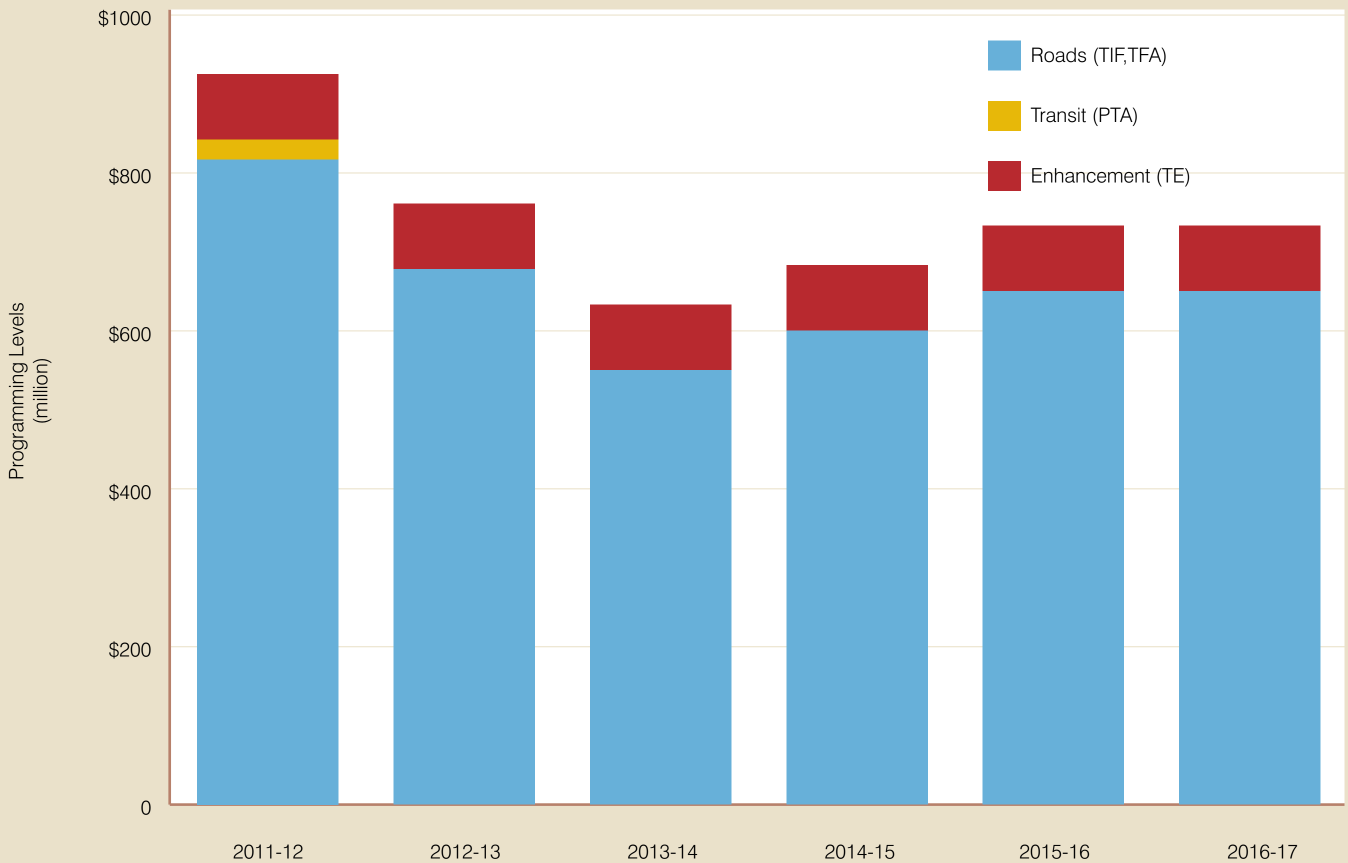
- No pre-Proposition 42 loan repayments will occur over the FE period, and other loan repayments will occur in the year consistent with state statute

- The SHA, which is the primary funding source of the SHOPP, will reach insolvency levels from 2011-12 through 2013-14, unless a General Fund loan is made to this account

- Caltrans will gradually accumulate an Advanced Construction level that is equivalent to one year's OA by the end of the FE period, to be used as a cash management tool and as a reservation of federal eligible projects

The FE forecasts additional funding capacity of $1.483 million for the five-year period. The 2012 STIP FE also includes $2.1 billion in carryover capacity from projects carried over from the 2010 STIP and net decreases in capacity for transit projects (PTA funded). The approximately $1.48 billion in net new capacity is available mostly in the two years added to the STIP (2015-16 and 2016-17). The following table reflects the STIP capacity over the six-year period including 2011-12.

Summary of 2012 STIP FE — STIP Capacity by Fiscal Year (dollars in millions)



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Total
Enhancement (TE)	$83	$83	$83	$83	$83	$83	$498
Transit (PTA)	$25	$0	$0	$0	$0	$0	$25
Roads (TIF,TFA)	$817	$678	$550	$600	$650	$650	$3,945
Total	**$925**	**$761**	**$633**	**$683**	**$733**	**$733**	**$4,468**

2012 STIP Guidelines

The 2012 STIP guidelines were adopted on August 10, 2011. The revised guidelines included a discussion of the negative program capacity for the PTA (-$542 million.) This negative capacity means that currently programmed transit projects will have to be delivered with other STIP funds (if eligible for SHA or federal funds) or be deprogrammed.

The guidelines also spell out the schedule for the development and adoption of the 2012 STIP. Regional Transportation Improvement Programs (RTIPs) and the Interregional Transportation Improvement Program are due to the Commission by December 15, 2011, the South and North STIP hearings will be held on February 1 and February 8, 2011, respectively, Commission staff recommendations will be published on March 8, 2011, and Commission adoption is scheduled for March 28, 2011.

Other highlights of the 2012 STIP Guidelines are:

- Articulates a strategy for the possible advancing of TE projects in order to improve delivery of TE projects
- Incorporates a requirement for a qualitative discussion of TE program goals into the Criteria for Measuring Performance and Cost-Effectiveness
- Restores language to the guidelines recognizing the return of SHA funding (including federal funding) for the STIP, including the assumption that all projects will be qualified for federal transportation funding unless designated otherwise
- Outlines the Commission's intent when selecting projects for funding beyond the county share base (include advancing shares) to consider regional agency priorities and the extent to which each RTIP includes:
    - o Projects that implement a cost-effective RTIP
    - o Projects that complete or fund further components of projects included in the prior STIP
    - o Grandfathered projects from the 1996 STIP
    - o Projects to meet identified state highway improvement needs
    - o Projects that are eligible for federal TE funds
    - o Projects that leverage federal discretionary funds
    - o Projects that provide regional funding for interregional partnership projects

2011 Report on County and Interregional Share Balances

Section 188.11 of the Streets and Highways Code requires the Commission to maintain a record of STIP County and Interregional share balances, and to make the balances through the end of each fiscal year available for review no later than August 15 of each year.

On August 4, 2011, the Commission issued its fourteenth annual Report of STIP Balances, County and Interregional Shares. The report included the 2010 STIP adopted in May 2010, including allocations and other actions approved through June 2011. The balances in the report were based on the allocation capacity identified through 2014-15 in the 2010 STIP FE, adopted in October 2009. The balances also included all current cash commitments made for AB 3090 (Chapter 1243, Statutes of 1992) reimbursements.

The 2011 STIP Balances, County and Interregional Shares Report can be found at http://www.catc.ca.gov/programs/stip.htm.

STATE HIGHWAY OPERATION AND PROTECTION PROGRAM

Caltrans is responsible for maintaining and operating the state highway system. The California state highway system includes nearly 50,000 lane miles of pavement, 12,559 bridges, 205,000 culverts and drainage facilities, 87 roadside rest areas, and 29,183 acres of roadside landscaping. Also included in the transportation infrastructure are the 444 additional support facilities, including maintenance stations, equipment shops, and transportation materials laboratories and testing facilities. Much of this system was built in the 1950s, 1960s, and early 1970s.

As the roadways and bridges on the state highway system age and approach the end of their service lives, the demands of vehicle and truck traffic are accelerating their deterioration. Compounding this deterioration is the deferment, due to lack of funding, of necessary rehabilitation and restoration work to restore the transportation infrastructure to good operating conditions.

The purpose of the SHOPP is to maintain and preserve the investment in the state highway system and its supporting infrastructure. Projects in the SHOPP are limited to capital improvements relative to maintenance, safety, and rehabilitation of state highways and bridges, and capital improvements that do not add new traffic lanes to the system.

The condition and operational performance of the state highway system is monitored through inspections, traffic studies, and system analysis. Caltrans uses information obtained through these activities to prepare the Ten-Year SHOPP Plan that identifies the rehabilitation and reconstruction needs of all highways and bridges on the state highway system.

Streets and Highways Code Section 164.6 requires Caltrans to prepare a cost estimate of rehabilitation needs to achieve specific milestones and quantifiable accomplishments, such as miles of highways to be repaved and number of bridges to be retrofitted. This goal-constrained cost estimate is reflected in the 2011 SHOPP Plan which identifies a ten-year need of $74 billion, an increase of $11 billion from the 2009 SHOPP Plan. Caltrans also prepares a financially-constrained SHOPP Plan based on the anticipated funding available during the ten-year timeframe.

Additionally, the statutes require Caltrans to submit the plan for review and comment by January 31 before transmittal by the Commission to the Governor and the Legislature by May 1 of each odd-numbered year. The 2011 SHOPP Plan identifies needs for the ten-year period from 2012-13 through 2021-22. Caltrans presented the draft SHOPP Plan at the Commission's January 2011 meeting; incorporated comments from the Commission; and the Commission approved the final 2011 SHOPP Plan at its March 2011 meeting.

Projects to implement the Ten-Year 2011 SHOPP Plan are primarily funded through the SHOPP. Caltrans biennially prepares a SHOPP and the 2012 SHOPP will be prepared in accordance with Government Code Section 14526.5, Streets and Highways Code Section 164.6 and the strategies outlined in the Caltrans' Policy for Management of the SHOPP. The 2012 SHOPP will be a four-year program of projects for 2012-13 through 2015-16. The proposed expenditures will also be consistent with the annual funding levels in the 2012 FE, and the selection of new projects, primarily programmed in the last two fiscal years of the SHOPP, should be consistent with

Projected funding available for the SHOPP is $2 billion per year, which is 37 percent of the $7.4 billion annual need.

and guided by the policies and priorities in the 2011 Ten-Year SHOPP Plan, adopted by the Commission at its March 2011 meeting. Projected funding available for the SHOPP is $2 billion per year, which is 37 percent of the $7.4 billion annual need.

The Commission may review the program relative to its overall adequacy, level of annual funding needed to implement the program, and the impact of those expenditures on the STIP.

In the absence of new revenue sources, the condition of the transportation system will continue to deteriorate, impacting the ability to improve mobility across California.

GARVEE BOND FINANCING

Federal Grant Anticipation Revenue (GARVEE) Bond Financing is used in the STIP and SHOPP to finance large rehabilitation and reconstruction projects that would otherwise not be afforded by the available SHA funding. Although this financing mechanism allows strategic projects to be delivered, the debt service will limit future flexibility.

Government Code Section 14553.9(b) requires the Commission to report on or before April 1 of each year to the Governor and the Legislature regarding the total amount of outstanding GARVEE notes for the preceding calendar year.

The Commission has approved the issuing of GARVEE notes twice, once for STIP projects and once for SHOPP projects. On March 10, 2004, the state issued $614.85 million of GARVEE Bonds (Series 2004A Bonds) for STIP projects. The Series 2004A Bonds are structured with serial maturities from 2005 through 2015. On October 16, 2008, the state issued a second set of GARVEE Bonds (Series 2008A Bonds) for $97.635 million for SHOPP projects. The Series 2008A Bonds are structured with serial maturities from 2009 through 2020.

Government Code Section 14553(b) requires the Commission to prepare, in conjunction with the State Treasurer's Office, an annual analysis of California's bonding capacity for issuing GARVEE bonds. This year's analysis was provided to the Commission at its May 2011 meeting.

Government Code Section 14553.4 states that the State Treasurer may not authorize the issuance of additional bonds if annual debt service on all outstanding GARVEE obligations would exceed 15 percent of the total amount of federal transportation funds deposited into the SHA for any consecutive 12-month period within the preceding 24 months. Other factors also affect bonding capacity, such as maturity structures, interest rates, and policy decisions.

Based on a 12-month period with revenues of nearly $2.8 billion, the 15 percent limitation on GARVEE debt is $419,146. After taking into account the current maximum annual debt service of the Series 2004A Bonds and Series 2008A Bonds ($84.296 million in 2012-13), the remaining annual debt service capacity is $334,850. Depending on the final maturity structures and interest rates used for the issuance, the corresponding bonding capacity ranges to a high of approximately $3.35 billion.

These analyses demonstrate that a range of circumstances, including policy, revenues, and market factors, can affect the existing capacity for future state GARVEE financing. The analyses should be used as a tool for understanding the implications of alternative applications and the potential GARVEE bond structures that the Commission may be asked to consider over the coming year.

TRAFFIC CONGESTION RELIEF PROGRAM

The Traffic Congestion Relief Act of 2000 (AB 2928, Chapter 91, Statutes of 2000 and SB 1662, Chapter 656, Statutes of 2000) created the Traffic Congestion Relief Program (TCRP) and the Traffic Congestion Relief Fund (TCRF), and committed $4.909 billion to 141 specific projects.

The $4.909 billion in revenues for the TCRP were comprised of:

- $1.595 billion to the TCRF in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenues
- $3.314 billion to the TCRF from TIF transfers over five years ($678 million per year for the first four years, and the remaining balance of $602 million in the fifth year)

AB 438 (Chapter 113, Statutes of 2001) delayed the five-year schedule for the TIF transfers by two years, from the original 2001-02 through 2005-06, to 2003-04 through 2007-08. AB 438 also authorized a series of loans to the General Fund, including a $482 million loan from the TCRF to be repaid with tribal gaming revenues. The current projection is that 2020-21 is the earliest tribal gaming funds are expected to be available to begin repaying the $482 million TCRF loan balance.

Proposition 42 (Traffic Congestion Improvement Act of 2002) suspended TIF transfers into the TCRF, with partial suspension in 2003-04 ($389 million) and full suspension in 2004-05 ($678 million), and only allowed enough transfers to reimburse prior TCRP allocations. As a result, a total of $1.1 billion in Proposition 42 transfers were suspended and loaned to the General Fund. After a $323 million repayment in 2006-07 the loan balance was $744 million.

Proposition 1A (Transportation Funding Protection, 2006) required the $744 million to be repaid no later than June 30, 2016. The outstanding loan balance of $330.7 million is being repaid in equal installments of $82.7 million per year through 2015-16. Thus, combined with the $482 million TCRF loan balance, approximately $812.7 million remain available for future TCRP allocations.

In August 2008, the Commission directed staff to work with Caltrans and the regions to develop allocation criteria recommendations for future fiscal years (beyond 2008-09). The TCRP Allocation Plan was adopted at the September 2008 meeting.

The Allocation Plan aligns available annual allocation capacity with priorities by fiscal year. The Allocation Plan consists of two tiers: Tier 1 includes projects that have higher priority for funding and Tier 2 includes all other projects which would be allocated on a first-come, first-served basis only after the annual Tier 1 commitments have been met.

The Commission allocated a total of $69.8 million for TCRP activities in 2010-11.

Tier 1 commitments have been limited to the annual $82.7 million Proposition 1A loan repayments, the only reliable funds available for future TCRP allocations. Tier 2 projects would be allocated upon availability of the Tribal Gaming revenues.

The Commission has approved $4.6 billion in applications through June 30, 2011, including at least a partial application for each of the 141 designated projects. Application approval is equivalent to project programming, and it defines the scope, cost, and schedule of a project or project phase, and it generally includes expenditures projected for future years.

The Commission allocated a total of $69.8 million for TCRP activities in 2010-11. As of June 30, 2011, approximately $4 billion has been allocated to TCRP projects, of which about $3.65 billion have been expended for ongoing TCRP projects.

Information for TCRP expenditures as of June 30, 2011, can be found at: http://www.ctc.ca.gov/programs/tcrp/TCRP_Expenditures_063011.pdf

PROPOSITION 1B HIGHWAY SAFETY, TRAFFIC REDUCTION, AIR QUALITY, AND PORT SECURITY BOND ACT OF 2006

Proposition 1B, approved by the voters in November 2006, authorized the issuance of $19.925 billion in state general obligation bonds for specific transportation programs intended to relieve congestion, facilitate goods movement, improve air quality, and enhance the safety of the state's transportation system. These transportation programs included the CMIA, State Route 99 Corridor Account (SR 99), Trade Corridors Improvement Fund (TCIF), SLPP, Local Bridge Seismic Retrofit Account (LBSRA), Highway-Railroad Crossing Safety Account (HRCSA), and the augmentation of the existing STIP and the SHOPP. Consistent with the requirements of Proposition 1B, the Commission programs and allocates bond funds in each of the above-mentioned programs.

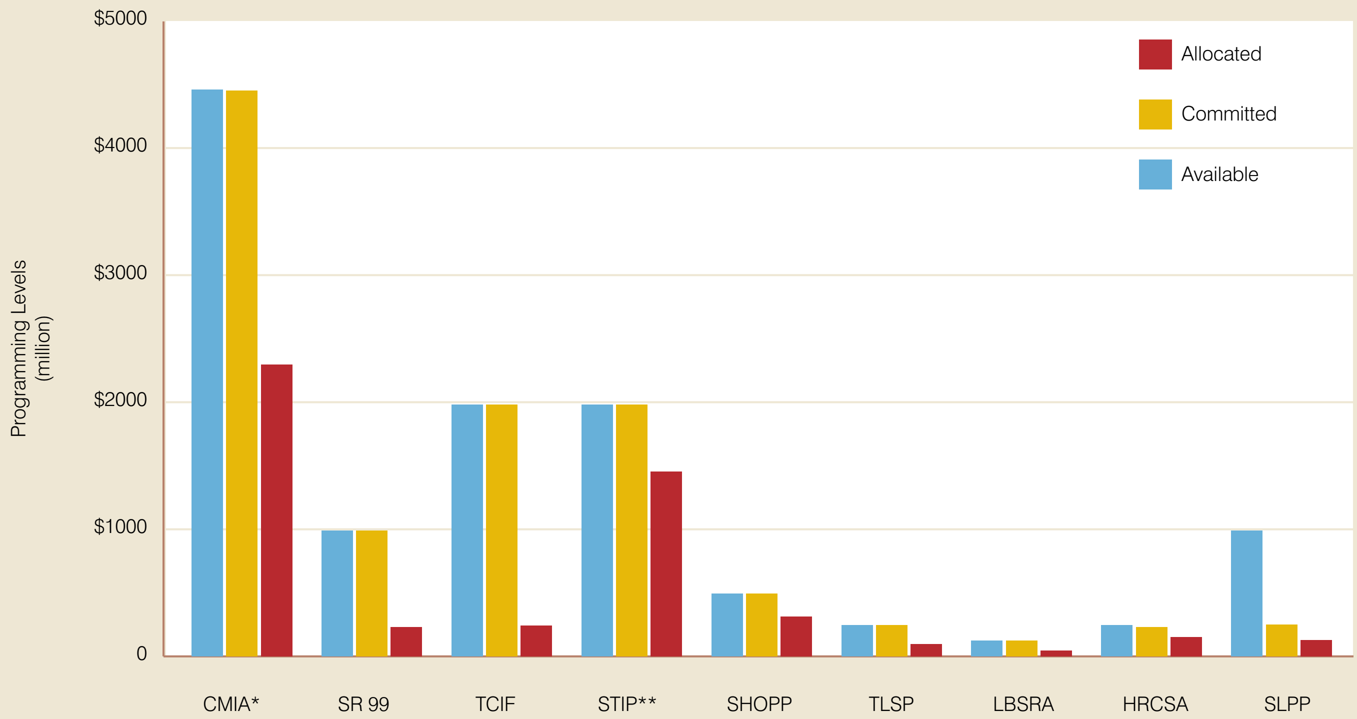
After the passage of Proposition 1B, Governor Schwarzenegger issued Executive Order S-02-07 that requires the Commission to be accountable for ensuring that bond proceeds are expended in a manner consistent with the provisions of either the applicable bond act and the State General Obligation Bond Law or laws pertaining to state lease revenue bonds and all other applicable bond state and federal laws. The Executive Order also requires that the Commission establish and document a three-part accountability structure for bond proceeds and requires that information to be available to the public in a transparent and timely manner.

Senate Bill (SB) 88 (Chapter 181, Statutes of 2007), a trailer bill to the Budget Act of 2007, also includes implementation and accountability requirements for Proposition 1B projects and further defines the role of the Commission as the administrative agency for certain bond programs. SB 88 requires project nominations to include project delivery milestones and identifies reporting requirements as a condition of allocating bond funds. SB 88 also requires the Commission to approve or direct the recipient agency to modify its corrective plan when project costs are anticipated to exceed the approved project budget or the recipient agency is considering a reduction in the project scope to remain within budget.

Consistent with the mandates of Proposition 1B, Executive Order S-02-07 and SB 88, the Commission has developed an accountability implementation plan to communicate the Commission's expectations and its intent to exercise programmatic oversight for the delivery of bond funded projects with regard to scope, cost, schedule and benefits. The accountability implementation plan allows a review of the project's progress on a quarterly basis, and requires the recipient agency to develop a corrective plan to address anticipated deviations or variances from the approved project baseline agreement. Efficiency measures for possible cost increases or schedule delays are addressed on an ongoing basis by the project team and documented through the corrective plans.

A key element of bond accountability is the audit of bond project expenditures and outcomes. The Commission's accountability implementation plan includes provisions for the audit of bond projects. In order to ensure that the Commission is meeting the auditing requirements of an administrative agency, as mandated by Executive Order S-02-07 and SB 88, the Commission entered into a Memorandum of Understanding with the Department of Finance to perform the required audits of Proposition 1B projects, effective July 1, 2009.

To date, the Commission has programmed (committed) $10.9 billion of the $11.6 billion of the Proposition 1B funds within its purview. The remaining $770 million repre-



* CMIA Committed and Allocated amounts reflect bid savings from awarded projects.

** STIP Augmentation allocation total does not include AB 608 adjustments.

sents primarily SLPP funds, which are to be programmed on a five year period on a formula basis. The Commission has allocated $5 billion of the programmed Proposition 1B funds, primarily to projects that were ready to commence construction.

As with almost any state program during 2010-11, the most pressing issue for the Proposition 1B programs has been the state's ongoing financial challenges and the limited availability of cash to fund projects. In the past, the Commission typically approved allocations to projects when requested by project sponsors. Since January 2009, however, the Commission's ability to allocate to Proposition 1B projects and allow these projects to proceed to construction has been constrained by the State Treasurer's ability to sell bonds and the availability of bond proceeds for transportation projects. These funding constraints have forced the Commission to defer allocations to delivered projects, negatively impacting project baseline agreement schedules, and reducing the economic stimulus generated through the construction of infrastructure projects. During the summer and fall of 2010, more than $700 million of shovel ready projects were stalled until bond sales in late 2010 enabled the Commission to allocate to these projects in January 2011. As ongoing budget deficits made it untenable for the State Treasurer to sell bonds for Proposition 1B projects in the spring of 2011 and continue to restrict the State Treasurer's ability to sell bond in the fall of 2011, the Commission must once again defer allocations to delivered projects, negatively impacting project baseline agreement schedules, and reducing the economic stimulus generated through the construction of infrastructure projects. The constraints on bond sales also threaten Proposition 1B projects under construction as current cash reserves only provide funding through March 2012.

The CMIA program is especially at risk. Through June 2012, nearly $1.2 billion in allocations will be required to fund the remaining CMIA projects. However, as Proposition 1B requires that the CMIA projects commence construction no later than December 31, 2012, any delays in the Commission's ability to allocate to the remaining CMIA projects threatens the funding and ultimate implementation of these projects. In fact, a fall 2011 bond sale is unlikely to provide adequate proceeds to fund the remaining CMIA projects and a spring 2012 bond sale is doubtful given the state's ongoing budget deficits. Without the committed CMIA funding, these projects will be severely delayed and in some cases, never constructed.

The ongoing economic downturn also threatens local funding for Proposition 1B projects. Nineteen counties in California have adopted local sales tax measures to fund transportation improvements, including local contributions to Proposition 1B projects. As local sales tax revenues have declined approximately five percent to 20 percent in the last two years, project sponsors may have difficulty meeting existing local funding commitments to Proposition 1B projects or funding potential cost increases. In addition, many local agencies issue bonds against future sales tax revenues to raise funds to pay current project costs. However, local agencies may have difficulty issuing bonds because of the tight credit markets.

In 2009 and 2010, the economic downturn provided one tangible benefit for the Proposition 1B projects, that is, lower construction costs. However, that benefit is quickly evaporating. Through the third quarter of 2010-11, Caltrans has received an average of 7.1 bidders per contract advertised, a decrease from the average of 8.8 bidders per contract in 2009-10. The low bid for contracts was 12.5 percent below the Engineer's Estimate for the same period versus 34 percent below the Engineer's Estimate for 2009-10.

Corridor Mobility Improvement Account Program

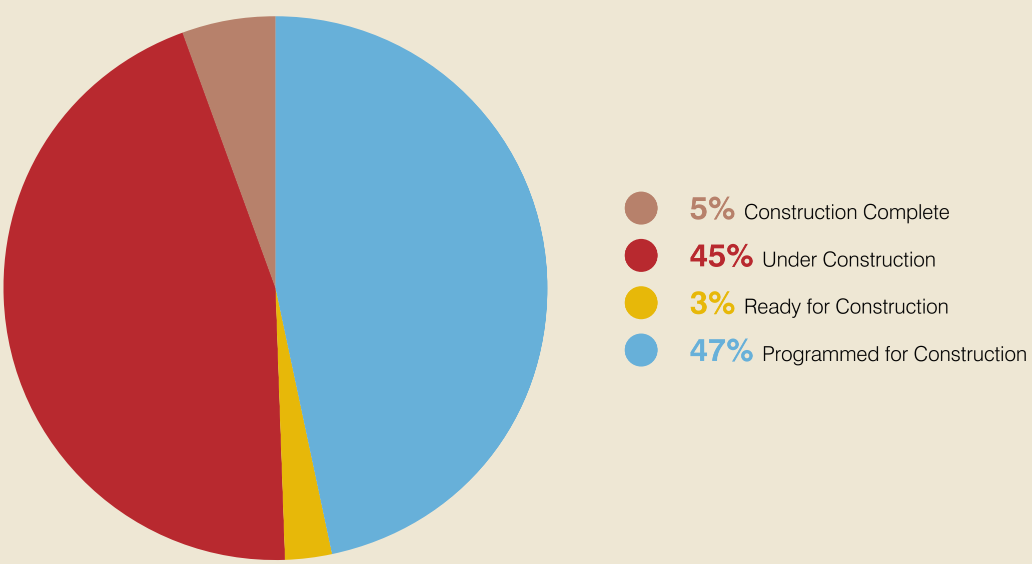
Proposition 1B authorized $4.5 billion in general obligation bond proceeds to be deposited in the CMIA. Funds in the CMIA are available for performance improvements on the state highway system, or major local access routes to the state highway system, that relieve congestion by expanding capacity, enhance operations, or otherwise improve travel times within these high-congestion travel corridors. Under the Bond Act, bond proceeds are available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the CMIA program.

The Commission adopted the CMIA program on February 28, 2007. Consequently, project baseline agreements were executed between the regional transportation planning agencies' (RTPAs) executive directors, the Director of Caltrans, and the Commission's executive director. The baseline agreements set forth the agreed upon project scope, schedule, cost and expected benefits. These agreements also include the estimated cost and the start and completion dates for the environmental, right-of-way, design, and construction phases of the project. These baseline agreements were adopted by the Commission on June 7, 2007.

The CMIA program represents a substantial investment in the state's transportation infrastructure. The adopted program utilizes $4.4 billion from the CMIA, which is limited to the cost of construction with a couple of minor exceptions. The CMIA

During 2010-11, the Commission allocated a total of $100.7 million in CMIA dollars to projects that were ready to commence construction.

Corridor Mobility Improvement Account



is supplemented with $4.9 billion of state, local and federal funding resulting in a CMIA program of approximately $9.3 billion dedicated to the completion of 54 major transportation projects.

Since the adoption of the initial CMIA program in 2007, many of the projects awarded have accrued substantial project cost savings. In order to address these project cost savings, the Commission adopted Supplement 2 to the CMIA and SR 99 Accountability Implementation Plan in December 2009. The purpose of Supplement 2 was to clarify and expand the Commission's policy regarding project cost savings for CMIA and SR 99 projects and to communicate to project sponsors and implementing agencies how project cost savings will be administered by the Commission. Supplement 2 reflected the Commission's intent to program the project cost savings to eligible projects nominated but not programmed in the initial CMIA program and/or to enhancements to existing CMIA projects.

CMIA project cost savings accrued and available from the period April 2010 through May 2011 were $127.9 million in the North and $179.3 million in the South. Given the level of accrued savings, the Commission approved an amendment to the CMIA program at the June 2011 Commission meeting, programming $123.5 million for five projects in the North and $168.3 million for four projects in the South. The Commission will continue to assess the level of accrued project cost savings and program additional savings as warranted.

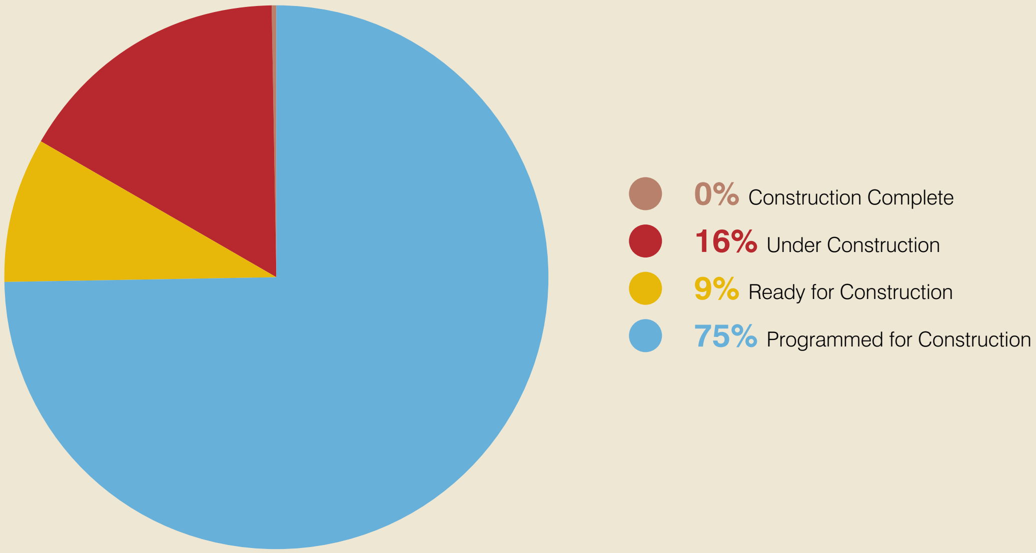
The status of individual projects in the CMIA program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery, even in these challenging economic times. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

During 2010-11, the Commission allocated a total of $100.7 million in CMIA dollars to projects that were ready to commence construction.

Specific project information for the CMIA projects, including total project cost, CMIA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

State Route 99 Corridor Program

Proposition 1B authorized $1 billion in general obligation bond proceeds to be deposited in the SR 99 Account. Funds in the SR 99 Account may be used for safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the SR 99 Corridor, traversing approximately 400 miles of the central valley



of the state. Under the Bond Act, bond proceeds are available, upon appropriation by the Legislature, for allocation by the Commission for projects included in the SR 99 program.

The SR 99 program consists of projects totaling $1.3 billion. This significant investment of SR 99 Account funds leverages additional commitments by the project sponsors of $320 million in state, local and federal funding.

The status of individual projects in the SR 99 program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

During 2010-11, the Commission allocated a total of $30.7 million in SR 99 dollars to projects that were ready to commence construction.

Specific project information for the SR 99 projects, including total project cost, SR 99 contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

During 2010-11, the Commission allocated a total of $30.7 million in SR 99 dollars to projects that were ready to commence construction.

During 2010-11, the Commission allocated a total of $122.1 million in TCIF dollars to projects that were ready to commence construction.

Trade Corridors Improvement Fund

Proposition 1B authorized $2 billion of state general obligation bonds for the TCIF. Funds in the TCIF are available to the Commission, upon appropriation by the Legislature, for allocation for infrastructure improvements along federally designated "Trade Corridors of National Significance" in the state or along other corridors within the state that have a high volume of freight movement. Proposition 1B provides for highway capacity and operational improvements to more efficiently accommodate the movement of freight, for improvements in the freight rail system's ability to move goods from seaports, land ports of entry and airports to warehousing and distribution centers throughout California; truck corridor improvements, including dedicated truck facilities or truck toll facilities; border access improvements to enhance goods movement between California and Mexico; and surface transportation improvements to facilitate the flow of goods to and from the state's airports. Proposition 1B requires that the Commission allocate funds for trade infrastructure improvements in a manner that places an emphasis on projects that improve trade corridor mobility while reducing diesel particulate and other pollutant emissions.

In the guidelines adopted in November 2007, the Commission supported a corridor-based programming approach to the TCIF, which recognized and complemented the goods movement planning work already done within the major trade corridors. To promote this corridor-based approach, the Commission developed geographic programming ranges, in consultation with Caltrans and the Corridor Coalitions. The targets reflected the intent of the Commission to establish an ongoing goods movement program for the state, acknowledging that the infrastructure needs far exceed the $2 billion provided under Proposition 1B. The Commission also supported the funding strategy proposed by Caltrans and the Corridor Coalitions to increase TCIF funding by approximately $500 million from the SHA to fund state-level priorities that

are critical to goods movement. In addition, the targets reflected the Commission's intent to program approximately 20 percent more than the resulting $2.5 billion available from the TCIF and the SHA. This over programming assumed that new revenue sources would become available and dedicated to funding the adopted program. The geographic programming targets adopted in the guidelines are as follows:

TCIF Corridor Programming Ranges (dollars in millions)

	Low	High
Los Angeles/Inland Empire Corridor	$1,500	$1,700
San Diego/International Border Corridor	$250	$400
San Francisco/Central Valley Corridor	$640	$840
Other Corridors	$60	$80
Administration Fees	$40	$40
Total	**$2,490**	**$3,060**

The Commission adopted the initial TCIF program of 79 projects, valued at $3.1 billion, on April 10, 2008. In the adopting Resolution, TCIF-P-0708-01, the Commission stated its intent to review the programming and delivery status of all projects and to adopt amendments to the program as necessary to address the availability of funding or changes in project delivery schedules. Given that new revenue sources to fund the over programming are not available due to current economic conditions, the Commission is currently working with the Corridor Coalitions and project sponsors to develop strategies to address the over programming.

AB 268 (Chapter 756, Statutes of 2008) requires the Commission to evaluate the potential costs and benefits of the TCIF Program on the economy, environment, and

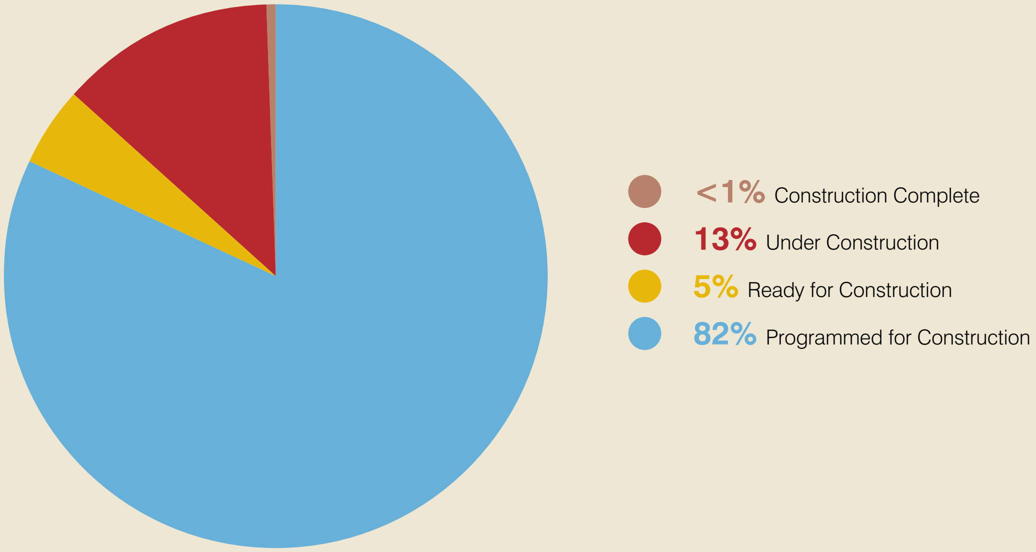
public health. In accordance with AB 268, the Commission consulted with the State Air Resources Board (ARB) to determine the appropriate models, techniques, and methods to develop this evaluation. The TCIF Corridor Coalitions and the individual project sponsors used the criteria developed by ARB to evaluate the TCIF projects and the resulting report was approved at the June 2011 Commission meeting.

The status of individual projects in the TCIF program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery, even in these challenging economic times. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

During 2010-11, the Commission allocated a total of $122.1 million in TCIF dollars to projects that were ready to commence construction. In addition, as of October 2011, nine projects totaling $472.5 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the TCIF projects, including total project cost, TCIF contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Trade Corridors Improvement Fund



Traffic Light Synchronization Program

Proposition 1B authorized $250 million for the TLSP for traffic light synchronization projects and other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads. The TLSP funds are available, upon appropriation by the Legislature, to Caltrans, as allocated by the Commission.

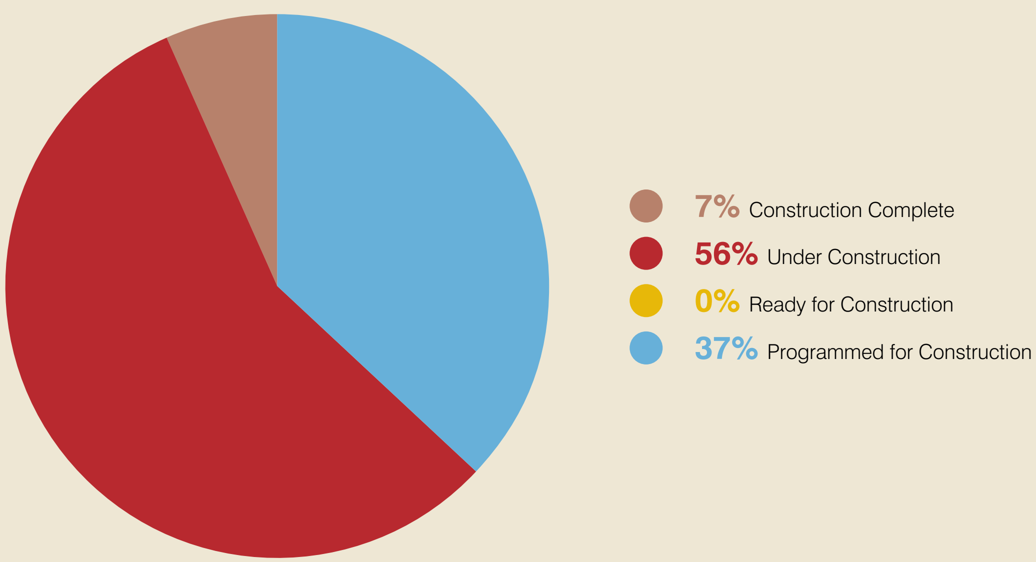
The TLSP is subject to the provisions of Government Code and includes $250 million under Section 8879.23(k)(2) for Caltrans to develop a program for traffic light synchronization projects or other technology-based improvements to improve safety, operations and the effective capacity of local streets and roads.

Section 8879.64(b), added by SB 88 (Chapter 181, Statutes of 2007), directed that $150 million from the TLSP be allocated to the City of Los Angeles for upgrading and installing traffic signal synchronization within its jurisdiction. SB 88 also designated the Commission as the administrative agency responsible for programming funds and authorized to adopt guidelines for the TLSP program.

On May 28, 2008, the Commission adopted the TLSP and approved 21 traffic light synchronization projects totaling $147 million for the City of Los Angeles and $98 million for 62 additional traffic light synchronization projects for agencies other than the City of Los Angeles.

During 2010-11, the Commission allocated a total of $59.5 million in TLSP dollars to projects that were ready to commence construction.

Traffic Light Synchronization Program



The status of individual projects in the TLSP program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

During 2010-11, the Commission allocated a total of $59.5 million in TLSP dollars to projects that were ready to commence construction. In addition, as of October 2011, five TLSP projects totaling $40.7 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the TLSP projects, including total project cost, TLSP contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Highway-Railroad Crossing Safety Account

During 2010-11, the Commission allocated a total of $2.1 million in HRCSA dollars to projects that were ready to commence construction.

Proposition 1B authorized $250 million for the HRCSA program to fund the completion of high-priority grade separation and railroad crossing safety improvements. The HRCSA funds are available, upon appropriation by the Legislature, to Caltrans, as allocated by the Commission.

The HRCSA program is subject to the provisions of Government Code and includes under Section 8879.23(j)(1), described in the Commission's guidelines as Part 1, $150 million for projects on the priority list established by the Public Utilities Commission (PUC) pursuant to the process established in Chapter 10 (commencing with Section 2450) of Division 3 of the Streets and Highways Code; and under Section 8879.23(j)(2), described in the Commission's guidelines as Part 2, $100 million for high-priority railroad crossing improvements that are not part of the PUC priority list process.

The Commission, at its April 9, 2008 meeting, adopted the HRCSA guidelines. On August 28, 2008, the Commission adopted the initial HRCSA program for a total of $244.8 million, programming $143.9 million for twelve Part 1 projects and $100.9 million for eleven Part 2 projects. Including $5 million for bond administrative fees, the total adopted program amounted to $249.8 million.

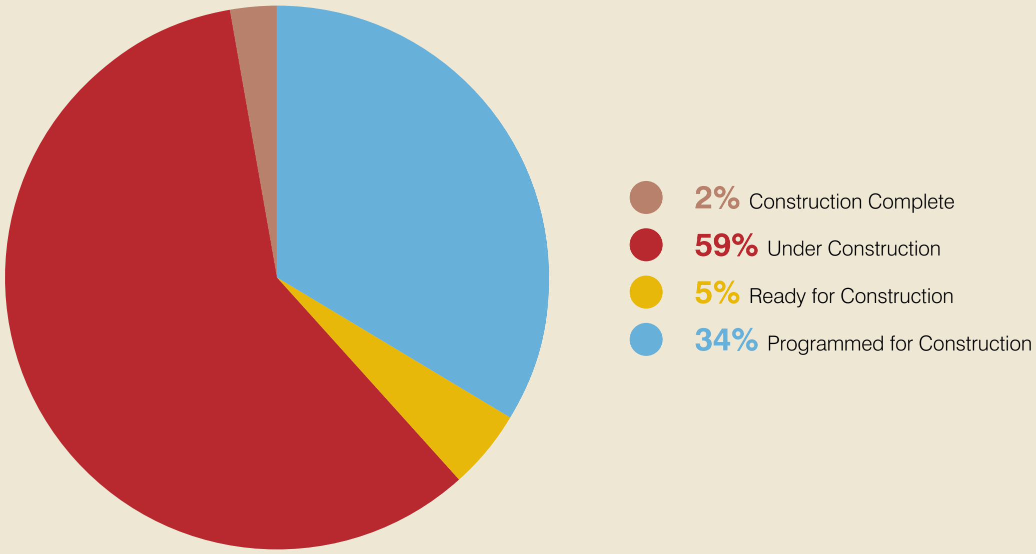
In accordance with the HRCSA guidelines, funds programmed in the initial HRCSA program that are not allocated by June 30, 2010, will be reprogrammed into a 2010 HRCSA Program. At its May 19, 2010 meeting, the Commission approved updated HRCSA guidelines to establish the schedule for the 2010 programming process, with applications due to the Commission on July 1, 2010. As of July 1, 2010, $59.3 million was available for reprogramming in Part 1 and $33.1 million in Part 2. On September 22, 2010, the Commission adopted the 2010 HRCSA program, programming $47.4 million for four Part 1 projects and $25.8 million for six Part 2 projects.

The status of individual projects in the HRCSA program is reported to the Commission on a quarterly basis. The commitment to the scope, schedule and cost as outlined in project baseline agreements has been demonstrated by the responsible agencies. During the year, the project sponsors and implementing agencies took actions necessary to ensure successful project delivery, even in these challenging economic times. Where necessary, the baseline agreements were amended to reflect scope, cost and schedule adjustments.

During 2010-11, the Commission allocated a total of $2.1 million in HRCSA dollars to projects that were ready to commence construction.

Specific project information for the HRCSA projects, including total project cost, HRCSA contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Highway-Railroad Crossing Safety Account



During 2010-11, the Commission allocated a total of $178.4 million in SLPP dollars to projects that were ready to commence construction.

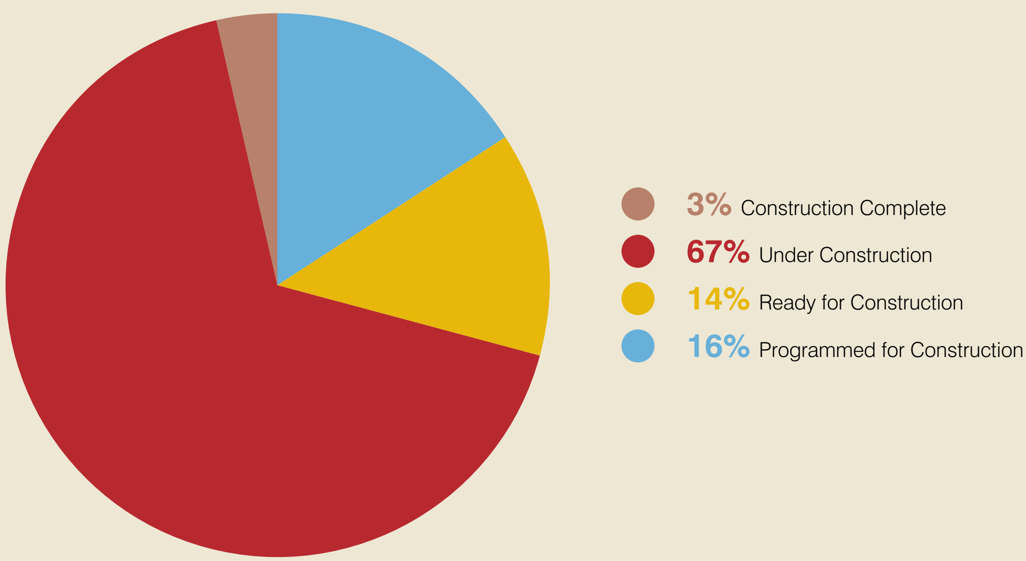
State-Local Partnership Program Account

Proposition 1B authorized $1 billion to be deposited in the SLPP Account to be available, upon appropriation by the Legislature, for allocation by the Commission over a five-year period to eligible transportation projects nominated by an applicant transportation agency.

In 2008, the Legislature enacted implementing legislation (AB 268, Chapter 756, Statutes of 2008) to add Article 11 (commencing with Section 8879.66) to Chapter 12.491 of Division 1 of Title 2 of the Government Code. This defines the program, eligibility of applicants, projects and matching funds. The program is split into two sub-programs – a formula program to match local sales tax, property tax and/or bridge tolls (95 percent) and a competitive program to match local uniform developer fees (five percent).

The Legislature appropriated $200 million for SLPP in 2008-09, $200 million in 2009-10, and an additional $241 million in 2010-11. Guidelines for 2010-11 were adopted in April 2010, with the understanding that they would remain in effect through the end of the program. The first projects were programmed in April 2009, for a total of $103.8 million. A total of $358.3 million has been programmed through June 2011 for the first three years of the program. Agencies with formula funds have identified

State-Local Partnership Program



an additional $168.5 million in planned programming (as of June 30, 2011) for the remaining two years of the program.

The status of individual projects in the SLPP program is reported to the Commission on a quarterly basis. The most recent report, through June 30, 2011, shows that 13 projects have completed construction (five formula and eight competitive projects).

During 2010-11, the Commission allocated a total of $178.4 million in SLPP dollars to projects that were ready to commence construction, and de-allocated $206,000 in award savings. In addition, as of June 2011, ten SLPP projects totaling $16 million in Proposition 1B funding were ready for construction, subject to the availability of bond funding.

Specific project information for the SLPP projects, including total project cost, SLPP contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Local Bridge Seismic Retrofit Account

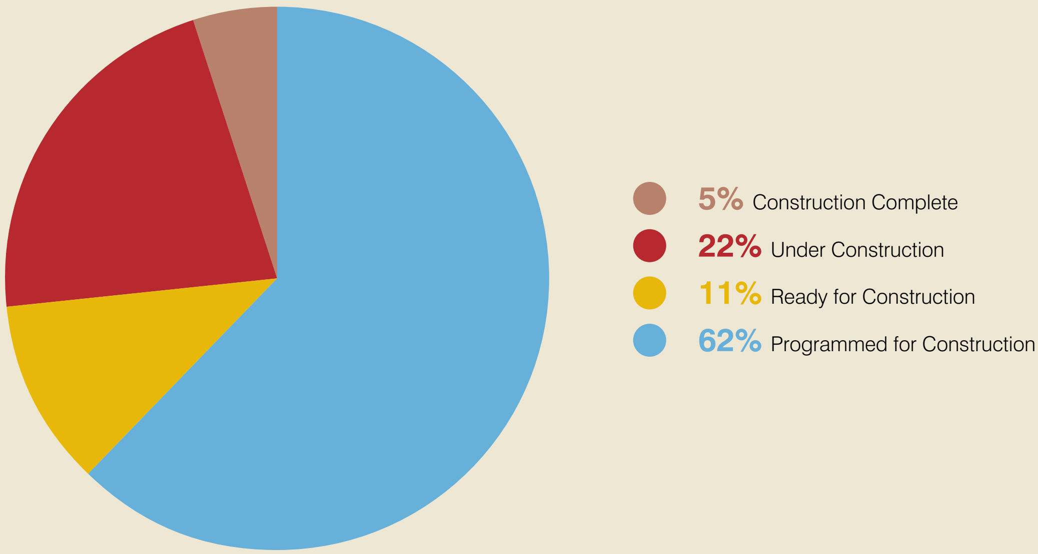
Proposition 1B authorized $125 million of state general obligation bonds for the LBSRA. The funds are available to the Commission, upon appropriation by the Legislature, to provide the 11.5 percent required match for federal Highway Bridge Program (HBP) funds available to the state for seismic retrofit work on local bridges, ramps and overpasses, as identified by Caltrans.

In April 2007, Caltrans identified 479 local bridges deemed eligible to receive LBSRA funds. The 479 local bridges were those bridges remaining from the local bridges initially identified as needing seismic retrofit under the Local Bridge Seismic Retrofit Program (LBSRP). Progress of LBSRP projects is tracked on the federal fiscal year due to the fact that 88.5 percent of the funds used to retrofit the local bridges come from federal HBP funds. Subsequent actions by Caltrans and responsible local agencies reduced the total number of bridges eligible to receive LBSRA funds to 430.

Since the adoption of the LBSRA program, the Commission has allocated a total $46.7 million to Caltrans for further sub-allocation. Through June 30, 2011, Caltrans has sub-allocated $29.9 million from the $47.7 million allocated by the Commission. As a result, the remaining balance of $16.6 million reverted back to the LBSRA for re-allocation in future years.

In 2010-11, Caltrans did not request a Commission allocation of LBSRA funds. The match needs for 2010-11 were covered by state funds remaining from the exchange of local funds for state funds done by Caltrans in 2008-09.

Local Bridge Seismic Retrofit Account



The status of individual projects in the LBSRA program is reported to the Commission on a quarterly basis. As of June 30, 2011, of the 430 local bridges eligible to receive LBSRA funds, 14 are in the retrofit strategy development stage, 125 are in the design stage, 237 are under construction, and 54 have completed retrofit construction.

Specific information on LBSRA eligible projects, including total cost, LBSRA contribution, and planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

Public Transportation Modernization, Improvement, and Service Enhancement Account

Proposition 1B authorized $4 billion dollars of state general obligation bonds for the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). Funds in the account shall be made available, upon appropriation by the Legislature, to Caltrans for intercity rail projects and to commuter or urban rail operators, bus operators, waterborne transit operators, and other transit operators in California for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement. Of the $4 billion authorized for the PTMISEA, $3.6 billion is available for allocation by the State Controller in accordance with PUC formula distributions: 50 percent allocated to Local Operators using the formula in Government Code Section 99314 and 50 percent to

Regional Entities using the formula in Section 99313. The remaining $400 million is available for allocation by the Commission to Caltrans for intercity rail improvements. Of that $400 million, $125 million shall be used for the procurement of additional intercity railcars and locomotives.

Formula Program

To date, the State Controller has allocated $927 million to 479 projects. However, due to the limited availability of bond funds, the $63 million allocated for Cycle 2 of 2008-09 was not released to project sponsors until June 2010. As of September 2011, there are 138 projects totaling $214 million ready to proceed, subject to the availability of bond funding.

Intercity Rail Program

To date, a total of $ 94.4 million has been allocated to projects. Five projects have received full allocations and four have received partial allocations.

AB 268 (Chapter 756, Statutes of 2008) requires Caltrans to report to the Commission annually on the administration and status of the PTMISEA program. Caltrans' 2010-11 report was submitted to the Commission and is available at http://www.bondaccountability.ca.gov/.

Specific project information for the PTMISEA projects, including total project cost, contribution, and the planned construction start date, can be found at http://www.bondaccountability.ca.gov/.

LETTERS OF NO PREJUDICE

AB 672 (Chapter 463, Statutes of 2009) authorizes approval of a Letter of No Prejudice (LONP) for projects programmed or otherwise approved for funding from Proposition 1B programs. The LONP allows the regional or local agency to expend its own funds (incur reimbursable expenses) for any component of a programmed project prior to actual allocation of Proposition 1B funds. This legislation authorized the Commission to adopt guidelines to establish a process to approve a LONP for projects programmed from the following Proposition 1B programs:

- Corridor Mobility Improvement Account (CMIA)
- State Route 99 Account (SR 99)
- Trade Corridors Improvement Fund (TCIF)
- Local Bridge Seismic Retrofit Account (LBSRA)
- Traffic Light Synchronization Program (TLSP)
- State-Local Partnership Program Account (SLPP)

The HRCSA program was specifically excluded for consideration for a LONP.

Beginning in January 2010, the Commission approved LONPs for agencies with projects funded from Proposition 1B, so that the agencies could begin work with their own funds and be eligible for reimbursement when bond funds are available for allocation.

The Commission approved LONPs for 22 Proposition 1B projects in 2010-11, representing $279.4 million in bond funding. Thirteen of these projects subsequently received allocations in January 2011 when bond funds became available.

On September 23, 2010, the Governor Schwarzenegger signed urgency legislation, SB 1371 (Chapter 292, Statutes of 2010), that allowed the Commission to approve LONPs for Proposition 1A (High Speed Rail) projects.

The Commission approved LONPs for 22 Proposition 1B projects in 2010-11, representing $279.4 million in bond funding.

PUBLIC PRIVATE PARTNERSHIPS AND DESIGN BUILD

Section 143 of the Streets and Highways Code, as amended by SB 4 (SBX2 4, Chapter 2, Statutes of 2009), authorizes Caltrans and regional transportation agencies to enter into an unlimited number of comprehensive lease agreements with public or private entities to develop transportation projects, commonly known as public private partnership (P3) projects, until January 1, 2017. Section 143 provides that P3 projects and associated lease agreements proposed by Caltrans or a regional transportation agency shall be submitted to the Commission, and that the Commission shall select and approve the projects before Caltrans or a regional agency begins a public review process leading to a final lease agreement.

Since Commission adoption of its Public Private Partnership Policy Guidance in October 2009, only one P3 project has been received by the Commission for approval. At its May 2010 meeting, the Commission approved the joint request by Caltrans and the San Francisco County Transportation Authority (SFCTA) to enter into a lease agreement with a private entity to develop the Phase 2 (Presidio Parkway) portion of the Doyle Drive Replacement Project.

On January 3, 2011, Caltrans/SFCTA awarded the Presidio Parkway P3 project to the selected bidder, Golden Link Partners. The next major milestone for the Presidio Parkway P3 project is a financial agreement, commonly known as a financial close, that was scheduled for late summer 2011. Unfortunately, due to ongoing litigation, the financial close milestone has not been achieved and is now planned for early 2012. The Professional Engineers in California Government (PECG) sought to stop the Presidio Parkway P3 project arguing that the project was not authorized by Section 143. On August 8, 2011, the 1st District Court of Appeals published a decision holding that the Presidio Parkway project can move forward as a P3 project. On September 16, 2011, PECG petitioned the California Supreme Court to review the

case following the decision by Court of Appeals. Pending a decision by the Supreme Court, Caltrans has requested that Golden Link Partners actively pursue the design phase of the Presidio Parkway project.

The Design-Build Demonstration Program was established and placed into law under Chapter 6.5 (commencing with Section 6800) of Part 1 of Division 2 of the Public Contract Code, as amended by SB 4. Caltrans and local transportation entities, if authorized by the Commission, may use the design-build procurement method to deliver projects on a demonstration basis through January 1, 2014. Caltrans may deliver up to ten design-build projects on the state highway system and local transportation entities may deliver up to five design-build projects on the local streets and roads network or local public transit system within the local entity's jurisdiction. The Riverside County Transportation Commission (RCTC) is authorized to deliver the SR 91 Express Lane Project as a named additional project to the 15 project design-build demonstration program authorized by the Legislature.

Since Commission adoption of its Design-Build Demonstration Program Policy Guidance in September 2009, the Commission has authorized a total of nine projects for design-build procurement at the request of Caltrans and local transportation entities:

Caltrans Projects (ten slots maximum):

- Direct Connectors, LA-605 to LA-10, $78.8 million, best value
- Pavement Rehabilitation, Mad-99, $37.4 million, low bid
- Ramp Meter Installations, SM-101, $12.4 million, best value
- ExpressLane Project, LA-10 and LA-110, $69.3 million, best value
- Devore Interchange, SBd-15/SBd-215, $365.7 million, best value
- Braided Ramps, Fre-180, $69.5 million, low bid
- Gerald Desmond Bridge Replacement, LA-710, $950.8 million, best value
- HOV/BRT Lanes, SD-805, $174.9 million, low bid

The Commission has authorized a total of nine projects for design-build and one project for P3.

Legislature Named Additional Project:

- Express Lanes, Riv-91, $1.1 billion, best value

Two of the design-build projects are under construction: the LA-10/110 ExpressLane Project and the Mad-99 Pavement Rehabilitation project. Two additional projects have received Commission allocation votes: the SM-101 Ramp Meter Installations project allocated at the September 2010 meeting and the LA-710 Gerald Desmond Bridge Replacement project allocated at the June 2011 meeting. The SM-101 Ramp Metering Installations project is requesting $2.4 million in supplemental funding before it can proceed to construction. All of the projects except for the SBd-15/215 Devore Interchange project have gone through the request for qualifications process. Except for the two projects under construction and the one project seeking supplemental funding, remaining projects have not completed their request for proposals process. None of the five available local slots have been requested for design-build procurement method of project deliver by local entities almost two years into the four-year demonstration program. Local entities have not exhibited any interest in using design-build procurement for projects on their local streets and roads network although local entities have exhibited interest in delivering design-build projects on the state system as evidenced by the SR 91 Express Lanes project. And as evidenced by the joint venture projects between Caltrans and local entities like the Gerald Desmond Bridge Replacement project, the Devore Interchange project and the LA-10/110 ExpressLane Project.

HIGH OCCUPANCY TOLL LANES

AB 1467 (Chapter 32, Statutes of 2006), authorizes that, until January 1, 2012, regional transportation agencies, in cooperation with Caltrans, may apply to the Commission to develop and operate high-occupancy toll (HOT) lanes, including the administration and operation of a value pricing program and exclusive or preferential lane facilities for public transit, as specified. The number of projects that may be approved is limited to four, two in Northern California and two in Southern California.

The Commission's role in implementing this legislation includes establishing eligibility criteria, determining whether each HOT lanes application is eligible, and holding public hearings in both Northern and Southern California for each eligible application. Under AB 1467, the Commission only determined the eligibility of the HOT lanes application. Actual approval of an eligible application was the purview of the Legislature, through enactment of a statute. However, AB 798, (Chapter 474, Statutes of 2009), eliminated the need for the Legislature to approve the HOT lanes applications.

In order for the Commission to determine whether a HOT lanes project is eligible under AB 1467, a nominating agency must submit an application in accordance with Commission guidelines and provide evidence that the project is consistent with Streets & Highways Code Sections 149-149.7; that there is cooperation with Caltrans and consistency with state highway system requirements; that the project is technically and financially feasible; that the project is consistent with the Regional Transportation Plan; and that there are performance measures established for project monitoring and tracking.

To date, the Commission has found two HOT lanes projects, both from Southern California, to be eligible.

To date, the Commission has found two HOT lanes projects, both from Southern California, to be eligible under this program:

- Public Partnership Application for HOT Lanes for the Interstate 15 Corridor and HOT Lane Project in Riverside County, submitted by the Riverside County Transportation Commission (RCTC) - The Commission found this project to be eligible in April 2008
- Los Angeles Region ExpressLanes Project, submitted by the Los Angeles Metropolitan Transportation Authority (LA Metro) – The Commission found this project to be eligible in July 2008

In addition, the Commission is currently reviewing an application from the Metropolitan Transportation Commission (MTC) for the Bay Area Express Lanes Project and plans to consider the application at the Commission's October 2011 meeting.

The RCTC project proposes to add two Tolled Express Lanes and one General Purpose Lane in each direction from SR 60 to SR 74. The project also proposes to add one High Occupancy Vehicle (HOV) Lane in each direction from SR 74 to the I-15/I-215 Interchange. Currently in the environmental phase, the project is scheduled to complete this phase in 2014 and start construction in 2016. As the project covers a corridor length of approximately 44 miles, construction will be segmented into several contracts, with completion of the final contract scheduled for 2020.

In July 2009, RCTC entered into an agreement with the Federal Highway Administration making the I-15 Corridor Improvement Project part of the Value Pricing Pilot Program. This agreement provided the federal authority to operate two HOT lanes in each direction within the I-15 Corridor.

Due to the continuing economic downturn and the constrained project funding environment, RCTC updated its I-15 toll feasibility assessment from 2006-07. The initial results of this update were completed in the winter of 2010 with mixed results. RCTC is continuing to move forward with environmental studies and preliminary engineering for the entire project, unchanged since this work started in 2008. Due to the more financially challenging economic and funding environment, RCTC is analyzing project phasing opportunities with its engineering, traffic and revenue, and financial advisors to identify the initial project segment for construction.

The LA Metro project proposes to convert existing HOV lanes on I-110, I-10 and I-210 to HOT lanes that facilitate greater throughput of rapid buses, vanpools, and HOVs with three or more passengers. Subsequent to the Commission's finding of eligibility, LA Metro obtained legislative approval of the project under SB 1422 (Chapter 547, Statutes of 2008). SB 1422 imposed additional requirements on the Express-

In addition, the Commission is currently reviewing an application from the Metropolitan Transportation Commission for the Bay Area Express Lanes Project.

Lanes Project, including the development of a public outreach and communications plan; an assessment of the impact to low income commuters; and a performance monitoring report from Caltrans and LA Metro at the completion of the demonstration period.

During 2009-10, LA Metro adopted a toll policy and established toll rates after receiving public input from six public hearings. The performance measurements required by the United States' Department of Transportation were finalized in January 2010. The Low Income Commuter Assessment was completed in March 2010, and as a result, the LA Metro Board established an ExpressLanes Toll Credit Program. At its April 2010 meeting, the Commission authorized this project for design-build procurement under the Design-Build Demonstration Program. The Final EIR/Finding of No Significant Impact for the I-10 and I-110 ExpressLanes were approved in April 2010. The related CEQA documents were approved in June 2010. Preliminary engineering was completed in June 2010 as well.

From a legislative perspective, a technical corrections bill, AB 1381 (Chapter 289, Statutes of 2009) requires that LA Metro implement the ExpressLanes Project in cooperation with the California Highway Patrol and Caltrans. Furthermore, AB 1224 (Chapter 441, Statutes of 2010) extends the authorization for the demonstration program until January 15, 2015 for the ExpressLanes Project. This extension is necessary to allow for the completion of roadway improvements prior to commencing the federal demonstration project and to ensure a fair evaluation of the impacts of congestion pricing.

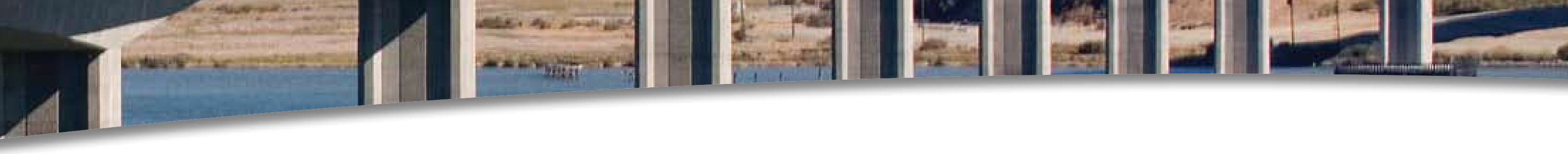
The ExpressLanes Project is currently in the construction phase for the I-10 and I-110 corridors, with anticipated completion of both corridors in 2013.

SEISMIC SAFETY RETROFIT PROGRAM

California has more than 12,000 bridges on its state highway system and an additional 11,500 bridges on its local streets and roads network. Following the 1989 Loma Prieta earthquake, emergency legislation SB 36X (Chapter 18X, Statutes of 1989) established the Seismic Safety Retrofit Program (SSRP). The SSRP consists of two components, a state highway system component where Caltrans is the seismic retrofit project delivery agent, and a local streets and roads component where local agencies or state agencies other than Caltrans are the seismic retrofit project delivery agent.

The state highway system component is further subdivided into three seismic retrofit subprograms:

- Phase 1 Seismic Program - initiated after the 1989 Loma Prieta earthquake. Under the Phase 1 Program 1,039 seismically vulnerable bridges were successfully retrofitted at a cost of $1.1 billion.
- Phase 2 Seismic Program - initiated after the 1994 Northridge earthquake. Under the Phase 2 Program 1,151 bridges are seismically retrofitted and now only four bridges remain under construction with the achievement of construction award of the Schuler Heim Bridge on June 30, 2011. The four remaining Phase 2 bridges are expected to complete construction in late 2013 or early 2014. A total of $1.324 billion of the $1.35 billion available for Phase 2 bridges from Proposition 192 (Seismic Retrofit Bond Act of 1996) funds has been committed to the Phase 2 bridges leaving an unallocated $26 million Proposition 192 reserve to cover any supplemental fund requests and arbitration settlements on completed bridges. An additional $485.5 million in SHOPP funds was allocated to the Phase 2 bridges, where it was determined that it is more cost effective to replace the bridge than to retrofit it. In total $1.8 billion has been allocated to the Phase 2 bridges through June 30, 2011.



- Toll Bridge Seismic Retrofit Program (TBSRP) - initiated after the 1989 Loma Prieta earthquake with seven bridges. Two additional bridges, the Antioch and Dumbarton, were added to the TBSRP by AB 1175 (Chapter 515, Statutes of 2009) bringing the total number of bridges in the program to nine - six bridges were successfully seismically retrofitted and three bridges remain under construction.

The current estimate to seismically retrofit the state highway bridges is $12.1 billion: $1.1 billion spent on the Phase 1 bridges, $1.8 billion allocated to the Phase 2 bridges and $9.1 billion required for the TBSRP bridges. An additional $2.1 billion is required to seismically retrofit the 1,242 local street and road bridges identified as needing seismic retrofit following the 1989 Loma Prieta earthquake.

The goal is to open the new SFOBB East Span Bridge to traffic before the end of 2013.

Toll Bridge Seismic Retrofit Program

Significant progress continues to be made on the three remaining TBSRP bridges under construction. On the San Francisco-Oakland Bay Bridge (SFOBB) East Span Project workers successfully hoisted the "world's largest cable saddle" atop the Self-Anchored Suspension (SAS) span's tower. The 450-ton cable saddle is engineered so that the nearly mile-long single cable can pass through the tower twice. Unlike traditional suspension bridges, the cable of the SAS Bridge anchors into the roadway, rather than the ground. Starting at the bridge's eastern end, the cable will travel up and over the double saddle to the western end, than loop back over the tower to anchor into the eastern end again. The structural elements of the tower are now complete with the saddle in place.

In June 2011, the contractor installed the 23rd and 24th steel roadway boxes that further close the gap between the completed skyway bridge and the SAS. The remaining four roadway boxes arrived in the Bay Area in early September 2011 and are scheduled for installation in October 2011. In a sign of further progress, orange catwalks have been erected from atop the tower to the bridge deck to help workers install the main bridge cable safely.

The goal is to open the new SFOBB East Span Bridge to traffic as soon as possible. To this end, the Toll Bridge Program Oversight Committee is working towards a "seismic safety opening" of the bridge before the end of 2013 with contract incentives and disincentives and selective acceleration of critical path activities. One acceleration activity is the realignment and widening of the eastern end of the existing bridge in Oakland to allow for both eastbound and westbound directions of the new bridge to open to traffic when the SAS is ready. The eastbound realignment opened over Memorial Day weekend 2011, without significantly affecting traffic. The westbound realignment is scheduled to open in early 2012.

Seismic retrofit work on the Dumbarton and Antioch bridges is also ongoing. On the Antioch Bridge, new seismic isolation bearings are now being installed to give

Estimated Costs to Retrofit Toll Bridges (dollars in millions)

Bridge	Seismic Safety Status	Cost
Benicia-Martinez	Completed	$177.83
Carquinez (eastbound*)	Completed	$114.13
Richmond-San Rafael	Completed	$914.00
San Diego-Coronado	Completed	$103.52
San Mateo-Hayward	Completed	$163.51
Vincent Thomas	Completed	$58.51
San Francisco-Oakland Bay Bridge		
West Span	Completed	$307.90
West Span Approach	Completed	$429.00
East Span Replacement	Construction	$5,516.60
Subtotal		**$7,785.00**
Program Contingency		$900.00
Total AB 144/SB 66 Estimate		**$8,685.00**
Antioch	Construction	$101.00
Dumbarton	Construction	$267.00
Total AB 1175 Estimate		**$368.00**
Grand Total		**$9,053.00**

the bridge more flexibility during an earthquake and new steel cross bracing is being fabricated and installed. The current construction completion forecast for the Antioch Bridge is May 2012. On the Dumbarton Bridge, 48-inch diameter steel piles are being driven into the ground along the eastern approach to the bridge. The current construction completion forecast for the Dumbarton Bridge is September 2013.

Local Bridge Seismic Retrofit Program

Subsequent to the 1989 Loma Prieta earthquake, 1,242 publicly owned bridges on the local streets and roads network were identified as needing seismic evaluation. As of June 30, 2011, of the 1,242 local bridges 14 are in the retrofit strategy development stage, 170 are in the design stage, 239 are under construction, and 819 are either completed or were judged not to require seismic retrofitting. The total cost of the local bridge seismic retrofit program is roughly estimated at $2.068 billion. Approximately $976 million has been spent or obligated for the local bridges as of June 30, 2011, leaving an estimated $1.1 billion need to complete the remainder of the local bridge retrofit work. Because 184 of the 1,242 bridges are still in the strategy development or design stage, the $1.1 billion estimate is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, right-of-way clearances, and to administer the construction contract.

With the passage of Proposition 1B (Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006), a $125 million LBSRA was created. Funds from the LBSRA provide the 11.5 percent local match for the federal HBP funds used to retrofit the local bridges. Additional details on the LBSRA are available under the Proposition 1B discussion of this Annual Report.

STATE RAIL PROGRAM

STATE-SUPPORT INTERCITY PASSENGER RAIL SERVICE

State-supported intercity passenger rail service operates in three corridors:

- Capitol (Auburn-Sacramento-Oakland-San Jose)
- Pacific Surfliner (San Luis Obispo-Los Angeles-San Diego)
- San Joaquin (Bay Area/Sacramento-Fresno-Bakersfield, via bus to Los Angeles)

The Capitol Corridor Joint Powers Authority (CCJPA) plans and administers the Capitol Corridor, while Caltrans plans and administers state funding for the Pacific Surfliner and San Joaquin services. Caltrans is responsible for developing annual state budget requests for all three services. The National Passenger Rail Corporation (Amtrak) operates the services under contract with Caltrans and the CCJPA. Under the Federal 1970 Rail Passenger Service Act (49 USC 24102), only Amtrak has statutory rights to access privately owned railroads at incremental cost for intercity passenger rail service.

Operating subsidies for the intercity rail services have been fairly stable over the last six years. In 2010-11, the subsidy increased from $90.3 million to $116.6 million to accommodate the decline in revenues due to the economic recession and the jump in fuel costs in 2010-11. Amtrak continues to provide about $11 million annually from federal funds to operate the 30 percent of Pacific Surfliner service that is not state-supported.

Intercity rail corridors in the state are some of the most heavily traveled intercity rail routes in the country. The Pacific Surfliner Corridor is the second most heavily traveled intercity rail corridor in the country, only surpassed by the Washington-Boston Metroliner Corridor. The Capitol Corridor and the San Joaquin Corridor rank number three and six respectively. Similar to other transportation modes, the intercity capital rail program has suffered from unreliable infrastructure funding that now threatens its ability to meet the increased passenger demand generated by higher gasoline prices and a depressed economy. While intercity rail operations can be considered more stable, the same cannot be said for infrastructure funding. The uncertainty of reliable funding makes it difficult for Caltrans to develop long-range service plans that are dependent upon new equipment and capital projects.

Overall, intercity ridership was relatively flat for 2008-09 and 2009-10 but increased over six percent in 2010-11. Revenues increased on the overall state system from $106.2 million in 2009-10 to $118.1 million in 2010-11. This is an increase of 11.2 percent. The On Time Performance (OTP), a measure of the train's reliability in maintaining its schedule, for the three corridors increased from 86.6 percent to 88.2 percent over the last three fiscal years. Between 2008-09 and 2009-10 the OTP increased by only 0.3 percentage points but the OTP increased a significant 1.3 percentage points between 2009-10 and 2010-11.

In 2010-11, seven intercity rail projects programmed in the STIP received allocations totaling $33.2 million, including $3.397 million for the Del Mar Bluffs Stabilization; $3.53 million for the Roseville Third Track; $10.44 million for the Sacramento Valley Depot Retrofit; $1.248 million for the Encinitas Pedestrian Crossing; $2 million for the Altamont Commuter Express Corridor Signal Upgrade; $4.2 million for the San Onofre to Pulgas Doubletrack; and $8.4 million for the Stockton to Escalon Double-track Phase I.

IMPLEMENTATION OF THE SAFE, RELIABLE HIGH-SPEED PASSENGER TRAIN BOND ACT OF THE 21st CENTURY

In November 2008, the voters passed The Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century (Proposition 1A), a rail bond for $9.95 billion. Proposition 1A, sets aside $9 billion to initiate construction of a high-speed train system under the administration of the California High-Speed Rail Authority (HSRA). The Commission is responsible for programming and allocating the remaining $950 million to eligible recipients for capital improvements to intercity and commuter rail lines and urban rail systems. Eligible recipients can use the funding for capital improvements that:

- Provide or improve connectivity to the high-speed train system and its facilities, or
- Are part of the construction of the high-speed train system, or
- Provide capacity enhancements and safety improvements, or
- Provide for the rehabilitation or modernization of, or safety improvements to, tracks utilized for passenger rail service, signals, structures, facilities, and rolling stock

The Commission is responsible for programming and allocating the remaining $950 million to eligible recipients for capital improvements to intercity and commuter rail lines and urban rail systems.

During 2010-11, the Commission allocated $78.19 million in Proposition 1A funds for PTC projects.

Under Proposition 1A, the Commission is responsible for developing guidelines in consultation with the HSRA to implement the program. In 2009, the Commission deemed it prudent to delay developing the guidelines and adopting a program of projects until the Federal Recovery Act grant process was complete and the projects receiving federal grants were known. In addition to consulting with the HSRA, the Commission also sought input from the eligible commuter and urban rail agencies and Caltrans. Starting in January 2010, the Commission convened three conference calls with eligible agencies and held two hearings in order to provide the eligible agencies, as well as the HSRA and Caltrans, an opportunity for comment and help direct the development of the guidelines.

The Commission developed guidelines for submitting programming requests by eligible commuter and urban operators and Caltrans. The Commission included in the guidelines its expectations on eligible projects, program amendments and allocation requests. State administrative costs were limited to two percent by the Commission. The Commission deducted the two percent from the $950 million, prior to establishing the amounts available for programming.

The guidelines list each eligible agency's net share available for programming. Under the provisions of Proposition 1A, specified commuter and urban rail agencies are eligible for 80 percent of the $950 million. Caltrans is the eligible agency for the remaining 20 percent for projects on the Capitol, Pacific Surfliner, and San Joaquin rail corridors. Under Proposition 1A, each intercity rail corridor has one-fourth of revenues available for programming and the remaining one-fourth is available for programming on a competitive basis in all three corridors.

The Commission adopted its Proposition 1A High-Speed Passenger Train Bond guidelines at its February 2010 meeting. Then, on May 19, 2010, the Commission adopted a three-year program (2010-11 through 2012-13), totaling about $500 million, based on priorities identified by eligible agencies. The Commission intended to amend the program in 2011 to allow the programming of the remaining Proposition 1A funds.

The Commission was unable to allocate Proposition 1A funds due to the lack of a state budget and bond proceeds. As a result, a number of eligible agencies sought legislation that would permit them to request a LONP for Proposition 1A projects. With Commission approval of a LONP, an eligible agency could begin expending its own funds to complete a project and be reimbursed at a later date, when the bond proceeds become available. On September 23, 2010, Governor Schwarzenegger signed urgency legislation, SB 1371 (Chapter 292, Statutes of 2010), that allowed the Commission to approve LONPs for Proposition 1A projects.

On October 8, 2010, Governor Schwarzenegger vetoed most of the funds appropriated for high-speed rail projects: "While I am sustaining $38,500,000 to fund the implementation of positive train control safety projects in various local rail corridors, I am reducing this item by $107,626,000. These funds are available from Proposition 1A bond proceeds for the purpose of enhancing local transit lines as feeder routes to the high-speed rail system. The High-Speed Rail Authority, the Department of Transportation, and local jurisdictions should work together to develop a statewide strategy and an associated list of projects that will best accomplish the goal of moving passengers between destinations around the state in the quickest, most efficient and cost effective way, by utilizing these funds to advance the construction of facilities for joint use where possible and by providing better connectivity to the future high-speed rail system."

On June 30, 2011, Governor Brown also vetoed funds for projects other than positive train control (PTC) with similar language.

In light of these vetoes, the Commission has chosen to put a hold on the High-Speed Rail program, other than PTC projects, until the HSRA, Caltrans and local agencies develop a state-wide rail plan that includes connectivity to high-speed rail.

During 2010-11, the Commission allocated $78.19 million in Proposition 1A funds for PTC projects. In addition, the Commission approved LONPs for two Proposition 1A PTC projects in 2010-11, representing $67.25 million in bond funding. These were also allocated in January 2011.

AERONAUTICS PROGRAM

Under Section 14506.5 of the California Government Code, the Commission appoints a Technical Advisory Committee on Aeronautics (TACA) to give technical advice on the full range of aviation issues considered by the Commission. During 2010-11, the Commission received advice from TACA regarding the overall Aeronautics Program, the matching ratios for specific grant programs, and pending state and federal legislation.

The policy element of the California Aviation System Plan provides guidance in preparing the Aeronautics Program, a fiscally constrained three-year program of projects, which comes from a ten-year unconstrained Capital Improvement Plan (CIP). The Aeronautics Account, which receives revenues from state general aviation fuel and jet fuel taxes, combined with local funds, is used to match Federal Airport Improvement Program (AIP) grants to fund capital outlay projects at public-use airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual credit grant program, which provides $10,000 to each publicly owned, public use general aviation airport. Aeronautics Account revenues must first fund Caltrans aeronautics operations and the annual credit grant program. Remaining funds are available for the projects in the Aeronautics Program as adopted by the Commission.

Revenue sources for the Aeronautics Account include an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier, military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel. The annual revenue transferred by the State Controller's Office (SCO) into the Aeronautics Account has steadily declined. From a high of $8.36 million in 1999-00, this year the SCO reported a transfer of only $5.2 million. In the past, increased general aviation jet fuel sales

have helped slow the decline in revenues, but the downward trend will continue in the Aeronautics Account until another funding source is established.

The annual revenue transferred by the State Controller's Office into the Aeronautics Account has steadily declined from a high of $8.36 million in 1999-00 to only $5.2 million in 2010-11.

California's general aviation system is deteriorating under current funding conditions. Aviation and related activities represent nine percent of California's gross domestic product. General aviation typically receives about $8 million annually from excise taxes on general aviation gasoline and jet fuel, while the bulk of the approximately $150 million in annual excise taxes goes to the General Fund. Of the $8 million from excise taxes, about $4 million is available for capital projects. The Aeronautics Account does not provide an adequate, reliable and dedicated funding source for important safety, security, capacity, airport land use compatibility, and other related airport projects.

Furthermore, the existing Aeronautics Account must be protected from transfers. For 2010-11, $4 million was transferred to the General Fund. That same budget action also suspended the provisions for funding existing programs until January 1, 2011. This action severely hampers general aviation's activities, its ability to match federal funds, and to provide needed capital improvements and should not be repeated. The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. California could make significant progress in implementing state priorities for increasing airport capacity and safety, security, enhancing air passenger mobility, improving air cargo efficiency, mitigating the impacts of airport operations on local communities, and mitigating the impacts of land use encroachment on airport operations. The Commission supports redirecting a larger portion of the existing aviation user fee revenues to the underfunded state aviation programs. These tax revenues are a "user fee" paid by the aviation industry. The Commission also supports legislation that protects the Aeronautics Account from transfers of those revenues to the General Fund for non-aviation uses, as well as reimbursement provisions with interest for the $4 million diverted in 2009-10.

Vision 100, Century of Flight Authorization Act of 2003

Vision 100, which lapsed September 2007, provides funding for the AIP. This year Congress attempted to pass a re-authorization bill, but was unable to agree on long-term federal aviation policies and programs. There have been 22 continuing resolutions since 2007, the most current set to expire in January 2012.

The Commission approved guiding principles for re-authorization as recommended by TACA. These include:

- A multi-year re-authorization of the aeronautics appropriations and programs

- Increased funding for specific programs and capital improvements such as funding for Essential Air Service; Small Community Air Service Development; Contract Tower Programs; for non-commercial service airports; the environmental initiative Voluntary Airport Low Emission program; and for runway safety area improvements

- NexGen Air Transportation System implementation

- Increased funding through increases to passenger facility charges

- New fire fighting standards should be vetted by the Federal Aviation Administration Aviation Rulemaking Advisory Committee process

PROPOSITION 116 PROGRAM

Proposition 116 enacted the Clean Air and Transportation Improvement Act of 1990, designating $1.99 billion for specific projects, purposes and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized $1.852 billion for the preservation, acquisition, construction, or improvement of rail rights-of-way, rail terminals and stations, rolling stock acquisition, grade separations, rail maintenance facilities and other capital expenditures for rail purposes; $73 million for 28 nonurban counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation; $20 million for a competitive bicycle program for capital outlay for bicycle improvement projects that improve safety and convenience for bicycle commuters; and $30 million to a water-borne ferry program ($20 million competitive and $10 million to the City of Vallejo) for the construction, improvement, acquisition, and other capital expenditures associated with water-borne ferry operations for the transportation of passengers or vehicles, or both.

The funds authorized under Proposition 116 are made available under a two-step process that is analogous to the process used for STIP funding. First, the Commission programs the funds for projects eligible under the original authorization, which it does by approving project applications that define a project's scope, schedule, and funding. Then the Commission allocates the funds when the project is ready to proceed.

2010-11 Commission Activity

In 2010-11, the Commission programmed $10.2 million for the Santa Cruz Branch Line acquisition project from the $10.5 million of Proposition 116 funds not yet programmed. As of June 30, 2011, only about $350,000 remained to be programmed, mainly savings on completed projects.

Status of Individual Authorizations

In 2010-11, the Commission allocated approximately $10.2 million from Proposition 116 funds, leaving just over $3.8 million available for future allocations, most of it for the State Museum of Railroad Technology. The following table reflects remaining balances.

Proposition 116 Authorizations With Unallocated Amounts

County	Agency, Project	PUC Section	Authorization	Balance Unallocated
El Dorado	Lake Tahoe, Intermodal Station	99647	$7,000,000	$9,206
Humboldt/Mendocino	North Coast Railroad Authority	99625/26	$10,000,000	$72,285
Los Angeles	Caltrans, Alameda Corridor	99624	$80,000,000	$17,437
Los Angeles	Los Angeles County MTA, rail	99630	$229,000,000	$62,083
Nonurban Counties	Counties, transit capital	99628	$73,000,000	$11,780
Sacramento	Sac. Regional Transit, rail	99643	$100,000,000	$4,931
San Diego	MTDB/NCTD, rail	99642	$77,000,000	$60
San Joaquin	SJCOG, Altamont Corridor	99644	$14,000,000	$65,130
San Joaquin	Caltrans, San Joaquin Corridor	99622(a)	$140,000,000	$352
Sacramento	State Parks, Rail Museum	99648	$5,000,000	$3,454,600
Statewide	Competitive, water-borne ferry	99651	$20,000,000	$29,350
Statewide	Caltrans, rail cars, locomotives	99649	$100,000,000	$85,913
Total				**$3,813,127**

After July 1, 2010, under the terms of Proposition 116, the Legislature may re-allocate any unencumbered Proposition 116 funds to another passenger rail project anywhere in the state. Any legislative re-allocation must be passed by a two-thirds vote in each house of the Legislature. In the case of Caltrans, the re-allocation must be to a state-sponsored passenger rail project.

ELDERLY AND DISABLED SPECIALIZED TRANSIT PROGRAM

In 1975, Congress established the Transportation for Elderly Persons and Persons with Disabilities Program (Section 5310) to provide financial assistance for nonprofit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled individuals for whom mass transportation services are unavailable, insufficient, or inappropriate. Congress later extended program eligibility to public bodies that certify to the Governor that no nonprofit organizations are readily available in their area to provide the specialized service. The program's implementing legislation designated the Governor of each state as the program administrator. In California, Caltrans was delegated this authority and has administered this federal program since its inception.

In 1996, state legislation (AB 772, Chapter 669) assigned the Commission a role in the program. It mandated that the Commission direct the allocation of program funds, establish an appeals process, and to hold at least one public hearing prior to approving each annual program project list. To implement this mandate, the Commission developed an annual program review and approval process in cooperation with RTPAs, state and local social service agencies, the California Association for Coordinated Transportation, and Caltrans.

The adopted process calls for RTPAs to score applications based on objective criteria adopted by the Commission. A State Review Committee then reviews the RTPA scoring using the same criteria. The State Review Committee consists of representatives from Caltrans, the departments of Aging, Rehabilitation, and Developmental Services, with Commission staff acting as facilitator. When the State Review Committee has completed its review and creates a statewide priority list, Commission staff and the committee hold a staff-level conference with project applicants and regional agencies to hear any appeals based on technical issues related to scoring. After the staff-level conference and a public hearing, the Commission adopts the annual program project list. All projects receive 88.53 percent federal funding and require an 11.47 percent local match.

The federal fiscal year 2010-11 FTA Section 5310 Program Statewide Prioritized Project list was adopted by the Commission at its September 15, 2011 meeting, so it will be reported as an accomplishment in the 2011-12 annual report.

ENVIRONMENTAL ENHANCEMENT AND MITIGATION PROGRAM

The Environmental Enhancement and Mitigation (EE&M) Program was established by the Legislature in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects, and funding is ordinarily provided by a $10 million annual transfer to the EE&M Fund from the SHA. EE&M Program projects must fall within any one of three categories: highway landscape and urban forestry; resource lands; and roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the CEQA.

Section 164.56 of the Streets and Highways Code mandates that the Resources Agency evaluate projects submitted for the program and that the Commission award grants to fund projects recommended by the Resources Agency. Any local, state, or federal agency or nonprofit entity may apply for and receive grants. The agency or entity need not be a transportation- or highway-related organization, but it must be able to demonstrate adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency. The Resources Agency has adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In accordance with the provisions of Section 187 and 188 of the Streets and Highways Code, an attempt will be made to allocate 40 percent of the total amount recommended to projects in northern counties and 60 percent of the total amount to projects in southern counties.

In 2010-11, the Resources Agency evaluated 65 applications and recommended funding 35 projects for the EE&M Program. The Resources Agency recommended funding 16 projects in the north for $4.7 million, and 19 projects in the south for $5.3 million, for a 2010-11 EE&M Program total of $10 million.

From the $10 million 2010-11 EE&M Program, the Commission has allocated $9.755 million to 34 of the 35 approved projects, including 13 highway landscape and urban forestry projects; 13 resource land projects; and eight roadside recreation projects. The remaining project is in Santa Clara County and it is a roadside recreation project approved for $245,000 for a future allocation.

To date, a total of 721 projects have been programmed and allocated by the Commission at a total cost of $175.2 million. Of those, there have been 245 highway landscape and urban forestry projects; 260 resource land projects; and 216 roadside recreation projects.

The 2011-12 Budget includes $10 million for the EE&M Program. It is anticipated that the Resources Agency will submit its recommended project list to the Commission in February 2012 for programming and allocation. The Commission will report on the projects funded through the EE&M Program in 2011-12 in its 2012 Annual Report to the Legislature.

Glossary of Acronyms

A&D	Acquisition and Development
AB	Assembly Bill
AIP	Airport Improvement Program
Amtrak	National Passenger Rail Corporation
ARB	Air Resources Board
BRT	Bus Rapid Transit
CAAP	California Aid to Airports Program
Caltrans	California Department of Transportation
CCJPA	Capitol Corridor Joint Powers Authority
CEQA	California Environmental Quality Act
CIP	Capital Improvement Plan
CMAQ	Congestion Mitigation and Air Quality
CMIA	Corridor Mobility Improvement Account
Commission	California Transportation Commission
EE&M	Environmental Enhancement and Mitigation
EIR	Environmental Impact Report
FE	Fund Estimate
Fre	Fresno
FTA	Federal Transit Administration
GARVEE	Grant Anticipation Revenue
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HBP	Highway Bridge Program
HOT	High Occupancy Toll
HOV	High Occupancy Vehicle
HRCSA	Highway-Railroad Crossing Safety Account
HSRA	High-Speed Rail Authority
HTF	Highway Trust Fund
LA	Los Angeles
LAO	Legislative Analyst's Office
LBSRA	Local Bridge Seismic Retrofit Account
LBSRP	Local Bridge Seismic Retrofit Program
LONP	Letter of No Prejudice
Mad	Madera
MPO	Metropolitan Planning Organization
MTC	Metropolitan Transportation Commission

NOP	Notice of Preparation
OA	Obligation Authority
OTP	On Time Performance
P3	Public Private Partnership
PECG	Professional Engineers in California Government
PTA	Public Transportation Account
PTC	Possible Train Control
PTMISEA	Public Transportation Modernization, Improvement and Service Enhancement Account
PUC	Public Utilities Commission
RCTC	Riverside County Transportation Commission
Riv	Riverside
RSTP	Regional Surface Transportation Program
RTIP	Regional Transportation Improvement Program
RTP	Regional Transportation Plan
RTPA	Regional Transportation Planning Agency
SAFETEA-LU	Safe, Accountable, Flexible Efficient Transportation Equity Act: A Legacy for Users
SB	Senate Bill
SANDAG	San Diego Association of Governments
SAS	Self-Anchored Suspension
SBd	San Bernardino
SCS	Sustainable Communities Strategies
SCO	State Controller's Office
SD	San Diego
SFCTA	San Francisco County Transportation Authority
SFOBB	San Francisco-Oakland Bay Bridge
SHA	State Highway Account
SHOPP	State Highway Operation and Protection Program
SLPP	State-Local Partnership Program
SM	San Mateo
SR	State Route
SSRP	Seismic Safety Retrofit Program
STIP	State Transportation Improvement Program
TACA	Technical Advisory Committee on Aeronautics
TBSRP	Toll Bridge Seismic Retrofit Program
TCIF	Trade Corridors Improvement Fund
TCRF	Traffic Congestion Relief Fund
TCRP	Traffic Congestion Relief Program
TE	Transportation Enhancement
TFA	Transportation Facilities Account
TIF	Transportation Investment Fund
TLSP	Traffic Light Synchronization Program
VMT	Vehicle Miles Traveled

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CALIFORNIA
TRANSPORTATION
COMMISSION

California Transportation Commission

1120 N Street, MS-52
Sacramento, California 95814
Tel: 916.654.4245
Fax: 916.653.2134
www.catc.ca.gov