



**California  
Transportation  
Commission**

**2000 ANNUAL REPORT  
TO  
CALIFORNIA LEGISLATURE**

**Volume I**

**Issues for 2001**



Pursuant to Government Code Sections 14535-14536

Adopted December 5, 2000

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**CALIFORNIA TRANSPORTATION COMMISSION**

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**STATUTORY REQUIREMENT  
FOR  
ANNUAL REPORT TO THE LEGISLATURE**

(GOVERNMENT CODE)

CHAPTER 3. ANNUAL REPORT

**Commission's Annual Report**

*Amended: Statutes of 1984, Chapter 95 (SB 283)*

14535. The commission shall adopt and submit to the Legislature, by December 15 of each year, an annual report summarizing the commission's prior-year decisions in allocating transportation capital outlay appropriations, and identifying timely and relevant transportation issues facing the State of California.

**Contents of Annual Report**

*Amended: Statutes of 1997, Chapter 622 (SB 45)*

14536. (a) The annual report shall 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.

(b) 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.

**CALIFORNIA TRANSPORTATION COMMISSION**  
**2000 ANNUAL REPORT TO CALIFORNIA LEGISLATURE**

**CONTENTS**

**VOLUME I – ISSUES FOR 2001**

- A. Traffic Congestion Relief Program
- B. Project Delivery
- C. Environmental Streamlining
- D. Trade and Commerce
- E. Intercity Rail: Conventional, High-Speed and Ultra High-Speed
- F. Expanded Use of High-Occupancy Vehicle Lanes

**VOLUME II – 2000 ACTIVITY AND ACCOMPLISHMENTS**

- A. Traffic Congestion Relief Program
- B. Legislation: Overview of 1999-2000 Session
- C. 2000 State Transportation Improvement Program (STIP) Development
- D. 2000 Report on County and Interregional Shares
- E. State Highway Operations Protection Program (SHOPP) Issues
- F. Fiscal Year 1999-00 Delivery
- G. Local Program Delivery - 1st Annual Report
- H. Rural Counties Annual Report
- I. Innovative Financing: AB 1012 Loan Program, GARVEE Bonds, and TIFIA
- J. Guidelines for Local Funding of STIP Projects - AB 872
- K. Native American Workshops & Issues
- L. Seismic Safety Retrofit Program Annual Report/Status of Proposition 192
- M. Federal Transportation Enhancement Activities (TEA) Program
- N. FY 2000-01 Environmental Enhancement and Mitigation (EEM) Program
- O. Retrofit Soundwall Program
- P. Proposition 116 - Program Implementation
- Q. Historic Houses in the Route 710 Freeway Right-of-Way in Los Angeles
- R. FFY 2000-2001 Elderly and Disabled Persons Transit Program
- S. Aeronautics Issues
- T. Intercity Rail Issues
- U. California's Comments on Federal Planning, Environment, and ITS Regulations



## California Transportation Commission

### 2000 Annual Report to the Legislature

#### Executive Summary

The two prevailing themes in the Commission's recent Annual Reports to the Legislature are **funding** and **delivery**. The Commission has reported on the under-investment in California's transportation systems, dating back to the early 1970's, even with periodic increases during the intervening years. The Commission has also reported on the difficulties faced by local and regional agencies, as well as Caltrans, in using all available funds in a timely fashion.

A major legislative accomplishment in the year just ended, passage of the Traffic Congestion Relief Act of 2000, represents a substantial contribution to the first of these dual dilemmas--funding--providing over \$1.1 billion in each of the next six years from funds that heretofore would have gone to the State's General Fund. This represents increased revenue equivalent to nearly an eight cent increase in fuel taxes. While this will not erase all the effects of three decades of under-investment, it represents a major quantum step in increased funding for transportation. As for the second theme--accelerated delivery--the year just ended also brought renewed efforts by local and regional agencies and by Caltrans, to put all available funds to work in a more timely fashion.

The Commission's 2000 Report to the California Legislature examines the Traffic Congestion Relief Program, both its promise and some of its challenges for the coming year 2001. The Commission also continues to focus on project delivery and the need to put available funds to work in a more timely way. This year, the Annual Report examines in depth the need and the opportunity for environmental streamlining as a key component in improved project delivery. Other central transportation issues examined by the Commission as key for 2001 include: trade and commerce, intercity passenger rail, and expanded use of high-occupancy vehicle lanes. Summaries of the six major topics for 2001 follow:

**Traffic Congestion Relief Program (Section I-A)** - In 2000, the Davis Administration initiated proposals to help relieve traffic congestion, resulting in the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). That Act provides, over the next six years, \$6.8 billion in new transportation funding derived from state sales tax on gasoline and diesel fuel. The Act directs \$4.9 billion, in specified amounts, to 141 designated transportation projects. It also directs \$0.4 billion to the repair of local streets and roads for FY 2000-01. The remaining \$1.5 billion is divided 40%-40%-20% among the State Transportation Improvement Program (STIP), local street and road maintenance and rehabilitation, and the Public Transportation Account. The TCR Act also allows local agencies to exchange federal funds for State funds; and it extends the STIP from four to five years. During 2000, the Commission adopted guidelines for the TCR program, including streamlined procedures to speed up project delivery and funding. The Commission also approved partial or complete applications for one-third of the projects specified in the Act,

totaling \$565.8 million, with \$298.8 million of those funds allocated to get project work underway. In October, the State Controller sent the initial \$400 million to cities and counties for local street and road maintenance. In 2001, the Commission will face a number of TCR Program issues, including: consideration of alternate projects; proposed shifting of funds from one TCR project to another; frontloading TCR funds on projects that would not otherwise be fundable for some time to come; treatment of project cost overruns; and use of TCR Program savings.

**Project Delivery (Section I-B)** - Persistently high balances in the State Highway Account over the last four years, indicates that the system and resources for readying transportation projects for construction are as great an impediment to transportation investment as in sufficient funding. Caltrans ramped up its overall delivery from under \$1.5 billion in FY 1996-97 to over \$2.8 billion in FY 1999-00; local agencies turned their use of Obligation Authority (OA) around by obligating over \$1.2 billion during Federal FY 2000 or 154% of their fair share of OA. This, however, has not yet been enough to result in a decline in the high State Highway Account cash balance. A record level of STIP project rescheduling occurred. Although many SHOPP and STIP projects were delivered early, almost a billion dollars shifted to the outer years of the STIP and more than one third of the delays were two fiscal years or longer. A large majority of the delays were attributed to environmental document process problems. With the passage of Proposition 35 (use of private consultants) at the November 2000 elections, another tool for readying transportation projects for construction is available.

**Environmental Streamlining (Section I-C)** - Despite Caltrans' overall progress in project delivery, some high-profile projects become seriously delayed during environmental studies. All projects must comply with a complex array of federal and state environmental laws and requirements. Some Eastern states have made notable progress in streamlining environmental studies, as has Caltrans, but more needs to be done to effectively deliver today's increased investment in transportation improvements. The current environmental process has become so complex that reform presents a major challenge. The process tends to be adversarial with little incentive for streamlining; resources agencies get involved late, are often unclear about their objectives, and lack resources to perform better. The bureaucratic federal process is particularly slow and difficult. Against this backdrop, the Commission makes 29 recommendations for administrative initiatives to streamline the process, centered around joint planning for transportation and environmental objectives, more intensive management attention, better communication and cooperation, investment to achieve joint objectives, and strategies to improve the federal process.

**Trade and Commerce (Section I-D)** - International trade is the leading growth sector in California's economy. However, the concentration of passenger and freight traffic through California's international border crossings, commercial airports and seaports is straining current transportation infrastructure and is a major constraint on future international trade and domestic commerce. To capture the economic opportunities that international trade offers Californians, state and local governments must improve goods movement infrastructure to meet demands. Completing the Alameda Corridor, implementing major improvements on the I-710 Freeway accessing the Ports of Los Angeles and Long Beach and maximizing the efficiency of the operation of these ports, and funding improvements along the rail corridors east of downtown Los Angeles are all critical investments. Further, California's ability to capitalize on the growth

in international trade is constrained by inadequate capacity and crippling ground access congestion at our major commercial airports. Los Angeles International Airport (LAX) is updating its Master Plan and may require over \$2 billion for ground access improvements. In 2000, the Legislature took a key step toward addressing these needs in Senate Concurrent Resolution 96, which calls for developing by July 2001 a "Global Gateways Development Program," identifying high-priority airport and seaport access projects and intrastate transportation projects to facilitate movement of intrastate, interstate, and international trade beneficial to the State's economy.

**Intercity Passenger Rail: Conventional, High-Speed, and Ultra High-Speed (Section I-E)** -

In 2001, California will face a number of challenges that will influence the direction that California takes regarding conventional, high-speed and ultra high-speed passenger rail. At the federal level, depending on the "lame duck" Congress' action on a proposed \$10 billion bond for intercity rail capital projects, California must either be prepared to provide matching state funds to maximize its share of the \$10 billion or, with other states and Amtrak, renew the call, to the new Congress, for intercity rail capital funding. California also must continue to compete against other states for continued federal funding toward a proposed magnetic levitation system in Southern California. At the State level, Caltrans must assess its needs over the next three STIP cycles to secure matching funds for as much as 30% of the proposed \$10 billion in federal funds. Caltrans must also pursue application for \$197 million in State Traffic Congestion Relief Program funds for intercity rail capital improvements by 2002. Further, following a statutory extension of the charter for the California High-Speed Rail Authority until 2003, the Legislature and Administration must continue to assess the Authority's progress in developing ultra high-speed rail between northern and southern California, leading to a decision on continued funding for this effort. Finally, as part of its next update of the Ten-Year Rail Passenger Program Report, Caltrans must attempt to define levels of intercity passenger rail service necessary to achieve the Report's stated objectives of congestion relief, air quality, and optional mode of travel.

**Expanded Use of High-Occupancy Vehicle Lanes (Section I-F)** -

High-occupancy vehicle (HOV) lanes are one of the primary tools for reducing traffic congestion on State highways, improving air quality, and increasing throughput of people and goods. Time-savings resulting from the use of HOV lanes theoretically reduces total vehicle trips by encouraging ride sharing, thereby relieving congestion and reducing vehicle emissions. The Legislative Analyst's Office studied the effectiveness of HOV lanes in achieving these goals and examined options for better using the capacity provided by HOV lanes. Recommended options for expanding the use of HOV lanes include using access to the less congested HOV lanes as an incentive for driving vehicles with very low emissions thereby increasing the number of clean air cars in the vehicle fleet, and where there is currently unused capacity in HOV lanes, offering motorists the option of paying a toll to drive in a "congestion free" lane. Revenue generated from these tolls can be used to finance additional HOV facilities, transit services, or other transportation projects.

# VOLUME I

## ISSUES FOR 2001

### Table of Contents

	<u>PAGE</u>
I-A. Traffic Congestion Relief Program.....	1
I-B. Project Delivery.....	17
I-C. Environmental Streamlining.....	23
I-D. Trade and Commerce .....	49
I-E. Intercity Rail: Conventional, High-Speed and Ultra High-Speed .....	55
I-F. Expanded Use of High-Occupancy Vehicle Lanes.....	61

# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **A. TRAFFIC CONGESTION RELIEF PROGRAM**

## I. ISSUES FOR 2001

### A. Traffic Congestion Relief Program

*In 2000, the Davis Administration initiated proposals to help relieve traffic congestion, resulting in the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). That Act provides, over the next six years, \$6.8 billion in new transportation funding derived from state sales tax on gasoline and diesel fuel. The Act directs \$4.9 billion, in specified amounts, to 141 designated transportation projects. It also directs \$0.4 billion to the repair of local streets and roads for FY 2000-01. The remaining \$1.5 billion is divided 40%-40%-20% among the State Transportation Improvement Program (STIP), local street and road maintenance and rehabilitation, and the Public Transportation Account. The TCR Act also allows local agencies to exchange federal funds for State funds; and it extends the STIP from four to five years. During 2000, the Commission adopted guidelines for the TCR program, including streamlined procedures to speed up project delivery and funding. The Commission also approved partial or complete applications for one-third of the projects specified in the Act, totaling \$565.8 million, with \$298.8 million of those funds allocated to get project work underway. In October, the State Controller sent the initial \$400 million to cities and counties for local street and road maintenance. In 2001, the Commission will face a number of TCR Program issues, including: consideration of alternate projects; proposed shifting of funds from one TCR project to another; frontloading TCR funds on projects that would not otherwise be fundable for some time to come; treatment of project cost overruns; and use of TCR Program savings.*

Governor Gray Davis, in an April 2000 announcement, reported that the State would enjoy a general budget surplus and proposed that a substantial portion of it be directed to transportation programs. Later in the year, the Legislature enacted, and on July 6, 2000, the Governor signed AB 2928 (Torlakson), followed by clean-up legislation in SB 1662 (Burton), setting up the Traffic Congestion Relief (TCR) Program and providing \$6.8 billion in new funding for transportation. The new funding for transportation included \$1.5 billion in direct general funds from the FY 2000-01 budget surplus, plus about \$5.3 billion over six years from transferring all remaining state sales taxes on gasoline and diesel fuel from the general fund to transportation; thus, bringing substantial new funding to transportation without increasing gas taxes, truck weight fees, or the State's bonded indebtedness.

The identified \$6.8 billion will be funneled from the General Fund to the Transportation Investment Fund (TIF), where in turn \$5.4 billion will be disbursed to the TCR fund for specified projects. Specifically, the TIF Fund provides funds for the following purposes:

1. about \$5 billion, via the TCR Fund, for a new TCR Program to provide specified amounts of funding for 141 designated projects, with agencies identified to carry each one out, intended to relieve congestion, improve commerce, and improve connections among transportation modes,
2. about \$1 billion as increased subventions to counties and cities, for maintenance, rehabilitation, reconstruction, or damage repair on local streets and roads,

3. about \$600 million for the State Transportation Improvement Program (STIP), with the first \$500 million available to be programmed by the California Transportation Commission (Commission) in the 2000 STIP,
4. about \$300 million for the Public Transportation Account, which had been facing a deficit, to provide operating assistance for local transit, funding for the State's intercity rail program, and funding flexibility to the STIP for transit investments, and
5. \$5 million to the High-Speed Rail Authority for environmental studies for a proposed high-speed rail line between Northern and Southern California.

The TCR Program offers several other opportunities:

1. Counties and cities may swap federal local assistance funds to the State for TCR funds, at a 10% discount, based upon federal obligation authority levels, up to as much as \$350 million per year statewide through guidelines approved by the Commission, to free local agencies from federal red tape and concentrate federal funds on larger state projects that will have to deal with federal requirements and red tape anyway.
2. The Commission and Caltrans get an opportunity to streamline program and project delivery requirements, free from statutory constraints for the STIP and its federal funding.
3. State general funds increase flexibility to pursue different kinds of transportation projects, ones not fitting into the traditional highway and rail transit model, unencumbered by the Constitutional restrictions of Article XIX.
4. The STIP is extended from four years to five years to get more projects underway, retaining the current 75% regional/25% state division of programming and interregional program focus for the 25% state share.
5. An agency may apply for an alternative or substitute project in four circumstances: if it faces externally caused delays that it does not expect to be able to avoid; or cannot fund the designated project to completion in a reasonable time; or if the project is not consistent with the Regional Transportation Plan (RTP), and the regional agency will not or cannot include it; or would interfere with completion of projects in the 2000 STIP.

The statute also laid out a process and deadlines for the TCR Program. The process, somewhat more streamlined than the one used for the STIP, includes an application to the Commission to define purpose, scope, cost, financial plan, and schedule for each designated project, a cooperative agreement with Caltrans for reimbursement of project expenditures, and a post-project audit, with the Commission able to advance state funds to the agency doing the project. All agencies face a two-year deadline for project applications to the Commission by July 6, 2002. The applicant must provide documentation from the appropriate regional agency that the applicant's project is consistent with that regional agency's RTP. Regional agencies must sign for any project that has Regional (STIP) funding component to it, while Caltrans must sign for any project that has an Interregional (STIP) funding component to it. The statute gave the Commission until October 6, 2000, (90 days) to adopt guidelines for the TCR Program, and until February 1, 2001, to adopt guidelines to activate the swap of state funds for federal local assistance funds.

The total cost to complete all projects designated in the TCR Program comes to \$18 billion, with \$5 billion coming from TCR Program funds, in fixed amounts for each project. Nearly one-third

of the projects receive full funding from the program, on average two-thirds (and in some cases 90% or more) of the funding for projects must come from other sources. However, the bulk of supplemental funding needed to complete projects affects primary three projects: the Alameda Corridor East freight rail/grade separation project in Southern California, the I-5 widening in Los Angeles County, and the San Francisco Bay Area Rapid Transit (BART) District extension from Fremont to San Jose. Although local sales taxes, other local funds, or private funds may provide funding for some projects, most will have to seek additional funding from the STIP or federal programs.

After the final deadline of July 6, 2002, or anytime the Commission determines an applicant is failing to make progress on project delivery, the Commission can revert unused funds for other TCR Program purposes. The program may also accrue savings from projects completed at lower cost than estimated and will pick up a 10% “discount rate” on the swap of state funds for federal local assistance funds. The statute leaves to the Legislature and Governor the responsibility to determine how those additional funds eventually are used.

### **Program Progress to Date**

The Commission and Caltrans have worked together to get this program off to a flying start. Caltrans and Commission staff drafted program guidelines, and the Commission adopted them on September 28, 2000, including several streamlined procedures to help projects get delivered and funded more quickly and easily. From September through December, the Commission approved 48 project applications for \$566.7 million and allocated \$295.2 million of that to get project work underway. The State Controller has sent the entire \$400 million appropriated this year in AB 2928 for local street and road maintenance funds to cities and counties in October. Section II-A in Volume II of this Annual Report describes the program guidelines and delivery progress in more detail.

### **Upcoming Program Issues**

The project applications presented to the Commission, so far, have been the easy ones: feasibility studies, environmental studies for a larger project yet to come, a remnant of funding for a project already in the STIP or a sales tax program. Commission approval has been straightforward and quick. The one exception has come from a package of seven applications, as required by statute, from the North Coast Railroad Authority, which has numerous accounting, financial, and operating problems over the past decade. The Administration and Legislature recognized that NCRA has a checkered past and performance record. AB 2928 (Torlakson, 2000) specified how the \$60 million could be used and that “no part of the specified amount may be made available to the Authority until it has made a full accounting to the Commission demonstrating that the expenditure of funds provided to the Authority in the Budget Act of 2000 was consistent with the limitations placed on those funds in that Budget Act.”

Even this early, the Commission can see it will have to deal with a number of more difficult issues during the next 18 months. Each new group of projects seems to push issues further into gray areas. For example, the Commission could receive an application to switch funds from one designated project to another one, where the originally designated project would be built with

local funds well before the TCR funds would ever be consumed on the second project. Over the next few months the Commission can foresee much more complex requests; to shift funds and spend them immediately for other designated projects, and to shift funds to other projects not designated in the statute.

The Commission can identify the following potential issues ripe to come forward during 2001:

1. **Alternate Projects:** The statute allows an applicant to seek a different project than the one designated and prescribes four tests, one of which must be met, to determine whether an alternate project would be appropriate. The four tests are:
  - a. if the specified project is delayed by environmental or other factors, external to the control of the applicant, unlikely to be removed within a reasonable time,
  - b. if sufficient matching funds are not available,
  - c. if the specified project is not consistent with the pertinent RTP, or
  - d. if the specified project would jeopardize completion of other projects in the STIP.

The Commission expects to see a number of applications for alternate projects, eventually ones that get into gray areas where the project only vaguely meets one of these criteria.

2. **Swap of Funds Among Projects:** The Commission expects some applicants to propose to shift TCR funds from one project to another within the program. The TCR funds would remain available while the Commission ascertained that the original project got built using other funds. Other cases may not be so clear. Other applicants may propose to switch TCR funds from one project to another and spend the funds immediately with a promise to pay back with other local funds and build the original project later, with the Commission having little leverage over the collateral.
3. **Effects on the STIP:** The TCR Program provides, on average about 33% of the cost for specified projects, although a few are projects fully funded. The bulk of supplemental funding needed to complete projects effects primarily three projects: the Alameda Corridor East freight rail/grade separation project in Southern California, the I-5 widening in Los Angeles County, and the San Francisco Bay Area Rapid Transit (BART) District extension from Fremont to San Jose. These supplemental funds may come from any source but, in fact, much of it will be sought from the STIP. Regional agencies will have to consider prioritizing TCRP projects among other projects of long standing awaiting STIP funds, over the next few STIP cycles. Caltrans will have to do the same for interregional funding.
4. **Frontloading of Funding:** The TCR Program to some extent intends to provide funds to start work now on projects that otherwise would not be fundable for some time into the future. Even so, the Commission needs to insure that once TCR funds are spent to undertake environmental studies and engineering, some assurance remains that the project can subsequently be constructed. The first example is already visible. Caltrans has \$90 million assigned to a very large freeway project in Southern California, for which construction cost might come to \$1 billion, and it proposed to spend \$15 million for environmental studies followed by \$75 million for engineering design, leaving construction funding up in the air.

The regional agency, so far, has indicated no interest in putting regional funds into construction. The Commission approved the \$15 million for environmental studies to see where the project is going but may need to think hard before allowing all the remaining TCR funds to be spent on design, with limited prospects for construction.

5. **Project Cost Overruns:** The statute specifies that the agency building the project is responsible for covering any cost overruns. Most projects will have a mixture of funds, and a commitment to backfill a shortfall resulting from a cost overrun can be built into the other funding shares at the time the Commission approves the project application. A few projects are 100% funded from the TCR Program, with no other source to turn to if a cost overrun arises later.
6. **The Project Application as a Project Study Report:** Existing statutes require project study reports to define scope, cost, and schedule for all projects that go into the STIP. The TCR Program statute does not contain this requirement. The Commission understands the importance of knowing scope, cost, and schedule up front given the cost and delivery difficulties that have plagued the STIP over the past two decades. Even so, in the interest of streamlining, the Commission agreed to allow the five-page project application to serve in lieu of the more detailed project study report. How well this will work remains an open question; the Commission will have to see whether changes in estimated scope, cost, and schedule present the problems in this program that they have in the STIP in the past.
7. **North Coast Railroad Authority (NCRA) Project:** The TCR Program specifies that \$60 million go to repair, rehabilitate, and reopen the NCRA's rail line between Sonoma County and Eureka, to mitigate environmental hazards along this rail corridor and to pay off overdue past debts. The NCRA has been a troubled agency for its entire ten-year existence as discussed almost every year in the Commission's previous Annual Reports. The Legislature recognized these problems and specified, in more detail than usual, in the TCR statute exactly for what the NCRA was to use its \$60 million. NCRA cannot open its rail line for service without these funds. Even with this close scrutiny and its current precarious situation, NCRA has presented the Commission with incomplete and sometimes unfocused applications for the first several phases of funding. Even so, the Commission has approved applications, but has conditioned some of the allocations, pending NCRA providing adequate descriptions of its proposed scope of work of previous and future work, full funding plan, and time frames.
8. **Alameda Corridor East Project:** The TCR Program provides \$273 million for improvements to the Alameda Corridor East extension between Los Angeles, Orange County, and the Inland Empire. The clean-up legislation, SB 1662 (Burton), specified certain constraints on these funds, which make up only a small part of a much larger \$2 billion rail corridor improvement. The comprehensive plan for completing the corridor does not yet exist, and the Legislature wanted safeguards to ensure that agencies ready to do a series of small projects would not consume all the money before the big picture of how to complete the main corridor improvements could be brought into focus. The Commission must await delivery of a corridor plan and then decide how to approve the spending of the TCR funds within the context of the plan, which is likely to take many years and require large commitments from other funding sources.

9. **Low-Emission Vehicles:** The statute provides funds for bus and ferryboat purchases, specifying that low-emission vehicles be bought. The statute, however, does not define "low-emission vehicles." The Commission has already heard about issues relating to technology, relative costs, and the ability of various agencies to operate and maintain exotic-fueled vehicles as part of a larger fleet. California Air Resources Board has suggested that "low-emission vehicles" ought to emit significantly less pollution than what current standards allow; this would take off the table the newest low-emission diesel buses, which might otherwise be favored by transit agencies with the equipment and expertise to put those into service and keep them running easily. The Commission has decided to deal with the issue of low-emission vehicles on a case-by-case basis. The TCR Program guidelines require project applicants to "demonstrate low-emission performance in context with safety, cost effectiveness, and current status of technology," which the Commission expects to rely on when it eventually faces the issue head on, sometime in 2001.
10. **Streamlining as a Model:** The Commission adopted several innovative streamlining procedures in the guidelines for this program. At the time it adopted those guidelines, regional agencies and other interests all expressed enthusiasm and support for these streamlining measures and asked that they be transferred to other programs such as the STIP. The Commission intends this program to be a laboratory to test streamlining ideas with no assurance yet that they will all work smoothly. In addition, existing statutes preclude transferring some of the streamlining done in the TCR Program to the STIP. The Commission will have to decide when streamlined procedures have been proven enough to consider transferring them to other programs, including those cases where it may have to seek legislation.
11. **Use of Program Savings:** Some projects in the TCR Program may end up getting built for less than the original cost estimate leaving some TCR funds unused; this becomes quite likely given that the Commission's guidelines require savings to be divided proportionally among all contributing funding sources. Some TCR Program projects may fail to be implemented, and the Commission may not be able to approve an alternate project, leaving funds unused. In addition, every swap of TCR funds for federal local assistance funds yields a 10% discount rate gain to the State, which will add to the fund. The TCR Program statute implies that the Legislature and Governor define how any additional funds in the program are to be used. The Commission has not yet decided out how and when to notify the Legislature and Governor of savings and trigger reprogramming.

### **Upcoming Activities**

With about 100 project applications still due over the next 18 months, the Commission expects to review a steady flow of 5-10 project applications per month with accompanying allocations as work gets started and progresses. The bulk of TCR Program funds go to construction of larger projects, which will need several years to complete environmental studies and engineering, but the Commission must review environmental documents and expects to approve a series of partial applications covering phases of work for many projects as they move forward.

The Commission plans to review draft guidelines for the swap of state funds for federal local assistance funds (at a 10% discount in favor of the State) at its January 2001 meeting, and expects to adopt those guidelines in February 2001. Following that, the Commission can begin considering applications from regional agencies to swap funds on a project-by-project basis to allow local agencies to expedite projects by avoiding federal requirements; via this swap, the State ends up with additional federal funds instead of State TCR funds, but the State has large projects already qualified for federal funding on which it can use these federal funds with essentially no extra cost or delay.

One issue that must be resolved is whether legislation is needed to permit the federal funds from the swaps to be repaid to the TCR fund account. AB 2928 requires Caltrans to repay the TCR Fund all funds received as federal reimbursements for funds exchanged. Currently, however, it appears no mechanism exists to permit this repayment to occur.

### **The Commission's Annual Progress Report to the Legislature**

The next several pages show a list of all the projects specified in the TCR Program, the funding designated for each, and the status of the project as reported to the Commission by the designated applicant agency as of November 1, 2000. The statutes require the Commission to report annually to the Legislature about progress and issues in the TCR program by February 1 each year. **The Commission intends the discussion of issues above, combined with the status report on projects in the attachment below, to serve as the Commission's first Annual Report on the TCR Program, due by February 1, 2001.**

Volume I-A, TCR Program

<b>Bill Ref # *</b>	<b>Project Description</b>	<b>TCRP Funds</b>	<b>TCRP Application Approval</b>	<b>Project Status</b>
1	Extend BART from Fremont to Downtown San Jose in Alameda and Santa Clara Counties.	\$725,000,000		Application expected 1-01.
2	Acquire rail line & start commuter rail svc btwn Fremont & San Jose in Santa Clara & Alameda Cos. for Fremont-South Bay Commuter Rail.	\$35,000,000		Application expected 6-02.
3	Widen Rte 101 from 4 to 8 lanes south of San Jose, Bernal Road to Burnett Avenue in Santa Clara Co.	\$25,000,000		Application expected 4-01.
4	Add northbound HOV lane on Rte 680 over Sunol Grade, Milpitas to Rte 84 in Santa Clara & Alameda Counties.	\$60,000,000		Application expected 6-02.
5	Add NB lane on Rte 101 to fwy thru San Jose, Route 87 to Trimble Road in Santa Clara Co.	\$5,000,000		Application expected 1-02.
6	Perform major investment study for Rte 262 cross connector freeway from Rte 680 to Rte 880 near Warm Springs in Santa Clara Co.	\$1,000,000		Application expected 1-01.
7	Expand Caltrain service to Gilroy; improve parking, stations, and platforms along UPRR line in Santa Clara County.	\$55,000,000		Application expected 6-02.
8	Reconstruct Coleman Ave Interchange on Rte 880 near San Jose Airport in Santa Clara County.	\$5,000,000		Application expected 1-01.
9	Improve Capitol Corridor btwn Oakland & San Jose & rail stations at Jack London Sq & Emeryville stations in Ala. & SCI Cos.	\$25,000,000	\$600,000	Application approved 11-00. \$600,000 for construction.
10	Procure low-emission Regional Express Buses for new express service on HOV lanes in MTC region.	\$40,000,000		Application expected 6-01.
11	Complete feasibility & financial studies for new San Francisco Bay Southern Crossing in Ala & SF or San Mateo Cos.	\$5,000,000	\$3,200,000	Application approved 9-00. \$3,200,000 for study.
12.1	Complete studies of & fund related improvements for the I-580 Livermore Corridor (Bay Area Transit Connectivity).	\$7,000,000	\$1,200,000	Application approved 11-00. \$1,200,000 for environmental.
12.2	Complete studies of & fund related improvements for the Hercules Rail Sta & related improvements (Bay Area Transit Connectivity).	\$7,000,000		Application received 12-00 for \$3,000,000 for environmental, pending CTC action on 1-01.
12.3	Complete studies of & fund related improvements for the W. CC Co.& Rte 4 Corridors in Ala & CC Cos. (Bay Area Transit Connectivity).	\$3,000,000	\$2,000,000	Application approved 12-00. \$2,000,000 for environmental.
13	Procure rolling stock, add passing tracks, & const.ped. access structure at stations on CalTrain Peninsula Corridor in SF, SM & SCI Cos.	\$127,000,000	\$4,970,000	Application approved 12-00. \$4,970,000 for environmental and design.
14	Extend Caltrain service to Salinas in Monterey County.	\$20,000,000		Application expected 5-01.
15	Add fourth tunnel bore at the Caldecott Tunnel on Rte 24 with additional lanes in Alameda and Contra Costa Counties.	\$20,000,000	\$20,000,000	Application approved 9-00. \$20,000,000 for environmental and design.
16	Widen Rte 4 to 8 lanes from Railroad thru Loveridge Rd, including 2 HOV lanes, & 6 or more lanes from east of Loveridge Rd thru Hillcrest.	\$39,000,000	\$39,000,000	Application approved 12-00. \$39,000,000 for construction.
17	Add reversible HOV lane on Rte 101 thru San Rafael from Sir Francis Drake Blvd to North San Pedro Rd in Marin County.	\$15,000,000		Application expected 1-01.

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
18	Widen 8 miles of Rte 101 to 6 lanes from Novato to Petaluma (Novato Narrows) in Marin and Sonoma Cos.	\$21,000,000		Application expected 7-01.
19	Establish a regional water transit system beginning with Treasure Island in the City and County of San Francisco.	\$2,000,000		<b>NO PROGRESS</b>
20	Extend San Francisco Muni Third Street Light Rail line to Chinatown (tunnel) in the City and County of San Francisco.	\$140,000,000		Application expected 7-01.
21	Reconstruct San Francisco Muni Ocean Avenue Light Rail to Rte 1 near CSUSF in the City and County of San Francisco.	\$7,000,000	\$7,000,000	Application approved 9-00. \$7,000,000 for construction.
22	Perform environmental study for reconstruction of Doyle Drive on Rte 101, from Lombard St./Richardson Avenue to Rte 1 I/C in SF Co.	\$15,000,000		Application expected 11-01.
23	Complete grade separations on CalTrain Peninsula Corridor at Poplar Ave, 25th Ave, & Linden Ave in San Mateo County.	\$15,000,000		<b>NO PROGRESS</b>
24	Procure low-emission ferryboats for Vallejo Baylink Ferry to expand Baylink Vallejo-San Francisco service in Solano County.	\$5,000,000	\$5,000,000	Application approved 12-00. \$5,000,000 for procurement of ferryboat.
25	Construct Stage 1 of 7 stages of Rte.12 I/C complex at Rte.12/I-80/I-680 I/C in Fairfield in Solano County.	\$13,000,000	\$1,000,000	Application approved 9-00. \$1,000,000 for environmental of Stage 1.
26	Add siding for ACE Commuter Rail on UPRR line in Livermore Valley in Alameda County.	\$1,000,000		Application expected 2-01.
27	Construct Vasco Rd Safety and Transit Enhancement Project in Alameda and Contra Costa Counties.	\$11,000,000		Application expected 2-01.
28	Construct parking structure at transit village at Richmond BART Station in Contra Costa County.	\$5,000,000		Application expected 3-01.
29	Procure two fuel cell buses and fueling facility for AC Transit demonstration project in Alameda and Contra Costa Counties.	\$8,000,000		Application received 12-00 for \$8.0 million for procurement, pending CTC action on 1-01.
30	Start implementation of commuter rail passenger service from Cloverdale south to San Rafael and Larkspur in Marin & Sonoma Cos.	\$37,000,000	\$7,700,000	Application approved 12-00. \$7,700,000 for environmental.
31	Construct EB & WB HOV lanes on Rte 580 from Tassajara Road/Santa Rita Road to Vasco Road in Alameda County.	\$25,000,000		Application expected 7-01.
32.0	Repair & upgrade track of North Coast Railroad to meet Class II freight standards in Napa, Son, Mar, Men & Hum Cos. Administrative costs.	\$750,000		Application received 12-00 for \$250,000 for administration, pending CTC action on 1-01.
32.1	Repair & upgrade track of North Coast Railroad to meet Class II freight standards in Napa, Son, Mar, Men & Hum Cos. Administrative costs.	\$250,000	\$250,000	CTC allocated 7-00. \$250,000 for administration.
32.2	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Complete line fr Lombard to Willits.	\$600,000	\$600,000	CTC allocated 7-00. \$600,000 for rehabilitation.
32.3	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Complete line fr Willits to Arcata.	\$1,000,000	\$1,000,000	Application approved 11-00. \$1,000,000 for repairs, pending meeting CTC conditions.
32.4	Repair & upgrade NCRA track to meet Class II freight stds in Nap, Son, Mar, Men & Hum Cos. Upgrade rail line to Class II/III status.	\$5,000,000		<b>NO PROGRESS.</b>

Volume I-A, TCR Program

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
32.5	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Perform environmental remediation.	\$4,100,000	\$100,000	Application approved 9-00. \$100,000 for environmental remediation.
32.6	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Reduce debt owed to creditors.	\$10,000,000	\$10,000,000	Application approved 9-00. \$10,000,000 for debt repayment.
32.7	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Use funds to match to federal funds.	\$1,800,000	\$50,000	Application approved 9-00. \$50,000 for federal fund match.
32.8	Repair & upgrade NCRA track to meet Class II freight standards in Nap, Son, Mar, Men & Hum Cos. Fund repayment of federal Q fund loan.	\$5,500,000	\$5,500,000	Application approved 9-00. \$5,500,000 for federal loan payment.
32.9	Repair & upgrade NCRA track to meet Class II freight stds in Nap, Son, Mar, Men & Hum Cos. Fund long-term stabilization of rail line.	\$31,000,000		<b>NO PROGRESS.</b>
33	Procure low-emission buses for Los Angeles County MTA bus transit service.	\$150,000,000		Application expected 6-02.
34	Construct Pasadena Blue Light Rail Line from Pasadena to Los Angeles in Los Angeles County.	\$40,000,000	\$40,000,000	Application 9-00 approved. \$40,000,000 for construction.
35	Construct triple track intercity rail line for Pacific Surfliner & add run-through-tracks through Los Angeles Union Station in Los Angeles Co.	\$100,000,000		Application expected 3-01.
36	Construct Eastside Transit light rail extension in East Los Angeles, from Union Station to Atlantic via 1st Street to Lorena in LA County.	\$236,000,000	\$5,200,000	Application approved 11-00 for \$5,200,000 for enviro. App. received 12-00 for \$19.5 mill. for enviro. & design, pending CTC action on 1-01.
37	Construct Bus Rapid Transit system or Light Rail Transit in Mid-City/Westside/Exposition Corridors in Los Angeles County.	\$256,000,000		Application received 12-00 for \$4.7 million for environmental, pending CTC action on 1-01.
38	Const. Bus Rapid Transit project in Burbank-Chandler corridor & N/S corridor BRT project connecting w/ Burbank & Ventura BRT projects.	\$245,000,000		Application received 12-00 for \$12.3 mill. for environmental, pending CTC action on 1-01.
39	Add northbound HOV lane on Rte 405 over Sepulveda Pass, Route 10 to Route 101 in Los Angeles County.	\$90,000,000	\$15,000,000	Application approved 9-00. \$15,000,000 for environmental.
40	Add HOV lanes on San Bernardino Freeway (Rte 10) over Kellogg Hill, near Pomona, Route 605 to Route 57 in Los Angeles County.	\$90,000,000		Application expected 1-01.
41	Add HOV lanes on Golden State Fwy (Rte 5) thru San Fernando Valley, Rte 170 (Hollywood Fwy) to Route 14 (Antelope Valley Fwy) in LA Co.	\$50,000,000		Application expected 1-01.
42	Widen Santa Ana Fwy (Rte 5) to 10 lanes (2 HOV + 2 mixed flow) from Orange Co. line to Rte 710, w/ related arterial imprvmnts, in LA Co.	\$125,000,000		Application expected 1-01.
43	Improve Carmenita Road I/C on Rte 5 in Norwalk in Los Angeles County.	\$71,000,000	\$71,000,000	Application approved 9-00. \$71,000,000 for construction.
44	Construct I/C at Ocean Blvd Overpass on Rte 47 (Terminal Island Freeway) in Long Beach in Los Angeles County.	\$18,400,000		Application received 12-00 for \$18.4 million for construction, pending CTC action on 1-01.
45	Complete Gateway Corridor Study (Rte 710) for Los Angeles/Long Beach Ports to Route 5 in Los Angeles County.	\$2,000,000	\$2,000,000	Application approved 9-00. \$2,000,000 for study.
46	Reconstruct intersection of Rte 1 at Rte 107 in Torrance in Los Angeles County.	\$2,000,000		Application expected 1-01.

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
47	Construct off-ramp off Rte 101 onto California Street in Ventura County.	\$15,000,000		Application expected 1-01.
48	Perform Rte 101 corridor analysis & PSR to improve corridor from Rte 170 (N. Hollywood Fwy) to Rte 23 in Thousand Oaks in LA & Ven Cos.	\$3,000,000	\$3,000,000	Application approved 9-00. \$3,000,000 for study.
49	Construct Hollywood Intermodal Transportation Center at Highland Avenue and Hawthorn Avenue in the City of Los Angeles.	\$10,000,000		<b>NO PROGRESS.</b>
50	Complete three miles of six-lane freeway on Rte 71 through Pomona from Route 10 to Route 60 in Los Angeles County.	\$30,000,000	\$11,800,000	Application approved 9-00. \$11,800,000 for environmental and design.
51	Add auxiliary lane & widen ramp through freeway interchange on Rte 101/405 in Sherman Oaks in Los Angeles County.	\$21,000,000	\$4,000,000	Application approved 9-00. \$4,000,000 for environmental and design.
52	Add HOV & auxiliary lanes on Rte 405 for 1 mile in West Los Angeles from Waterford Avenue to Rte 10 in Los Angeles County.	\$25,000,000		Application expected 2-02.
53	Improve 479 automated signals in Victory/Ventura Corridor, & add 76 new automated signals in Sepulveda Blvd & Rte 118 Corridors in LA.	\$16,000,000	\$16,000,000	Application approved 9-00. \$16,000,000 for construction.
54	Construct grade seps for Alameda Corridor East on BNSF & UP RR lines from downtown LA to LA County line.	\$150,000,000		Application expected after 7-01.
55	Construct grade seps for Alameda Corridor East on BNSF & UP RR lines from LA Co to Colton, w/ rail sep. at Colton in San Berdu Co.	\$95,000,000		Application expected 9-01.
56	Construct track and signal improvements on Metrolink near San Bernardino County line.	\$15,000,000	\$15,000,000	Application approved 9-00. \$15,000,000 for construction.
57	Add HOV lanes on Rte 215 through downtown San Bernardino, Route 10 to Route 30 in San Bernardino County.	\$25,000,000		Application expected 1-01.
58	Widen Rte 10 to eight-lanes through Redlands from Route 30 to Ford Street in San Bernardino County.	\$10,000,000		Application expected 1-02.
59	Widen Live Oak Canyon I/C at Rte 10 including, but not limited to, the 14th St Bridge over Wilson Creek, in Yucaipa, San Bernardino Co.	\$11,000,000	\$11,000,000	Application approved 12-00. \$11,000,000 for construction.
60	Construct southbound truck climbing lane on Rte 15 at two locations in San Bernardino County.	\$10,000,000		Application received 12-00 for \$955,000 for enviro. & design, pending CTC action on 1-01.
61	Reconstruct Apache Trail Interchange on Rte 10 east of Banning in Riverside County.	\$30,000,000	\$3,900,000	Application approved 9-00. \$3,900,000 for environmental and design.
62	Add HOV lanes on Rte 91 through downtown Riverside, Mary Street to Route 60/215 junction in Riverside County.	\$40,000,000		Application expected 1-01.
63	Add seven miles of HOV lanes on Rte 60 west of Riverside from Route 15 to Valley Way in Riverside County.	\$25,000,000		Application received 12-00 for \$3.8 million for enviro. & design, pending CTC action on 1-01.
64	Improve Green River I/C on Rte 91 & add auxiliary lane & connector ramp east of the Green River I/C to NB Rte 71 in Riverside County.	\$5,000,000		Application expected 1-01.
70	Add HOV lanes on Rte 22 (Garden Grove Fwy) from Route I-405 to Route 55 in Orange County.	\$206,500,000	\$1,900,000	Application approved 12-00. \$1,900,000 for environmental.

Volume I-A, TCR Program

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
73	Construct grade seps for Alameda Corridor East (Orangethorpe Corridor) on BNSFline from LA thru Santa Ana Cyn in Orange County.	\$28,000,000		Application expected after 7-01.
74	Add double track for Pacific Surfliner intercity rail line within San Diego County & add maintenance yard in San Diego County.	\$47,000,000		Application expected 7-01.
75	Procure about 85 low-emission buses for San Diego transit service in San Diego County.	\$30,000,000		Application expected 7-01.
76	Procure one new train set to expand Coaster commuter rail service in San Diego County.	\$14,000,000	\$14,000,000	Application approved 9-00. \$14,000,000 for procurement.
77	Complete environmental studies to add capacity to Rte 94 corridor from downtown San Diego to Rte 125 in Lemon Grove in San Diego County.	\$20,000,000		Application expected 6-01.
78	Improve access to light rail from new in-town East Village development in San Diego County.	\$15,000,000	\$15,000,000	Application approved 11-00. \$15,000,000 for construction.
79	Construct new 20-mile North County light rail line from Oceanside to Escondido in San Diego County.	\$80,000,000		Application expected 7-01.
80	Extend Old Town/Mid-Coast light rail line 6 miles to Balboa Avenue in San Diego County.	\$10,000,000		Application expected 7-02.
81	Procure low-emission high-speed ferryboat for new off-coast service between San Diego and Oceanside in San Diego County.	\$5,000,000		Application expected 4-01.
82	Reconstruct and widen Rte 5/805 interchange at Genesee Avenue to Del Mar Heights Road in San Diego County.	\$25,000,000	\$25,000,000	Application approved 11-00. \$25,000,000 for construction.
83	Add high-tech managed lane on I-15 freeway north of San Diego (Stage 1) from Route 163 to Route 78 in San Diego County.	\$70,000,000	\$24,500,000	Application approved 11-00. \$24,500,000 for engineering and right of way.
84	Construct four miles of new six-lane freeway on Rte 52 from Santee, Mission Gorge to Route 67 in San Diego County.	\$45,000,000		Application expected 1-01.
85	Construct about 5 miles of new fwy alignment on Rte 56 between I-5 and I-15 from Carmel Valley to Rancho Penasquitos in San Diego Co.	\$25,000,000	\$25,000,000	Application approved 11-00. \$25,000,000 for construction.
86	Construct a new six-lane freeway (Route 905) on Otay Mesa, Route 805 to Mexico Port of Entry in San Diego County.	\$25,000,000		Application expected 2-01.
87	Construct two new freeway connector ramps at Route 94/125 in Lemon Grove in San Diego County.	\$60,000,000	\$2,971,000	Two applications approved 9-00 & 11-00. \$2,971,000 for interim construction & enviro.
88	Realign Route 5 freeway at Virginia Avenue approaching San Ysidro Port of Entry to Mexico in San Diego County.	\$10,000,000		Application expected 7-01.
89	Improve Route 99 Shaw Avenue Interchange in northern Fresno in Fresno County.	\$5,000,000		Application expected 1-01.
90	Widen Rte 99 freeway to six lanes, Kingsburg to Selma in Fresno County.	\$20,000,000		Application expected 2-01.
91	Construct new expressway (Route 180) east of Clovis, Clovis Avenue to Temperance Avenue in Fresno County.	\$20,000,000		Application expected 3-01.

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
92	Improve track and signals along San Joaquin intercity rail line near Hanford in Kings County.	\$10,000,000		Application expected 6-01.
93	Complete environmental studies to extend Route 180 westward from Mendota to I-5 in Fresno County.	\$7,000,000		Application expected 11-01.
94	Widen Rte 43 to four-lane expressway from Kings County line to Rte 99 in Selma in Fresno County.	\$5,000,000		Application expected 1-01.
95	Add auxiliary lane/operational improvements on Route 41 and improve ramps at Friant Road Interchange in Fresno in Fresno County.	\$10,000,000		Application expected 1-01.
96	Widen Friant Road to four lanes from Copper Avenue to Road 206 in Fresno County.	\$10,000,000		Application expected 1-01.
97	Construct op imprvmnts on Shaw, Chestnut, Willow, & Barstow near CSUF. \$2,000,000 to CSUF for plans & mgmt costs for Events Center.	\$10,000,000	\$2,100,000	Two applications approved 9-00 & 12-00. \$2,100,000 for environmental and design.
98	Widen Peach Ave to four-lane arterial and add pedestrian overcrossings for three schools in Fresno County.	\$10,000,000		Application expected 2-01.
99	Improve track and signals along San Joaquin intercity rail line in seven counties.	\$15,000,000		Application expected 6-01
100	Provide incentives for reducing heavy-duty diesel engine emissions w/in 8 county San Joaquin Valley region SJVECAAP.	\$25,000,000	\$25,000,000	Application approved 11-00. \$25,000,000 for Clean Air Program.
101	Construct low-emission buses for Santa Cruz Metropolitan Transit District	\$3,000,000		Application expected 1-01.
102	Implement State Street smart corridor Advanced Traffic Corridor System (ATSC) technology in Santa Barbara County for Rte 101 access	\$1,300,000		Application expected 3-01 for alternative project.
103	Improve Rte 99 interchange at Seventh Standard Road, north of Bakersfield in Kern County.	\$8,000,000		Application expected 1-01.
104	Construct on Rte 99 seven miles of new six-lane freeway south of Merced, Buchanan Hollow Road to Healey Road in Merced County.	\$5,000,000	\$5,000,000	Application approved 12-00. \$5,000,000 for design and right of way.
105	Construct on Rte 99 two miles of new six-lane freeway from Madera County line to Buchanan Hollow Road in Merced County.	\$5,000,000		Application expected 3-01.
106	Construct new arterial (Campus Parkway) in Merced County from Route 99 to Bellevue Road.	\$23,000,000		Application expected 10-01.
107	Widen Rte 205 freeway to six lanes, Tracy to I-5 in San Joaquin County.	\$25,000,000		Application expected 6-01.
108	Add northbound lane to Rte 5 freeway through Mossdale "Y", Route 205 to Route 120 in San Joaquin County.	\$7,000,000	\$235,000	Application approved 12-00. \$235,000 for environmental.
109	Construct 4 miles of new four-lane expwy on Rte 132 in Modesto from Dakota Ave to Rte 99 & improve Rte 99 I/C in Stanislaus County.	\$12,000,000		Application expected 1-01.
110	Construct 3.5 miles of new 4-lane expwy on Rte 132 from Rte 33 in Stanislaus County to the San Joaquin County line.	\$2,000,000	\$500,000	Application approved 12-00. \$500,000 for environmental.

Volume I-A, TCR Program

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
111	Construct 10 miles of new four-lane expressway on Route 198 from Route 99 to Hanford in Kings and Tulare Counties.	\$14,000,000		Application expected 3-01.
112	Widen Jersey Ave from 17th Street to 18th Street in Kings County.	\$1,500,000		Application expected 1-01.
113	Widen Rte 46 to four lanes for 33 miles from San Luis Obispo County line to Route 5 in Kern County.	\$30,000,000		Application expected 1-02.
114	Add on Rte 65 4-passing lanes, intrsctn imprvmnt, & conduct environ studies for 4 lanes from Rte 99 in Bakersfield to Tulare County line.	\$12,000,000		Application expected 2-01.
115	Extend South Line three miles towards Elk Grove, from Meadowview Road to Calvine Road in Sacramento County.	\$70,000,000	\$4,000,000	Application approved 9-00. \$4,000,000 for environmental.
116	Double-track Route 80 light rail line for express service in Sacramento County.	\$25,000,000		<b>NO PROGRESS.</b>
117	Extend light rail from 7th & K to Sacto Amtrak Deport & extend light rail from Mather Field Sta to Folsom; add veh storage & maint. facility.	\$20,000,000	\$20,000,000	Application approved 9-00. \$20,000,000 for construction.
118	Provide incentives to reduce heavy-duty diesel engine emissions within Sacramento region (SECAT)	\$50,000,000	\$50,000,000	Application approved 9-00. \$50,000,000 for Clean Air Program.
119	Convert Sac Reg Transit bus fleet to low emission & provide Yolobus svc; procure 50 replacement low-emission buses for Sac & Yolo Cos.	\$19,000,000	\$19,000,000	Application approved 9-00. \$19,000,000 for procurement.
121	Perform Metropolitan Bakersfield System Study to reduce congestion in Bakersfield.	\$350,000	\$350,000	Application approved 9-00. \$350,000 for study.
122	Widen Rte 65 from 7th Standard Road to Route 190 in Porterville.	\$3,500,000		Application expected 2-01.
123	Construct parking structure at Oceanside Transit Center in San Diego Co.	\$1,500,000		Application expected 1-01.
126	Widen Rte 50/Watt Avenue interchange overcrossing & modify interchange in Sacramento.	\$7,000,000		Application expected 7-01.
127	Complete Rte 85/Rte 87 interchange in San Jose; add 2 direct connectors for SB Rte 85 to NB Rte 87 and SB Rte 87 to NB Rte 85.	\$3,500,000		Application expected 2-01.
128	Reconst and improve Airport Rd intersection in Shasta Co.	\$3,000,000		Application expected 7-01.
129	Improve traffic and pedestrian safety and underground utility project on Rte 62 right-of-way in Yucca Valley.	\$3,200,000		Application expected 4-01.
133	Prepare feasibility studies for grade separation projects for Union Pacific Railroad at Elk Grove Boulevard and Bond Road in Elk Grove.	\$150,000		Application expected 1-01.
134	Modify I/C at Route 50/Sunrise Boulevard in Sacramento.	\$3,000,000	\$3,000,000	Application approved 9-00. \$3,000,000 for construction.
135	Reconstruct & expand Rte 99/Sheldon Road interchange in Sacramento.	\$3,000,000		Application expected 7-01.
138	Upgrade Cross Valley Rail track from Visalia to Huron.	\$4,000,000		Application expected 1-01.
139	Expand Balboa Park BART Station -- phase I expansion.	\$6,000,000	\$6,000,000	Application approved 9-00. \$6,000,000 for construction.

Bill Ref # *	Project Description	TCRP Funds	TCRP Application Approval	Project Status
140	Construct overpass for Route 99 in the City of Goshen	\$1,500,000		Application expected 2-01.
141	Construct pedestrian bridge over Union Pacific rail lines in Union City.	\$2,000,000		Application expected 1-02.
142	Repair Santa Monica Boulevard in West Hollywood.	\$2,000,000	\$2,000,000	Application approved 9-00. \$2,000,000 for construction.
144	Implement seismic retrofit of Golden Gate Bridge	\$5,000,000		Application received 12-00 for \$ 5.0 million for construction, pending CTC action on 1-01.
145	Construct new SCRRRA siding in Sun Valley between Sheldon Street and Sunland Boulevard.	\$6,500,000	\$6,500,000	Application approved 9-00. \$6,500,000 for construction.
146	Construct Palm Drive Interchange (Coachella Valley Assoc of Govts).	\$10,000,000		Application expected 1-01.
148	Widen 8 miles of Rte 98 between Route 111 and Route 7 from 2 lanes to 4 lanes.	\$10,000,000	\$3,500,000	Application approved 11-00. \$3,500,000 for engineering.
149	Procure low-emission buses for Santa Cruz Transit for express service on Route 17.	\$3,750,000		Application expected 1-01.
150	Renovate or rehabilitate Santa Cruz Metro Center.	\$1,000,000		Application expected 5-02.
151	Procure 5 alternative fuel buses for the Pasadena Area Rapid Transit System.	\$1,100,000		<b>NO PROGRESS.</b>
152	Implement South Pasadena -- Pasadena Blue Line transit-oriented mixed-use development.	\$1,500,000	\$1,500,000	Application approved 12-00. \$1,500,000 for development with conditions on allocation.
153	Relocate and underground utilities in South Pasadena near Pasadena Blue Line.	\$550,000	\$550,000	Application approved 12-00. \$550,000 with conditions on allocation from #152.
154	Perform Route 134/I-5 interchange study.	\$100,000		Application expected 1-01.
156	Implement seismic retrofit and core segment improvements for the Bay Area Rapid Transit system.	\$20,000,000		Application expected 6-01.
157	Implement congestion relief improvements on Rte 12 from Rte 29 to I-80 through Jamison Canyon.	\$7,000,000		Application expected 1-01.
158	Change intersection of Olympic Blvd, Mateo St, & Porter St and install traffic signal.	\$2,000,000	\$2,000,000	Application approved 9-00. \$2,000,000 for construction.
159	Redesign and construct Rte 101 Steele Lane Interchange.	\$6,000,000		Application expected 1-01.
	<b>TOTALS</b>	<b><u>\$4,908,900,000</u></b>	<b><u>\$566,676,000</u></b>	
	* Bill Reference #s 65-69,71-72,120,124-125,130-132,136-137,143,147,155 were deleted from statute.			

# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **B. PROJECT DELIVERY**



## I. ISSUES FOR 2001

### B. Project Delivery

*Persistently high balances in the State Highway Account (SHA) over the last four years, indicates that the system and resources for readying transportation projects for construction are as great an impediment to transportation investment as in sufficient funding. Caltrans ramped up its overall delivery from under \$1.5 billion in FY 1996-97 to over \$2.8 billion in FY 1999-00; local agencies turned their use of Obligation Authority (OA) around by obligating over \$1.2 billion during Federal FY 2000 or 154% of their fair share of OA. This, however, has not yet been enough to result in a decline in the high SHA cash balance. A record level of STIP project rescheduling occurred. Although many SHOPP and STIP projects were delivered early, almost a billion dollars shifted to the outer years of the STIP and more than one third of the delays were two fiscal years or longer. A large majority of the delays were attributed to environmental document process problems. With the passage of Proposition 35 (use of private consultants) at the November 2000 elections, another tool for readying transportation projects for construction is available.*

Project delivery and funding act as dual constraints to meeting the State's transportation improvement needs. The State's ability to construct transportation projects to address identified needs depends both on having adequate funding available and on having the projects designed and ready to construct. Ideally, funding would always be adequate to meet needs; projects would always be programmed to match the level of funding, and projects would always be delivered as programmed to use the available funding and meet the needs. When fewer projects are readied for construction than current cash flow is capable of funding, cash builds up in the SHA, rather than being put to work to provide benefits for taxpayers.

Through most of the last three decades, the primary constraint has been funding. What had been a robust state highway construction program in the 1950's and 1960's was halved in the mid-1970's and faced continuing declines through the 1980's as inflation, reduced fuel consumption, and increasing needs for rehabilitation took their toll. State funds were sufficient just to pay for maintenance and operations and to match federal construction funds; the "State-only" construction program all but evaporated. During this period, more drivers with more cars drove more miles each year but paid considerably less in fuel tax user fees to do so.

Throughout the 1990's, the State program has been plagued by great funding volatility. An ambitious and much enhanced program was undertaken after enactment of the 1989 Blueprint legislation, a program reflected in the 1990 State Transportation Improvement Program (STIP). This was followed by program upheavals in the wake of earthquake repair and restoration programs and the loss of two programmed rail bond measures. The loss of STIP funding wreaked havoc with 1992 STIP project funding and delivery schedules. The 1994 STIP did not reschedule or add new projects; in effect, the 1994 STIP was a holding action against funding shortages leaving the opportunity for the Governor and Legislature to address these shortages. In 1995 the California Transportation Commission used an allocation plan to ration available funds to a selected set of delivered projects pending the 1996 STIP. In the absence of Legislative

action to correct the funding shortages, the Commission chose to rebalance the 1996 STIP against available revenues. This resulted in the spreading out of projects remaining from the 1994 STIP, culminating in schedule delays of up to four years and the deletion of some \$500 million worth of projects in the 1996 STIP.

During this same period, Caltrans was forced to divert a substantial portion of its delivery resources from STIP work to a \$3 billion program to retrofit State highway bridges for seismic safety. At the same time, Caltrans reduced its support budget in order to free up more funding for capital outlay. All of this made it very difficult to distinguish project delays due to a funding shortage from project delays due to a reduced or inadequate delivery capacity. Meanwhile, the same funding shortage coincided with local delivery efforts for passenger rail projects that, on a statewide basis, fell far short of the \$3 billion in rail commitments made in 1990.

After the adoption of the 1996 STIP, cash balances started rising because SHA dollars, once reserved for seismic retrofitting, were suddenly freed up by the passage of Proposition 192. In all, Proposition 192 freed up \$1.35 billion from the SHA for STIP work by providing that amount for the non-toll bridge seismic retrofit program. While these new funds were added to the SHA almost immediately, they were not available for programming until 1998, and major new STIP projects generally require four to seven years to deliver (i.e.; to make ready for construction). As a result, a shortage of delivered, ready-to-go projects suddenly replaced what had seemed a chronic shortage of funding to match programmed projects. This shift has focused greater attention on issues of project delivery.

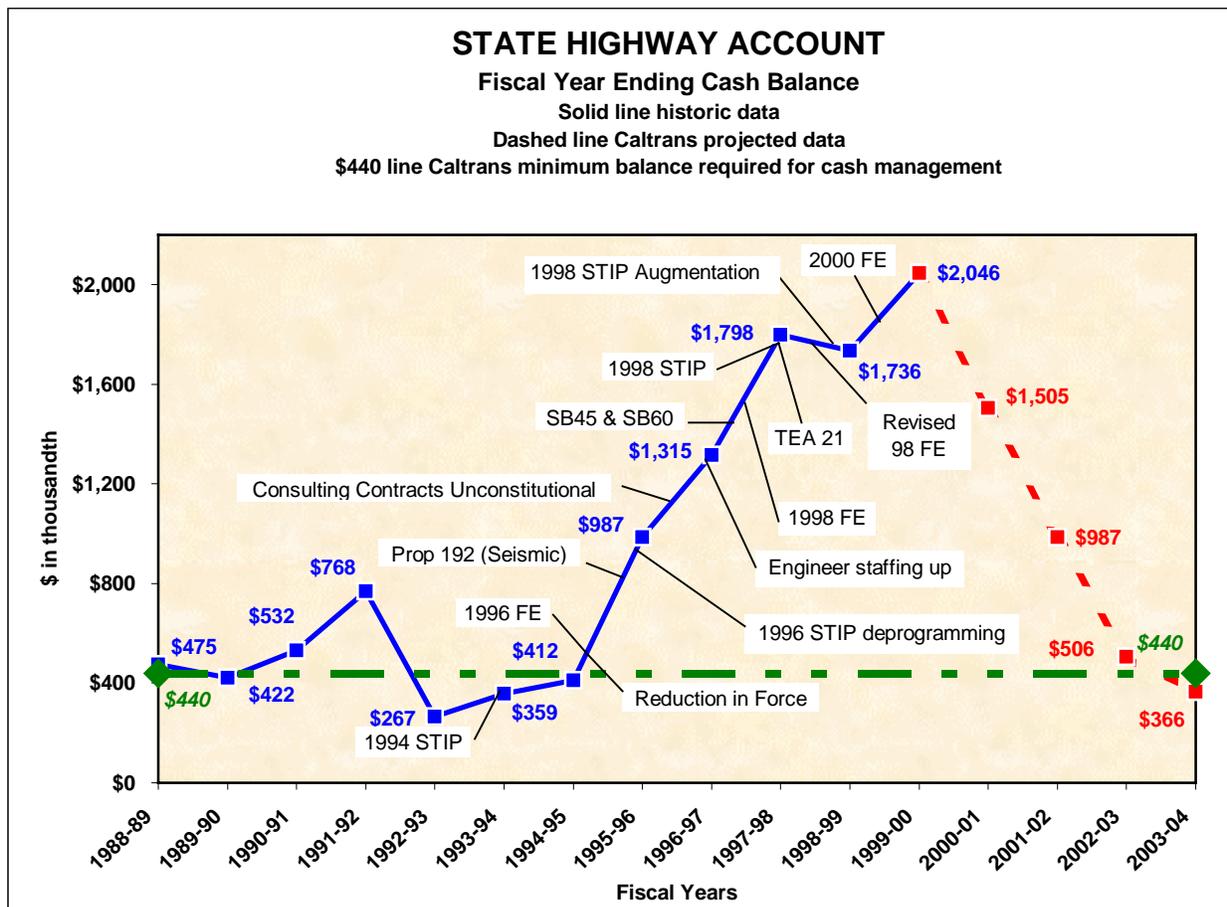
Caltrans ramped up its overall delivery from under \$1.5 billion in FY 1996-97 to over \$2.8 billion in FY 1999-00. At the same time, local agencies tended to under-spend their annual share of federal Regional Surface Transportation Program (RSTP) and Congestion Mitigation and Air Quality (CMAQ) funds. Over the six-year period of the 1991 Federal Intermodal Surface Transportation Efficiency Act (ISTEA), local agencies obligated 87% of their federal funds. In stark contrast, during the first two years of the 1997 Federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), local agencies obligated only 41% of their federal funds in Federal Fiscal Year (FFY) 1998 and only 57% in FFY 1999. As a result, by October 1999, local agencies had accumulated a **\$1.2 billion backlog** of federal apportionments and left unused \$854 million in annual Obligation Authority (OA), which **Caltrans had to step in and put to work** in order to avoid surrendering the unused OA to other states.

The Administration responded to concerns about prior year cutbacks in Caltrans' Local Assistance staffing by increasing the authorized Local Assistance staffing levels in the State budget. Caltrans also did some internal redirections and the end result of this net tripling of Local Assistance is that local agencies turned their use of OA around by obligating over \$1.2 billion during FFY 2000 or 154% of their fair share of OA.

**Assembly Bill 1012** (Chapter 783, 1999), with its "use-it-or-lose-it" provisions, provided a significant incentive for on-time delivery of locally-designated, federally-funded RSTP/CMAQ projects. AB 1012 became law on October 15, 1999, as urgency legislation. That legislation was enacted to provide a disciplined, structured and accountable environment for the delivery of local

RSTP and CMAQ transportation projects. Specifically, the legislation states that RSTP and CMAQ funds not obligated within the first three years of federal eligibility are subject to redirection by the Commission in the fourth year.

The following graph shows the SHA cash balance going back from the present to FY 1988-89, and out four years into the future to capture Caltrans' most recent cash balance forecast and overlays a line at \$440 million, the amount of cash Caltrans believes it needed on hand to manage the account.



Factors that contributed to the buildup of cash in the SHA over the last five years include: projects costing less than estimated, resulting in an under utilization of cash; revenues coming in higher than projected, due to a faster and stronger rebound in the California economy; passage of Proposition 192 in 1996, providing an alternate funding source (\$2 billion) for the seismic retrofitting of the state's highway and toll bridges; delays in expenditures from the SHA for the retrofitting of the state's toll bridges, especially the new east span of the San Francisco-Oakland Bay Bridge; continuing increase in Federal funds available to California above prior assumptions.

The 1998 STIP and the STIP Augmentation in 1999 added new programming commitments for the first time since 1992 with \$6.3 billion in new projects. The 2000 STIP Fund Estimate revised

pursuant to AB 2928 (Chapter 91, 2000) added \$1.5 billion in new STIP programming capacity. At the same time, Caltrans was taking measures to add to its delivery capacity. In the FY 1997-98 State Budget, Caltrans had an approved staffing level of 16,677 Personnel Years (PYs). In the FY 1999-00 Budget, Caltrans' approved staffing level increased by nearly 4,000 positions to 20,449 PYs, an increase of 23%. In the FY 2000-01 Budget, Caltrans received approval for another 1,700 positions, to 22,129 PYs, a combined increase of 33% since 1997. According to Caltrans, approximately 10,000 people are employed in its project delivery effort, a 28% increase in size over the last three years. Approximately 40% of the workforce has less than three years experience. Caltrans is aggressively training its new staff to deliver projects. This has not yet been enough to result in a decline in the SHA cash balance, however. Caltrans has reported that the cash balance will remain well above the \$440 million level needed to manage the account for at least the next two years. Most newly programmed projects will require several years to deliver, and the projects carried forward from the 1998 STIP will not be sufficient to expend the available funds in the near term.

In fact, it is fair to say that FY 1999-00 was a year of high output and achievement, including advanced delivery of SHOPP and STIP projects (see Section II-F Fiscal Year 1999-00 Delivery). Local agencies and Caltrans delivered \$1.7 billion in STIP projects; Caltrans delivered \$1.3 billion in SHOPP projects and a \$200 million Right-of-Way program. Local agencies also delivered \$1 billion in non-STIP local assistance projects. However, at the same time, a record level of STIP project rescheduling to outer-years also occurred. At the Commission's March, May, and June 2000 meetings, 14 STIP amendments were approved involving 60 projects that delayed a total of \$788 million into subsequent STIP years. Coupled with \$173 million in extension requests, this equaled to almost a billion dollar shift in the STIP (\$960 million to be exact). Most of the delays were from one fiscal year to the next; however, more than one third of the delays were two fiscal years or longer.

In addition, even more funding for transportation arrived with the year 2000. Governor Davis, in his January 2000 State-of-the-State address, reported that the State would enjoy a general budget surplus and proposed that a substantial portion of it be directed to transportation programs. Later in the year, the Legislature enacted and on July 6, 2000, the Governor signed AB 2928 (Torlakson), setting up the Traffic Congestion Relief (TCR) Program and providing about \$7 billion in new funding for transportation (see Section I-A, TCR Program). The TCR Program provides full funding for only a few projects, and on average covers only about 33% of project costs. The rest of the money may come from any source but, in fact, much of it will be sought from the STIP.

While all STIP-available funds are (or soon will be) committed, the cash balance remains high as the funds wait for project delivery. For the first time in more than a decade, new STIP projects have been programmed without the financial uncertainty of seismic work or pending ballot measures. The principal issue is project delivery.

A closely-related issue is the potential for greater use of private consultants to provide another tool for project delivery, either by local agencies or directly by Caltrans. Caltrans' authority in this area was severely restricted by the Constitution and a series of court decisions. But with the passage of Proposition 35 at the November 2000 elections, a whole new dynamic has been

introduced. Proposition 35 added Section 4529.11 to the Government Code: “All projects included in the State Transportation Improvement Program programmed and funded as interregional improvements or as regional improvements shall be subject to Article XXII of the California Constitution. The sponsoring governmental entity shall have the choice and the authority to contract with qualified private entities for architectural and engineering services. For projects programmed and funded as regional improvements, the sponsoring governmental entity shall be the regional or local project sponsor. For projects programmed and funded as interregional improvements, the sponsoring governmental entity shall be the State of California unless there is a regional or local project sponsor, in which case the sponsoring governmental entity shall be the regional or local project sponsor. The regional or local project sponsor shall be a regional or local governmental entity.”

Only time will tell if this will produce the desired results or if there are other reasons not related to delivery capacity that are interfering with the timely delivery of projects such as the environmental process (see Section I-C, Environmental Streamlining for a broader discussion of this issue).



# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **C. ENVIRONMENTAL STREAMLINING**



## I. ISSUES FOR 2001

### C. Environmental Streamlining

*Despite Caltrans' overall progress in project delivery, some high-profile projects become seriously delayed during environmental studies. All projects must comply with a complex array of federal and state environmental laws and requirements. Some Eastern states have made notable progress in streamlining environmental studies, as has Caltrans, but more needs to be done to effectively deliver today's increased investment in transportation improvements. The current environmental process has become so complex that reform presents a major challenge. The process tends to be adversarial with little incentive for streamlining; resources agencies get involved late, are often unclear about their objectives, and lack resources to perform better. The bureaucratic federal process is particularly slow and difficult. Against this backdrop, the Commission makes 29 recommendations for administrative initiatives to streamline the process, centered around joint planning for transportation and environmental objectives, more intensive management attention, better communication and cooperation, investment to achieve joint objectives, and strategies to improve the federal process.*

#### Need for Streamlining

Caltrans has achieved a remarkable record of project delivery for the State Transportation Improvement Program (STIP) during the past two years: about 90% of programmed projects delivered, more than 100% of programmed funding levels allocated in a climate of record-high funding, a record \$5.3 billion of construction underway. All this has been accomplished in just four years from the time in 1996 when the STIP was so underfunded that the Commission had to ration funding and leave delivered projects on the shelf. Local transportation agencies during the past year have cranked up their project delivery as well.

After acknowledging this notable performance, this section of the report focuses sharply on the remaining margin of projects that have not been delivered. Here lie at least five important concerns:

- Too many important, high-priority, high-visibility (and high-cost) projects to add capacity to the system are not getting delivered, in most cases because environmental documents have not been completed on time. Instead, relatively easy pavement rehabilitation projects, some amended into the program at the last minute, are delivered. Some projects remain undelivered year after year, for a decade or more.
- The recent delivery record for environmental documents for future projects--and for some projects now overdue--has been nowhere near as good as the delivery record for project construction: only 19 of 52 environmental documents for STIP projects completed in FY 1997-98, 12 of 63 completed in FY 1998-99, and 40 of 90 completed in FY 1999-2000.
- Even with last year's record delivery, 60 projects from future years worth nearly \$1 billion had to be rescheduled in the STIP to years further out; these projects do not count when

adding up failed program delivery, but they can no longer be characterized as delivered on time as originally programmed.

- The fund balance in the State Highway Account hovers in the \$1.5 billion--\$2.1 billion range, and has stayed there for the past three years despite efforts by the Commission and Caltrans to bring it down.
- The new Traffic Congestion Relief (TCR) Program will add \$6.8 billion in new funding over six years, approximately doubling the amount of money being invested in transportation improvements and increasing the demands on project delivery.

Caltrans (and local agencies) must deal with state environmental laws for all projects and federal environmental laws whenever federal funding, approvals, or permits are required. Consensus on the project, environmental studies, preliminary engineering, environmental documents, and completion of consultation and permits comprise the first phase of project delivery, commonly referred to as the environmental studies phase; this phase is prerequisite to engineering design and subsequent construction. Because the bulk of project expenditures typically come during construction, timely delivery of more projects represents the only way to spend down the revenues coming into the State Highway Account and TCR Fund. That is also the only way to deliver transportation improvements to the public. Once environmental studies can be finished, Caltrans has proven adept and efficient at completing design plans on time. Much of the onus for stretching out the environmental studies phase falls on external agencies with which Caltrans must work. Nevertheless, the number of environmental documents overdue portends an even worse project delivery crunch in the next few years, on top of the one already coming from increased program size.

The importance of environmental streamlining becomes obvious here. SB 45 (Kopp, 1997) requires the Commission to focus on completing all the projects it programs in the STIP on time. The inability to complete environmental studies for key projects frustrates the expectations promised by STIP programming, as well as the ability to put transportation funds paid by taxpayers to work expeditiously and the opportunity to reduce congestion, improve access and safety, and keep transportation flowing. Both Congress and the Legislature have directed the agencies involved in environmental studies to set up clear and efficient procedures.

The taxpaying public has made its view pretty clear as well: it expects both improvements to transportation and access and improvements to the environment and community quality of life together. The public expects that environmental quality, for both the natural and community environment, will not be sacrificed for infrastructure improvements, but at the same time needed infrastructure improvements will not be held hostage for environmental protection. In plainer words, the public expects both sides to work together for mutual goals.

But it is not happening that way. Governor Davis recognized the problem clearly in his January 2000 State-of-the-State speech. He directed "the Business, Transportation & Housing Agency, Cal-EPA, and Resources Agency to streamline California's transportation project delivery while maintaining environmental protection standards." The Commission strongly supports that direction and wants to help point the way to get there.

## **Nature of the Problem**

Environmental challenges today are complex, pervasive, and driven by policy external to transportation. The array of environmental laws, some overlapping, and the agencies responsible for them, both federal and state, presents a daunting gauntlet:

- The California Environmental Quality Act (CEQA) of 1969 and the National Environmental Policy Act (NEPA) of 1970 are basic laws that define how environmental studies, reviews, and decisions are to be carried out.
- Beyond these two basic laws, other requirements have been enacted to protect specific environmental resources:
  - Clean Air Acts (both federal and state)
  - Clean Water Act (federal)
  - Endangered Species Acts (both federal and state)
  - Magnusson-Stevens Fisheries Protection Act (federal)
  - Department of Transportation Act, Section 4(f):parklands (federal)
  - National Historic Preservation Act (federal)
  - Farmland Protection Policy Act (federal)
  - Noise Control Act (federal)
  - Uniform Relocation Assistance Act (federal)
  - Presidential Executive Orders on floodplain management, wetland protection, and environmental justice (federal)
  - California Coastal Zone Management Act (state)
  - Governor's Executive Orders on historic preservation (state).

All of these latter laws are single-purpose, aimed at protecting some resource or value. Many of them come armed with permit requirements, which must be negotiated. The process to comply with each of them (as applicable) contributes the lion's share of delay during the environmental phase. At least some of them apply to every project, and larger, more complex projects typically must deal with half a dozen or more of them.

The process is intended to get all issues out on the table, assessed and considered. The nature of the process itself guarantees a wide range of interests, on behalf of both community and natural environment, can enter the fray. The maze of process that has been built up is convoluted, often sequential rather than parallel, bureaucratic, stop-and-go, involving a myriad of agencies, none of which can definitively say "yes," but each of which can individually say "no" or at least "not until...." For the typical transportation project going through the process, trying to stay on an expeditious delivery schedule, the threat sometimes comes in the form of one big rhino that can halt the project in its tracks, but more often as a hundred mice that nibble away at the schedule.

Meaningful improvements to this labyrinth are neither straightforward to identify nor easy to reach. California encounters the greatest difficulty with the same problems other states report to be most vexing and time-consuming – parklands, historic resources, endangered species, wetlands, and hazardous materials – and must deal with the same group of federal agencies and procedures.

## **The Environmental Process and Project Delivery**

The STIP contains about 700 projects for about \$7 billion (excluding the myriad of small local road rehabilitation projects) spread over four years, or about 175 projects per year, 75% of them are Caltrans' responsibility to deliver. On average, about 160 get delivered, with perhaps 30 of those coming in one or more years later than originally programmed. A very few get delayed several times, and these tend to be larger, more significant ones: the 21 state highway projects still remaining from the 1990 STIP average \$40 million, four times the size of the average STIP project overall.

Just looking at the steps involved in the environmental studies phase -- presuming enough resources to do the work expeditiously and timely review and decisions at all steps -- the environmental studies phase should take perhaps three years (except where excavation of an archaeology site may be involved). But it takes longer than that in practice. Both inadequate resources and sluggish review contribute. Caltrans claims it takes an average of five years to deliver projects requiring studies of one or more environmental resources (excluding those exempt or posing no impact that would trigger studies). The Transportation Research Board, across 40 states nationwide, reports an average of 5.3 years to get projects approved through NEPA and other federal environmental laws. Sales tax authorities in six large urban counties in California report an average time of four years, with many of their projects done by Caltrans, projects that typically have the advantage of voter approval in clearing away local controversy as an issue, and in a few cases need to satisfy CEQA only.

Caltrans encounters the greatest challenges delivering state highway bypasses of small cities on new alignments, and certain urban freeway connections and interchanges. These are high-priority and high-visibility projects with admittedly tough challenges to be faced in the environmental phase, typically including local controversy, which can delay projects indefinitely while agencies work out some sort of consensus. Since the mid-1980s, covering perhaps 20 such bypass projects, the fastest delivery Caltrans could achieve came for bypasses at Mojave and Truckee, and both of those took eight years, with most of that time spent reaching environmental consensus. Caltrans is currently working on environmental studies for two important bypasses on Route 101, at Prunedale in Monterey County (programmed in 1988) and at Willits in Mendocino County (programmed in 1990), and has recently told the Commission it is still three to five years away from completing either one. Following the Loma Prieta earthquake in 1989, seven years was needed to finish environmental studies and begin construction of the replacement Route 880 freeway in West Oakland, and after eleven years the environmental documents are still not quite finished for construction of the new San Francisco-Oakland Bay Bridge.

These delays have consequences: the Bay Bridge project accounts for about 40% of the present \$1.8 billion cash balance sitting in the State Highway Account, and other long-overdue projects like the ones at Prunedale and Willits that were programmed to have been under construction several years ago account for much of the rest. The long overdue projects (including the Bay Bridge) collectively carry traffic of nearly 2 million vehicles per day, whose drivers have been unable to realize the benefits promised from these improvements.

### **Other States' Efforts at Environmental Streamlining**

The current morass cries out for both transportation and environmental agencies to find new ways of doing business, characterized by joint objectives, cooperative partnerships, and additional investment dollars. Eastern states are coming to this realization. With established communities and a mature transportation system, environmental considerations sometimes outweigh transportation ones, and the public expects improvements on both sides of the equation. Brad Mallory, Pennsylvania Transportation Secretary, puts it succinctly: "Our customers, the public, want both autos and a prime environment." New York State Department of Transportation's environmental initiative "requires a public agency to do more than simply minimize and mitigate environmental damage. The department's capabilities as a builder should expand beyond traditional transportation to more broadly serve the goals of the resource agencies, communities, and the general public."

Departments of Transportation (DOTs) working with environmental departments in Eastern states are pioneering new approaches, which both serve as examples and raise the standard for others, especially with federal agencies:

- Maine DOT, working with Federal Highway Administration (FHWA), has created a new process that integrates the state's Sensible Transportation Policy Act and NEPA into a single decision-making process, with transportation and environmental agencies in equal roles. The new process is backed by a DOT environmental data base, delivers permit approvals concurrent with environmental document approval, and supports project development and construction from start to finish; it has delivered several major projects expeditiously to construction.
- New York DOT (NY DOT) has integrated environmental activities into transportation department activities. For example, its road crews keep local "To-Do lists," from which crews wash town hall steeples while they are out cleaning signs, put up bird houses in parks while they are out changing traffic light bulbs, paint stripes in school and government office parking lots while they are out striping highways, and clean silt out of stream beds while they are out cleaning drainage channels. NY DOT also blends environmental projects into its large highway projects; to take advantage of large highway contractors' economies of scale. This broad environmental and community improvement approach, which is working continuously, has evolved into a partnership with resource agencies to pursue shared transportation and environmental projects statewide; it has taken a decade to get there.
- Pennsylvania DOT (PennDOT) has set up a process with early involvement and joint field reviews by environmental agencies, agreement on joint transportation and environmental purposes for projects, and tacit approval of permits along with the approval of environmental documents. Using this process, PennDOT has gotten resources agencies to define what they want ahead of time, and agree to let an environmental resource go in return for both mitigation and compensation, paid for with transportation funds.

- Maryland DOT has studied groundwater flows and wildlife movements, then identified high-quality biological habitats and protected them as bio-reserves, in return for the ability to eliminate fragmented pieces of roadside habitat needed for highway improvements.
- Kentucky DOT, spurred by keen interest and involvement by the Governor, got 45 interested parties to work together to complete environmental studies and reach agreement on a joint project to build a new \$40 million, 14-mile, four-lane access highway, make environmental improvements, and redevelop an old strip-mine site. These agencies completed a federal final Environmental Impact Statement (EIS) in an astounding 9 months, rather than the typical 5 to 6 years, with the transportation department investing an extra \$6 million (15%) into the environmental features of the overall project.
- New Hampshire DOT developed a process to broaden the scope of a critical but difficult highway improvement through the White Mountains to incorporate and pay for tourist and environmental improvements at the same time. The process worked so well that New Hampshire has continued to use it to keep the largest construction program in the state's history going.
- South Carolina DOT has used neutral third-party facilitators to find common ground among transportation, community, and environmental objectives, and incorporate all of them into transportation projects. The DOT was allowed to build two new expressways across sensitive coastal wetlands to improve beach access when it came to understand that community and environmental opposition were aimed more at the potential for roadside development than at the highway itself, and agreed to build the highways as meandering four-lane scenic parkways with no access points.
- Michigan Department of Natural Resources received delegation from the U.S. Army Corps of Engineers to approve Section 404 Clean Water permits based on its state clean-water laws and procedures. The Corps of Engineers made the same offer to New York, which declined; the state said it needed a year to put its own procedures in smooth working order and then would be ready.
- Florida completed statewide GIS (geographic information system) mapping of water flows, species habitat, and historic and archeological resources statewide as a database for environmental studies. The DOT paid for and carried out most of the work since it had the best-equipped planning staff at the State level and needed access to information. The new database has cut the average time for environmental studies by more than half.

Some of these new approaches, notably in Maine and New York, have become standard practice, others have been pilot or experimental efforts. In each of these states environmental streamlining has been customized to the particular needs and situations there, and absolutely depends on the ability to develop joint objectives and a good working relationship between transportation and environmental agencies. All represent beacons for success.

### **Caltrans' Efforts at Environmental Streamlining**

Caltrans, to its credit, has likewise strived to make progress in environmental streamlining, but the climate for cooperation here seems to be tougher. Since the 1970s, Caltrans has used one joint document to cover all environmental requirements, both federal (NEPA) and state (CEQA). More recently:

- Caltrans has signed partnership agreements for early involvement of resources agencies in project planning and environmental studies, with FHWA, U.S. EPA, Fish & Wildlife Service, Corps of Engineers, and State Department of Fish & Game (but lack of staff at resources agencies has frustrated the good intent for many projects);
- Caltrans has provided funding for 21 staff positions in various resources agencies, in return for premium service in reviewing its documents (but a year later the resources agencies have only been able to fill about half of these positions);
- Caltrans has signed agreements for standard treatment of a few specific resources, such as the desert tortoise, elderberry beetle, and red-legged frog, and can make use of other such agreements at local levels, such as for Southern California coastal sage scrub habitat (but many other resources remain at issue case by case);
- Caltrans has set up habitat mitigation banks, in the Mojave Desert and Central Valley (but has been unable to find agreement and fund banks for several other types of critical habitat);
- U.S. EPA, Caltrans, and FHWA have helped set up delegation of some federal permit authority to state agencies, for the State Historic Preservation Office, California Air Resources Board, Coastal Commission, and Regional Water Quality Control Boards;
- Caltrans has been delegated authority from the State Historic Preservation Office to assess and, where necessary, define mitigation for certain historic resources based on its demonstrated staff expertise and record of past actions;
- Caltrans has put in place an internal change control policy, to lock down engineering design at the time environmental documents are being completed, to avoid having to reopen environmental studies and jeopardize conditions for receiving resource permits;
- Caltrans, for several projects, has pulled together local officials and environmental agencies and enlisted their leadership in reaching consensus on project purpose, location, and scope; a practice that has noticeably shortened project delivery timelines;
- Caltrans, FHWA, U.S. EPA, and Merced County agencies are developing a joint regionwide integrated transportation, environmental, and land development data base, to use in a 20-year regional resource and development plan; and
- Caltrans, along with Department of Water Resources (which builds water projects), has taken membership on a few resources planning efforts, in particular endangered fish migration and the State's biodiversity council, to see what part they can play in defining and moving toward resource preservation objectives.

All of these efforts are valuable, but have been limited and fragmentary in nature. They offer no help to projects for which the specific resources do not come into play. Caltrans is continuing to seek further agreements and opportunities as well, for example:

- Caltrans has been trying to reach agreement with FHWA to allow direct consultation with federal resources agencies under NEPA, and be delegated certain FHWA environmental approvals, but FHWA has not been amenable;
- Caltrans has sought further agreements covering other species and habitats, most recently migratory salmon, and resources agencies have indicated interest because such agreements reduce workload, but progress has been strung out because of staffing shortages;
- Caltrans is trying to reach agreement on a better process to deal with new historic preservation regulations, but achievement seems at least six months away.

In the end, California must make more comprehensive progress toward environmental streamlining. Caltrans needs to find more willingness from environmental agency partners on the other end, and the resources agencies need more experienced staff to help work out agreements from their end, ultimately to expedite the growing volume of transportation project delivery.

### **Defining the Environmental Streamlining Problem**

The activities needed to complete the environmental phase of projects in California have become enormously complex. Most large transportation projects can have far-reaching effects that must be assessed case by case. The environmental phase forces a blending of community, environmental, and transportation objectives, in full public sunshine. For each project, Caltrans must reach community consensus on location and scope, get resource agencies' agreement about environmental effects, and weigh engineering considerations and cost; the mix becomes customized to the circumstances of each project. It is challenging merely to define and understand the process, let alone manage it.

As described above, several laws and the multitude of agencies responsible for carrying them out, both federal and state, frame the picture. To start with, although environmental laws all have the same general intent, individual laws pull in somewhat different directions. Both NEPA and CEQA require study, full disclosure, and consideration of potential impacts to both the natural and community environment. Federal laws generally stress avoidance of impacts; state laws require mitigation of impacts, where feasible, with avoidance as one option. Federal agencies require detailed technical studies to support what are called "findings of no jeopardy" or choice of "least environmentally damaging practicable alternative." NEPA is fundamentally a process-based law; all studies and paperwork must go through a full multi-agency consultation and review process, with everything back and forth handled by FHWA or FTA, with all the accompanying time and delays. The process has become the essence of the law. On the other hand, CEQA requires agencies to mitigate impacts wherever feasible, and the process becomes relatively straightforward if no significant impacts remain--and it can be quick but not always is.

The differences in the laws are compounded by differences among the agencies responsible for them. Transportation and resources agencies seek different objectives, which they historically have seen as conflicting, and have rarely tried on the other hat to understand the objectives of the other party. Public works agencies seek to improve the built environment, whereas environmental agencies and interests try to preserve to the natural environment, or even seek to roll back to earlier conditions. They typically perceive that when no project is built, the environment is preserved. Resources agencies typically work as regulators, trying to prevent damage from the activities of public infrastructure agencies. On both sides, the agencies' basic missions tend to be single-purpose rather than balancing; six examples of agencies' own stated missions should suffice:

- “Caltrans improves mobility across California.”
- “U.S. Department of Transportation serves the United States by ensuring a fast, safe, efficient, accessible and convenient transportation system that meets our vital national interests and enhances the quality of life of the American people.”
- “U.S. Fish & Wildlife Service works with others to conserve, protect, and enhance fish, wildlife, plants and their habitats for the continuing benefit of the American people.”
- “U.S. Environmental Protection Agency protects human health and safeguards the natural environment – air, water, and land – upon which life depends.”
- “The California Office of Historic Preservation coordinates a wide range of activities that encourages the preservation of tangible remains of our unique past – communities, neighborhoods, commercial districts, buildings, archeological sites, and other historic and cultural resources.”
- “California Department of Fish & Game manages California’s diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public.”

None acknowledges the wholeness of natural and community environments the State’s economy and quality of life; only one even hints at it.

This system was put in place to provide checks and balances, not efficient and collaborative decision-making. A long history of litigation has yielded a collection of difficult procedures ratified by the Courts, with bureaucratic agencies loathe to tinker with those procedures even though other ways of doing business might be both better and equally acceptable. In California, certainly under NEPA but to some extent also under CEQA, much of the historic regulatory relationship, with Caltrans seeking permits at minimal cost and resources agencies trying to extract maximum mitigation, remains. Public works agencies remain burdened by old reputations. A long-standing mistrust, that once had some validity 30 years ago but should now long be obsolete, still lingers, hampering cooperation. The relationship between Caltrans and California resources agencies cannot yet be called a full partnership with a common complementary agenda.

Beyond the statutes and their intent, and the agencies and their attitudes and behavior, lies the environmental process: the activities and procedures necessary to comply with the laws and gain agency approvals. Some projects go through the process smoothly, others do not. Process problems are neither universal nor always predictable; every bad example can be countered with a good one. Certainly the process works well sometimes: perhaps 200 projects per year go through exempt from detailed studies, some environmental studies and documents are completed, some of those expeditiously, some studies lead to better decisions, some projects do provide both transportation and environmental improvements, sometimes a better project alternative at lower cost can be found, some project decisions pave the way for easier decisions on later projects.

After acknowledging the value and some success from the process, the following outline focuses on identifying those features of the process that can be counterproductive:

1. Certain key projects, but only relatively few, face issues intractable for Caltrans.
  - a. Projects known to be facing difficult environmental challenges have been scheduled too optimistically.
  - b. Difficulties vary from project to project, what works for one may not for another.
  - c. Local officials have better leverage against Not-In-My-Back-Yard controversies.
  - d. Agencies involved may drag their feet to achieve or prevent precedent-setting decisions.
2. The current mitigation-based process reinforces adversarial behavior.
  - a. Neither statutory requirements nor agency missions encourage mutual compromise.
  - b. Extracting maximum mitigation project by project, a reactive response, has become standard practice.
  - c. Mitigation tends to creep toward the greatest common denominator.
3. Resources agencies see little advantage or incentive to streamline the process.
  - a. Transportation projects rarely start with a purpose that includes environmental betterment.
  - b. Statutes and regulations specify few deadlines for review and response, and no penalties.
  - c. Bureaucratic procedures can be used to defer hard choices.
  - d. The longer it takes to get a permit, the more can be extorted to finish it quickly at the end.
4. Unless all agencies start up front and stay involved, decisions can be undermined later.
  - a. Resources agencies are too short of staff to get involved early and stay involved throughout a project, so they weigh in late when changes become more disruptive.
  - b. Environmental agencies rarely do field reviews together at the beginning of environmental studies, to help understand each other's concerns.
  - c. Community and environmental interests sometimes want different project alternatives.
  - d. Meaningful compromise alternatives can be rejected too soon.
  - e. Vague or inaccurate understanding of project purpose can drag out consultation.
  - f. The permit application process adds time late in project delivery, often merely ratifying information that has been known since environmental studies were completed.
5. Environmental objectives are typically less clearly defined than transportation ones.
  - a. Resources agencies have defined few standards or ranges for assessing mitigation.
  - b. Transportation projects must come from state or regional transportation plans, but state and regional environmental plans are less well-developed and objectives remain ill-defined.
  - c. Statewide resources data base mapping has major gaps and shortcomings.
  - d. Resources agencies are more vulnerable to pressure from environmental interests for strident mitigation.
  - e. Transportation agencies see no incentive to invest in joint environmental improvements, beyond mitigation.

6. Resources agencies have not been able to increase staff to keep pace with increased workload from transportation and other development projects in a booming economy.
  - a. Reviews of both simple and complicated environmental documents stack up.
  - b. More difficult and involved negotiations get drawn out.
  - c. Resources agencies can do neither data base development nor long-range planning.
7. Caltrans project management still has shortcomings during the environmental phase.
  - a. Too many resources are used for documents for projects with minimal impacts and no controversy, and not enough remain to give extra attention to the truly difficult ones.
  - b. Project managers are more comfortable with engineering risks and judgments than environmental ones.
  - c. Late engineering changes can force reopening of environmental studies.
  - d. Excessively detailed documents slow down the process, taking longer to write and review and stimulating unproductive extraneous discussion.
  - e. The project management system does not yet reliably give clear early warning about delays and problems during the environmental phase.
8. Federal agency processes are especially bureaucratic.
  - a. Caltrans rarely avoids the federal bureaucracy altogether by building state-only funded projects.
  - b. Local agencies have an especially hard time figuring out and meeting detailed federal processes, even for relatively simple projects.
  - c. FHWA handles all documents going both ways between Caltrans and federal environmental agencies.
  - d. FHWA too often holds documents an excessively long time for review, and then ends up making only minor editorial comments.
  - e. Federal environmental agencies rarely accept CEQA technical studies as a basis to act: thus planning decisions about project location, backed by state environmental findings under CEQA, must typically be reopened during project environmental studies for NEPA.
  - f. California makes only limited use of Categorical Exclusions (including programmatic Categorical Exclusions) to simplify FHWA NEPA reviews.
  - g. FHWA has not approved at-risk design or right-of-way purchase during environmental reviews, even for projects with no controversy and minimal expected impact.
9. The environmental process seems to be getting worse rather than better.
  - a. Secondary impacts from growth are becoming an increasingly challenging issue.
  - b. When projects move slowly through the environmental phase, changes in environmental laws can cause studies to have to be redone midway through.
  - c. The results of lawsuits add new twists and requirements from time to time.

### **Administrative Solutions**

The Commission last year, in its 1999 Annual Report to the Legislature, Volume I, Chapter B-2, wrote in detail about environmental streamlining, with recommendations aimed principally at legislative solutions. To complement the discussion in last year's Annual Report, the Commission this year focuses on administrative reforms.

Administrative reforms are capable of making a meaningful difference, but the administrative challenges are demanding. Too many agencies, both federal and state, transportation and resources, have to want to go in the same direction, where they have not in the past. Many of the obstacles are of an intractable kind:

- gulf between engineering (build) and environmental (preserve) agency cultural biases,

- difficult attitudes, including indifference and opposition, from staff or management or sometimes both,
- unproductive entrenched procedures, piled one on top of the other over the years, and
- bureaucratic habits and inertia, intensified by aversion to risk.

Success will be a high bar, likely to remain elusive without strong will, high-priority, unambiguous direction, and continuing management attention.

All around, the problem is worse on the federal side than it is on the State side. Agencies in California regard the federal NEPA process as adding considerable time, effort, and cost to projects with little marginal benefit, given that California law leads to mitigation anyway in most cases. Involvement of federal agencies exposes projects to redundant reviews, arbitrariness, and delays associated with a second layer of government process, exacerbated by the fact that federal reviews must pass back and forth between agencies sequentially. FHWA often acts more as a gatekeeper than a partner agency, and helps only reluctantly to solve difficult issues.

But Congress almost certainly will not remove NEPA, and it is hard for transportation agencies to streamline it. By tinkering with the current federal NEPA process, at best California can contemplate a few marginal gains. However, NEPA itself is at heart a relatively general law, the process does not have to be as difficult as it presently is, and federal environmental agencies could cooperate to make decisions, focus on broader and more meaningful cases, and move paperwork quickly. They do in some places.

A remarkable opportunity is now visible on the federal side. In May 200, the FHWA proposed new NEPA regulations to update existing regulations dating back to 1987. These new regulations propose early and continuous involvement by resources agencies starting at the planning stage, a shift of broad system-level decisions to planning with NEPA-quality environmental documentation (but not the formal NEPA review process), acceptance of those decisions later during NEPA project-level environmental studies, and the opportunity to develop an alternative NEPA environmental process. The Commission welcomes the proposed new regulations, in particular the opportunity to develop an alternative environmental process; it expressed that viewpoint in joint comments to FHWA from state and regional agencies in California, even while expressing concerns that the regulations do not provide enough assurances that this can be made to work in practice. George Frampton, Chairman of the President's Council on Environmental Quality, noted that the Council intends environmental regulations to foster excellent decisions, not excellent paperwork, and called the opportunity for an alternative environmental process exciting and revolutionary, something no federal agency had ever proposed before. Several Eastern states are presently piloting the alternative NEPA process: Maine, Pennsylvania, Maryland, Delaware, and West Virginia.

An effective and efficient state process must be a prerequisite, and California has only partly achieved that as of now. The message from New York regarding delegation of federal Clean Water Act permit approvals should be illuminating: don't bring a federal responsibility into your state process unless you are sure the state's process works smoothly enough to make things better on the whole. California needs to examine its own state environmental process objectively and foster a sound and enduring working partnership between transportation and environmental

agencies and programs. Then California could propose to FHWA an alternative NEPA process, in the manner that has been done in New England and Middle-Atlantic states, and expect to achieve some real streamlining gains. Clearly, FHWA is trying to open the door to a new opportunity for reform. The State should position itself to take advantage.

### **The Broad Umbrella of Commission Recommendations**

Environmental streamlining is not likely to go far unless all agencies involved want it to do so. So far, both sides have been reluctant partners at best, giving and getting only limited incremental changes. Congress, the Legislature, and the Governor all have said they want better. So does the public; it sees transportation and quality of environment as linked, with access and mobility accompanied by impacts such as traffic, noise, safety risks, pollutants, and intrusion into views. Sometimes the public focuses more on transportation improvements, sometimes more on environmental protection, but for the most part it wants both.

The Commission believes a new more holistic approach is in order. Both transportation and environmental agencies should join efforts toward common objectives, instead of trying to outmaneuver each other for their own narrow objectives project by project. In broad outline, this new approach should include all of the following features:

- joint planning to define joint transportation and environmental objectives, and projects to meet them;
- intensified management attention to achievement of streamlining;
- open and clear communication and negotiation to seek common benefit, from the initial plan phase through environmental studies and project construction;
- transportation investment toward environmental objectives as part of projects that produce environmental impacts or present favorable environmental opportunities;
- environmental agency agreement to cooperate and expedite project reviews and decisions; and
- pursuit of federal streamlining, by mutual agreement with federal agencies if possible, with state officials working with Washington D.C., if necessary, with eventual intent to achieve an alternative NEPA process for California as some other states have done.

These are embodied in more detail in 29 specific recommendations below.

The Commission recognizes that the effort must start with transportation agencies; they are the ones trying to build projects. Environmental agencies on the other side must become partners, to help define transportation projects that include environmental improvements, and then to help get those projects built. It will add to the cost of projects that face environmental challenges, but it should enable those projects to be built in a more reasonable time horizon. Transportation agencies may have to pay part of the cost, but resources agencies should seek funds in their budgets to match. Meaningful environmental improvements can often be added into large

transportation projects for perhaps 10% extra cost, which might be worthwhile to save two to four years processing time. The Commission suggests that, if more General Funds can be devoted to transportation in future years, the Legislature and Administration should consider making a portion of those funds available to add environmental features onto transportation projects to fund joint objectives, as a way to enlist cooperation in streamlining project delivery.

To get there, agencies will have to think differently and work together better, toward a common broad public policy agenda. Caltrans is the building agency: environmental objectives must become integral parts of its projects, whether paid for with transportation or resources funds. Resources agencies must define their environmental objectives and discuss them with transportation agencies, up front for inclusion in planning, when transportation project purpose and need are being determined, so they can be folded into projects.

To the extent that Caltrans and resources agencies are not looking past old attitudes and habits, meaningful reform and streamlining will remain elusive. Therefore, as a starting point, **the Commission recommends that:**

- 1. Caltrans and resources agencies increase their resolve and intensify management attention to working together, enough to overcome historic attitudes.**
- 2. Caltrans and resources agencies seek to shift from acting in individual self-interest to acting in mutual interest and plan together toward projects with dual purposes serving both transportation and the environment.**

**Commission Recommendations: Projects with Intractable Issues**

Caltrans has a long history of underestimating the time it will take to complete environmental documents. Program and political pressures often force underestimation of the time really needed for environmental consideration of the most controversial projects, resulting in projects programmed on an unrealistic schedule and ultimately “failure to deliver.” This has happened time and again through the 1980s and 1990s. The new provision in SB 45 that programs environmental studies separately, in a four-year program -- which at least Caltrans is using effectively -- seems to be helping substantially to cure this problem, because later project phases can be held out of the program until the end of the environmental phase is in sight.

Most of these very challenging projects can readily be identified from the start, at the project study report, even before they are programmed. Specifically, most projects to be built on new alignments fall in this category, along with some others facing particular local environmental issues. When delivery time stretches out, the funds programmed to these projects sit idle, and STIP expectations are frustrated. For example, more than 20 projects remain undelivered since the 1990 STIP or before. About half of them have taken longer than a decade to deliver due to local controversy about location or scope. Caltrans, even with 12 localized district offices, is perceived as a remote state agency, not in a good position to take the lead in forging community consensus for its projects. Local officials, being closer to the community pulse, should be able to do more. Environmental agencies have to be involved too, to ensure balance is maintained in local decision-making. In fact, in the two instances where Caltrans has achieved its fastest

delivery of small city bypass projects, at Mojave and Truckee, it did so substantially by vesting local officials to make project decisions.

These difficult projects present two choices: allow extra time, or let local officials take some of the responsibility. Both options have their place, so **the Commission recommends that:**

3. **Caltrans and regional agencies examine, from the project study report, the proposed project scope and timeline for project programming against the challenges expected during the environmental phase, including degree of local consensus, alternatives to be examined and reviews needed, to lay out a realistic project scope and schedule, for the few projects known to be highly controversial;**
4. **Caltrans continue its recent practice of proposing high-risk projects for programming of environmental studies only, indicating the expected delivery timeline, and agree to specifically track and report progress for the Commission; the Commission could monitor the relatively few most-controversial STIP projects more closely during the environmental phase, as a way to help focus progress reporting and bring public attention to the difficulties, time, cost, and agency responsibilities that now are encountered in the environmental process, and consider contingent substitute programming should those projects show signs of falling far behind schedule;**
5. **Caltrans work with local officials in determining community preference to inform and expedite project decisions, and then coordinate engineering soundness with local preferences.**

### **Commission Recommendations: A Less Adversarial System**

Neither federal nor state environmental agencies have taken much initiative in streamlining the environmental process to expedite transportation projects, partly for lack of incentive and partly from bureaucratic inertia. As observed above, agency missions, which have evolved from single-purpose laws, rarely include balance as a feature. These agency cultures have to change. Transportation agencies need to meet the resources agencies half way. Caltrans should embrace the recognition that the surest way to move forward with transportation improvements comes from incorporating environmental improvements into projects. Resources agencies should likewise embrace the recognition that infrastructure improvements, including highway improvements, must accompany continuing population growth in the State, and define resource protection objectives in such a way that transportation investments can help achieve them.

The law still requires mitigation of direct impacts, as it should. But, without common standards, over time mitigation required tends to creep toward the greatest common denominator; resources agencies look for the previous ceiling and start as if it has become the floor next time. This behavior is a natural consequence of an adversarial system. The field offices of certain federal environmental agencies in California particularly have this reputation; they seem to hone in on 40 square feet of shadow under a bridge, when the river itself is severely degraded for 40 miles in either direction. Drawn-out negotiations over mitigation have resulted, but are not the right answer.

To try to change current adversarial relationships, **the Commission recommends that:**

6. **Caltrans** add to its current mission “to improve mobility across California” the additional statement “in the context of improving California’s economy, natural environment, and community quality of life,” and **resources agencies** add to their missions' complementary statements “in the context of improving California’s economy, infrastructure, and community quality of life;”
7. **Caltrans and resources agencies** work together to set priorities, find funding for, and program projects with joint transportation and environmental features, so both transportation and environmental agencies will have a stake in project delivery;
8. **Caltrans and state resources agencies** try to find and define principles or common standards of significance and mitigation, for use now on CEQA projects and as leverage when negotiating with federal environmental agencies, and in the long run in preparation for the day when California may be able to design an alternative NEPA process.

#### **Commission Recommendations: Streamlining the State Process**

Environmental agencies, at times, use bureaucratic procedures that bog down the process, sometimes to defer hard choices. Most of the review and consultation steps under NEPA and CEQA contain no statutory deadlines. Statutes require or encourage timely review, but offer no penalties for failure to do so. Absolute deadlines would be difficult to define, because projects span an enormous range of complexity. For example, a deadline suitable for reviewing the impacts of a small intersection widening would hardly serve for reviewing the impacts of 12 miles of new freeway, and vice-versa. The quality of environmental resources, and the surrounding context, varies, and so does the quality of environmental studies. Devising appropriate mitigation is often more an art than a science. When faced with uncertainty, agencies can buy time via bureaucratic delay, relying on someone else to dictate a decision for them, or Caltrans to get exasperated enough to give in. This behavior represents neither efficient use of resources nor sound decision-making.

Neither Congress nor the Legislature has seen fit to impose statutory deadlines. Agencies themselves can, however, agree to review and decide issues in a timely way as a good business practice. If agencies can plan and work together reliably, this should become an easier step. The Commission has set a good example for resources agencies to ponder. To expedite the new TCR Program, the Commission voluntarily set deadlines for reviewing and approving project applications at half the 90-day time prescribed in statute.

Caltrans needs environmental streamlining; resources agencies have to help provide it. To this end, **the Commission recommends that:**

9. **Caltrans and state resources agencies** draw up memoranda of understandings (MOUs) to define sensible contextual timelines for both review of environmental studies and

**review and approval of permits, and to serve as a model for California to use in designing a future alternative NEPA process.**

**Commission Recommendations: Early and Continuous Involvement of All Parties**

CEQA particularly provides for early involvement, and federal statutes encourage it, but some environmental agencies opt not to engage in environmental negotiations early, and then weigh in late and disrupt the process. The prevalence of this practice was documented by a Governor's Office of Planning & Research survey in 2000, which found not a resource agency, as one might expect, but Caltrans to be the most conscientious among state agencies. More typically, resources agencies decline to begin negotiations about project purpose and need and environmental objectives at the planning stage, and further fail to engage meaningfully at the Notice of Preparation for environmental studies, to help define alternatives and mitigation measures. They cite two reasons: inability to pinpoint what mitigation to demand until the final design details of the project are known, and a lack of staff to sustain involvement throughout many meetings during progress through a project.

When agencies weigh in late, they can force Caltrans to choose between schedule delays or higher costs. At worst, they have been known to force alternatives rejected earlier to be brought back and reopened from scratch; at the least, they can exert leverage for costly mitigation measures when the transportation agency is ready to take its project to construction and can ill-afford delay.

On the other side, a transportation agency sometimes unwisely rejects project alternatives too early, by deciding in advance what project alternative it intends to build and jettisoning the study and consideration of others, usually to cut down on the cost of environmental studies or to slide an undesirable alternative threatening to the project it wants to build out of the running. This can end up as a false economy, yielding excessive controversy and considerable delay while rejected alternatives must be reopened and studies redone; if controversy then arises, public mistrust exacerbates the problems and delays even more.

Project scope and mitigation measures are settled at the time the final environmental document gets approved under both NEPA and CEQA. Some environmental agencies must subsequently issue permits or agreement before construction can begin; for example, for water quality, floodplain encroachment, species and habitat protection, and historic resource clearance. Environmental agencies all review final environmental documents and should be able to determine project scope, impacts, and permit requirements at that point. If satisfied with the project including mitigation measures, this review should de facto constitute intent to approve a permit subsequently, without delay, unless the project is changed significantly during design. However, sometimes agencies do not issue permits expeditiously, delaying the project; federal agencies are at fault here more often, but state agencies have been known to do this too. Even worse, permits can be used to extort unreasonable levels of mitigation late in the process, after design has been done and paid for and expectations for imminent construction are high. If the cost and threat of project delay leads a transportation agency to accept, reluctantly, mitigation measures that may be considered excessive, a precedent may be set that raises the bar for future transportation projects. Again, the Commission has set a good example here, since back in the

1980s. When reviewing and approving a final EIR, as a responsible agency under CEQA, the Commission concurrently approves the project for future consideration of funding, which becomes tantamount to placing the project on the consent calendar when it comes back for funding allocation, unless the cost increases by more than 20%.

All parties gain from early involvement. It becomes an essential element in a cooperative relationship. Therefore **the Commission recommends that:**

- 10. All state agencies be directed to become involved early in environmental negotiations, seek to reach early agreement on mitigation measures and permits, and end the practice of seeking mitigation measures at the tail end of project development after engineering work has essentially been finished; so too should federal agencies;**
- 11. Caltrans and all the major resources agencies, as applicable, agree to the standard practice of a joint field review, including local agency representatives, followed immediately by a discussion of issues and strategies, at the start of environmental studies for all projects expected to involve significant impacts or local controversy;**
- 12. All state agencies come to agreement on a reasonable level of information to include in CEQA studies to support permit requirements, so that CEQA approval can serve as intent to issue any subsequent permits expeditiously, except under extraordinary circumstances, with the intent to incorporate this feature into a future alternative NEPA process involving federal environmental agencies.**

### **Commission Recommendations: Clearer Environmental Objectives**

The standard for environmental significance may vary from agency to agency, place to place, and project to project, and resources agencies too often focus on small immediate details at the expense of the big picture context. It should seem obvious that all stands of oak woodland or historic bridges are not equally significant: clearly one particular example or particular context may be more significant than another. There are no common standards or understandings of what is significant and what is not among elected officials, the public, various interest groups and even within agencies. Inconsistent staff behavior within agencies, from one project or one part of the State to the next, adds to the problems where it is encountered. Resources agencies have in some cases; for example, for certain endangered species or historic resources, been able to define principles or standards for significance, so transportation agencies can get some idea of what to expect when bringing forward a project. This needs to become more widespread rather than the exception.

Better planning would go a long way. Transportation agencies must consider transportation improvements in regional and state plans before they are built; the same should be true of environmental improvements. Most project alternatives yield definable transportation improvement, yet may vary more widely in environmental effect. In today's world, transportation agencies should seek project alternatives that satisfy dual objectives, improving both transportation and the surrounding community or natural environment. Transportation agencies need to start by offering open and realistic assessment of project purpose and alternative

proposals; resources agencies need to cooperate by defining environmental objectives clearly. Ideally, any controversy over project intent, scope and location should play out early on, during the transportation planning phase, so when the project is finally moved from the plan into the program the only issues left relate to details and mitigation. Often it doesn't work out this way because neither funding nor time is available for extensive environmental studies during the planning phase. The Commission suggests that an effort to bring transportation and environmental planning efforts together would be the most effective way planning resources could be brought to bear for better project delivery. Most regions are currently updating their RTPs, so opportunities could be ripe now. Caltrans and the Merced County region are in fact starting such an effort.

California resources agencies lack comprehensive statewide mapping and data bases for environmental resources, although some general level of statewide mapping and some detailed mapping in smaller areas exists. The void is particularly vexing for wildlife habitats (especially for endangered species), archeology sites, historic properties, and water pollution sources. While Caltrans makes good use of data and mapping where it exists, it must make up data base insufficiencies with more intensive environmental studies project-by-project elsewhere. The challenge becomes greater when considering off-site mitigation and compensation. Resources agencies understand the value of better resource mapping, and recently have begun a statewide mapping effort called California Critical Resource Inventory & Strategic Plan (CCRISP), but progress has been slow. Caltrans stands to benefit more than most agencies from CCRISP. Caltrans has some of the best mapping resources available of any state agency, and the largest planning staff in State government, and provides resources for regional planning statewide. The inclusion of environmental planning in Caltrans' planning efforts, working closely with resources agencies, could point the way to better project alternatives early on and help project delivery down the road.

Caltrans does not start with an innate understanding of environmental objectives, and resources agencies seem to have trouble defining them clearly as well. To help bridge this gap, **the Commission recommends that:**

- 13. Resources agencies' management define and articulate program objectives in a big picture sense, as policy direction and framework for staff activities on individual projects.**
- 14. Caltrans and resources agencies undertake a joint transportation-environmental planning effort, to try to develop a consensus on joint investment in transportation improvements, mitigation programs, and environmental protection that can expedite achievement of overall goals for both timely infrastructure development and preservation of critical environmental lands and resources.**
- 15. Caltrans consider using some transportation planning resources, working cooperatively with Department of Conservation and other resources agencies, to improve the State's critical resources mapping and data bases, as has been done in Florida, and seek outside funding, for example from environmental grants to support such a joint effort.**

- 16. Caltrans seek a couple of regions willing to pilot the shift of regional-scale environmental studies for large projects, particularly including controversial ones, early into transportation planning, including documentation adequate to NEPA standards, and provide extra increments of federal planning funds to help ensure success.**

#### **Commission Recommendations: Adequate Resources for Resources Agencies**

Environmental agencies' staffing is strained for today's workload. During the 1990s, budget constraints and staffing policies kept a lid on the ability of resources agencies, both state and federal, to expand staff. Meanwhile, transportation programs more than doubled, and the environmental review bottleneck ballooned. The booming economy adds to the pressure, as Caltrans' projects blend into a stream with projects from other state agencies, federal agencies, local agencies, and private developers.

In the last couple of years, Caltrans has agreed to fund 21 staff positions in the budgets of environmental agencies, both federal and state, to improve service. The staff would work for resources agencies, on their regular workload, but would have to give priority attention to Caltrans projects that come through for review, approval, and permits, particularly to ensure early resources agency involvement from project planning onward. As of today, only about 50% of these staff have actually been hired, partly because of budgetary limitations and partly because the job market is so tight for trained and experienced specialists, so the expected results for faster review and approval have not materialized. The current need may in fact exceed the 21 positions approved for Caltrans funding in various agencies, but the real need is difficult to pin down because of the uneven flow of projects and the time delay attributable to extra management attention needed on certain projects.

Tight staffing at resources agencies has affected more than just project review. With the priority for review of projects, resources agencies have not been able to attend to developing their statewide data bases, which in turn hampers their ability to plan toward defining and achieving joint transportation and environmental objectives.

Expanded transportation programs are straining other agencies workloads, but service slowdowns do not provide the right answer. Instead, **the Commission recommends that:**

- 17. Department of Finance review external staff levels funded by Caltrans in resources agencies, in light of how critical the function those external staff would perform is to the delivery of Caltrans' programs;**
- 18. Caltrans and state resources agencies examine ways Proposition 35 might be used to bring specialized resources to bear where hiring of state staff has been constrained.**

#### **Commission Recommendations: Caltrans Project Management Improvements**

The essence of CEQA and NEPA require assessment of whether environmental impacts are significant, and reporting of that assessment in concise language for public review. For less

controversial projects, Caltrans needs to focus its environmental documents more concisely. Hefty, inch-thick, bulletproof environmental documents are rarely needed. They take a lot of staff time to prepare, they take longer to review, and the more extraneous material they contain the more doubts they can raise. Excessively detailed documents may lead to slower decisions, not quicker ones.

On the other hand, the few large controversial projects should command more resources. In the face of uncertainty, conflicting viewpoints, disputed information and conclusions, and the threat of lawsuits, these environmental documents need to be thorough and well-reasoned. For these projects, an extraordinary level of resources becomes essential to timely success.

Completion of the environmental document for a project should lock down project scope. Beyond that point, the only engineering changes should be limited to details. If the location, basic project concept, or even major features (such as changing culverts into a bridge) are changed, environmental studies may have to be reopened, sending the schedule in effect back to square one. Caltrans project managers, trained as engineers, do not always grasp the broad environmental process implications of changes proposed for narrower engineering reasons.

Large projects present the most challenges for speedy delivery throughout, across all phases, so early warning that allows time to re-deploy resources is most important during the environmental phase. Environmental studies involve specialty staff and time-dependent activities, such as biology surveys during environmental studies and soil and bridge engineering during project development; with a larger program bringing more projects through the pipeline, resource redeployment becomes an even bigger management challenge. In fact, as noted above, the most significant staffing concern may lie not within Caltrans itself, where staff can be shifted back and forth among a large number of projects, but in partner resources agencies, both state and federal, that must review and approve environmental documents.

Caltrans' project tracking system is weak in assessing delivery progress during the environmental phase. It tracks numerous milestones during design but only a couple during environmental studies, and project managers seem to be more lax in reporting environmental milestones closely. This perhaps is to be expected, because many activities and milestones during the environmental phase involve, and are controlled by, non-transportation agencies. Nevertheless, environmental studies comprise 50% of the delivery timeline for the typical improvement project, and 80% or more for most large complex projects. Since most of the reasons cited for rescheduling projects point to activities before completion of environmental studies (for example, inability to reach local consensus, engineering changes that force environmental studies to be reopened, or drawn-out steps in environmental process itself) and rescheduling of projects leaves STIP funds unspent, the Commission has urged Caltrans to increase its focus on progress during the environmental phase.

Caltrans must take responsibility internally for some aspects of environmental streamlining. To that end, **the Commission recommends that:**

**19. Caltrans develop a strategy to sort controversial and routine projects, to tailor preparation of environmental documents to the most concise scale appropriate for**

**project context, and conserve resources to tackle the few extremely difficult projects and documents more thoroughly.**

**20. Caltrans strengthen its new project change control policy, to require either regional agency concurrence or full discussion before the Commission of any proposed project changes that would lead to a rescheduling of the project in the STIP.**

**21. Caltrans give environmental planning a more balanced position in its priority-setting, resource allocation, project management, and decision-making structure.**

### **Commission Recommendations: Streamlining the Federal Process**

In the end, NEPA and the federal environmental process form an inescapable part of the puzzle. FHWA is almost always Caltrans' partner lead agency on the federal side for NEPA, and FHWA's process and behavior are certainly part of the problem. California and Caltrans aren't likely to be able to escape NEPA, but FHWA could go farther than it has in streamlining the way it manages the NEPA process. FHWA -- and federal resources agencies -- have certainly proven more amenable to new ways of doing things in some other parts of the country than in the Western region. To FHWA's credit, it has recently proposed new NEPA regulations, which offer bold new opportunities out in the future, but the regulations aren't final yet, an alternative NEPA process hasn't been designed that would suit the California situation, never mind being approved.

One approach would be to avoid FHWA and NEPA for some strategically-chosen projects. Any project not using federal funds or needing a federal environmental permit automatically faces an easier environmental process, not involving NEPA and federal agencies. California puts a lot of state money into transportation, from traditional fuel taxes and truck weight fees, sales taxes, and now state general funds through the new TCR Program, amounting to about \$6 billion per year overall, with perhaps half going to capital projects. Local and regional agencies have regularly reminded the state how valuable state funds are, allowing them to avoid having to deal with onerous and time-consuming federal process, including NEPA. The TCR Program authorizes the state to swap "clean" state funds to local agencies for their federal local assistance funds. Based on past experience with limited exchanges under a federal innovative financing program, the swap should considerably expedite local project delivery. Although Caltrans is skilled at routinely preparing environmental documents to fulfill the requirements of NEPA and CEQA concurrently, it could gain by strategically concentrating federal funds onto certain projects: projects such as pavement rehabilitation for which NEPA is easy, and projects with broad effect that need federal agency permits in any case for which NEPA is inescapable.

In any case, with \$2.5 billion in federal funds coming to California each year, many of Caltrans' projects will have to be federally funded and get reviewed through NEPA. Both FHWA and FTA insist on handling and reviewing requests for consultation, proposals during consultation, and draft and final NEPA documents sequentially going both ways between the state or local agency and the federal environmental agencies that must be involved. Presumably, FHWA and FTA are trying to ensure they keep informed about matters under discussion, protect their

discretion over their lead-agency role, and head off undesirable precedents before other agencies latch onto them.

However, the current sequential handling and review adds considerably to the time it takes to get decisions, particularly when negotiations go back and forth, especially given the already-slow handling and review by some agencies on one end or the other or in the middle. In fact, FHWA is sometimes the slowest part of the chain, particularly when it comes to reviewing and releasing environmental documents that might raise even slight controversy. One recent example should indicate the problem: Caltrans sent a draft environmental document reporting no impacts from a new expressway on Route 149 in rural Butte County to FHWA in May 2000 for approval to release for public review, it came back six months later in November 2000 with only a handful of editorial comments, Caltrans returned it with edits in less than a week, and a month later FHWA still has not approved the draft document for release. This experience has added seven months (and counting) to the timeline for delivery of this project, for no substantive purpose.

FHWA allows expeditious NEPA approval of projects with no impact via a process called Categorical Exclusion, and certain classes of projects via a blanket process called programmatic Categorical Exclusion, but California has only been able to make limited use of it. FHWA should value environmental streamlining as much as Caltrans does. Congress in Federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) mandated that FHWA streamline its environmental process. The option for broader use of programmatic Categorical Exclusion certainly exists, for classes rarely involving impacts or controversy; one easy example involves enhancement projects, which are supposed to provide environmental benefits. Even with this expedited process, the Transportation Research Board, in a survey of 40 states, found Categorical Exclusions often taking two years or more for approval, which points to FHWA's slow review and overly cautious decisions as a large part of the problem. California should be in a better position than most states when it comes to use of Categorical Exclusions, with its tough CEQA environmental law as a fallback to catch the rare project that might not be benign.

For many projects with consensus support by the draft environmental document step, design and right-of-way activities could be commenced well before the final environmental document with little or no risk. Both FHWA and FTA allow substantial reimbursable project development work to proceed before final NEPA approval only on a "don't ask – don't tell" policy. This leaves agencies wanting to expedite work anxious and uncertain whether reimbursement for the work will be approved. Nevertheless, except for complex and controversial projects, right-of-way appraisals, utility relocation agreements, and most engineering design work can proceed with little risk or jeopardy. Caltrans took an incremental step forward in 2000, broadening its policy for advance right-of-way acquisition, and the Commission carried this new policy over into program guidelines for the TCR Program, and Caltrans' new change control policy moves more design work earlier, concurrent with the environmental phase.

Some transportation projects are built in stages, sometimes with several years in between. In an era of urban sprawl, protection of rights of way, sometimes years ahead of need for a highway or rail line, makes eminent sense while land is still vacant and affordable. Caltrans used to buy corridor lands in the 1960s (and in fact still owns some), but that was done before environmental laws. Today when a decision is made to choose a transportation corridor, it must be based on a

proper environmental process under CEQA; the decision on what kind of project to build in the corridor and how to fund it may come much later.

One important function of transportation planning is to lay-out transportation corridors, and a transportation agency should be able to expect that its original planning decision about a corridor does not have to be reopened and restudied when it comes time to build a project unless the circumstances of the decision have become significantly different. But it doesn't work this way, especially if federal funds are to be used to build the eventual project. FHWA funds transportation planning to make sensible corridor decisions in advance, linked to land development; NEPA regulations preclude exclusion of alternative project locations later during project environmental studies, thus forcing duplication of the planning effort to a large extent. In California, both transportation and land use planning are subject to CEQA. This Catch-22 illustrates another way in which NEPA and CEQA do not work well together.

This frustrates local agency efforts in two ways. First, local agencies cannot afford to piggyback a full NEPA process onto local planning efforts, which have become extremely convoluted and arduous in today's complex urban setting. Second, while local agencies are often willing to require large developers to reserve corridors for transportation, they shy away from going through environmental studies to buy smaller properties and keep a corridor open. FHWA is proposing to move consideration of regional-scale impacts forward into the planning process and, with adequate documentation for NEPA, respect and not reopen broader decisions made during planning later during project level environmental studies. How well this will work in practice remains to be seen, but it certainly represents a streamlining opportunity.

**In the meantime, Caltrans and FHWA could take some limited steps toward environmental streamlining on the federal side, while opening discussions about how to design an alternative NEPA process down the road. To this end, the Commission recommends that:**

- 22. Caltrans continue discussions toward providing more flexibility to shift state and federal funds back and forth among projects, with appropriate programming protection, and exploring further a State strategy to designate state-only programming.**
- 23. Caltrans continue to seek to work out protocols with both FHWA and FTA to allow direct consultation about project environmental issues and parallel review of NEPA documents in as many cases as possible, perhaps excepting only selected projects with significant controversy, extraordinary mitigation, or precedent-setting policy matters, with the Administration working with Washington D.C. offices as necessary;**
- 24. Caltrans work with FHWA to define and put into practice deadlines to expedite environmental document review, particularly for projects with limited controversy;**
- 25. Caltrans continue to work with FHWA to seek opportunities to expand preliminary right-of-way and design work "at risk," before final NEPA approval, on those projects backed by local consensus and without controversy, as a matter of practice; if Caltrans can make no more headway here, it should consider redefining preliminary engineering, moving the boundary further into design, thus more clearly establishing can be done and funded in the environmental/preliminary engineering phase;**

- 26. Caltrans continue to work with FHWA to expand the use of Categorical Exclusions, including expanded programmatic Categorical Exclusions, in California, with the Administration working with Washington D.C. offices as necessary;**
- 27. Caltrans vigorously support FHWA's proposed new regulations for planning and NEPA process, and try to ensure that final regulations allow prior decisions to narrow down alternatives during planning to be respected and not reopened for project-level NEPA studies, as long as resources agencies were involved in during planning, environmental factors and federal interests such as federally-listed endangered species were considered, and decisions were documented adequately;**
- 28. Caltrans continue to work with FHWA and state and federal resources agencies to arrange further memoranda of understanding (MOUs) for treatment of specific resources, such as has been done for certain endangered species, and further specific delegation of permit approvals to state resources agencies, as has been done with the State Historic Preservation Office and Regional Water Quality Control Boards.**

#### **Commission Recommendations: Forestalling Future Risks**

Regionwide or system-level impacts can be highly significant, are typically time-consuming to assess, and can become contentious in some settings where the relationship between transportation, development and growth becomes an issue. Environmental interests are beginning to focus more on broad-scale impacts; thus, raising the visibility and risk to projects. Mitigation of such broad impacts can become too much for one project to bear. Growth affects both transportation and the environment, and both Caltrans and resources agencies are concerned, but responsibility for growth management and decisions currently rests with local governments.

Environmental agencies and Caltrans need to cooperate to deal more effectively with growth impacts ancillary to transportation system improvements. Caltrans is bound to consider and report the potential impacts from growth and development that may follow or accompany its projects, and should treat them as cumulative impacts; to do that, it can draw from and reference Environmental Impact Reports for development plans and local general plans. Caltrans does not preside over whether, when, where, and how that subsequent development may unfold and thus should not bear responsibility for mitigating impacts of that subsequent development. On the other hand, resources agencies, while they can benefit from Caltrans' coherent discussion of cumulative impacts, must focus their attention for mitigation on local agencies that control development approval decisions.

Environmental interest groups, having limited success influencing local government growth decisions, see Caltrans as a contributor source with deep pockets and have begun putting pressure on resources agencies to advance this viewpoint. Interest and concern about growth and its impacts is rising statewide, and state agencies stand at risk of getting caught in the storm.

The best place to deal with regional scale impacts comes at the transportation plan stage, when the whole system is evaluated and priorities for improvements are set systemwide. Regional Transportation Plans (RTPs) are subject to CEQA, and regional scale impacts should be assessed

at this point. Most regional agencies prefer to limit the depth of environmental studies on their regional plans (except for air-quality conformity), but perhaps this practice should be reconsidered, and additional resources be provided, as regional scale impacts and cumulative impacts become more of an issue.

New environmental laws and Court decisions can change the landscape midway through environmental studies, typically forcing reconsideration. The best remedy here is to reduce exposure, by cutting the timeline to complete environmental studies and thus decrease the chances that a change will come along while the project is underway.

All the recommendations above will help control risk to some degree, but one risk stands out. Here **the Commission recommends that:**

**29. Resources agencies and Caltrans work together proactively with the Office of Planning & Research toward developing a State strategy for dealing with growth management and the State's response to ongoing growth patterns, since growth affects both of them so much.**

# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **D. TRADE AND COMMERCE**



## I. ISSUES FOR 2001

### D. Trade and Commerce

*International trade is the leading growth sector in California's economy. However, the concentration of passenger and freight traffic through California's international border crossings, commercial airports and seaports is straining current transportation infrastructure and is a major constraint on future international trade and domestic commerce. To capture the economic opportunities that international trade offers Californians, state and local governments must improve goods movement infrastructure to meet demands. Completing the Alameda Corridor, implementing major improvements on the I-710 Freeway accessing the Ports of Los Angeles and Long Beach and maximizing the efficiency of the operation of these ports, and funding improvements along the rail corridors east of downtown Los Angeles are all critical investments. Further, California's ability to capitalize on the growth in international trade is constrained by inadequate capacity and crippling ground access congestion at our major commercial airports. Los Angeles International Airport (LAX) is updating its Master Plan and may require over \$2 billion for ground access improvements. In 2000, the Legislature took a key step toward addressing these needs in Senate Concurrent Resolution 96, which calls for developing by July 2001 a "Global Gateways Development Program," identifying high-priority airport and seaport access projects and intrastate transportation projects to facilitate movement of intrastate, interstate, and international trade beneficial to the State's economy.*

International trade is the leading growth sector in California's economy. The value of imports and exports passing through the Los Angeles Customs District in 2000 is estimated to be \$230 billion, 16.6% greater than in 1999. Projections for 2001 are for an increase of 10.3% to \$254 billion. These numbers make the Los Angeles Customs District the largest in the country, ahead of New York. The growth in Southern California jobs related to international trade has grown from about 220,000 in 1985 to 470,000 in 2000. This growth more than offsets the regional decline in aerospace/hi-tech jobs from 420,000 in 1985 to 200,000 in the year 2000. To protect the economic opportunities international trade offers Californians, state and local governments must cooperatively improve our goods movement infrastructure to provide a system that can efficiently meet the demands of growing world trade.

In today's economy, competition for markets is intense and is being played out on an international stage. The prompt delivery of finished goods and receipt of raw materials and parts is essential to compete successfully for markets and to sustain production, as companies schedule the arrival of supplies just in time to meet their manufacturing needs and market demand. Because of the expanding global economy, more goods are moving longer distances with increasing reliance on quick and dependable transportation.

California is well-positioned to play a key role in the expanding U.S. trade with Asia, Canada, and Mexico as a producer, consumer, and transshipment point. California has extensive highway and railroad networks that form the backbone of the State's goods movement system. However, approaching the ports of entry into California--international border crossings, commercial airports, and seaports--the concentration of passenger and freight traffic is straining the existing

transportation infrastructure. A major constraint on the future level of growth of California's international trade and domestic commerce is the capacity of the State's import/export transportation infrastructure. Specifically:

- Trucks are unduly delayed by highway congestion in the largest urban areas and by inadequate access to intermodal facilities.
- Freight railroads need corridors that have sufficient mainline and intermodal yard capacity and are grade-separated at major road crossings.
- The State's largest ports are hampered by traffic congestion on their landward approaches, and some smaller ports lack adequate access to railroads for intermodal shipments.
- Airports built mainly for passenger traffic are having difficulty accommodating increased demands for cargo traffic as well as growing air passenger demand.

**Truck Facilities** - The Alameda Corridor Project is a \$2.43 billion project currently under construction, which consolidates port-related train traffic onto a 20-mile, high-capacity transportation corridor linking the ports of Los Angeles and Long Beach with the national railroad system and interstate highway system near downtown Los Angeles. The project will speed shipment of cargo by consolidating four rail lines and improving the flow of rail and vehicle traffic through the elimination of more than 200 street-level railroad crossings. Construction of the project is on schedule for opening in April 2002.

An unresolved issue related to The Alameda Corridor is improving truck access to the ports. Caltrans, the Alameda Corridor Transportation Authority (ACTA), the Ports of Long Beach and Los Angeles, Los Angeles County Metropolitan Transportation Authority (LACMTA), and the Southern California Association of Governments (SCAG) need to continue to work toward addressing not only the projected growth of rail traffic through the Ports of Long Beach and Los Angeles, but also the expected tripling of port-related truck traffic. Adequate freeway and highway improvements near the ports have not yet been programmed in the State Transportation Improvement Program (STIP). A \$3 million Major Investment Study to identify specific transportation solutions along the I-710 (Long Beach Freeway) corridor from the ports to State Route (SR) 60, a distance of 18 miles, is underway.

**Alameda Corridor East** - The development and implementation of a regional strategy to improve rail freight movement from downtown Los Angeles eastward to San Bernardino requires the definition and prioritization of track improvements, grade separation projects, and consolidation of interstate freight rail traffic, modeled after the Alameda Corridor Project. Grade-separating rail and highway intersections along these freight rail corridors will produce safety benefits by limiting the possibility of collisions, air-quality benefits by limiting automobile and truck delays and emissions at railroad crossings, and private sector economic benefits for the railroads by increasing the speed and reliability of goods movement through the region. The estimated cost of grade separating the lines passing through the Counties of Los Angeles, Orange, Riverside, and San Bernardino is at least \$2.5 billion.

The successful implementation of this program will require a cooperative regional approach to prioritize and coordinate programming and funding of these projects among the counties,

Caltrans, SCAG, and private sector railroads. The importance of this project to the State is demonstrated by the inclusion of \$273 million from the State General Fund for projects along this corridor in Los Angeles, Orange and San Bernardino Counties in the Traffic Congestion Relief Program (TCRP) established by the Governor and the Legislature in 2000 via AB 2928 (Torlakson, 2000). To access these funds, a report addressing regional mobility needs, the regional, State and national economic impacts of the corridor, and a strategy for financing the proposed corridor improvements must be submitted to the California Transportation Commission (Commission).

**Seaports** - In 1997, California's deep-water ports accounted for \$138 billion of waterborne imports, \$47.5 billion of waterborne exports, and supported 1.5 million California jobs. California must have an efficient intermodal goods movement system, including improved highway and rail access to and from seaports, to improve its competitive position in the national and international economy.

In 1999, the Commission surveyed the 11 commercial seaports in California to determine their unfunded ground access needs over the next ten years. Seven seaports responded to the survey. They have identified \$1.1 billion in needed ground access improvements, including \$395 million in local road improvements, \$124 million of rail improvements, and \$547 million in State Highway routes serving the ports. The most expensive single project is improving I-710, the Long Beach Freeway, which is the primary ground access constraint to the ports of Los Angeles and Long Beach for approximately \$455 million.

**Moving Toward A 24-Hour Port Complex** - The Ports of Los Angeles and Long Beach are by far the largest ports in California, accounting for 81% of tonnage handled at all California ports, and 57% of tonnage handled at all U.S. west coast ports. The Port of Long Beach and the Port of Los Angeles each have \$1 billion expansion projects well underway. However, the congestion on freeways accessing the port, operational delays in transshipping containers from ship-to-truck-to-rail, and past shortages of rail cars undercut the image of the ports in the international shipping community. There is major concern once again this year that the container volumes during the peak-shipping season will overwhelm the logistics infrastructure. As a result, the shipping community is seeking alternatives to the Ports of Los Angeles and Long Beach. Recently, some steamship companies have started all-water shipments from Asia to the east coast of the U.S. through the Panama Canal. Even though this route is more time consuming, it is judged by some to be less costly and more reliable. Completing the Alameda Corridor, implementing major improvements on the I-710 Freeway accessing the ports and funding improvements along the rail corridors east of downtown Los Angeles are all critical to maintaining the attractiveness of the Ports of Los Angeles and Long Beach.

It is also critical to maximize the efficiency of the operation of the ports. The above capital projects will inescapably take years to complete. In the interim, until they are on line, port-related congestion will only worsen. A key factor in mitigating this congestion is spreading the demand for port access over a greater portion of the 24-hour day. Presently, almost all port-related trips occur during an eight-hour window. **Accordingly, the State should encourage and facilitate all of the parties with economic interests in shipments through the ports,**

**including steamship companies, shippers, truckers, railroads, importers/exporters, warehouse and terminal operators, labor and the Ports themselves to come together to identify potential operational and other solutions, including expanded hours of operation at the ports as a means of addressing port through-put capacity problems in the nearer term as well as productivity and mitigating traffic and air-quality impacts on communities around the ports.**

**Commercial Aviation** - Air passenger and air cargo traffic is expected to double or even triple over the next 20 years. International airports throughout the State are well-positioned to take advantage of the economic growth around the Pacific Rim, provided adequate air and ground access capacity is developed. However, California's ability to capitalize on the growing demand in international business services and goods movement is being constrained by inadequate airport capacity and crippling ground access congestion at our major commercial airports.

A Commission survey of airports in 1999 indicates 41 airports have 103 unfunded ground access projects costing \$3.1 billion. The reported projects include 13 State Highway improvements for \$0.4 billion, 88 local road projects for \$2.0 billion, and 2 passenger rail projects for \$0.7 billion.

Los Angeles International Airport (LAX), with the largest funding need, is in the process of updating its Master Plan to accommodate a projected increase in air passengers from 54 million annual passengers (MAP) in 1996 to 98 MAP in 2015, and an expected 140% increase in air cargo from 1.8 million metric tons per year in 1996 to 4.2 million metric tons per year in 2015. Ground access funding needs at LAX are estimated at \$2.4 billion. Another 8 commercial airports report ground access funding needs of \$0.6 billion. San Francisco International Airport (SFO) did not report any unfunded ground access needs over the next ten years, because they are currently implementing a fully-funded, \$2.5 billion expansion program. The SFO program includes another \$1.1 billion of State, federal, local and airport funds to extend the Bay Area Rapid Transit system into the airport.

Progress on the LAX expansion plans has been slow. Political opposition to a proposed airport at El Toro in Orange County has stopped progress on this project. The broad distribution of benefits from airports and the narrow focus of negative impacts from airports suggest that local politics can stop needed airport expansion if there is no active support for these economically critical airport investments at the regional and State level. **The State should take a larger role in supporting needed airport investments and in mitigating their local impacts.**

To facilitate economic growth and to avoid gridlock around our major commercial airports, it is **important to immediately define a funding source for airport ground access programming.** The redirection of revenues from the existing sales tax on jet fuel from the General Fund to an airport access improvement program would be an appropriate use, which is consistent with the current use of sales taxes from fuel taxes to support transit operations and improvements. These taxes are being paid by the airline industry, the revenues come primarily from the areas needing access improvements, and investment of the revenues would lead to significant increases in general fund revenues for cities and the State through economic growth in the near future. Sales taxes paid by airlines on jet fuel is approximately \$100 million per year, but general aviation fuel tax revenues total only \$6 million annually. This magnitude of revenue is not enough to fully

fund all needed ground access improvements, but enough to leverage other local, State and federal funds toward these projects. While large commercial airports are able to raise significant revenue to expand groundside and airside operating capacity of the airports, they are limited by the federal government in their ability to use airport revenues, including Passenger Facility Charges (PFCs), to address ground access needs beyond airport property. **The State should encourage providing more flexibility in the off-airport use of these airport revenues.**

**SCR 96 (Karnette, Resolution Chapter 158, Statutes of 2000) - Intermodal Freight Access**

This Resolution requests Caltrans, in cooperation with the Business, Transportation and Housing Agency, the Trade and Commerce Agency, the Commission, lead transportation agencies, ports and airports, and other appropriate parties, prepare a proposal for a "Global Gateways Development Program (Program)." The Program goal is to improve major freight gateways in California to enhance overall mobility, including increased access at and through international ports of entry, international airports, seaports, other major intermodal transfer facilities and goods movement distribution centers, and trade corridors in California. The Program shall identify high-priority airport and seaport access and intrastate transportation projects that serve to facilitate the movement of intrastate, interstate, and international trade beneficial to the State's economy. Caltrans is requested to prepare and submit to the Legislature a report on the progress in preparing the Program, on or before March 1, 2001, and to submit a final report on that program to the Legislature on or before July 1, 2001.

SCR 96 recognizes that the significance of seaport and airport access to California's trade-based economy requires California to expand the State's policy role in facilitating goods movement and to increase the state priority and funding levels for projects that promote international trade. The key issue, once the SCR 96 Program is prepared, will be the identification of appropriate funding sources for the seaport, airport and highway projects in the Program. The use of State and federal gasoline tax revenues to fund access roads to seaports, airports, border crossings and truck facilities on highways is well established. However, constitutional and statutory restrictions on the use of State Highway Account and Public Transportation Account (PTA) revenues preclude their use on freight railroad projects. Publicly owned intermodal transfer facilities such as on-dock rail may have significant impacts on reducing congestion around seaports but must contend with significant restrictions and questions of eligibility for current STIP funding sources. The Legislature may want to consider removing current obstacles to the use of PTA funding of publicly-owned freight rail facilities.



# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **E. INTERCITY RAIL: CONVENTIONAL, HIGH-SPEED AND ULTRA HIGH-SPEED**



## I. ISSUES FOR 2001

### E. Intercity Passenger Rail: Conventional, High-Speed, and Ultra High-Speed

*In 2001, California will face a number of challenges that will influence the direction that California takes regarding conventional, high-speed and ultra high-speed passenger rail. At the federal level, depending on the “lame duck” Congress’ action on a proposed \$10 billion bond for intercity rail capital projects, California must either be prepared to provide matching state funds to maximize its share of the \$10 billion or, with other states and Amtrak, renew the call, to the new Congress, for intercity rail capital funding. California also must continue to compete against other states for continued federal funding toward a proposed magnetic levitation system in Southern California. At the State level, Caltrans must assess its needs over the next three STIP cycles to secure matching funds for as much as 30% of the proposed \$10 billion in federal funds. Caltrans must also pursue application for \$197 million in State Traffic Congestion Relief Program (TCRP) funds for intercity rail capital improvements by 2002. Further, following a statutory extension of the charter for the California High-Speed Rail Authority until 2003, the Legislature and Administration must continue to assess the Authority's progress in developing ultra high-speed rail between northern and southern California, leading to a decision on continued funding for this effort. Finally, as part of its next update of the Ten-Year Rail Passenger Program Report, Caltrans must attempt to define levels of intercity passenger rail service necessary to achieve the Report’s stated objectives of congestion relief, air quality, and optional mode of travel.*

#### **Overview of 2001 Issues:**

In 2001 California will face a number of issues regarding conventional, high-speed and ultra high-speed rail on the federal and state levels. How California addresses these issues will affect:

- the direction Caltrans takes in funding its ten-year intercity rail capital improvement plan;
- the outlook for the continued assessment of ultra high-speed rail by the High-Speed Rail (HSR) Authority; and
- the outlook for the continued assessment of a proposed MagLev system in Southern California by the Southern California Association of Governments (SCAG).

**Federal level:** California must be ready to apply for and match the potential \$10 billion in federal funds that may become available over the next ten years for intercity rail capital improvements. Should Congress not pass the necessary legislation, then California must work with other states and Amtrak to convince Congress that intercity rail capital funds are needed nationwide.

In 2000 SCAG, along with the HSR Authority and the Business, Transportation & Housing Agency (BT&H), received a continuing grant from the Federal Railroad Administration (FRA) to begin full engineering and environmental clearance on the magnetic levitation (MagLev) project between Los Angeles and March Inland Airport. FRA continued funding all seven MagLev proposals nationwide. FRA withheld \$10.5 million of the \$25 million available to fund

further work in 2001. California must compete with the other applicants to get a portion or all of the remaining \$10.5 million.

**State level:** Caltrans must assess its needs over the next three State Transportation Improvement Program (STIP) cycles (2002, 2004, and 2006) to ensure that local non-federal funds are available to match the potential \$10 billion in federal intercity rail bonds. Caltrans must also apply for, within the next 18 months, \$197 million appropriated by the Traffic Congestion Relief (TCR) Act of 2000 for specific intercity rail capital improvements. Otherwise, the funds can be re-directed to other projects, based in part on the California Transportation Commission's (Commission's) recommendations to the Legislature and the Administration.

The HSR Authority, due to sunset in 2001, was extended by AB 1703 (Florez, 2000) until 2003. AB 1703 requires nine new HSR Authority members to be appointed in 2001 by the Governor, the Senate Rules Committee and the Speaker of the Assembly. In 2000, \$5 million was appropriated to the HSR Authority to begin the environmental process to assess the various high-speed rail alternatives. However, the HSR Authority's 1999 financial plan states that a total \$25 million is needed for this process. In 2001 the Legislature and the Administration must assess, as required by AB 1703 (Florez, 2000) the HSR Authority's progress and determine the appropriate amount of funding for FY 2001-02 and following fiscal years.

### **Potential \$10 Billion in Federal Funding for Intercity Rail Over the Next Ten Years:**

In 2000 Congress considered a bill that would provide Amtrak \$1 billion/year in bonds for ten years, totaling \$10 billion for capital improvements on designated intercity rail corridors. Designated corridors may receive up to 30% annually of the funding available. States must provide a 20% contribution, from non-federal funds, toward the project cost. States providing more than a 20% contribution, from non-federal funds, shall be given preference. California's three corridors – the Capitol, the Pacific Surfliner, and the San Joaquin – and the coastal route between San Francisco and Los Angeles, are all designated as one eligible corridor. California's corridor designation is one of ten such corridors nationwide. The other corridors are located in the Northeast, the Southeast, the Great Lakes Region around Chicago, the South Central U.S. around Texas, and the Pacific Northwest.

To date, the bill has not yet passed. Congress acted to keep the proposal alive during the current Congressional session (which ended in 2000), by including the original bill's provisions in H.R. 5542, which was then included in H.R. 2614 (Certified Development Company Program Improvements Act of 2000). The conference committee conferred on H.R. 2614 and recommended that the Senate and Congress approve the bill. The H.R. 5542 provisions regarding the \$10 billion for intercity rail capital improvements remained intact within H.R. 2614. The 1999-00 Congress intends to reconvene, in "lame duck" session, following the November 7 election, on December 4, 2000, and continue considering this matter with other aspects of the federal budget that have not yet been enacted.

**2001 Issues Regarding Federal Funding:** California must either:

- be ready to pursue its “fair share” of federal funds that may become available; (California must have a 20% state match in non-federal funds ready to match potential federal funds that may become available. The State matching funds issue is discussed later in this section.),
- continue with other states and Amtrak to press the federal government to fund much needed intercity rail capital improvements and ensure that provisions favorable to California remain,
- seek alternative funding sources for its \$3.2 billion, ten-year intercity rail capital plan, or
- consider which intercity rail projects and corridors take priority within the available funding.

**New State Funding from the Traffic Congestion Relief Act for Conventional Intercity Rail:**

In 2000 the Davis Administration initiated a number of transportation proposals to help relieve traffic congestion, which resulted in the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). This legislation addresses a number of transportation issues including those related to intercity rail and transit capital improvements. The TCR Act also provides \$197 million from the General Fund to the TCR Fund for specific intercity rail improvements on the Capitol, Pacific Surfliner, and San Joaquin rail corridors.

**Traffic Congestion Relief Act Intercity Rail Projects**

<i>Bill Ref. #</i>	<i>Project Description</i>	<i>County</i>	<i>Funds millions</i>
9	Capitol Corridor; improve intercity rail line between Oakland and San Jose, and at Jack London Square and Emeryville stations in Alameda and Santa Clara Counties.	Regional	\$25.0
35	Pacific Surfliner; triple track intercity rail line within Los Angeles County and add run-through tracks through Los Angeles Union Station in Los Angeles County.	Los Angeles	\$100.0
74	Pacific Surfliner; double track intercity rail line within San Diego County, add maintenance yard in San Diego County.	San Diego	\$47.0
92	San Joaquin Corridor; improve track and signals along San Joaquin intercity rail line near Hanford in Kings County.	Kings Co.	\$10.0
99	San Joaquin Corridor; improve track and signals along San Joaquin intercity rail line in seven counties.	Regional	\$15.0
<b>Total:</b>			\$197.0

The TCR Act requires applicants to apply for funds by July 2002 (about 18 months from now). Caltrans faces a substantial challenge in applying for the \$197 million in TCR Act funds over the next 18 months. If Caltrans intends to use the TCR funding to match potential federal funds, it may need to wait to see if Congress will enact H.R. 2614 or similar bill in 2001-02 Congressional session.

Caltrans faces a dilemma of waiting or pressing ahead with TCR projects. Waiting means that Caltrans could face a timing problem in applying for funding over a shortened time horizon (i.e., July 2002 application deadline in AB 2928) particularly if a TCR project needs other funding to be fully funded. Further, Caltrans determine necessary projects with Amtrak and the railroads, which historically has been a challenging process, ripe with delay. Caltrans, too, must rely upon Amtrak and the railroads to implement the projects. This exposure to delay could run afoul of the Commission's TCR Program Guidelines, and statute, that require the funds to be allocated within a year of application approval.

On the other hand, if Caltrans decides to apply for TCR funds and Congress passes a version of H.R. 2614, Caltrans must come up with local/state funding that has not been committed to match the new federal funds. Caltrans would need to turn to the STIP to gain the needed match revenues either by programming against future funding, delaying current interregional road or rail projects, or seeking local STIP funds.

Alternatively, California could push for a provision in federal law that would give credit toward match requirements for intercity rail capital expenditures after a certain date (e.g., January 2001).

**State Matching Funds:** As mentioned above, the potential \$10 billion in federal funds must be matched with non-federal funding. The 20% local match requirement can initially be met in the first several years by using the \$197 million in TCR Act funds. TCR projects are both in Caltrans' ten-year Rail Program Passenger Report and Amtrak's five-year capital improvement plan. After the TCR funds are committed, Caltrans must rely upon the STIP to ensure that it has sufficient matching funds.

The TCR Act also changed the four-year Fund Estimate period to a five-year Fund Estimate period for the 2002 STIP (FY 2002-03 through FY 2006-07). Caltrans needs to assess its \$3.2 billion capital improvement plan as set forth in its ten-year Rail Program Passenger Report and determine by fiscal year the projects and funding amounts to be programmed for the next three STIP cycles – 2002, 2004 and 2006.

California could be eligible for 30% of the potential \$1 billion/year in federal rail bonds. Caltrans' primary funding source is the STIP. Caltrans must use the STIP to supplement the \$197 million in TCR funds to provide the 20% local match or about \$400 million in STIP funds over ten years. In the Interregional Improvement Program portion of the 2000 STIP, Caltrans has proposed, and the Commission programmed, \$42.8 million for new intercity rail capital improvements. Caltrans must program in the 2002, 2004, 2006 STIP cycles the remaining \$360.2 million needed to match potential federal funding or roughly \$50 million/year in the out years of the upcoming STIPs. In doing so, Caltrans can ensure that if the federal bond program is enacted, California will stand ready with its local matching funds to apply for its share of the potential \$1 billion/year over the next ten years.

**2001 Actions Regarding State Funds:** In the coming year, Caltrans will need to make progress on the following:

- make timely application for the \$197 million in TCR Act funds. (If the July 2002 deadline is not met for **any** TCR project, the Commission can elect to recommend to the

Legislature and the Administration that TCR funds from such a project be re-directed to other projects).

- implement the identified TCR Act intercity rail capital projects as expeditiously as practicable.
- assess its needs over the next three STIP cycles to ensure that local non-federal funds are available to match the potential federal intercity rail bonds.

**2001 Update of Caltrans Ten-Year Rail Passenger Program Report:** During 2000, Caltrans prepared an update of its Ten-Year Rail Passenger Program Report for the first time since 1993. In its statutory role of offering advice and consent on the Report, the Commission asked Caltrans, as part of the Report's 2001 update, set standards for meeting the Report's ten-year goals related to: rail as an alternative mode of transportation; congestion relief; clean air; fuel efficiency; and improved land use. The Commission further asked that the 2001 Report develop standards relating to: revenues and cost; capacity and reliability; reduced running times and more efficient service; cost-effective routes when considering new capital projects; and adding or removing service or segments based upon cost-effectiveness.

### **Ultra High-Speed Rail in California:**

**High-Speed Rail Authority Is Extended:** In 1999 the HSR Authority proposed that the State move forward on an incremental basis, rather than placing a ballot measure before the voters to issue bonds for an estimated \$25 billion (1999 dollars) project. As part of its recommendation, the HSR Authority recommended that the State appropriate \$25 million for initiating the environmental assessment process. Under existing law, the HSR Authority would have terminated on June 30, 2001, because neither the Legislature nor the voters had approved a specified financial plan.

The Legislature and the Governor signed AB 1703 (Florez, 2000), to extend the life of the Authority, which was otherwise set to sunset in 2001. AB 1703:

- extends the termination date of the HSR Authority until December 31, 2003, unless the Legislature repeals those provisions or provides a different termination date;
- provides for expiration of the terms of the current nine members of the Authority by January 1, 2001. Initial terms would be staggered from one to four years, as specified, for the new members. The members will be appointed as follows:
  - five members by the Governor,
  - two members by the Senate Committee on Rules, and
  - two members by the Speaker of the Assembly.
- continues to give the Authority the exclusive authorization and responsibility for the planning, construction, and operation of high-speed passenger train service, but changed the definition of high-speed rail from speeds exceeding 100 miles per hour (mph) to speeds exceeding 125 mph; and

- allows the Authority to prepare a plan, only upon an appropriation in the Budget Act for that purpose and would limit the submission of the plan to the Legislature and the Governor, rather than submitting the plan for a vote of the electorate. (\$5,000,000 was appropriated by the TCR Act (AB 2928, 2000) to the HSR Authority to commence preliminary environmental documentation for implementing high-speed rail service in California.)

**2001 Issues Regarding High-Speed Rail:** The extension of the HSR Authority's sunset date, the appropriation for environmental work, and the appointment of new HSR Authority members will permit a serious assessment of ultra high-speed rail, which began in the mid-1980s, as a modal alternative to continue. As mentioned earlier, \$5 million of the needed \$25 million was appropriated in FY 2000-01 in the TCR Act to begin environmental work. Thus, another \$20 million is needed.

During 2001, the Legislature and the Davis Administration must assess the HSR Authority's progress with the environmental process and determine the appropriate funding amount for the upcoming FY 2001-02 Budget, in keeping with AB 1703 (Florez, 2000). Further, as stated in the Commission's 1999 Annual Report, the Legislature and Administration would be well advised against easing incrementally into an ultra high-speed rail system, such as through the early acquisition of rights-of-way, without first deliberating upon and resolving to proceed with such a system in its entirety.

**Southern California MagLev Project Proceeds:** Federal Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21) contains \$1.055 billion for a MagLev demonstration project. The demonstration project funding is uncertain, since Congress has only appropriated \$45 million in 1999 and 2000 for the pre-construction phase. The remaining funds will need to be appropriated, and even then, the construction funds will only cover up to 30% of the total costs.

In 1999 SCAG and the HSR Authority were co-recipients of one of seven grants for federal planning grant funds for the MagLev demonstration project. In 2000 SCAG, the HSR Authority, and BT&H, submitted an application to proceed with full engineering and environmental clearance. Of the \$25 million available in the 2000 round of funding, FRA:

- allotted \$3.5 million for administration, safety and operations, and low-speed MagLev.
- granted \$11.0 million to the seven applicants, including SCAG, in September 2000. SCAG and five other applicants received \$1 million each, while the applicant for the Pittsburgh International Airport Link project received \$5 million, and
- reserved \$10.5 million to continue funding in FFY 2001; one or more of the original seven projects.

During 2001, FRA will narrow the field of seven applicants to at least three, and possibly one, to proceed to the next level. It is unclear when FRA will select the one project to proceed to construction. SCAG, with its co-applicants (the HSR Authority and BT&H), must compete with the other applicants to get a portion or all of the remaining \$10.5 million during FFY 2001.

# **2000 - ANNUAL REPORT TO LEGISLATURE**

## ***Volume I – Issues for 2001***

### **F. EXPANDED USE OF HIGH-OCCUPANCY VEHICLE LANES**



## I. ISSUES FOR 2001

### F. Expanded Use of High-Occupancy Vehicle Lanes

*High-occupancy vehicle (HOV) lanes are one of the primary tools for reducing traffic congestion on State highways, improving air quality, and increasing throughput of people and goods. Time savings resulting from the use of HOV lanes theoretically reduces total vehicle trips by encouraging ride sharing, thereby relieving congestion and reducing vehicle emissions. The Legislative Analyst's Office studied the effectiveness of HOV lanes in achieving these goals and examined options for better using the capacity provided by HOV lanes. Recommended options for expanding the use of HOV lanes include using access to the less congested HOV lanes as an incentive for driving vehicles with very low emissions thereby increasing the number of clean air cars in the vehicle fleet, and where there is currently unused capacity in HOV lanes, offering motorists the option of paying a toll to drive in a "congestion free" lane. Revenue generated from these tolls can be used to finance additional HOV facilities, transit services, or other transportation projects.*

High-occupancy vehicle (HOV) lanes are one of the primary tools used on the State Highway System to reduce traffic congestion, to improve air quality, and to increase the throughput of people and goods. Access to HOV lanes is limited to vehicles with minimums of either two or three occupants. The time savings available from using the new limited access lane theoretically reduces the total number of vehicle trips by encouraging ride sharing, and thereby provides congestion relief and reduced vehicle emissions. There are currently 925 miles of HOV lanes on the State Highway System, which were built at a cost of almost \$2.3 billion.

However, in recent years, the effectiveness of HOV lanes in achieving these goals has come into question. A study by the Legislative Analyst's Office, *HOV Lanes in California: Are They Achieving Their Goals?* (January 7, 2000), evaluated the existing HOV lanes in California and provides options for better use of the capacity provided by HOV lanes to achieve the goals of congestion relief and improved air quality. Among other things, the study found:

- State law declares that HOV lanes are "to stimulate and encourage the development of ways and means of relieving traffic congestion on California highways and, at the same time, to encourage individual citizens to pool their vehicular resources and thereby conserve fuel and lessen emission of air pollutants."
- Strategies to reduce congestion are generally consistent with the goal of reducing vehicular emissions since vehicles emit fewer pollutants when traveling at faster speeds. However, air quality can also be addressed through technological advances, such as low- or zero-emission vehicles, which have the potential to significantly reduce the negative environmental impact of vehicular travel.
- Due to state and federal air-quality regulations, the State is severely limited in its ability to add capacity to the State Highway System. This is because adding capacity to the State

Highway System is likely to result in additional vehicle miles of travel (VMT), thereby adding to vehicular emissions.

- The federal Clean Air Act Amendments (CAAA) of 1990 require that areas that are designated as severe or extreme ozone non-attainment areas--most urban areas in California--enact transportation control measures (TCMs) to reduce mobile source emissions. HOV lanes are among 16 TCMs that can be used to bring an area into compliance. Failure to comply with CAAA can result in sanctions against the State, including the withholding of federal highway funding. As a result, the majority of the new capacity added to the State Highway System over the last 15 years, particularly in urban areas, has been through the construction of HOV lanes.
- HOV lanes are often approved as specific transportation control measures in the State (air quality) Implementation Plan (SIP). As a result, conversion of HOV lanes to mixed flow would require that the impact on regional air quality of such a conversion be assessed, in order to ensure the continued viability of the SIP. Any re-evaluation of air quality conformity of the SIP would require input and review by multiple federal, State, and regional agencies. The State does not have unilateral authority to convert existing HOV lanes to mixed-flow lanes.
- On projects where federal funds were used, the State cannot convert HOV lanes to mixed-flow lanes without FHWA approval. Many HOV lane segments have been constructed using federal funds for Congestion Mitigation and Air Quality Improvement (CMAQ), conversion to mixed-flow lanes would disqualify the project from using these funds. The amount of any payback of federal funds would be determined by FHWA on a case-by-case basis.
- It is estimated that in 1998, HOV lanes in California carried an average of about 1,095 vehicles per hour (vph) during peak hours. This is approximately two-thirds of an HOV lane's maximum capacity as set by Caltrans and the California Air Resources Board (CARB).
- The impact of HOV lanes on air quality is unclear. While the mobile source reduction potential of HOV facilities must be documented as part of the SIP, this documentation is based entirely on models and projections, rather than actual emission data.
- HOV lanes do appear to have a positive impact on carpooling, although the statewide impact is unknown due to a lack of data.
- Some argue that, far from relieving congestion, HOV lanes make congestion worse by forcing single-occupant vehicles (SOVs) to crowd together in the mixed-flow lanes, while the adjacent carpool lane appears to remain largely underutilized. This so-called "empty lane syndrome" has led some to conclude that conversion of HOV lanes to mixed flow would alleviate congestion by making better use of the excess capacity.
- It is estimated that the State's HOV lanes carry an average of about 2,518 persons per hour during peak hours. This is substantially more than the number of people carried by a congested mixed-flow lane, which is between 1,368 and 1,938 persons per hour.

- Many HOV lanes in California have substantial unused capacity. This capacity could be used by other vehicles (HOVs or SOVs) while still ensuring that vehicles in the lane are able to travel smoothly at 55 mph, providing a time-savings incentive for motorists to carpool.

The Commission supports efforts to maximize the air quality and congestion relief benefits derived from California's investment in HOV lanes. Using access to the less congested HOV lanes as an incentive for driving vehicles with very low emissions can increase the number of clean air cars in the vehicle fleet. Also, where there is currently unused capacity in HOV lanes, motorists can also be offered the option of paying a toll to drive in a "congestion free" lane. Revenue generated from these tolls can be used to finance additional HOV facilities, transit services, or other transportation projects.

**Air Quality Low-Emission Vehicles**--As an incentive for drivers to purchase vehicles with very low emissions, Assembly Bill 71 (Chapter 330, Statutes of 1999) authorized the use of HOV lanes by single-occupant vehicles that meet the federal standard for Inherently Low-Emission Vehicles (ILEV), and state standards for Ultra Low-Emission Vehicles (ULEV) or Super Ultra Low-Emission Vehicles (SULEV). AB 71 was introduced to take advantage of a federal regulation authorizing states to permit ILEVs to use HOV lanes on federally funded highways.

This year a first generation of hybrid cars powered by both a tiny gasoline engine and an electric motor came on the market. The new hybrid models include the Honda Insight 65 miles per gallon (mpg), the Toyota Prius (48 mpg), and the Ford Escape (40 mpg). The hybrid vehicles dramatically reduce emissions per mile and conserve fuel. However, the federal regulations allow only single-occupant ILEVs to use HOV lanes, and the federal definition of ILEV allows no evaporative emissions. This federal definition excludes all gasoline-powered vehicles, even the very efficient hybrid vehicles, from being authorized to use HOV lanes with only one occupant. Changing the federal regulations and the corresponding state statutes to allow hybrid vehicle use of HOV lanes should be pursued.

**HOV/Toll (HOT) Lanes**--Where HOV lanes have excess capacity; one option is to "sell" (by charging a toll) the additional capacity to non-carpool vehicles, offering motorists the option of paying to drive in a "congestion free" lane. In order to maintain a free flow of traffic at all times, tolls on HOT lanes can be structured to vary according to the level of traffic in the HOT lane. As traffic volume approaches capacity, the tolls can be adjusted to deter entry by additional SOVs into the lane. This method of structuring the tolls, known as value pricing, ensures that the lane offers a faster and more reliable trip than the mixed-flow lanes. This is necessary in order for the lanes to preserve a time-savings incentive to carpools and attract paying customers. The HOT lane concept could also be restricted to certain types of vehicles, such as trucks or low-emission vehicles. HOT lanes are currently operating on Interstate 15 (I-15) in San Diego County.

The I-15 HOT lane is a federally funded, \$9.95 million, demonstration project. The project began in 1991 when the San Diego Association of Governments (SANDAG) was developing air quality transportation control measures, in accordance with state and federal air quality regulations. At the time, the I-15 HOV lanes were underutilized while the mixed-flow lanes on the corridor

experienced severe congestion during peak traffic hours. There was also relatively little transit service operating on the corridor. In response, SANDAG proposed to implement a HOT lane to maximize the use of the existing capacity on the HOV lanes, to improve transit and HOV services along I-15, and to relieve congestion along I-15. Use of the facility is free to carpools of two or more occupants, buses, and motorcycles, while a fee is charged to SOVs. Fees charged to SOVs are collected through the use of electronic transponders, which are attached to a vehicle's windshield and allow for direct payment from a customer's account. The goal of the variable fees is to keep the lanes free-flowing while maximizing their use.

Revenues from tolls average about \$5,000 per month and are used to finance transit service in the corridor. The SOVs currently represent about 20% of the total vehicles using the I-15 HOT lanes. A 1997 survey by SANDAG of 1,500 commuters in the San Diego region, including 500 registered HOT lane customers, found that 89% viewed the program as a success. Additionally, over 70% of commuters felt that the program was fair to both travelers on the I-15 mixed-flow lanes and on the I-15 HOV lanes. Finally, no complaints have been received regarding the dynamic pricing structure.

Based on the experience with value pricing and HOT lanes in San Diego, the Commission supports the implementation of HOT lanes on congested corridors that have substantial excess capacity on existing HOV lanes.