CALIFORNIA TRANSPORTATION COMMISSION

2002 ANNUAL REPORT

TO THE

CALIFORNIA LEGISLATURE

Adopted

December 12, 2002

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A Message from the Chair

Dear Legislators,

In 1978, the Legislature established the California Transportation Commission as a means of providing public review and comment on the transportation decision-making process. It was important then, and is even more important now. Difficult times require an open forum for discussing transportation issues, projects and funding that affect the entire state.

Over the past 24 years, dramatic changes have significantly impacted transportation in California. Who we are, where we live and work, what we expect from our communities and governments, and how we finance transportation projects witnessed dynamic changes. In 1997, the Legislature enacted SB 45 to provide a more responsive decision-making process to meet transportation demands and priorities at the regional level and to ensure that interregional needs are met. The basic tenets of SB 45 required the Commission to adopt a collaborative approach with its transportation partners in order to successfully carry out its responsibilities.

To this end, the Commission has worked closely with the regional agencies, Caltrans and interested members of the public to understand and address the many challenges before us. Over the last year, the Commission conducted seven roundtable meetings in addition to regularly scheduled Commission meetings. These meetings focused on several areas: the 2002 STIP; the connection between land use and transportation demand in five different geographical areas of the state; and a forum on the evolving role of rail in our transportation system. The Commission plans to continue meetings of this sort to bring interested parties together and provide a forum for discussion and problem solving.

The State is now facing a historic funding challenge. The Commission plans to build on its work over the past year to continue roundtable discussions on transportation issues and impacts, and to develop consensus across a broad spectrum of interests. The partnership the Commission has established with the regional agencies and Caltrans was critical in addressing the timing challenges presented in the programming of the 2002 State Transportation Improvement Program. This partnership will become even more crucial as we work together to solve the financial and project programming issues we will face over the next several years.

Sincerely,

Dianne

Dianne McKenna, Chair
California Transportation Commission

The Commission in Brief

What is the Commission?

The California Transportation Commission is an independent state agency charged with: advising the Legislature, the Secretary of Business, Housing and Transportation and the Governor on transportation policy; and advising on the funding of transportation projects throughout the State. It is a geographically balanced board composed of nine private citizens from all areas of the state appointed by the Governor. There are also two non-voting, ex-officio members appointed from the State Senate and Assembly (usually the respective chairs of the transportation policy committee in each house).

Why is there a Commission?

The Commission serves as the public review body for the State's transportation goals and projects. While the Commissioners are not technical experts, they bring a diverse set of skills and experiences to the process of planning, financing and delivering statewide transportation systems and services.

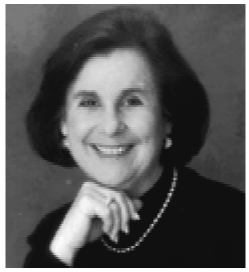
How the Commission Works.

Commissioners draw from their private and public sector experiences and inject an element of reason and practicality on transportation statewide. The Commission imposes fiscal discipline on transportation funding programs that involve the California Department of Transportation, regional agencies and transit operators. It programs and allocates funds for the construction of highway, passenger rail and transit improvements throughout California. The Commission also advises the Secretary of Business, Transportation and Housing Agency and the Legislature in formulating and evaluating policies and plans for California's transportation and develops State and Federal legislation.

The Commission's Mission.

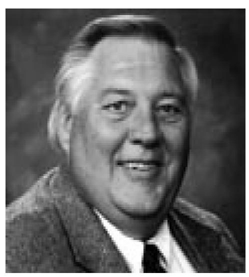
To enhance the economic, social and environmental welfare of all California citizens by providing for a comprehensive, multi-modal State Transportation System that is consistent and compatible with the orderly economic and social progress of the State.

The Commissioners



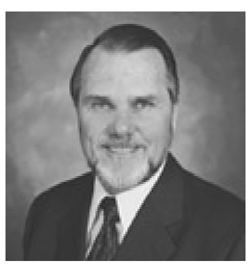
Ms. Dianne McKenna, Chair

Ms. McKenna, of Sunnyvale, served on the Santa Clara County Board of Supervisors from 1984 to 1997. She has served as Chair and a member of the Metropolitan Transportation Commission, the Peninsula Commute Service Joint Powers Board, the Santa Clara County Congestion Management Agency, and the Valley Transportation Authority (VTA). Currently, Ms. McKenna serves as Chair of the Peninsula Open Space Trust (POST), a non-profit dedicated to preserving open space and agriculture on the Peninsula and the San Mateo Coast. In addition, she is the Chairperson of the Silicon Valley Children's Fund (SVCF), which supports programs for abused and neglected children and youth. Ms. McKenna was also a Governor's appointee to the Commission on Building for the 21st Century.



Mr. R. Kirk Lindsey, Vice Chair

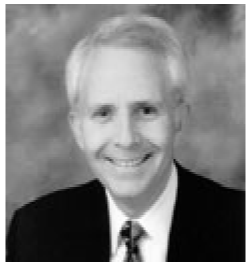
Mr. Lindsay, of Modesto, has been president of Brite Transport System, Inc. since 1972. He is also a managing partner of B&P Bulk and a partner of P&L Properties. Mr. Lindsay is a member of the board of directors of the Stanislaus Partners in Education, a member and past president of the California Trucking Association, and a member of the Governor's Workforce Investment Board. He is also the chairman of the local Workforce Investment Board of Stanislaus County. Mr. Lindsay is also a disabled veteran of the United States Army.



Mr. Bob Balgenorth

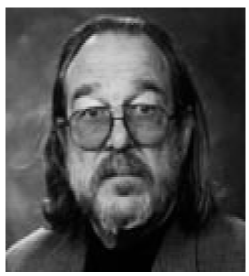
Mr. Balgenorth, of Folsom, has served as the President of the State Building and Construction Trades Council of California, AFL-CIO, since 1993. Prior to that, he was the Business Manager and Financial Secretary of Local #441 of the International Brotherhood of Electrical Workers (IBEW) from 1989 to 1993. In 1982, Mr. Balgenorth was elected Executive Secretary of the Orange County Building Trades Council, where he served for 10 years. He has served as a member or trustee of numerous labor boards and committees, including the State Building and Construction Trades Council, Orange County Electrical Training Trust, Southern California/Southern Nevada Association of Electrical Workers, California State Association of Electrical Workers and the Southern California IBEW Pension Trust. In 1996, Mr. Balgenorth was elected to the Executive Council of the California Labor Federation, AFL-CIO.

The Commissioners



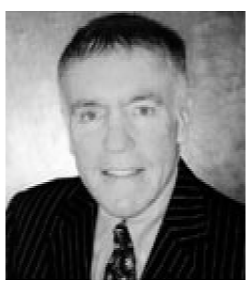
Mr. Allen M. Lawrence

Mr. Lawrence, of Los Angeles, is the immediate past Chair of the California Transportation Commission, and has been a member of the Commission since January 2000. He is the Chairman and Chief Executive Officer of Allen Lawrence & Associates, Inc., a major regional insurance brokerage firm which he founded in 1971. Mr. Lawrence is a licensed fire and casualty broker and life insurance agent. He is a member of the California Trucking Association, is a National Commissioner and serves on the Executive Committee of the Anti-Defamation League Executive Committee, as a member of the Department of Insurance's Agents and Brokers Advisory Committee, and the Southern California Contractors Association.



Mr. John R. Lawson

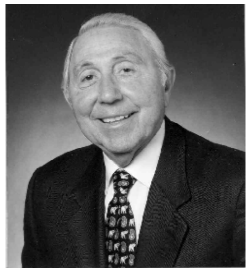
Mr. Lawson, of Fresno, has been the president and owner of John R. Lawson Rock and Oil, Inc., an oil transportation company, for more than 30 years. He has worked in the transportation field for 42 years and served in the United States Army in 1960 and 1961.



Mr. Jeremiah F. Hallisey

Mr. Hallisey, of San Francisco, has served as president of the law firm of Hallisey and Johnson since 1971. He previously served as special trial counsel for the Alameda-Contra Costa Transit District for two years. Mr. Hallisey was a Governor's appointee to the Commission on Building for the 21st Century. He also previously served as a trustee of the California State University and for two years served as a University of California Regent.

The Commissioners



Mr. Joseph Tavaglione

Mr. Tavaglione, of Riverside, has been the President of Tavaglione Construction and Development, Inc., since 1961. The company holds construction licenses in California, Nevada, Louisiana, Hawaii, Utah, Arizona, New Mexico and the State of Washington. Mr. Tavaglione is a member and former Chairman of the California Contractors State License Board. He also represents California as the President of the National Association of State Contractors' Licensing Agencies.

Mr. Esteban E. Torres

Congressman Torres, of Los Angeles, served in the United States House of Representatives from 1983 to 1999, representing the 34th Congressional District that includes Pico Rivera, La Puente, Whittier, Montebello and parts of East Los Angeles. During his tenure in the Congress, Torres was a member of the House Committee on Appropriations, where he served on the Subcommittee on Transportation. He also chaired the House Banking Subcommittee on Consumer Affairs and Coinage. In the late 1960's Congressman Torres started TELACU (The East Los Angeles Community Union), a community development corporation that has grown into one of the largest anti-poverty agencies in the country. A veteran of the Korean War, Congressman Torres was appointed by President Carter in 1976 as ambassador to the United Nations Education, Scientific and Cultural Organization (UNESCO).

Purpose of Annual Report

The California Transportation Commission's Annual Report to the California Legislature is prepared per Government Code 14535 and 14536. The Commission is required each year to submit to the Legislature an annual report summarizing the decisions allocating transportation funds and identifying timely and relevant transportation issues facing the State of California. The Annual Report is also required to include a summary and discussions of loans and transfers authorized pursuant to Government Code 14556.7 and 14556.8 as well as their impact on cash flow and project delivery. This report is intended to fulfill that commitment to the Legislature.

ISSUES FOR 2003

ISSUES FOR 2003

Trends and Outlook for Transportation Funding and Delivery

The Governor and the Legislature have been facing the challenge of falling State revenues and growing Budget deficits over the last two years and now face difficult choices of unprecedented magnitude in the year ahead. On December 6, 2002, the Governor issued a mid-year proposal for $10.2 billion in spending reductions, including reductions of about $1.8 billion from State transportation programs. The same proposal implied the need for reductions of another $4 billion or more in the years to come. Before the proposal was announced, State transportation funding was already falling behind, with the loss and delay of revenues that had been targeted to fund projects now being delivered.

The Governor and the Legislature have been facing the challenge of falling State revenues and growing Budget deficits over the last two years and now face difficult choices of unprecedented magnitude in the year ahead.

For the last six years, transportation revenues have outpaced project delivery, allowing balances in transportation accounts to rise while delivery was catching up. The Traffic Congestion Relief Act of 2000, in particular, provided early funding for a set of projects that would take several years to deliver. When the Legislature was faced with meeting a General Fund deficit for 2001-02, these balances provided a ready source of General Fund borrowing. More funds were scheduled for borrowing in 2002-03.

Now, however, the delivery of projects has caught up, while State transportation programs face the loss of revenues that had been anticipated to fund them. Primary among these are the added borrowing of transportation funds to meet State Budget shortfalls in 2002-03 and sharply reduced revenues from truck weight fees. In addition, prior forecasts of Federal revenue are in doubt, both the appropriation for the 2002-03 Federal fiscal year and the anticipated 2003 Federal reauthorization for the 6-year period through 2008-09.

At its December 12, 2002 meeting, the Commission suspended approval of project allocations, except for emergency, safety and seismic retrofit projects, until the scope of transportation funding cutbacks becomes clearer and priorities can be established for rationing funds to projects. Even before the Governor's Proposal was announced, funding losses, delays, and uncertainties were threatening to delay the delivery and funding of transportation commitments in the coming year.

The longer-term outlook is even less clear. During 2003, the Commission will adopt the 2004 STIP Fund Estimate, projecting the availability of revenues to add new project commitments for FY 2007-08 and FY 2008-09. In this longer term, Proposition 42 promised the addition of a major new source of revenue dedicated to transportation. However, that future is also clouded by the uncertainty of Federal reauthorization and the outcome of actions taken this year to address near-term funding issues.

A failure to meet transportation funding needs in the coming year will not only delay the delivery of projects already committed but will reduce and could eliminate the capacity to make new project commitments in the 2004 STIP. In order to keep the delivery of projects on schedule, the Commission urgently recommends that the Legislature and the Governor either staunch the flow of State dollars out of transportation programs or make up the losses with new revenues. Stopping the loss of current revenues would mean:

Even before the Governor's Proposal was announced, funding losses, delays, and uncertainties were threatening to delay the delivery and funding of transportation commitments in the coming year.

- cutting back loans from transportation funds to the General Fund to take the needs of currently programmed projects into account, either by repaying loans earlier than now scheduled or by reducing the loans from the levels now authorized;

- not forgiving current loans or borrowing additional transportation funding;

- not suspending General Fund transfers to the Transportation Investment Fund (TIF); and

- restoring weight fees to the revenue neutrality originally intended by the Commercial Vehicle Registration Act of 2001 (SB 2084).

If these losses cannot be avoided, one alternative would be to replace the lost transportation funding with revenue from another source. Increasing the State gasoline tax, for example, would raise about $180 million per year for each one-cent increase. The remaining alternative would be to delay or delete current commitments and postpone the time that new projects can be added. Under Proposition 42, suspending a General Fund transfer to the TIF does not delay funding for the Traffic Congestion Relief Program. It permanently deletes it. If all or a portion of TCR Program funding is deleted, a corresponding portion of the projects must also be deleted from the TCR Program, either by the Commission or regional and local agencies for funding through other programs, including STIP. In the case of STIP, this would mean displacing other projects to which the funding has already been committed.

<u>Transportation Project Commitments and Funding Programs</u>

The State transportation program has two major components, the State Transportation Improvement Program (STIP) and the Traffic Congestion Relief Program (TCRP). The STIP is the ongoing biennial program adopted by the California Transportation Commission from projects nominated by Caltrans and the state's regional transportation planning agencies. The TCRP is the one-time program of projects designated by the Governor and Legislature through the enactment of the Traffic Congestion Relief Act of 2000 (AB 2928).

The 2002 STIP makes $7.2 billion in project commitments over the five-year period from FY 2002-03 through FY 2006-07. (For a fuller discussion, see Chapter II-B, <u>State Transportation Improvement Program</u>.) The development of each new biennial STIP begins with the adoption of a five-year Fund Estimate, and the 2002 STIP commits all STIP revenues that were projected at the time the Fund Estimate was adopted in August 2001. The 2004 STIP will extend the STIP period out to FY 2008-09, based on the Fund Estimate scheduled for adoption in August 2003. The STIP is funded from three sources:

The 2002 STIP makes $7.2 billion in project commitments over the five-year period from FY 2002-03 through FY 2006-07.

- The State Highway Account (SHA), which includes revenues from State gasoline taxes and weight fees and Federal transportation revenues that are apportioned to the State.
- The Public Transportation Account (PTA), a designated trust fund for planning and mass transportation purposes, with revenues derived principally from the State sales tax on diesel fuel.
- The Transportation Investment Fund (TIF), with revenues from the State sales tax on gasoline.

The TCRP commits another $4.9 billion to the 141 specific projects identified in legislation, with funding originally to be provided through FY 2005-06, but now extended to FY 2007-08. (See Chapter II-A, Traffic Congestion Relief Program.) All TCRP projects are funded through the Traffic Congestion Relief Fund (TCRF) created for that purpose. The TCR Act provided that the TCRF would be funded with:

- $1.5 billion from the General Fund in FY 2000-01 (including $400 million appropriated outside the TCRP for local road maintenance subventions),
- $500 million from the State sales tax on gasoline in FY 2000-01, and
- $3.313 billion to be transferred from the TIF, at the rate of $169.5 million per quarter over five years, originally from 2001-02 through 2005-06 and now from 2003-04 through 2007-08.

AB 438 borrowed or delayed over $4.6 billion in transportation funds, including $1.16 billion in STIP funding.

The TCR Act created the TIF to receive the revenues from the sales tax on gasoline and provided that each quarter, a fixed amount would be transferred to the TCRF, with the balance to be divided by formula, with 40% for subventions to cities and counties for road maintenance and repairs, 40% for the STIP, and 20% for transfer to the PTA. Of the 20% for PTA, half would augment the State Transit Assistance (STA) program, which is distributed by formula to the state's transit operators, and half would augment STIP revenues. The TIF and the transfers to the TCRF were originally to sunset in June 2006.

2001-02 Budget and TCR Refinancing Plan

The first stage of borrowing transportation funds to meet General Fund deficits came with the TCR Refinancing Plan in AB 438, the transportation trailer bill for the 2001-02 Budget Act. In all, AB 438 borrowed or delayed over $4.6 billion in transportation funds, including $1.16 billion in STIP funding. The stated intent was to accomplish this borrowing without delaying transportation projects. At the time, the three transportation funds (SHA, PTA, and TCRF) held cash balances that were more than enough to meet the short-term cash needs of STIP and TCRP projects. The TCRP had been jump started in FY 2000-01 with $1.6 billion, even though most TCRP expenditures were not expected for several years. For the STIP, program funding had been running ahead of program delivery since

1998. That was primarily because of circumstances peculiar to the 1998 and 2000 STIPs that made new funding capacity available earlier than it could be expended. For these reasons, the initial General Fund borrowing could be accommodated without delaying existing STIP or TCRP projects. The borrowing did mean, however, that the availability of $1.16 billion for new STIP projects was delayed by several years.

AB 438 accomplished its borrowing through the following specific actions:

The initial General Fund borrowing could be accommodated without delaying existing STIP or TCRP projects.

- It suspended implementation of the TIF for two years so that the state sales tax on gasoline would be dedicated for transportation for the five-year period from 2003-04 through 2007-08, rather than from 2001-02 through 2005-06. This retained about $2.35 billion for the General Fund in 2000-01 and 2001-02. Aside from its effect on the TCR program, this also delayed funding that would otherwise have gone to the STIP, in effect borrowing about $350 million in STIP funding from FY 2000-01 and FY 2001-02 and repaying it in FY 2006-07 and FY 2007-08.
- It retained the local subvention program on the original schedule, funding it during the 2-year suspension of the TIF with SHA funding. This was another $350 million draw on the SHA, repaid by having the SHA receive 80% rather than 40% of the TIF balance in FY 2006-07 and FY 2007-08.
- It authorized money in the TCRF derived from the General Fund (up to $1.5 billion) to be loaned back to the General Fund through the annual Budget Act, with loans to be repaid by June 2006. The 2001-02 Budget actually transferred $238 million from the TCRF to the General Fund. The 2002-03 Budget transferred another $1.045 billion to the General Fund.
- To backfill for the TCR program, it authorized loans of $280 million from the PTA and $180 million from the SHA to the TCRF, with any SHA loans to be repaid by June 2007 and any PTA loans to be repaid by June 2008. The 2001-02 Budget implemented loans of $180 million from the PTA and $180 million from the SHA. The 2002-03 Budget added the other $100 million from the PTA.

<u>2002-03 Budget and SB 1834</u>

All of the transportation fund borrowing authorized in the AB 438 TCR refinancing plan was taken into account in preparing the 2002 STIP. However, SB 1834 (2002), the transportation trailer bill for the 2002-03 Budget Act, authorized the borrowing of another $647 million to fill the General Fund deficit, again with the stated intent of doing so without delaying transportation projects which was beyond the level of borrowing that the Commission assumed in adopting the 2002 STIP Fund Estimate. In developing proposals for SB 1834 and the 2002-03 Budget, it is not clear whether the Department of Finance in fact took into account the new projects that were added in the new STIP adopted in April 2002. Despite the intent of the legislation, these additional borrowings will lead to delays in funding for current projects unless a sufficient number of projects are delayed for other reasons. Among SB 1834's specific provisions:

SB 1834 (2002), the transportation trailer bill for the 2002-03 Budget Act, authorized the borrowing of another $647 million to fill the General Fund deficit, again with the stated intent of doing so without delaying transportation projects which was above and beyond the level of borrowing that the Commission assumed in adopting the 2002 STIP Fund Estimate.

- It increased the authority to make loans from the SHA to the TCRF through the annual Budget Act from $180 million to $654 million, an increase of $474 million. The $474 million increase was subject to repayment from the General Fund, with interest, by June 2007. The 2002-03 Budget included the $474 million in new borrowing.
- It authorized the Director of Finance, outside the Budget Act, to order a direct loan of $173 million from the SHA to the General Fund, under the terms of Article XIX of the California Constitution. This loan is to be repaid with interest by June 2005.
- It allowed the Director of Finance, outside the Budget Act, to authorize short-term loans from the General Fund to provide adequate cash for costs funded from the SHA. This would provide a backstop for loans out of the SHA, and the repayment of any short-term loan from the General Fund would become the first obligation on any revenues deposited into the SHA.
- It authorizes the Department of Finance, rather than Caltrans, to establish the accounting system used to determine expenditures, cash needs, and balances in the TCRF, the PTA, the SHA, and the Toll Bridge Seismic Retrofit Account.

Governor's Budget Proposal, December 2002

On December 6, 2002, the Governor announced Mid-Year Spending Reduction Proposals of $10.2 billion over the two years, 2002-03 and 2003-04, including $1.8 billion from transportation. These reductions primarily involve the defunding of the Traffic Congestion Relief Program and the suspension of the transfer of revenues from the sales tax on gasoline to the Transportation Investment Fund (TIF). Suspending TIF transfers not only eliminates TCRP funding, but eliminates funding for TCR local road subventions, and reduces STIP and State Transit Assistance (STA) funding. In addition, the Proposal would eliminate $90 million in State Highway Account transfers scheduled to support the TCR local subvention program in 2002-03. While the Proposal directly addresses only loan repayments and the TIF transfer through 2003-04, the proposal also notes the suspension of future TIF transfers and the forgiveness of the remaining loan balance will be considered in the Governor's 2003-04 Budget. The forgiveness of current loans and suspension of future TIF transfers could mean the long-term loss of more than $6 billion in State transportation funding.

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Reduced Weight Fee Revenues

Weight fees are a substantial source of revenues to the State Highway Account and the STIP, until recently about $800 million per year. The Commercial Vehicle Registration Act of 2001 (SB 2084, enacted in 2000) restructured weight fees, beginning January 1, 2002, for trucks and other large commercial vehicles, changing the fee basis from unladen weight to gross vehicle weight. The bill included a statement of Legislative intent that the measure be revenue-neutral. Caltrans reports, however, that experience to date indicates that weight fee revenues have been reduced by about $163 million per year. It is unclear whether this is due to the restructuring, the economy or a combination of both.

SB 2084, amended by AB 1472 (2001), also mandated that the Department of Motor Vehicles, in consultation with the California Highway Patrol, Caltrans, the Board of Equalization, and the commercial vehicle industry, review and report to the Legislature no later than July 1, 2003, with any recommendation for adjustments in the fee schedule to ensure revenue neutrality while ensuring equitable treatment of the industry. The STIP will continue to suffer the loss of

these revenues until corrective action is taken in the Legislature to restore these losses.

Federal Appropriation, 2002-03

As this Annual Report is written, the Congress has not yet taken action on Federal Transportation appropriations for 2002-03, extending appropriations by a continuing resolution through January 11, 2003. While the amount of the final appropriation remains in doubt, Caltrans now anticipates a loss of $125 million in 2002-03 from the amount assumed in the 2002 STIP Fund Estimate.

Federal Reauthorization

The most critical uncertainty facing future STIP funding is the Federal transportation reauthorization act due for enactment in 2003. The new Federal act and the funding it authorizes will have a major impact on California's transportation funding picture, affecting both our ability to fund commitments already made and our ability to make new ones. If the reauthorization were merely to maintain current Federal funding levels rather than meet the revenue estimates used in the 2002 STIP, the loss of estimated revenues could be on the order of $4 billion over the six-year reauthorization period.

The new Federal act and the funding it authorizes will have a major impact on California's transportation funding picture, affecting both our ability to fund commitments already made and our ability to make new ones.

Historically, Federal transportation funding has been authorized through multiyear program authorization acts. The current authorization, the Transportation Equity Act for the 21st Century (TEA-21), covers program authorizations for the six-year period through Federal fiscal year 2002-03, ending September 30, 2003. The next authorization act will authorize programs and funding through FFY 2008-09, extending through the period of California's 2004 STIP.

While the uncertainty of Federal reauthorization puts the STIP at risk, the uncertainty is much the same that it was when the 2002 STIP Fund Estimate was adopted. The 2002 STIP Fund Estimate assumed that Federal funding would be consistent with TEA-21 for the first year, FY 2002-03, and then jump by 20% in FY 2003-04 with the new authorization act, then rise by 2% per year thereafter. As noted by Caltrans at the time, "While the new Act cannot be predicted, the last two Federal acts have increased total apportionments by more than fifty percent. Therefore, it is reasonable to assume a 20 percent increase in apportionments in the first year of the new Federal act."

In October 2002, Senator Max Baucus, then Chairman of the Senate Finance Committee, introduced a reauthorization bill that appears to parallel closely and even slightly exceed the 2002 Fund Estimate assumptions. It calls for a 22% jump in nationwide funding for FFY 2003-04, with increases of about 3% per year thereafter. The Federal Department of Transportation, on the other hand, is waiting until January 2003 to release its proposal. FHWA Administrator Mary E. Peters has described the Administration's approach as "evolutionary, rather than revolutionary."

Revised Toll Bridge Seismic Retrofit Program Funding Plan

The 2004 STIP faces the loss of up to $1.5 billion due to transfers and cost increases not known or taken into account for the 2002 STIP.

The 2004 STIP faces the loss of up to $1.5 billion due to transfers and cost increases not known or taken into account for the 2002 STIP. Depending on when the funds are needed, this loss may also delay funding for projects now in the 2002 STIP. When the Legislature enacted the 2001-02 Budget and when the California Transportation Commission adopted the Fund Estimate for the 2002 STIP, in August 2001, Caltrans had identified increased costs for the toll bridge seismic retrofit program, though no agreement had yet been reached on how the increase would be funded. SB 60 (1997) had established the original funding plan for an estimated $2.62 billion in costs to retrofit State-owned toll bridges, including $1.285 billion to replace the east span of the San Francisco-Oakland Bay Bridge (SFOBB). The plan included $795 million from the SHA and $80 million from the PTA. The Commission has recently learned that the Department has not yet transferred about $440 million of the amount from the SHA and did not provide for transferring that amount when it prepared the 2002 STIP Fund Estimate.

In April 2001, the revised Caltrans estimates pegged the costs at $4.637 billion, including $2.6 billion for the SFOBB east span, an increase of $2.017 billion. The revised funding plan was enacted as AB 1171, signed into law in October 2001. AB 1171 called for an additional $1.455 billion to come from extending the toll surcharge by the Metropolitan Transportation Commission and the other $642 million to come from "the state's share of the Federal Highway Bridge Replacement and Rehabilitation (HBRR) Program."

The state's share of the HBRR program is funding that would otherwise be expended on bridge replacement and rehabilitation projects in the State Highway Operation and Protection Program (SHOPP). Unless the state reduces its expenditures on non-toll bridge rehabilitation or other SHOPP projects needed to maintain the safety and integrity of the State highway system, this $642 million must inevitably come from SHA funding for the STIP.

AB 1171 further specified that if total toll seismic retrofit costs exceed the $4.637 billion estimate, the Department may program up to $448 million in additional resources from the Interregional Transportation Improvement Program (ITIP), the SHOPP, or Federal bridge funds for that purpose. As reported to the Governor and Legislature by the State Auditor in August 2002, some increase now seems likely, perhaps even more than the designated $448 million. Again, any part of the increase, up to $448 million, would inevitably come from SHA funding for the STIP.

<u>Proposition 42</u>

Proposition 42, approved by California voters on the March 2002 ballot, is a legislative constitutional amendment that holds the promise for adding an estimated $723 million to the last year of the 2004 STIP, with like amounts added annually thereafter. Proposition 42 eliminated the June 2008 sunset date for the TIF and permanently dedicated the revenues from the sales tax on gasoline to the purposes already identified in statute. The current statute, including the TCR program, remains intact through FY 2007-08. Then, beginning with FY 2008-09, no further funding will be transferred to the TCRF for the TCR designated projects, and all TIF revenues will be divided by formula, with 40% for subventions to cities and counties for road maintenance and repairs, 40% for the STIP, and 20% for transfer to the PTA. With half of the PTA augmenting the STIP, one-half of all TIF revenues will accrue to the STIP.

Proposition 42 is a legislative constitutional amendment that holds the promise for adding an estimated $723 million to the last year of the 2004 STIP.

Proposition 42 went into effect immediately, though it will have no direct effect on cash flow until 2008. Its first effect on programming will be for the 2004 STIP, since new revenues will be added for FY 2008-09, the latter of the two years to be added in the 2004 STIP.

Another effect of Proposition 42 was to establish a constitutional bar to suspending transfers from the General Fund to the TIF or using TIF revenues for other purposes. Effective immediately, it requires a finding by the Governor and the enactment of a bill passed by a two-thirds vote of both houses of the Legislature (in a bill not containing any other unrelated provision) to suspend or reduce transfers to the TIF for a fiscal year. The Legislature may also enact a statute passed by a two-thirds vote of both houses to change the percentages now allotted to each purpose (local subventions, STIP, and PTA). However, no statute may redirect TIF revenues to any other purpose, including the TCRP.

If General Fund transfers anticipated under Proposition 42 in FY 2003-04 were suspended, the Traffic Congestion Relief Program would permanently lose $678 million in funding.

This means, for example, that if the Legislature were to suspend transfers to the TIF in FY 2003-04 (now estimated at $1.046 billion), the TCR Program would permanently lose $678 million in TIF funding. Proposition 42 does not permit any increase in later TIF transfers to the TCRF, and it does not permit any TIF transfers to the TCRF beyond FY 2007-08. Other losses would be $184 million (50% of the remaining transfer) from the STIP, $147 million (40%) from local street and road subventions, and $37 million (10%) from the State Transit Assistance program (10%).

<u>Near Term Cash Flow Issues</u>

In December 2002, the Department advised the Commission that it is closely monitoring and projecting cash flow for each of the three transportation funds (SHA, PTA, and TCRF), and that it now projects a cash deficit of over $170 million by the end of the 2002-03 fiscal year and over $630 million by the end of 2003-04 unless there are unanticipated project delays or unless corrective action is taken. Corrective actions might include, for example, suspending the approval of new project allocations or delaying the award of allocated projects.

Any cash flow shortage should be attributable to differences between Fund Estimate assumptions and actual experience to date. The Commission's adoption of the 2002 STIP was made in conformity with the year-by-year programming capacity identified in the 2002 STIP Fund Estimate. It estimated revenues under existing law and deducted expenditures for prior commitments. It further assumed that the SHA cash balance would not fall below a "prudent cash reserve" of $440 million. Recognizing that a project commitment made in one year will require a cash draw-down over multiple years, the Fund Estimate also translated cash balances into program capacity, the capacity to make new project commitments in each fiscal year. The Commission's STIP adoption, in fact, programmed somewhat less than the identified capacity for the first year (FY 2002-03), making up the difference in later years.

The Commission can identify the following major deviations from the adopted Fund Estimate that could contribute to a cash flow shortage:

Caltrans now anticipates a loss of $125 million in Federal funding for the current 2002-03 Federal fiscal year, while expressing concerns that the Fund Estimate's assumptions for Federal reauthorization may not materialize.

- Added borrowing from the State Highway Account authorized in connection with the 2002-03 Budget Act. This includes a $173 million loan to be repaid by June 2005 and another $474 million in authorized loans to be repaid by June 2007. These loans are above and beyond the level of borrowing that was assumed for the 2002 STIP. The Commission can find no basis for the assumption that these loans could be made without affecting the delivery of STIP projects.
- Reduced weight fee revenues as a result of the Commercial Vehicle Registration Act of 2001 (SB 2084). Caltrans reports that experience to date indicates a revenue reduction of about $163 million per year.
- Reduced Federal revenues. Caltrans now anticipates a loss of $125 million in Federal funding for the current 2002-03 Federal fiscal year, while expressing concerns that the Fund Estimate's assumptions for Federal reauthorization may not materialize (see the prior discussion above).

Long Term Funding Prospects and the Outlook for the 2004 STIP

Notwithstanding the cash flow challenges of the next two years, or indeed for the remainder of the 2002 STIP period, the 2004 STIP would have substantial capacity for new project commitments in FY 2007-08 and FY 2008-09,

- if the Federal reauthorization act meets prior expectations,
- if transportation loans are repaid on time,
- if weight fees are restored to revenue neutrality,
- if the Governor and Legislature do not suspend the funding guarantee of Proposition 42, and

- if other prior expectations for revenues and non-STIP transportation expenditures are met.

The 2002 STIP Fund Estimate included a projection of future capacity for FY 2007-08 and FY 2008-09 (a projection used to determine limits for the Advance Project Development Element; see Chapter II-D). If all of the conditions described above were met, the capacity of the 2004 STIP would be about $3.3 billion.

$3.064 billion	2002 Fund Estimate projection, State Highway Account
-1.490 billion	Less transfers for toll bridge seismic retrofit program.
$1.574 billion	Net capacity, State Highway Account
.384 billion	2002 Fund Estimate projection, Public Transportation Account
.145 billion	Added capacity, Prop 42, Public Transportation Account
.638 billion	2002 Fund Estimate projection, Transportation Investment Fund
.578 billion	Added capacity, Prop 42, Transportation Investment Fund
$3.319 billion	Total New 2004 STIP Capacity, if all conditions were met

This is not a forecast of future capacity, but an illustration of the opportunities and challenges facing the Legislature as it develops the 2003-04 Budget and facing the Department and Commission as they develop the 2004 STIP Fund Estimate. The Fund Estimate, which will govern the 2004 STIP and cover the five-year period from FY 2003-04 to FY 2008-09, is due for presentation by the Department in July 2003 and adoption by the Commission in August 2003. If the conditions described above are not met and if no new STIP revenues are provided, the 2004 STIP Fund Estimate of new capacity could prove to be negative, and the Commission could be faced with the task of deleting project commitments in the 2004 STIP.

The Fund Estimate, which will govern the 2004 STIP and cover the five-year period from FY 2003-04 to FY 2008-09, is due for presentation by the Department in July 2003 and adoption by the Commission in August 2003.

The major issues and uncertainties facing the Commission for the 2004 Fund Estimate include the following:

- What level of funding will be provided through the Federal reauthorization act and when will this be known? Should the Fund Estimate and the 2004 STIP be delayed pending resolution of Federal reauthorization? State law authorizes the Commission to postpone the adoption of the Fund Estimate by up to 90 days if it finds that there is legislation pending before either the Legislature or the United States Congress that may have a significant effect on the Estimate. The Commission is also permitted to amend the Estimate prior to March 1, 2004 to account for unexpected revenues or other unforeseen circumstances. If the Fund Estimate is amended, the Commission is required to extend the dates for submittal of the ITIP and RTIPs and for adoption of the STIP.

- Will transportation loans be repaid and when? Will the transfer of gasoline sales tax revenues to the Transportation Investment Fund (TIF) be suspended? For the purpose of estimating revenues as part of the STIP Fund Estimate, the Commission is required to assume that there will be no change in existing statute. In the absence of Legislative action to the contrary, the Commission must assume that loans will be repaid as specified in current law, and that TIF transfers will be made each year. The Commission's action will include any changes made through the 2003 Budget Act scheduled to be enacted in June 2003.

State law authorizes the Commission to postpone the adoption of the Fund Estimate by up to 90 days if it finds that there is legislation pending before either the Legislature or the United States Congress that may have a significant effect on the Estimate.

- Will commercial vehicle weight fees be restored to revenue neutrality and when? In the absence of corrective action by the Legislature, the data provided by Caltrans suggest a potential loss of about $1.2 billion through the 2004 STIP period.
- When will transfers from the State Highway Account be required for the toll bridge seismic retrofit program? What portion of the $448 million authorization for cost overruns, if any, will be required during the 2004 STIP period?
- What should be the level of funding for the SHOPP over the 2004 STIP period? The 2002 Fund Estimate projection cited above was based on the cost estimates identified in the 2000 Ten-Year SHOPP Plan, supplemented by increases identified in the 2002 Fund Estimate. The 2002 Ten-Year SHOPP Plan identified far more need for SHOPP work without making a specific funding recommendation. The Department and Commission will address this issue in a 2003 update to the SHOPP Plan and the preparation of the 2004 STIP Fund Estimate (see Chapter II-F, State Highway Operation and Protection Program Issues).
- How will current economic conditions and forecasts affect State transportation revenue projections through FY 2008-09? How might assumptions about changes in the vehicle mix, including the growth in the number of alternative fuel vehicles, affect gasoline tax revenue projections?

ISSUES FOR 2003

Federal Surface Transportation Reauthorization

The current legislation authorizing Federal surface transportation program is the Transportation Equity Act for the 21st Century (TEA-21), which is set to expire on September 30, 2003. Historically, Federal authorization acts have covered six-year periods, and thus the next reauthorization, due in 2003, is expected to cover the period through September 2009. Authorizing acts shape and define Federal transportation programs and set upper limits (authorizations) on the amounts that can be made available each year to carry out the programs.

It is important that the Commission and the transportation community in California participate actively at the Federal level in the coming year to protect the progress made in the last two reauthorizations.

Within California, the Federal authorization act will have a major effect on the amounts and types of funding available for transportation projects. The Department of Transportation (Caltrans) is now projecting a large deficit in funding for the 2002 State Transportation Improvement Program (STIP) in part because it now anticipates that Federal authorizations will be less than anticipated when the Fund Estimate for the 2002 STIP was prepared. It is important that the Commission and the transportation community in California participate actively at the Federal level in the coming year to protect the progress made in the last two reauthorizations.

Most features of today's Federal transportation programs, including the various funding program types, their flexibility, and regional responsibility, were established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). ISTEA's successor, TEA-21, largely retained those features while creating a new paradigm for funding surface transportation programs. For the first time, it ensured that spending from the Highway Trust Fund for infrastructure improvements would be linked to highway revenues. The financial mechanisms of TEA-21 also provided greater equity in distributing Federal funding among the states and record levels of transportation investment. They also provided state and local agencies with greater certainty and reliability in transportation funding. For California, both of the prior two transportation reauthorizations have meant increased funding and more flexibility in the use of funds.

The key issues that are expected to arise and be of concern to California during the debate in Congress in the current year are:

- Funding formulas. Will California receive its fair share?
- Types of programs. Will program types change?
- Transit funding. Will there be another attempt to limit California's share through funding caps, as there was when TEA-21 was being developed?
- Earmarking of projects. Will individually earmarked projects receive a larger share of funding or will more funds be distributed by formula?
- Overall funding levels. Will the reauthorization increase or decrease total funding?

The Business, Transportation and Housing Agency has been preparing for the reauthorization of TEA-21 by working together with state, regional and local officials, tribal governments, and other stakeholders to develop a set of principles for reauthorization. The following is the statement of those principles:

The Business, Transportation and Housing Agency has been preparing for the reauthorization of TEA-21 by working together with state, regional and local officials, tribal governments, and other stakeholders to develop a set of principles for reauthorization.

PRINCIPLES FOR REAUTHORIZATION

California's transportation system is the gateway for the economic engines within the state that drive the national economy and for the largest proportion of the goods and services that link the United States with its global markets. The efficiency, security, and quality of California's transportation system directly affect the economic well-being of every other state in the nation. Reauthorization of TEA-21 provides an opportunity to strengthen transportation's key role in supporting national security and the global economic competitiveness of the United States in the 21st Century. The following are California's principles in furthering that goal:

Funding

- Increase funding levels by raising annual obligation limits and spending down the un-obligated balances in the Highway Trust Fund.
- Maintain the guaranteed funding levels and "firewalls" established in TEA-21 that match transportation expenditures to transportation revenues.
- Retain the Revenue Aligned Budget Authority (RABA) mechanism, but distribute the proceeds consistent with

the historical split of gas tax proceeds both to the Highway and Mass Transit Accounts.

- Develop a mechanism to use available Highway Trust Fund balances to dampen the large swings in funding that could result from negative RABA adjustments. There should not be a major reduction in funding levels when Highway Trust Fund balances are high and can be used to mitigate negative RABA adjustments.
- Allow for easier access to and/or flexibility in qualifying projects from approved Regional Transportation Plans for innovative financing. This effort would include the modification of regulations and/or incentives for innovative financing arrangements including increased capitalization of infrastructure banks, debt-financing flexibility, direct treasury financing, access to public-private joint ventures, and the broadening of eligibility rules of the innovative financing program.

Program Structure

- Continue the basic program structure instituted by ISTEA that provides state, regional, and local officials the flexibility to allocate Federal funds to a range of highway, transit, local road, and bicycle/pedestrian improvements based on needs.
- Remove barriers to funding projects and programs that promote more efficient operation of the existing transportation system, such as deleting the three-year limit on the use of CMAQ funds and the varying local match requirements among different transportation programs.
- Concentrate any increased funding in the existing highway and transit formula and capital investment programs. Refrain from creating any new discretionary programs beyond those currently authorized by law.
- Provide for increased program capacity to support the safe and efficient movement of goods in corridors that are crucial to national economic security and vitality, and provide for the mitigation of congestion and environmental effects of such movements. Support this effort by using Highway Trust Fund dollars or other Federal funding sources for programmatic increases in excess of current authorizations.

Equity

- Ensure that California receives an increased share of highway funding based on its contributions to the

Highway Trust Fund and preeminent role in the national economy.

- Oppose efforts to impose an arbitrary funding "cap" on the disbursement of formula or discretionary Federal transit funds to any state.

Expediting Project Delivery

- Link permitting agency review and approval to environmental review processes for environmentally responsible and expeditious project delivery. Federal agencies should coordinate policy and share financial and staff resources to integrate and expedite use of authorized funds to meet local, state, and national transportation and environmental priorities.
- Provide states with financial incentives such as enhanced and coordinated funding to assure the use of integrated review and planning procedures.
- Pursue a California pilot program demonstrating coordination of effort and funding between the State and Federal permitting agencies and regulatory structures.

ISSUES FOR 2003

Intercity Rail Outlook

The future of the National Passenger Rail Corporation (Amtrak) and the future of Federal funding for intercity passenger rail service have never faced greater uncertainty. Amtrak was created by Congress in 1970 to preserve a national system of passenger rail service while relieving the private railroads of the burdens of money-losing passenger operations. In the Amtrak Reform and Accountability Act of 1997, Congress mandated that Amtrak achieve self-sufficiency by the end of 2002 and created the Amtrak Reform Council to review its performance. In November 2001, the Amtrak Reform Council recommended that Amtrak be restructured because it could not achieve the Congressional goal of self-sufficiency. In February 2002, the Council recommended to Congress that Amtrak be restructured in three entities: (1) a small Federal oversight agency for administering and overseeing the nation's passenger rail system; (2) a government-owned and operated corporation to control the infrastructure in the Northeast Corridor (Washington-Boston), which Amtrak currently owns; and (3) a train operating company.

In the Amtrak Reform and Accountability Act of 1997, Congress mandated that Amtrak achieve self-sufficiency by the end of 2002 and created the Amtrak Reform Council to review its performance.

<u>Amtrak Funding and Reform Outlook</u>

Facing a cash shortfall in June 2002, Amtrak received a supplementary appropriation in the form of an advance against its appropriation for 2002-03. Though many members of Congress supported funding Amtrak to preserve a valuable national asset, none of the several bills proposed to provide additional short-term or long-term funding was enacted before the end of the two-year session.

At the time of writing this report, Federal transportation appropriations for 2002-03 have not yet been approved. The House version of the Appropriations bill would provide \$762.5 million, including \$521.5 million for operating expenses and \$241 million for capital improvements. The Senate version would provide \$1.2 billion, including \$550 million for operating expenses, \$369 million for capital improvements along the Northeast Corridor, and \$281 million for capital improvements elsewhere on the national rail network. Under the current continuing budget resolution, which expires on January 11, 2003, Amtrak receives $85 million per month or roughly $1 billion for the year.

During the debate regarding the emergency supplementary appropriation, Federal Transportation Secretary Norm Mineta stated that the country could ill afford to throw billions of Federal dollars at Amtrak and just hope its problems disappear. He proposed five principles for Amtrak reform:

1. Create a system driven by sound economics.
2. Require that Amtrak transition to a pure operating company.
3. Introduce carefully managed competition to provide higher quality rail services at reasonable prices.
4. Establish a long-term partnership between states and the Federal government to support intercity passenger rail service.
5. Create an effective public partnership, after a reasonable transition, to manage the capital assets of the Northeast Corridor.

The State of California pays about $73 million per year in operating subsidies for intercity rail corridors, well over one half of the total contribution of all the states participating in Amtrak state-supported services.

Though Congress is unlikely to dissolve Amtrak, the subject of Amtrak and system reform continues to be the subject of debate. Some form of continuing subsidy will be needed. As Amtrak Chief Executive Officer David Gunn stated before Congress, no passenger rail system in the world operates without some form of governmental subsidy. Congress and the White House must make decisions about the future of Amtrak and the nation's passenger rail system, just as they do with highways and air and waterways.

If Amtrak is to be restructured, then California will need to consider how best to pursue the State's interests at the Federal level. The loss of Federal operating subsidies would have relatively little effect since Amtrak provides no more than about $1 million per year in operating subsidies for California's State-supported intercity rail corridors, whereas the State of California pays about $73 million per year in operating subsidies for intercity rail corridors, well over one half of the total contribution of all the states participating in Amtrak state-supported services.

It is more important that California ensure that it receives a fair share of any proposed Federal funding for Amtrak capital improvements. Past Congressional action has directed the bulk of Amtrak appropriations to the Northeast Corridor, while California and the remainder of the country have received what remained. Since 1971, California has invested over $2.5 billion towards intercity rail capital improvements.

The most important aspect of Amtrak to California is the statutory mandate that allows Amtrak to provide intercity rail passenger service on private railroads. This right should be continued with Amtrak or transferred or delegated to the states. Without this authority, intercity rail service in California would cease. If California were to continue service without Amtrak's operating rights, it is conceivable that the railroads would either require the State to acquire the right-of-way or pay for operating rights. This happened in the early 1990s when regional agencies had to purchase rail right-of-way to operate commuter service in northern and southern California. The Peninsula Commute Service right-of-way was acquired for about $124 million and the Southern California Metrolink right-of-way for about $500 million. Simply put, California must take an active role in the next Congressional session to help shape a future for Amtrak that is beneficial to California.

If California were to continue service without Amtrak's operating rights, it is conceivable that the railroads would either require the State to acquire the right-of-way or pay for operating rights.

Regardless of the disposition of Amtrak, California, working through its Congressional delegation, should:

- pursue a fair share of Federal funds that may become available for intercity rail,
- pursue the preservation of Amtrak's operating rights on private railroads, whether through Amtrak or by delegation to the states, and
- seek to have capital funding made available first to states that provide matching funds. California has been a leader in providing state support for both intercity rail capital and operating costs.

State Public Transportation Account Funding

State support for the intercity rail capital program faces the same uncertainties confronting the rest of the State transportation capital program (see Chapter I-A). The availability of funding for operating subsidies is also threatened, though less directly. Operating subsidies are funded by annual appropriations from the Public Transportation Account, which derives its revenues primarily from the sales tax on diesel fuel and gasoline. It is only after the appropriations for intercity rail operating costs that PTA funds also become available for the STIP and intercity rail capital projects. It is possible that continuing loans or transfers of PTA funds to backfill for the Transportation Congestion Relief Program (TCRP) could threaten the availability of funds for rail operating costs as well as capital projects. The Legislature should recognize that intercity rail services are dependent on PTA funds both for operating costs and for capital improvements that cannot be funded from Article XIX-restricted revenues. Without continuing PTA funds, intercity rail service on the Capitol, Pacific Surfliner, and San Joaquin Corridors could easily begin to degrade. These are now the second, fourth, and fifth busiest rail corridors in the nation.

ISSUES FOR 2003

Making Transportation and Land Use Work Together

The issue of smarter transportation and land use planning has been the subject of extensive discussion at the local, state and national levels. There are enormous challenges facing this state, not the least of which is to develop a strategy that would enable California to develop in ways that are more equitable, efficient and economically sound.

The Commission intends to explore where it can make changes in its policies and actions to help further the goal of making transportation and land use work together. It will do this through:

- an examination of the statutes defining the responsibilities of congestion management agencies;
- a review of the STIP and Regional Transportation Plan Guidelines;
- a review of the Commission's guidelines, policies, and procedures for the various transportation loan and bonding programs that come under the Commission's purview; and
- the creation of a compendium and analysis of regional transportation plans, with a determination of how this information can best be used to guide programming decisions.

California's projected population growth over the next 40 years is 24 million. It will take 57 cities the size of Fresno to absorb such growth.

The California Legislature's Smart Growth Caucus, in a report entitled "Growth Challenges Facing the Golden State" (February 2001), cited some statistics that are worth noting:

- Population growth in California in past 55 years: 24 million
- Population growth in California projected for next 40 years: 24 million
- Number of cities the size of San Jose it would take to absorb 24 million people: 26
- Number of cities the size of Fresno it would take to absorb 24 million people: 57
- Number of cities the size of Moreno Valley it would take to absorb 24 million people: 172

- Percentage increase in licensed drivers between 1988 and 1998: 9
- Percentage increase in vehicle miles traveled during the same period: 21
- Percentage increase in Bay Area traffic congestion between 1995-2000: 7
- Number of farm acres the Central Valley will lose to sprawl by 2040: 1 million
- Number of studies that have found that farms save communities money by contributing more in taxes than they demand in tax-supported services: 40

Between 1997 and 1999, San Francisco created seven new jobs for each new housing unit built: Los Angeles 6:1, Orange County 5:1.

The final report of the Commission on Building for the 21st Century, entitled "Invest for California – Strategic Planning for California's Future Prosperity and Quality of Life" (September 2001), cited the following data:

- Projected requirements for 2020 energy needs are: 40% more electrical capacity, 40% more gasoline and close to 20% more natural gas. This projection does not assume any move from a gasoline-based to an electric, hydrogen or natural gas-based transportation market.
- In 2003, California consumers are projected to need 15.8 billion gallons of gasoline. Without additional refinery capacity, between 950 million and 1.6 billion gallons of gasoline and blending components will need to be imported.
- In 1999, California motorists spent more than 800,000 hours on congested roads each day, at a daily cost of $8 million.
- Between 1997 and 1999, San Francisco created seven new jobs for each new housing unit built: Los Angeles 6:1, Orange County 5:1.

In 1999, resolutions were adopted by each house of the Legislature (AR 23 and SR 12) recognizing the following five smart growth principles and encouraging all State agencies to utilize them in devising their policies, programs, and investments:

- **Plan for the Future.** Preserve and enhance California's quality of life, ensure the wise and efficient use of our natural and financial resources, and make government more effective and accountable by reforming our systems of governance, planning, and public finance.

- **Promote Prosperous and Livable Communities.** Make existing communities vital and healthy places for all residents to live, work, obtain a quality education and raise a family.
- **Provide Better Housing and Transportation Opportunities.** Provide efficient transportation alternatives and a range of housing choices affordable to all residents, without jeopardizing farmland, open space, wildlife habitat, and natural resources.
- **Conserve Open Space, Natural Resources and the Environment.** Focus new development in existing communities and areas appropriately planned for growth while protecting air and water quality, conserving wildlife habitat, natural landscapes, floodplains and water recharge areas and providing green space for recreation and other amenities.
- **Protect California's Agricultural and Forest Landscapes**. Protect California's farm, range and forest lands from sprawl and the pressure to convert land for development.

The challenge is to provide choices that lead to smarter more sustainable decisions within the constructs of governance we have today.

The Commission expects to be part of the planning and land use debate that is so important to California's future. We need a mixture of transportation improvements – some that attend to traditional automobile commute patterns and others that employ alternatives to highways and single occupant vehicles. We also need to consider changes in our land use and development patterns in lieu of continuing to fit transportation improvements to old patterns of growth.

Land use and development patterns are intimately intertwined with infrastructure. Intuitively all of us know that the planning for our infrastructure needs to be integrated and that we need sustainable solutions. Natural resources, goods movement, economic growth, congestion and housing are interregional issues. They do not recognize the political boundaries of a city or county. The challenge is to provide choices that lead to smarter more sustainable decisions within the constructs of governance we have today. Finding incentives that can be offered to change current habits will be critical to implementing change. We need to find ways to engage regional decision making within the existing construct of governance.

Californians need to re-examine and consider changes to patterns of development and investment that are almost a century old. The State's transportation system has assumed its current form because of policy decisions that were made, or not made, many years ago.

The California Transportation Commission recognizes that there is no single statewide transportation planning entity with the resources and statutory/regulatory authority necessary to carry out its plans. Transportation planning is done by a variety of jurisdictions and funding is provided through many different programs. There are 58 counties, 468 cities, 43 regional transportation planning agencies, 15 metropolitan planning organizations, 5 county transportation commissions, 29 congestion management agencies and 17 sales tax measure agencies, just to name a few.

There are 58 counties, 468 cities, 43 regional transportation planning agencies, 15 metropolitan planning organizations, 5 county transportation commissions, 29 congestion management agencies and 17 sales tax measure agencies.

The challenge is to define long-term strategic goals and objectives for the State's transportation infrastructure that will allow California's economy to continue to grow and to improve its citizen's quality of life through, as a minimum, reduction of congestion, ease of goods movement, and reduced time spent on commuting.

The Commission, for its part, has begun to realize the need for project sponsors to commit themselves to better transportation and land use planning. We can and must support sound planning and decision-making to insure a sound return on our investment. We need to make better and more intelligent decisions about transportation investments as our population grows. The Commission needs to decide how to do this, and the answer has to involve more than just money.

Some regional agencies in the state are finding ways to discuss, encourage, and recognize better land-use decisions, which are key to meeting many of our transportation challenges. For example:

- Riverside County's leadership has embarked on an unprecedented, three-year planning effort to simultaneously prepare environmental, transportation, housing and development guidelines for the next 50 years. This integrated planning effort, to be completed in 2002, is the Riverside County Integrated Project (RCIP) and was recently ratified by its voters. The RCIP accommodates continued growth by integrating the Riverside County general plan with transportation and environmental issues.

- The San Diego Association of Governments (SANDAG) has been working on a comprehensive strategy, known as REGION2020, to coordinate and integrate SANDAG's transportation planning efforts, habitat conservation planning initiatives, affordable housing plans, economic prosperity strategies, and state-local fiscal reform proposals. The next step in the effort is to develop a Regional Comprehensive Plan incorporating transportation and the other elements of the REGION2020 strategy, including an infrastructure needs and financing analysis. This effort is expected to take about 18 months to complete.

- The Sacramento Area Council of Governments (SACOG) is using its role in regional transportation planning to project regional growth and the resulting travel conditions. Examples of some of the types of data that will be developed to accomplish this goal are: employment and population forecasts; housing demand, by type and density; and costs and impacts of alternative development patterns. SACOG has developed a Base Case Regional Future and Indicators Report and will be continuing with its pioneering efforts related to development of a model to assess alternative regional futures and indicators. The Preferred Regional Future and Indicators for their Metropolitan Transportation Plan Analysis is due June 2004.

Although important regional efforts exist and are growing, there is an opportunity for the Commission to serve as the catalyst to bring statewide implications of transportation and land use to the forefront. The Commission strongly believes that there must be a shift towards solving transportation problems by establishing linkages to housing, jobs, and smart growth/sustainable development through a broad range of priorities for any new transportation funding. For example in San Mateo County, local jurisdictions receive much needed street and road repair funding but must commit to bringing new housing on-line in return for the money. The program was implemented after research showed that it was the most

The Commission strongly believes that there must be a shift towards solving transportation problems by establishing linkages to housing, jobs, and smart growth / sustainable development through a broad range of priorities for any new transportation funding.

cost-effective method of reducing traffic congestion and improving the jobs-housing balance. To illustrate the power of this strategy, in the San Francisco Bay Area, the Regional Smart Growth effort developed a vision to guide land use decisions. The scenario is designed to bring jobs and housing closer together and would focus development largely around transit routes. By 2025, these large-scale changes in land use could reduce the number of transbay vehicle trips by as many as 50,000 a day and boost daily transit ridership by 17,000.

Smart growth funding strategies need to be integrated into the allocation of Federal and State funds for transportation planning and transportation improvements throughout California.

Over the course of the next year, the Commission intends to embark on a public discussion to develop guidelines and expected outcomes for the 2004 STIP, for regional transportation plans, for GARVEE bonding, and for other loan programs that will take us a step closer to that elusive coordination of planning and improved mobility. Smart growth funding strategies need to be integrated into the allocation of Federal and State funds for transportation planning and transportation improvements throughout California.

The Commission will be looking to two recent pieces of legislation for guidance. AB 2140 (2000, Keeley) allows regional transportation planning agencies with populations over 200,000 to include in their regional transportation plans an alternate planning scenario that is based on an alternative land development pattern that would reduce the growth in traffic congestion, make more efficient use of existing infrastructure and reduces future costs. AB 857 (2002, Wiggins) identified three state planning priorities for the state infrastructure plan: (1) to promote infill development, (2) to protect environmental and agricultural resources, and (3) to encourage efficient development patterns. It also requires that each state agency's functional plan be updated to be consistent with the planning priorities by January 1, 2005.

The evaluation of regional transportation plans by the Commission is long overdue. That would provide a valuable vehicle for an assessment of the state of transportation planning in the state and an opportunity to propose changes in the transportation planning guidelines. Currently no compendium of regional transportation plans exists in the state. Although the regional transportation plans are created out of a planning approach that incorporates congestion management plans and county circulation elements, the process stops there. The Commission intends to create this compendium and analysis and to determine how best to use this information in programming decisions.

The Commission will hold at least one roundtable in the coming year devoted to the topic of transportation and land use planning. The roundtable will be designed to generate discussion and ideas for change that the Commission can use to promote making transportation and land use work together. Included in the discussion will be a review and discussion of the need for changes in the statutes defining the responsibilities of congestion management agencies, the Commission's STIP and Regional Transportation Plan Guidelines, and the Commission's guidelines and procedures for various transportation loan and bonding programs. From the discussion, the Commission intends to develop a set of specific initiatives it can take on to encourage better transportation and land use decision-making.

2002 ACTIVITY AND ACCOMPLISHMENTS

2002 ACTIVITY AND ACCOMPLISHMENTS

Traffic Congestion Relief Program

The $4.9 billion Transportation Congestion Relief Program (TCRP) was created as part of a larger $6.8 billion package of transportation funding enhancements in the Traffic Congestion Relief Act of 2000 (AB 2928, 2000). The TCRP designated funding for 141 specific projects and required that an application for each project be submitted to the Commission by June 13, 2002. By that date, the Commission had approved an application for all or part of each of the 141 designated projects. By December 2002,

- The Commission had approved $3.832 billion in project applications, defining individual project cost, scope, and schedule.
- From that amount, the Commission had approved project allocations totaling $1.495 billion.
- $397 million had been expended and invoiced for allocated projects.

TCR Program Funding

AB 2928 (Torlakson, Chapter 91, Statutes of 2000) and SB 1662 (Burton, Chapter 656, Statutes of 2000) enacted the Traffic Congestion Relief (TCR) Act of 2000 and provided for approximately $6.8 billion in new transportation funding, including:

- $1.5 billion transferred from the General Fund in 2000-01.
- $0.5 billion from the state sales tax on gasoline in 2000-01.
- About $4.8 billion in future revenues from the sales tax on gasoline.

The 141 projects of the TCRP were to be funded through the Traffic Congestion Relief Fund (TCRF). Of the $1.5 billion General Fund transfer, $1.1 billion was transferred to the TCRF and $400 million was made available as a subvention for local road rehabilitation. The $0.5 billion from the sales tax on gasoline was also transferred to the TCRF. The future revenues from the sales tax on gasoline were to be transferred to the Transportation Investment Fund (TIF), with a fixed portion transferred to the TCRF and the remainder divided, 40% for the STIP, 40% for local road rehabilitation subventions, and 20% for the Public Transportation Account (PTA).

Originally, the TIF revenues and transfers were to be in effect for the five-year period from 2001-02 through 2005-06. However, a TCR refinancing plan enacted in conjunction with the 2001-02 Budget Act shifted these transfers to the period from 2003-04 through 2007-08.

Project Approvals, Allocations and Expenditures

AB 2928 (Torlakson, 2000) requires an applicant to prepare and submit to the Commission, an application for each specified project by July 6, 2002. By June 13, 2002, the Commission approved applications, in full or in part, for all 141 projects specified in legislation. As of December 31, 2002, the Commission approved $3.832 billion for the 141 projects. Statutes authorize the Department of Transportation (Department) to allocate funds from the TCR Fund, as directed by the Commission, for specific projects, or phases of a particular project. By December 31, 2002, the Commission had allocated $1.495 billion for 141 project applications and $397 million was expended by the recipient agencies. A chart at the end of this chapter identifies the application approvals, allocations and expenditures for each project.

Alternative Project Approved

AB 2928 and Commission guidelines allow an applicant to propose an alternative project for the one designated in the statute. It prescribes four tests, at least one of which must be met, to determine whether an alternative project would be appropriate.

The tests are:

1. if the specified project is delayed by environmental or other factors, external to the control of the applicant, and unlikely to be removed within a reasonable time,
2. if sufficient matching funds are not available,
3. if the specified project is not consistent with the pertinent Regional Transportation Plan, or
4. if the specified project would jeopardize completion of other projects previously programmed in the State Transportation Improvement Program.

The Commission expects lead applicant agencies to consider thoroughly all projects specified in the legislation before seeking an alternative project, and exhaust all reasonable efforts to eliminate or relieve the conditions that would cause a project specified in the legislation to be abandoned.

This year, the Commission received a request from the Santa Clara Valley Transportation Authority (VTA) to approve a $35 million alternative project. The original project was for VTA to acquire a rail line and start a Fremont-South Bay commuter rail service between Fremont (Alameda) and San Jose (Santa Clara).

VTA had completed a Major Investment Study (funded through TCRP Project #1) on the Silicon Valley Rapid Transit Corridor which roughly follows Interstate 880 and 680 from Fremont to Milpitas and Downtown San Jose where several mass transit alternatives were studied for implementation in the Corridor. Among them were commuter rail and the continuation of the Bay Area Rapid Transit (BART) system to San Jose from its current terminus in Fremont. In November 2001, the VTA Board of Directors selected the BART alternative (TCRP Project #1), and the Metropolitan Transportation Commission included the BART project in its 2002 Regional Transportation Plan (RTP). With this action, the Fremont-South Bay commuter rail project to acquire rail line and start commuter rail service between Fremont and San Jose was no longer an economically viable, stand-alone project, and was removed from the region's RTP.

At its May 2002 meeting, the Commission considered the VTA alternative project. Approval would allow VTA to use the $35 million from TCRP Project #2, combined with $45 million from TCRP Project #1, to acquire 17 miles of right of way and extend BART heavy rail service from Fremont to Downtown San Jose. The Commission approved the alternative project because the original project did not meet two of the four conditions, (1) sufficient matching funds were not available to complete the project, and (2) the project was not included in or consistent with the RTP. VTA has not yet requested an allocation for this $35 million.

TCR Exchange Program

AB 2928 allows local transportation agencies to exchange certain categorical Federal transportation funds, Congestion Mitigation and Air Quality Improvement (CMAQ) and Regional Surface Transportation Program (RSTP), for monies in the TCR Fund based upon funding availability. However, the refinancing of the TCR Fund made this problematic, and the Commission suspended the TCR Exchange Program for FY 2001-02.

Project Expenditures

The Commission has been very interested in tracking TCR Program expenditures as a measure of project implementation. It should be noted, however, that what is tracked are State expenditures, which are funds paid on the basis of invoices that have been received from implementing agencies and approved by the Department. Not all implementing agencies submit invoices immediately upon incurring an expense, nor do they always bill all that might have been expended, opting to send invoices later.

The Commission, the Department, and other stakeholders are interested in knowing how much has been expended for TCR Program projects, particularly in light of the potential draw on the State Highway Account to fund unexpected TCR project expenditures. Since State expenditure information alone does not necessarily give a true indication of the progress being made in completing projects, it is important to look at all available information regarding the project being delivered, including project approvals, allocations, expenditures, and especially the reported percent of work completed to date.

Based upon experience with other funding programs, we can expect a disproportionate expenditure rate in the startup years of a large program. This is particularly true for a program consisting of different project types, given variations in the time needed to get those projects moving (e.g., securing full funding for the project, training, circulating requests for proposals (RFPs), and contract negotiations). Large advances of TCR funds initially provided for some projects, such as vehicle procurement, can "spike" the curve. All 141 projects are now underway. As more projects move from design to construction, in particular, we anticipate that program expenditure rates will become more uniform and predictable.

It is important that the Department, as the Commission's grants administrator, continue to work with implementing agencies to secure timely and accurate expenditure information to compare against percent of project completed in assessing progress. In doing this project tracking, the Commission can ensure that projects are delivered in a cost-effective and timely manner. Those projects that experience delay will be scrutinized by the Commission to assess project viability. Further, if the Commission determines that the agency implementing a project is not pursuing the work and using the funds diligently, the Commission may rescind its allocation. The unused TCR funds can then be redirected for other use as authorized by the Act.

TCR Program Projects in the STIP

The 2002 State Transportation Improvement Program (STIP), adopted by the Commission in April, provided nearly $1.2 billion in additional funding for 45 TCRP projects. Of those 45 projects, 35 were programmed for full funding through construction. Of the 35 projects that were fully programmed, 19 were programmed in the first two years of the STIP for over $475 million. Another 4 projects were identified as deliverable in the first two years but were programmed in later years to match STIP program capacity.

Future Program Focus

With all 141 TCR Program projects now underway, the Commission has been shifting its emphasis toward tracking project progress, processing project amendments and updates, and the securing of additional funds from non-TCRP sources to fully fund each project. However, with the mid-year budget shortfall for 2002-03 and the Special Session of the Legislature being called by the Governor, the TCR Program emphasis may shift again. Expenditure data are critical, since the Administration has proposed to suspend the TCR Program as part of its strategy to resolve the shortfall. If TCR Fund transfers are suspended, then either the Legislature or the Commission will need to determine which project expenditures, if any, may continue from the TCR Program.

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
1.1	Extend BART from Fremont to Downtown San Jose (Fremont to Warm Springs)	$111,433	$111,433	$54,115	$0
1.2	Extend BART from Fremont to Downtown San Jose (Warm Springs to San Jose)	613,567	613,567	45,000	3,062
2	Fremont-South Bay Commuter Rail; acquire rail line, BART to San Jose (Alt project)	35,000	35,000	0	0
3	Route 101; widen fwy from 4 to 8 lanes south of San Jose, Bemal to Burnett	25,000	25,000	25,000	3,297
4	Route 680; northbound HOV lane over Sunol Grade, Santa Clara & Alameda Counties	60,000	60,000	2,000	288
5	Route 101; add northbound lane to freeway through San Jose, Rte 87 to Trimble Rd	5,000	5,000	5,000	4,346
6	Route 262; study, cross connector freeway, Route 680 to Route 880, Santa Clara County	1,000	1,000	1,000	471
7.1	CalTrain; expand service to Gilroy (2nd main track-- Tamien & Lick)	22,000	22,000	22,000	0
7.2	CalTrain; expand service to Gilroy (modify platform & Gilroy storage tracks)	6,500	0	0	0
7.3	CalTrain; expand service to Gilroy (other improvements)	26,500	0	0	0
8	Route 880; reconstruct Coleman Ave Interchange near San Jose Airport	5,000	5,000	5,000	4,475
9.1	Capitol Corridor; improve between Oakland and San Jose (Harder Road undercrossing)	600	600	600	600
9.2	Capitol Corridor; improve between Oakland and San Jose (Emeryville station)	3,150	225	225	0
9.3	Capitol Corridor; improve between Oakland and San Jose (Jack London Square station)	1,750	1,750	1,750	0
9.4	Capitol Corridor; improve between Oakland and San Jose (track improvements)	19,500	19,500	19,500	0
10	Regional Express Bus; low-emission buses for services on HOV lanes, SF Bay Area	40,000	40,000	40,000	4,810
11	San Francisco Bay Southern Crossing; feasiblity and financial studies	5,000	3,200	3,200	2,152
12.1	Bay Area Transit Connectivity: I-580 Corridor study and improvements	7,000	2,000	2,000	1,245
12.2	Bay Area Transit Connectivity: Hercules Rail Station study and improvements	3,000	100	100	53
12.3	Bay Area Transit Connectivity: Route 4 Corridor study and improvements	7,000	2,300	2,300	1,200
13	CalTrain Peninsula Corridor; rolling stock, improvements, San Francisco-San Jose	127,000	127,000	127,000	45,000
14	CalTrain; extension to Salinas in Monterey County	20,000	1,000	1,000	69
15	Route 24, Caldecott Tunnel; add 4th bore tunnel, Alameda & Contra Costa Counties	20,000	20,000	15,000	2,032
16.1	Route 4 improvements, Contra Costa County (Railroad Rd)	25,000	25,000	25,000	19,852
16.2	Route 4 improvements, Contra Costa County (Loveridge Rd)	14,000	14,000	0	0
17	Route 101; add reversible HOV lane through San Rafael, Marin County	15,000	15,000	2,751	278
18	Rte 101; widen to 6 lanes, Novato to Petaluma (Novato Narrows), Marin & Sonoma	21,000	6,200	5,600	735
19	Bay Area Water Transit Authority; regional system beginning with Treasure Is, SF	2,000	150	150	0
20.1	San Francisco Muni 3rd St Light Rail: extend to Chinatown (tunnel); (Bayshore extension)	126,000	140,000	140,000	0
20.2	San Francisco Muni 3rd St Light Rail; extend Chinatown (tunnel); (Central Subway)	14,000	0	0	0
21	San Francisco Muni Ocean Ave Light Rail; reconstruct to Rte 1 near CSUSF	7,000	7,000	7,000	5,094
22	Rte 101; environmental study for reconstruction of Doyle Dr, San Francisco	15,000	3,000	3,000	0
23	CalTrain; grade separations at Poplar, 25th, and Linden, San Mateo County	15,000	1,000	1,000	0
24	Vallejo Baylink Ferry; acquire low-emission ferryboats to expand Vallejo-SF service	5,000	5,000	5,000	27
25.1	I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7 (MIS/Corridor Study)	1,000	1,000	1,000	1,000
25.2	I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7 (North Connector)	3,000	3,000	3,000	9
25.3	I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7	9,000	9,000	9,000	0
26	ACE Commuter Rail; add siding on UPRR line in Livermore Valley in Alameda County	1,000	1,000	0	0
27.1	Vasco Rd, Alameda & Contra Costa (Vasco Rd re-alignment)	6,500	150	150	40
27.2	Vasco Rd, Alameda & Contra Costa (Vasco Rd ACE parking)	3,000	3,000	1,796	98
27.3	Vasco Rd, Alameda & Contra Costa (Valley Center parking)	1,500	520	520	520
28	Parking Structure at Transit Village at Richmond BART Station	5,000	5,000	680	0
29	AC Transit; two fuel cell buses & fueling facility, Alameda and Contra Costa	8,000	8,000	8,000	0

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
30	Commuter rail service, Cloverdale to San Rafael & Larkspur, Marin-Sonoma	37,000	7,700	7,700	1,333
31	Route 580; HOV lanes, Tassajara Rd/Santa Rita Rd to Vasco Rd in Alameda County	25,000	25,000	7,000	886
32.1	North Coast Railroad; defray administrative costs	1,000	1,000	1,000	984
32.2	North Coast Railroad; complete rail line from Lombard to Willits	600	600	600	600
32.3	North Coast Railroad; complete of rail line from Willits to Arcata	1,000	1,000	400	400
32.4	North Coast Railroad; upgrade rail line to Class II or III standards	5,000	5,000	100	100
32.5	North Coast Railroad; environmental remediation projects	4,100	1,146	1,146	331
32.6	North Coast Railroad; debt reduction	10,000	10,000	10,000	10,000
32.7	North Coast Railroad; local match funds	1,800	50	50	0
32.8	North Coast Railroad; repayment of Federal loan obligations	5,500	5,500	5,500	5,500
32.9	North Coast Railroad; long term stabilization projects	31,000	31,000	0	0
33	Bus Transit; low-emission buses for Los Angeles County MTA bus transit service	150,000	150,000	1,000	0
34	Blue Line to Los Angeles; new rail line Pasadena to Los Angeles	40,000	40,000	40,000	40,000
35.1	Pacific Surfliner; run-through-tracks through LA Union Station	28,000	28,000	12,000	1,563
35.2	Pacific Surfliner; triple track intercity rail line within Los Angeles County	66,936	0	0	0
35.3	Pacific Surfliner; fifth lead track, Los Angeles County	5,064	5,064	264	0
36	Los Angeles Eastside Transit Extension; new light rail line in East Los Angeles	236,000	236,000	45,000	13,034
37.1	Los Angeles Mid-City Transit Improvements; Wilshire Bus Rapid Transit	228,900	81,800	6,200	1,509
37.2	Los Angeles Mid-City Transit Improvements; Mid-City/Exposition Light Rail Transit	27,100	11,000	11,000	470
38.1	Los Angeles-San Fernando Valley Transit Extension; East-West Bus Rapid Transit	145,000	145,000	47,000	9,267
38.2	Los Angeles-San Fernando Valley Transit Extension; North-South bus transit	100,000	2,000	2,000	243
39	Route 405; NB HOV lane over Sepulveda Pass, Rte 10 to Rte 101 in Los Angeles	90,000	15,000	15,000	2,633
40	Route 10; add HOV lanes over Kellogg Hill, near Pomona in Los Angeles County	90,000	33,100	12,100	505
41.1	Route 5; HOV lanes through San Fernando Valley (Segment 1, Rte 118 to Rte 14)	29,950	40,175	2,749	171
41.2	Route 5; HOV lanes through San Fernando Valley (Segment 2, Rte 170 to Rte 118)	20,050	9,825	9,825	284
42.1	Route 5; widen to 10 lanes in LA County (Segment A, Orange County Line to Rte 605)	109,000	109,000	6,000	902
42.2	Route 5; widen to 10 lanes in LA County (Segment B, Rte 605 interchange to Rte 710)	8,000	8,000	0	0
42.3	Route 5; widen to 10 lanes in LA County (Segment C, Rte 710 interchange)	8,000	8,000	0	0
43	Route 5; improve Carmenita Road Interchange in Norwalk in Los Angeles County	71,000	71,000	290	0
44	Rte 47 (Terminal Island Fwy); interchange at Ocean Blvd Overpass in Long Beach	18,400	18,400	15,674	0
45	Rte 710; Gateway Corridor Study, Los Angeles County	2,000	2,000	2,000	158
46	Route 1; reconstruct intersection at Route 107 in Torrance, Los Angeles County	2,000	2,000	700	480
47	Route 101; California Street off-ramp in Ventura County	15,000	620	620	249
48	Route 101; corridor study, Route 170 (Los Angeles) to Route 23 (Thousand Oaks)	3,000	3,000	3,000	0
49	Hollywood Intermodal Transportation Center at Highland Ave & Hawthorn Ave	10,000	350	350	0
50	Route 71; complete 3 miles of 6-lane freeway through Pomona, Los Angeles County	30,000	11,800	11,800	2,417
51	Route 101/405; add auxiliary lane & widen ramp through interchange in Sherman Oaks	21,000	8,200	8,200	1,829
52	Route 405; HOV & auxiliary lanes in West Los Angeles, Waterford Ave to Route 10	25,000	25,000	0	0
53	Automated Signal Corridors (ATSAC); Victory/Ventura, Sepulveda Blvd & Rte 118	16,000	16,000	16,000	2,006
54.1	Alameda Corridor East; grade separations, Los Angeles County	130,300	130,300	61,573	2,058
54.2	Alameda Corridor East; grade separations, Los Angeles County (Santa Fe Springs)	15,300	15,300	0	0
54.3	Alameda Corridor East; grade separations, Los Angeles County (Pico Rivera)	4,400	4,400	0	0
55.1	Alameda Corridor East; grade separations, San Bernardino County (Montclair)	18,800	18,800	4,540	135

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
55.2	Alameda Corridor East; grade separations, San Bernardino County (Ontario)	34,178	700	700	324
55.3	Alameda Corridor East; grade separations, San Bernardino County (SANBAG)	42,022	34,060	8,610	443
56	Metrolink; track & signal improvements on San Bernardino Line, San Bernardino County	15,000	15,000	15,000	3,961
57	Route 215; HOV lanes through downtown San Bernardino, Rte 10 to Rte 30	25,000	25,000	0	0
58	Route 10; widen freeway through Redlands, Route 30 to Ford Street	10,000	10,000	4,296	0
59	Route 10; Live Oak Canyon Interchange in the City of Yucaipa in San Bernardino County	11,000	11,000	2,868	1,229
60	Route 15; southbound truck climbing lane at 2 locations in San Bernardino County	10,000	955	955	686
61	Route 10; reconstruct Apache Trail Interchange east of Banning in Riverside County.	30,000	3,900	1,900	634
62	Route 91; HOV lanes through downtown Riverside (Mary St to University Av)	20,000	15,700	3,700	424
62.1	Route 91; HOV lanes through downtown Riverside (University Av to Route 60/215)	20,000	20,000	3,000	0
63	Route 60; add 7 miles of HOV lanes west of Riverside, Rte 15 to Valley Way	25,000	4,000	4,000	2,997
64.1	Route 91; Green River interchange, ramp to northbound Route 71 in Riverside County	5,000	5,000	0	0
70.1	Route 22; HOV lanes, Route 405 to Route 55 in Orange County (Soundwall)	22,300	22,300	22,300	7,485
70.2	Route 22; HOV lanes, Route 405 to Route 55 in Orange County (design/build HOV)	173,400	173,400	60,500	9,177
70.3	Route 22; HOV lanes, Route 405 to Route 55 in Orange County (replacement planting)	10,800	10,800	0	0
73	Alameda Corridor East; (Orangethorpe Corridor) grade separations in Orange County	28,000	28,000	16,200	8,353
74.1	Pacific Surfliner; within San Diego County (Oceanside double tracking)	6,000	6,000	500	3
74.2	Pacific Surfliner; within San Diego County (LOSSAN Corridor EIS/EIR)	15,262	2,498	2,498	1,704
74.3	Pacific Surfliner; within San Diego County (maintenance yard)	22,000	0	0	0
74.4	Pacific Surfliner; within San Diego County (track & signal improvement at Fallbrook)	450	450	450	199
74.5	Pacific Surfliner; within San Diego County (Encinitas passing track)	3,288	0	0	0
75.1	San Diego Transit Buses; low-emission buses (MTDB)	21,000	21,000	21,000	591
75.2	San Diego Transit Buses; low-emission buses (NCTD)	9,000	9,000	1,300	821
76	Coaster Commuter Rail; train set to expand commuter rail in San Diego County	14,000	14,000	14,000	13,073
77	Route 94; environmental studies, downtown San Diego to Route 125 in Lemon Grove	20,000	4,000	4,000	877
78	East Village access; access to light rail from East Village, San Diego County.	15,000	15,000	15,000	0
79	North County Light Rail; Oceanside to Escondido in San Diego County	80,000	80,000	0	0
80	Mid-Coast Light Rail; extend Old Town light rail to Balboa Ave in San Diego County	10,000	1,300	0	0
81	San Diego Ferry; high-speed ferryboat for service between San Diego and Oceanside	5,000	3,784	3,784	2,493
82	Routes 5/805; reconstruct and widen freeway interchange in San Diego County	25,000	25,000	19,000	1,812
83.1	Route 15; managed lane project north of San Diego (Stage 1) (Transit elements)	28,800	34,800	6,200	5,500
83.2	Route 15; managed lane project north of San Diego (Stage 1) (Freeway elements)	41,200	40,700	33,800	18,449
84	Route 52; build 4 miles of new 6-lane freeway to Santee, San Diego County	45,000	45,000	25,000	23,635
85	Route 56; new freeway between I-5 and I-15 in the City of San Diego	25,000	25,000	21,570	10,832
86	Rte 905; new 6-lane freeway on Otay Mesa, Rte 805 to Mexico Port of Entry	25,000	25,000	25,000	5,782
87.1	Routes 94/125; connector ramps in Lemon Grove in San Diego County (interim)	1,271	1,271	1,271	702
87.2	Routes 94/125; connector ramps in Lemon Grove in San Diego County (ultimate)	58,729	1,700	1,700	732
88	Route 5; realign at Virginia Av, approaching San Ysidro Port of Entry to Mexico	10,000	600	600	79
89	Route 99; improve Shaw Avenue interchange in northern Fresno	5,000	1,600	1,600	442
90	Route 99; widen freeway to 6 lanes, Kingsburg to Selma in Fresno County	20,000	3,860	3,860	2,665
91	Route 180; new expressway, Clovis Ave to Temperance Ave in Fresno County	20,000	20,000	12,561	3,706
92	San Joaquin Corridor; improve track & signals near Hanford in Kings County	10,000	10,000	0	0
93	Route 180; environmental studies to extend west from Mendota to I-5 in Fresno County	7,000	7,000	7,000	589

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
94	Route 43; widen to 4-lane expressway, Kings County Line to Route 99 in Fresno County	5,000	2,600	2,600	427
95	Route 41; improvements at Friant Road interchange in Fresno	10,000	10,000	1,930	1,333
96	Friant Road; widen to four lanes from Copper Avenue to Road 206 in Fresno County	10,000	10,000	512	0
97	Operational improvements near California State University at Fresno (CSU Fresno)	2,100	2,100	2,100	2,039
97.1	Operational improvements near California State University at Fresno (City of Clovis)	1,850	1,850	1,385	0
97.2	Operational improvements near California State University at Fresno (City of Fresno)	6,050	6,050	468	0
98	Peach Ave; widen to 4 lanes, pedestrian overcrossings for 3 schools, Fresno County	10,000	10,000	600	0
99.1	San Joaquin Corridor; improve track and signals (Calwa to Bowles)	3,000	3,000	3,000	1,145
99.2	San Joaquin Corridor; improve track and signals (Stockton to Escalon)	12,000	7,000	0	0
100	San Joaquin Valley Emergency Clean Air Attainment Program; reduce diesel emissions	25,000	25,000	25,000	12,500
101	Santa Cruz Metropolitan Transit District bus fleet; low-emission buses	3,000	3,000	3,000	0
102.1	State Street smart corridor, Santa Barbara County (Outer State St signal system)	400	400	400	0
102.2	State Street smart corridor, Santa Barbara County (bus tracking system)	900	900	900	0
103	Route 99; improve interchange at Seventh Standard Road, north of Bakersfield	8,000	8,000	1,900	82
104	Route 99; 6-lane freeway south of Merced, Buchanan Hollow Rd to Healey Rd	5,000	5,000	5,000	7
105	Route 99; 6-lane freeway, Madera County Line to Buchanan Hollow Rd, Merced County	5,000	5,000	3,300	0
106	Campus Parkway; new arterial in Merced County from Route 99 to Bellevue Road	23,000	23,000	0	0
107	Route 205; widen freeway to 6 lanes, Tracy to I-5 in San Joaquin County	25,000	25,000	0	0
108	Route 5; add northbound lane, Route 205 to Route 120, San Joaquin County	7,000	7,000	761	338
109	Route 132; 4-lane expressway in Modesto from Dakota Avenue to Route 99 interchange	12,000	12,000	608	0
110	Route 132; 4-lane expressway from Route 33 to the San Joaquin-Stanislaus County Line	2,000	500	500	445
111	Route 198; 4-lane expressway from Route 99 to Hanford in Kings & Tulare Counties	14,000	853	853	124
112	Jersey Avenue; widen from 17th Street to 18th Street in Kings County	1,500	1,500	0	0
113	Route 46; widen to 4 lanes, Route 5 to San Luis Obispo County Line in Kern County	30,000	300	300	490
114	Route 65; improvements, studies, Route 99 to Tulare County Line in Kern County	12,000	1,674	376	301
115	South Line Light Rail; extend 3 miles towards Elk Grove, Sacramento County	70,000	4,000	4,000	974
116	Route 80 Light Rail Corridor; double-track for express service, Sacramento County	25,000	7,900	3,900	0
117	Folsom Light Rail; extend to Amtrak Depot and to Folsom, Sacramento County	20,000	20,000	20,000	4,585
118	Sacramento Emergency Clean Air/Transportation Plan; reduce diesel engine emissions	50,000	50,000	31,500	16,500
119.1	Low emission replacement buses (augment project #118 in 2001 at request of SACOG)	16,000	16,000	0	0
119.2	Low emission replacement buses (Yolo bus service operations)	3,000	3,000	1,773	1,304
121	Metropolitan Bakersfield System Study; to reduce congestion in the City of Bakersfield	350	350	350	258
122	Route 65; widening project from 7th Standard Road to Route 190 in Porterville	3,500	3,500	2,200	782
123	Oceanside Transit Center; parking structure	1,500	1,500	910	149
126	Route 50/Watt Avenue interchange; widening, modifications	7,000	720	720	10
127	Route 85/Route 87; interchange completion, San Jose	3,500	3,500	3,500	3,034
128	Airport Road; reconstruction and intersection improvement project, Shasta County	3,000	233	47	6
129	Route 62; traffic and pedestrian safety & utility undergrounding project, Yucca Valley	3,200	3,200	150	16
133	Feasibility studies, grade separations, UPRR at Elk Grove Blvd and Bond Road	150	150	150	0
134	Route 50/Sunrise Boulevard; interchange modifications	3,000	3,000	3,000	2,662
135	Route 99/Sheldon Road; interchange project; reconstruction and expansion	3,000	1,500	0	0
138	Cross Valley Rail; upgrade track from Visalia to Huron	4,000	4,000	4,000	3,383
139.1	Balboa Park BART Station; phase I expansion (BART Segment 1)	5,460	5,460	5,460	859

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
139.2	Balboa Park BART Station; phase I expansion (Muni Geneva Segment 1)	540	540	540	0
140	City of Goshen; overpass for Route 99	1,500	851	851	745
141	Union City; pedestrian bridge over Union Pacific rail lines	2,000	2,000	120	87
142	West Hollywood; repair, maintenance, and mitigation of Santa Monica Boulevard	2,000	2,000	2,000	2,000
144	Seismic retrofit of Golden Gate Bridge	5,000	5,000	5,000	5,000
145	Rail siding in Sun Valley between Sheldon Street and Sunland Boulevard	6,500	6,500	6,500	2,080
146	Palm Avenue Interchange, Coachella Valley	10,000	10,000	0	0
148.1	Route 98; widen to 4 lanes, Route 111 to Route 7	8,900	3,500	2,500	1,232
148.2	Route 98; widen to 4 lanes, Route 111 to Route 7 (Encinas Av to Meadows Rd)	1,100	1,100	1,100	0
149	Low-emission buses for service on Route 17, Santa Cruz Metropolitan Transit District	3,750	3,750	3,750	0
150	Renovation or rehabilitation of Santa Cruz Metro Center	1,000	200	200	0
151	Purchase of 5 alternative fuel buses for the Pasadena Area Rapid Transit System	1,100	1,100	1,100	0
152	Pasadena Blue Line transit-oriented mixed-use development	1,500	1,500	808	0
153	Pasadena Blue Line utility relocation	550	550	0	0
154	Route 134/I-5 interchange study	100	100	100	0
156	Seismic retrofit and core segment improvements for the BART system	20,000	20,000	8,470	0
157	Route 12; improvements from Route 29 to I-80 through Jamison Canyon	7,000	7,000	4,100	1,281
158.1	Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Mateo)	800	800	0	0
158.2	Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Olympic)	1,200	1,200	1,405	0
159	Route 101; redesign and construction of Steele Lane Interchange	6,000	6,000	0	0
	Totals ($ in thousands):	**4,908,900**	**3,831,634**	**1,495,238**	**397,373**

Project Numbers correspond to numbering in Government Code Section 14556.40

Commission approvals and allocations are through December 2002.

Expenditures through Nov. 23, 2002 - as reported by Caltrans.

2002 ACTIVITY AND ACCOMPLISHMENTS

2002 State Transportation Improvement Program (STIP)

The 2002 State Transportation Improvement Program (STIP) added $3.84 billion in new project funding commitments and, together with commitments carried forward from the prior STIP, now includes over $7.2 billion in project programming. With the adoption of STIP amendments in October 2002, STIP capacity is fully programmed for the first time since the enactment of SB 45, the 1997 landmark legislation that created the State's current programming process.

The 2002 STIP added more new capacity and more new program years than any STIP since 1990. It commits state transportation funds over the five-year period from FY 2002-03 through FY 2006-07, adding the three new years from FY 2004-05 through FY 2006-07. The new STIP added three years because the STIP period was lengthened from four years for the 2000 STIP to five years for the 2002 STIP. The 2004 STIP and subsequent STIPs are now scheduled to cover five years, adding two years each.

As anticipated, the Commission faced two new challenges in developing the 2002 STIP. The first was that increased programming flexibility allowed project nominations to exceed program capacity. That provided the Commission the opportunity and flexibility to commit all capacity to projects and required the Commission to select the projects that would advance in the current STIP and those that would have to wait for a later STIP. The second challenge was that over two-thirds of new capacity was available only for the STIP's last two years, FY 2005-06 and FY 2006-07, while project nominations were disproportionately for projects that could be delivered earlier. That required the Commission to re-spread projects, programming many of them in later years in order to bring the STIP into conformance with the adopted STIP Fund Estimate.

STIP Development Process

Since the enactment of SB 45 (1997), the STIP has consisted of two broad programs, a regional program funded from 75% of new STIP funding and an interregional program funded from 25%. The 75% program is further subdivided by formula into county shares and is available solely for projects nominated by regional agencies in their regional transportation improvement programs (RTIPs). The 25% interregional program is nominated by Caltrans in its Interregional Transportation Improvement Program (ITIP). Caltrans and regional agencies may also propose to fund projects jointly, with shares coming from both the regional and interregional programs.

For the 2002 STIP, county shares were more flexible than they had been for the prior STIPs since SB 45. County shares apply by fixed four-year county share periods and, for the first time, the final year of the STIP was not the same as the final year of the county share period. For the 1998 and 2000 STIPs, the final year of the STIP and the final year of the share period had been the same, FY 2003-04. Because SB 45 also restricted county share advances to counties in regions with less than one million population, the Commission could not program projects using advances of future county shares in counties representing over 80% of the state's population. Even for the smaller counties, advances were limited to a single project. Many counties chose to leave large portions of their county shares unprogrammed, knowing that SB 45 guaranteed that unprogrammed shares would remain reserved and available for them later. The unprogrammed shares together with the restrictions on advances of share meant that large amounts of STIP capacity went unprogrammed in the 1998 and 2000 STIPs. When the 2000 STIP was adopted, over $350 million was left unprogrammed, even after the Commission programmed every eligible project! At the end of 2001, after another year and a half of STIP amendments, nearly $200 million of that old capacity still remained. All of this was in spite of aggressive measures taken by Caltrans and the Commission to use the capacity left by regions to make over $200 million in advances of future share for the interregional program.

The three years added by the 2002 STIP are the first three years of a new four-year county share period. In amending the STIP Guidelines for the 2002 STIP, the Commission specified that each region would still be guaranteed its current county share (its proportional share of the statewide capacity for the current STIP). However, each region could also propose up to its county share for the full four-year period. In effect, this meant that the Commission could now program an advance of future share for any county in the state. This was in addition to the statutory provision that allows advances exceeding the four-year county share in regions under one million population. The Commission's expectation was that many counties, as in the past, would propose to leave portions of their current county shares unprogrammed, reserving them for later use. The Commission's intention was to use the capacity left unprogrammed by some counties to support share advances elsewhere, programming all available STIP capacity.

Because the Commission had guaranteed programming for projects proposed within the current county share, the Commission's selection of other projects was limited to ITIP nominations and to projects nominated by regions from an advance of future share. In making this selection, the amended STIP Guidelines stated the Commission's intent to consider regional agency priorities and the extent to which each RTIP included projects that:

- Implemented a cost effective RTIP,
- Completed or further funded components of projects carried forward from the prior STIP,
- Implemented the Traffic Congestion Relief program,
- Leveraged Federal discretionary funds, and
- Provided regional funding for interregional partnership projects.

Programming all STIP capacity would mean putting an end to the practice of adding new projects between STIPs by means of STIP amendments. So much STIP capacity had remained unprogrammed in prior STIPs that there had been no real limit on STIP amendments to add new project funding at any time. When the 2002 STIP Guidelines were being developed, several regions asked the Commission to continue to allow the addition of new projects by amendment after STIP adoption. In response, the Commission added the following provision:

"A regional agency that intends to request the programming of additional funds from its county share prior to the next STIP should include in its RTIP a statement of its intentions specifying, as much as possible, the size, subject, and timing of the intended STIP amendment(s). The Commission may use this information when adopting the STIP to determine the most appropriate level of statewide programming. The Commission intends to promote the full use of STIP resources while permitting additional programming by STIP amendment."

The STIP Guidelines did not restrict RTIP and ITIP project nominations by fiscal year. However, the Guidelines have long provided that the Commission may re-spread project programming if it finds it necessary to do so to ensure that the total amount programmed in each fiscal year does not exceed the amount specified in the Fund Estimate. In that case, the Guidelines state, "the Commission will compare all projects nominated for the year(s) from which projects will be postponed, giving consideration to the leveling of regional shares across the STIP period and, in consultation with Caltrans, to the need to balance Caltrans' workload by district and fiscal year."

Project Nominations

Against a total available capacity of $3.84 billion, Caltrans and the regional agencies nominated $4.224 billion in new project funding through the ITIP and the RTIPs. The Caltrans ITIP proposed a total of $909 million, about $241 million more than the Fund Estimate's interregional share of $668 million. The regions together proposed a total of $3.315 billion. For the STIP's 75% regional program, regions for 19 counties (including the Lake Tahoe region, which has its own separate county share) requested about $1.060 billion in advances against future county shares while the other 40 counties left $917 million unprogrammed. In addition, 9 counties identified another $185 million in planned future STIP amendments.

Although over two-thirds of the new capacity was in the new STIP's last two years, the initial project nominations submitted in December were heavily front-loaded. Over 60% of the new funding was proposed for the two years that were already programmed in prior STIPs, FY 2002-03 and FY 2003-04. The following table identifies the spread of ITIP and RTIP proposals against the capacity available.

STIP Nominations vs. Fund Estimate Capacity by Fiscal Year
($ millions)

	FY 03	FY 04	FY 05	FY 06	FY 07	Total
Fund estimate capacity	$4	$368	$592	$945	$1,931	$3,840
Projects nominated	$1,088	$1,302	$1,092	$408	$334	$4,224

The Commission held two hearings on the STIP nominations, one in Sacramento on January 24, 2002, and the other in Los Angeles on January 30, 2002. In developing and approving the STIP from the project nominations, the Commission faced two major tasks. The first was to decide how much to program and to select which projects to program from among those nominated. The nominations exceeded capacity by $384 million, but that figure did not take into account the requests to leave capacity unprogrammed to support STIP amendments. The second major task was to bring the STIP into line with the Fund Estimate by fiscal year.

Need to Re-Spread Projects by Fiscal Year

With the extent of front-loading in project nominations now clear, the Commission called a special STIP workshop for February 7, 2002, to review the situation with Caltrans and the regional agencies. At that time, neither the ITIP nor most of the RTIPs had yet identified schedule delays for projects programmed in the prior STIP, delays that could have a significant effect on the early year capacity for new projects. At the workshop, the Commission asked the Department and the regions to identify, by February 25, both delays in projects from the prior STIP and recommendations for re-spreading the new projects across fiscal years. At the same time, the Commission identified several principles it intended to use in project rescheduling:

- The Commission would match STIP programming to the adopted Fund Estimate, re-spreading projects by fiscal year to do so.
- Prior projects would remain as scheduled (except for delivery delays unrelated to funding).
- Cost increases for prior projects would be programmed in the years the projects were programmed for delivery.
- Project programming, planning, and monitoring would be programmed in the year(s) proposed.
- Ridesharing programs would be programmed in the year(s) proposed.
- RSTP/CMAQ/TEA match reserves would be programmed in the year(s) proposed.
- Regions making recommendations for re-spreading would not be disadvantaged, as compared with those that made no recommendations.

Delays in Prior STIP Projects Identified

The delays identified following the February 7, 2002 workshop exceeded all expectations, with about $800 million delayed from FY 2002-03 and FY 2003-04 to later years. That was enough to more than triple the early year capacity for new STIP projects. Even so, over 60% of the new STIP capacity remained in the last two years and nearly one-half remained in the last year alone, FY 2006-07.

STIP Nominations vs. Fund Estimate Capacity after Prior STIP Delays Identified
($ millions)

	FY 03	FY 04	FY 05	FY 06	FY 07	Total
Initial fund estimate capacity	4	368	592	945	1,931	3,840
2000 STIP delays	-461	-337	235	413	150	0
Fund estimate capacity after delays	$465	$705	$357	$532	$1,781	$3,840
Projects nominated	$1,088	$1,302	$1,092	$408	$334	$4,224

STIP Adoption

The Commission Staff Recommendations for the 2002 STIP were published on March 3, 2002. The Recommendations outlined a draft program that would be consistent with the Commission's guidelines for project selection, leave some capacity unprogrammed to support STIP amendments, and re-spread projects to conform to the Fund Estimate, taking into consideration the regional priorities and recommendations submitted in February. In applying the guidelines for project selection, a primary factor was an analysis of the content and effectiveness of the RTIPs as a whole, rather than an evaluation of the needs or merits of individual projects. As a starting point, the staff analysis identified the proportion of local focus projects in each RTIP, that is projects focused on meeting local rather than regional needs. Generally, these were local road and bus projects, as opposed to State highway and rail projects. The Staff Recommendations favored projects from counties with a low proportion of these local focus projects.

With some modifications to the Staff Recommendations, the Commission adopted the 2002 STIP on April 4, 2002. The STIP programmed $3.713 billion in new project funding, leaving about $127 million in unprogrammed capacity. As part of the adoption, the Commission stated its intent that the remaining capacity be fully programmed through STIP amendments no later than October 2002. For the interregional program, the STIP included new project funding of $856 million; about $184 million more than the current share. For the regional program, the STIP included about $2.858 billion in new funding. It included $387 million in advances of future share for 18 counties, leaving unprogrammed shares of $596 million for 36 counties.

The largest advances of future share were to Placer ($80.7 million, including the Route 65 Lincoln Bypass), San Bernardino ($61.0 million, including Route 215 HOV lanes), Fresno ($58.9 million, including the Route 180 freeway), San Diego ($35.9 million, including the Route 15 managed lanes), and Ventura ($35.3 million, including Route 101 improvements east of Route 23). The counties with the largest unprogrammed and reserved balances were Orange ($199.3 million), Riverside ($88.9 million), Tulare ($68.2 million), Stanislaus ($29.2 million), Imperial ($25.9 million), and Santa Barbara ($21.3 million). For further information, including a listing of STIP projects, see the Commission's 2002 Report of STIP Balances, County and Interregional Shares.

The new projects added in the 2002 STIP adoption included $136 million in Advance Project Development Element (APDE) projects. Under a provision added by AB 1012 (1999, Torlakson), the STIP may include projects nominated as APDE, which are projects limited to environmental and design work only. Under AB 1012, these projects may be programmed in any fiscal year, without regard to the limitations of the Fund Estimate. In accordance with AB 1012, the Commission applied the year-by-year constraints of the Fund Estimate only to non-APDE projects. For the full STIP period, however, capacity constraints were applied to all projects, including APDE.

At the time of adoption, the new projects added to the STIP were spread as follows:

2002 STIP at Adoption
Programming vs. Capacity
($ millions)

	FY 03	FY 04	FY 05	FY 06	FY 07	Total
Annual capacity, before delays	4	368	592	945	1,931	3,840
2000 STIP delays	-461	-337	235	413	150	0
Annual capacity, after delays	465	705	357	532	1,781	3,840
Cumulative capacity	465	1,170	1,527	2,059	3,840	
2002 STIP, non-APDE projects						
Projects added, annual	383	703	441	527	1,523	3,577
Projects added, cumulative	383	1,086	1,527	2,054	3,577	
Cumulative capacity remaining	82	84	0	5	263	
2002 STIP, all projects						
Non-APDE added, annual	383	703	441	527	1,523	3,577
APDE added, annual	99	26	7	4	0	136
Total projects, annual	482	729	448	531	1,523	3,713
Total projects, cumulative	482	1,211	1,659	2,190	3,713	
Cumulative capacity remaining	-17	-41	-132	-131	127	

As indicated in the table, about $127 million remained unprogrammed for the full five-year period. When counting non-APDE projects only, there was no cumulative capacity remaining at FY 2004-05, meaning that the STIP was fully programmed for its first three years. The cumulative capacity remaining after the non-APDE projects indicates that some capacity remained to add programming in the first two years, but only if programming were moved out of FY 2004-05. The table also indicates that when APDE projects were added, STIP capacity for the early years was oversubscribed, though by less than the amount permitted by AB 1012.

STIP Amendment Workshop

Recognizing that the demand for STIP amendments would exceed the remaining STIP capacity, the Commission called for a May 16, 2002 workshop on STIP amendments with Caltrans and regional agencies. As a prelude to other amendments, the Commission asked Caltrans and the regions to identify any technical changes to the original STIP adoption by May 28 so that they could be presented for notice at the June 18 meeting and adopted on July 18. These technical amendments were limited to:

- Corrections of errors.
- Minor cost changes, including cost escalation for projects moved to a different fiscal year in the adoption.
- Schedule changes that could be accomplished with the Fund Estimate constraints. That meant a project from FY 05-06 or FY 06-07 could be moved in only if an equal dollar amount was traded out to the same year.
- New projects only if they were part of a trade that did not require additional programming capacity and that could be accomplished within the Fund Estimate constraint.

Beyond these technical changes, the Commission agreed at the workshop that:

- The Commission would give priority to STIP amendments that required no new capacity and could be accomplished within the Fund Estimate constraints.
- For amendments requiring additional programming capacity, the Commission would hold action until October 2002, so that all might be considered together.
- The Commission would not approve STIP amendments that would require more than the current county share.
- Project vote savings (i.e., allocations less than the amount programmed) or cost increases would affect county shares and overall programming capacity. However, counties with vote savings would not be given preference for October STIP amendments. Cost increases for local grants would be treated as new funding for STIP amendment purposes.

The Commission further agreed to general criteria giving priority to the following in selecting projects to be approved for STIP amendments in October:

- Amendments to add projects that were either originally proposed in the 2002 RTIP or were identified in the RTIP as planned future STIP amendments.
- Amendments for counties with a cost effective RTIP, applying the standards applied to the evaluation of requests for advances of future share.
- Amendments for new STIP funding to match HBRR or other Federal funds.

October STIP Amendments

At the Commission's October 3, 2002 meeting, the Commission approved $124 million in STIP amendments to program the remaining 2002 STIP capacity. By this time, the capacity had fallen slightly, taking into account minor STIP amendments and technical changes. The spread by fiscal year had also changed slightly for the same reasons, including newly identified delays in projects from the prior STIP. In all, $226 million in proposed amendments were placed on the Commission's agenda at the June, July, and August meetings. Of that amount, $64 million in amendments were later withdrawn by sponsors, leaving $162 million in proposed amendments to compete for the remaining $124 million in STIP capacity.

The amendments approved in October were all for FY 2006-07, except for 4 additional APDE projects and a small amount for other projects where special circumstances demanded programming of some components in earlier years. Most of the added dollars were for projects in 2 counties that left large unprogrammed balances in the original STIP adoption, with $59.5 million added for 11 projects in Tulare County and $21.1 million for one project on Route 219 in Stanislaus County. The amendments also included $8.6 million for 13 projects in Kern County and $8.5 million for a Caltrain grade separation project in San Mateo County.

STIP Summary

The following table lays out all of the new 2002 STIP programming against the identified program capacity, including all changes and adjustments through the STIP amendments approved in October 2002. As with the original STIP adoption (see above), the Commission applied the year-by-year constraints of the Fund Estimate only to non-APDE projects. For the full STIP period, however, capacity constraints were applied to all projects, including APDE.

2002 STIP after October Amendments
Programming vs. Capacity
($ millions)

	FY 03	FY 04	FY 05	FY 06	FY 07	Total
Annual capacity, before delays	4	368	592	945	1,931	3,840
2000 STIP delays	-491	-321	244	418	150	0
Annual capacity, after delays	495	689	348	527	1,781	3,840
Cumulative capacity	495	1,184	1,532	2,059	3,840	
2002 STIP, non-APDE projects						
Projects added, annual	368	688	468	531	1,632	3,687
Projects added, cumulative	368	1,056	1,524	2,055	3,687	
Cumulative capacity remaining	127	128	8	4	153	
2002 STIP, all projects						
Non-APDE added, annual	368	688	468	531	1,632	3,687
APDE added, annual	102	26	10	4	0	142
Net cost increases since adoption	11	0	0	0	0	11
Total projects, annual	481	714	478	535	1,632	3,840
Total projects, cumulative	481	1,195	1,673	2,208	3,840	
Cumulative capacity remaining	14	-11	-141	-149	0	

As this table indicates, all capacity for the full five-year period is programmed. When counting non-APDE projects only, there is very little cumulative capacity remaining at FY 2004-05 or FY 2005-06, meaning that the STIP is fully programmed for its first three years. The cumulative capacity remaining shown for the first two years indicates that some capacity remained to add project funding in the first two years, but only if programming were moved out of FY 2004-05 or FY 2005-06. The table also indicates that, even when recent cost increases and the APDE projects are added, STIP capacity for FY 2002-03 is not oversubscribed. The next three years are oversubscribed, though by less than the amount permitted by AB 1012.

Note that all figures in this table and other tables in this chapter reflect programming and allocation capacity, not cash balances. Projects allocated in one fiscal year will draw down cash over multiple fiscal years. The fund estimate took this into account, converting projected cash balances into capacity to add projects to the STIP in a given fiscal year.

2002 ACTIVITY AND ACCOMPLISHMENTS

2002 Report on County and Interregional Share Balances

Section 188.10 of the Streets and Highways Code, added by SB 45 (1997), mandates that the California Transportation Commission (Commission) maintain a record of State Transportation Improvement Program (STIP) county share balances and that it make the balances through the end of each fiscal year available for review by regional agencies not later than August 15 of each year. This year, the Commission issued its Fifth Annual Report of STIP Balances, County and Interregional Shares.

This year's report was issued August 1, 2002, and included share balances incorporating STIP amendments and allocations approved through the Commission's July 18, 2002 meeting. Among the amendments approved at the July meeting was a set of technical changes and corrections to the 2002 STIP.

The report also reflected the status of the STIP Advance Project Development Element (APDE). The APDE was created by AB 1012 (1999) and, in effect permits an advance of county or interregional share to the extent that the advance is used for project environmental or design work. All programmed APDE projects were deducted from current STIP share balances, and the report identified the current APDE projects and APDE total for each share.

The summary of the report also identified the amount of each share that lapsed during or at the end of FY 2001-02 under the STIP's timely use of funds provisions. The amounts lapsed represent funding that was programmed but not allocated within the year of programming or within an extension period granted by the Commission. Under the Commission's STIP Guidelines, this funding will be added back to the funding available for each share in the 2004 STIP.

On the following page is the report's single-page summary of the status of all county shares and the interregional share. The full report also includes a summary for each individual county share and the interregional share. For each share, the summary identifies carryover balances from June 30, 2001, the 2002 STIP Fund Estimate formula share, any adjustments since July 1, 2001, and a listing of each project currently programmed or allocated from the share since July 2001. For the first time, all remaining projects programmed for grandfathered 1996 STIP projects are incorporated into the balance summary for each share.

SUMMARY OF STIP SHARE BALANCES
Including STIP Amendments and Allocations through July 2002
($ in thousands)

	2002 STIP Regional and Interregional Shares				APDE	APDE	Lapsed
County	Amount	Progrm'd	Balance	Advanced	Auth.	Projects	FY 01-02
Alameda	$234,025	$257,455	$0	$23,430	$25,975	$1,035	$269
Alpine-Amador -Calaveras	63,109	58,814	4,295	0	4,397	0	0
Butte	43,811	40,942	2,869	0	4,967	1,350	966
Colusa	10,346	4,373	5,973	0	1,309	0	0
Contra Costa	157,137	160,830	0	3,693	16,836	5,500	85
Del Norte	11,041	10,703	338	0	1,253	0	0
El Dorado LTC	38,003	46,270	0	8,267	3,179	2,129	0
Fresno	144,770	203,683	0	58,913	17,949	0	453
Glenn	12,644	12,453	191	0	1,398	0	0
Humboldt	56,204	39,968	16,236	0	5,027	0	264
Imperial	90,819	64,885	25,934	0	8,399	0	0
Inyo	74,750	71,849	2,901	0	6,817	2,712	547
Kern	274,075	264,727	9,348	0	23,493	4,455	0
Kings	32,500	32,500	0	0	3,523	0	0
Lake	22,458	5,916	16,542	0	2,152	0	0
Lassen	19,669	20,685	0	1,016	3,196	2,127	5,579
Los Angeles	1,553,399	1,543,338	10,061	0	159,219	0	4,308
Madera	18,676	11,628	7,048	0	3,190	0	350
Marin	64,744	53,860	10,884	0	4,919	0	55
Mariposa	8,773	7,748	1,025	0	1,302	0	0
Mendocino	43,856	40,864	2,992	0	4,745	0	0
Merced	53,591	44,490	9,101	0	5,732	0	695
Modoc	8,296	4,443	3,853	0	1,697	0	0
Mono	50,751	47,833	2,918	0	5,048	3,106	52
Monterey	131,279	131,496	0	217	9,222	7,861	0
Napa	19,851	6,840	13,011	0	3,049	0	0
Nevada	25,891	34,532	0	8,641	2,662	500	0
Orange	392,036	192,689	199,347	0	48,008	0	1,760
Placer TPA	45,418	126,133	0	80,715	5,071	4,700	0
Plumas	17,502	12,536	4,966	0	1,924	0	170
Riverside	460,567	371,662	88,905	0	34,366	0	0
Sacramento	137,326	154,022	0	16,696	22,398	18,486	596
San Benito	16,576	14,714	1,862	0	1,671	0	0
San Bernardino	568,928	629,879	0	60,951	44,725	4,000	0
San Diego	543,711	579,593	0	35,882	52,347	0	674
San Francisco	78,752	88,803	0	10,051	13,273	9,660	52
San Joaquin	123,694	123,418	276	0	11,676	0	1,000
San Luis Obispo	99,629	90,193	9,436	0	9,386	480	742
San Mateo	122,292	115,004	7,288	0	13,669	0	0
Santa Barbara	163,222	141,954	21,268	0	10,723	380	0
Santa Clara	204,157	219,983	0	15,826	30,411	0	813
Santa Cruz	72,544	69,508	3,036	0	5,343	0	7,800
Shasta	38,248	37,892	356	0	5,429	0	313
Sierra	5,471	1,893	3,578	0	906	0	1,035
Siskiyou	31,833	31,726	107	0	3,770	0	0
Solano	65,837	71,199	0	5,362	7,972	0	160
Sonoma	121,533	140,188	0	18,655	9,731	8,000	0
Stanislaus	95,369	66,164	29,205	0	9,042	0	150
Sutter	22,476	24,432	0	1,956	2,044	1,000	0
Tahoe RPA	13,139	11,235	1,904	0	1,360	0	0
Tehama	23,068	18,820	4,248	0	2,725	0	0
Trinity	25,057	25,059	0	2	1,959	0	0
Tulare	127,029	58,797	68,232	0	11,038	0	1,294
Tuolumne	14,359	14,359	0	0	2,227	0	2
Ventura	229,069	264,363	0	35,294	15,732	4,660	0
Yolo	38,948	32,448	6,500	0	4,354	2,759	260
Yuba	16,700	18,265	0	1,565	1,565	3,000	84
Statewide Regional	**$7,178,958**	**$6,970,056**	**$596,034**	**$387,132**	**$715,500**	**$87,900**	**$30,528**
Interregional	2,750,250	2,933,881	0	183,631	238,500	46,977	4,216
TOTAL	**$9,929,208**	**$9,903,937**	**$596,034**	**$570,763**	**$954,000**	**$134,877**	**$34,744**

2002 ACTIVITY AND ACCOMPLISHMENTS

Effectiveness of STIP Advance Project Development Element

The legislation that created the Advance Project Development Element (APDE) of the State Transportation Improvement Program (STIP) directed the Commission to report back to the Governor and the Legislature by September 1, 2002 (i.e., after the 2002 STIP) on the impact of adding the APDE, evaluating "whether the element has proven effective in producing a steady, deliverable stream of projects and whether addition of the element has resulted in any detrimental effects on the state's transportation system." This chapter constitutes that report and takes into account the completion of programming for the 2002 STIP through the STIP amendments approved in October 2002. The Commission finds that the APDE has had a positive effect, though the real test of effectiveness will be in the future programming and delivery of construction work for the projects initially programmed through the APDE.

AB 1012

The Advance Project Development Element (APDE) of the State Transportation Improvement Program (STIP) was created by the addition of Section 14529.01 of the Government Code by AB 1012 (Torlakson, 1999). The stated intent of the Legislature was "to facilitate project development work on needed transportation projects to produce a steady flow of construction projects" by adding the APDE beginning with the 2000 STIP. Under the statute, the APDE was to include only project development for projects eligible for the STIP. Each STIP Fund Estimate was to designate an amount to be available for the APDE. That amount was to be 25% of the amount projected to be available for the STIP in the two years beyond the current STIP period, although the APDE projects would actually be programmed during the STIP period and without regard to fiscal year. The Department and regional agencies could nominate projects for the APDE through Department's Interregional Transportation Improvement Program (ITIP) and the regional transportation improvement programs (RTIPs).

APDE Guidelines

The statutes also authorized the Commission to develop guidelines to implement the APDE program. The Commission originally adopted supplemental STIP Guidelines for the APDE on November 4, 1999, and later incorporated those guidelines as a new chapter in the STIP Guidelines when they were updated on July 19, 2000, for the 2000 STIP (Chapter VI, sections 37-42). The APDE guidelines remained unchanged for the 2002 STIP.

The guidelines specified that the Fund Estimate would identify a separate APDE amount for each county and interregional share, above and beyond the amounts identified as regular program capacity. APDE projects would be proposed and adopted in the same manner as other STIP projects and would count against county and interregional shares. APDE projects would be treated as an advance of future share. The significance and the incentive behind APDE was that the programming of APDE projects was not restricted by the regular county share. A county was eligible for APDE programming above and beyond any advance for which it might other be eligible.

The Commission's understanding of the statute was also that the programming of APDE was not to be restricted by the regular Fund Estimate capacity, even though the APDE did not come with any new funding. This meant that the APDE statute authorized the Commission to overprogram and front-load programming in the STIP to the extent that APDE projects were being programmed.

APDE Incentives

Identifying the impacts of the APDE is complicated by the fact that APDE did not provide any additional funding and does not permit the programming of any project that could not have been programmed without it. The APDE simply provides two incentives for programming additional project development work. One is that APDE projects may be programmed above and beyond the current county or interregional STIP share, as an advance against future share. The other is that APDE projects are free from the fiscal year constraints that apply to the programming of other projects. Over the two STIP cycles since AB 1012, the force of these incentives has varied by county and by the situation of each fund estimate. In many cases, project development work that could have qualified as APDE was programmed in the STIP without being designated APDE. In other cases, projects identified as APDE could have been programmed without the designation. The 2002 STIP, for example, added $190 million in projects for environmental and design work that were not designated as APDE. In this analysis, we measure APDE impact only in terms of the projects that were designated.

2000 STIP

The 2000 STIP programmed $29.0 million for 34 APDE projects in 10 counties, including $23.1 million from the regional program and $5.9 million from the ITIP. The 34 projects included 8 Caltrans projects on the State highway system, 2 local projects on the State highway system, 4 rail and bus rapid transit projects, and 20 local road and bus projects.

For the 2000 STIP, the one real incentive of APDE was the ability to program beyond the current share. For that STIP, the ability to program beyond the county share was otherwise severely limited, particularly for counties in regions with more than 1 million population. On the other hand, the 2000 STIP was practically unconstrained with regard to fiscal year, so the APDE's freedom from fiscal year constraints meant nothing.

2002 STIP

The 2002 STIP, as amended through October 2002, added $141.7 million for 53 APDE projects in 25 counties, including $94.3 million from the regional program and $47.4 million through the ITIP. The 53 projects included 20 Caltrans projects on the

State highway system, 10 local projects on the State highway system, 4 rail projects, and 19 local road projects

For the 2002 STIP, both APDE incentives came into play. Probably the primary incentive for regional agencies was still the ability to program beyond the current share. While the greater flexibility available to the Commission for the 2002 STIP could have permitted the programming of any and all APDE proposals even without the APDE statute, that programming would not have been guaranteed. Although the freedom of APDE from fiscal year constraints did not appear to be a major incentive for regions, it became important for the Commission as the 2002 STIP faced severe constraints on project programming by fiscal year. While other projects were re-spread to later fiscal years, the Commission programmed all APDE projects as early as they could be implemented.

Impacts

Has the APDE proven effective in producing a steady, deliverable stream of projects as intended by the Legislature? The evidence is mixed and hard to quantify. However, the data and anecdotal reports from Caltrans and regional agencies suggest that APDE has made a difference. APDE has made it easier for some regions to avoid hard choices between devoting current shares to construction (particularly for local quickly deliverable projects) and investing in project development for future projects by allowing them to do both. This has been particularly helpful where, for example, Caltrans has asked for regional participation in project development for a State highway project when a region was already planning to commit its current share elsewhere.

The real test of effectiveness will be in the future programming and delivery of construction work for projects initially programmed through the APDE. The initial experience with the APDE projects first programmed in the 2000 STIP has so far been rather disappointing. Of the 34 APDE projects approved in the 2000 STIP, only two were programmed for construction in the 2002 STIP. Both of those were programmed for construction in FY 2003-04, suggesting that they could have been fully programmed for construction in the 2000 STIP rather than treated as APDE projects. Another 4 projects were programmed for right-of-way costs in the 2002 STIP. The remaining 28 APDE projects did not lead to the programming of either right-of-way or construction in the 2002 STIP. Three of those projects have since been deleted from the STIP, 2 of them when the local agency failed to meet the deadline for project allocation; the other 25 projects remain active.

In any case, the impacts of the APDE have been uneven around the state. Currently, 23 counties are participating through their county shares, with over half the APDE programming in just 4 counties, Sacramento, Monterey, San Francisco, and Kern. Another 2 counties have projects included only in the interregional APDE program.

Has the addition of the APDE resulted in any detrimental effects on the state's transportation program? The Commission has found no detrimental effects from its experience to date with the APDE. The APDE statute provides incentives to Caltrans and regions, and it permits rather than mandates Commission actions in APDE programming and allocations. Any potential detrimental effects could therefore be corrected through Commission guidelines and actions. Any detrimental effects would most likely come from inappropriate uses of the APDE, for example:

- Programming and allocating project development work for projects with little value or potential for implementation, thus diverting funding from projects of greater value.
- Encouraging regions to withhold programming of construction work that could be delivered within the STIP period in order to qualify the project development work for APDE and make room within the current county share for other projects. In the worst case, this could actually lead to delays in project construction funding.
- Using the APDE to overprogram to such an extent that resources are not available to meet program commitments as they are delivered.

2002 ACTIVITY AND ACCOMPLISHMENTS

2001-02 Project Delivery

Project delivery by Caltrans and local agencies, as measured by the Commission in carrying out its mandates under State law, continued to show improvement for FY 2001-02. The Commission regularly tracks delivery for projects programmed and funded from the State Transportation Improvement Program (STIP), the State Highway Operation and Protection Program (SHOPP), the Regional Surface Transportation Program (RSTP), the Congestion Mitigation and Air Quality (CMAQ) program, and the Transportation Enhancement Activities (TEA) program. For the STIP, the SHOPP, and the TEA program, the Commission measures delivery in terms of allocations made to projects programmed for each fiscal year. For the RSTP and CMAQ programs, under which Federal funds are programmed directly by regional agencies, the measure of delivery is the obligation of the Federal funds by a local agency.

Much of the improvement in recent years may be attributed to the programming and delivery incentives provided by State timely use of funds legislation ("use-it-or-lose-it."). SB 45 (1997) imposed the first such incentive, requiring that STIP projects be allocated on schedule or be deleted from the STIP. The Commission was permitted to grant a one-time extension of the allocation deadline upon finding that circumstances beyond the control of the implementing agency had delayed delivery. AB 1012 (1999) required that RSTP and CMAQ apportionments to a region be obligated within three years.

With these incentives, Caltrans and local agencies have dedicated considerable effort toward improving project delivery. Caltrans has publicly committed to deliver 90% of the projects programmed each year and 100% of the dollar amount programmed. The 100% dollar commitment can be achieved by delivering some projects in advance of the year they are programmed.

Caltrans STIP Project Delivery

For FY 2001-02, Caltrans committed to deliver 49 STIP projects valued at $759 million. This was a significant increase from FY 2000-01 when Caltrans committed to deliver 39 projects valued at $215 million that, in dollar value, is back up to the FY 1999-00 delivery commitment of $750 million. The significantly smaller FY 2000-01 commitment was caused by the record level of STIP project rescheduling to outer-years that occurred at the Commission's March, May and June 2000 meetings, prior to the lock down of the FY 2000-01 delivery commitment.

Caltrans delivered 42 of the 49 FY 2001-02 projects, for an overall 86% project delivery rate, and accelerated delivery of another 10 projects. Under provisions of SB 45, and the Commission's STIP Guidelines, STIP funds not allocated during the fiscal year lapse unless the Commission grants a one-time only extension of up to 20 months. Caltrans requested, and the Commission granted, extensions to 6 projects valued at $83 million

that were not delivered in the fiscal year. Caltrans lapsed one STIP project in FY 2001-02 valued at $1 million. During FY 2000-01 Caltrans did not lapse any projects and in FY 1999-00 lapsed 2 projects valued at $3.0 million.

Caltrans "advance delivered" 10 projects valued at $79 million into FY 2001-02 to make up for the six allocation extension requests and one lapsed project. Taking into account the $79 million advance delivery effort by Caltrans, a net overall dollar delivery of 99% for the fiscal year was achieved. Caltrans also delivered 7 projects valued at $59.7 million in FY 2001-02 that were to be delivered in prior fiscal years but received delivery extensions from the Commission.

The following chart summarizes Caltrans' FY 2001-02 STIP delivery commitment and compares it against FY 2000-01 and FY 1999-00:

Caltrans STIP Delivery
($ in millions)

	FY 1999-00		FY 2000-01		FY 2001-02	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$749.6	123	$215.3	39	$759.0	49
Extensions	-110.5	-20	-0.6	-1	-83.1	-6
Lapsed	-3.1	-2	0.0	0	-0.9	-1
Delivered as Programmed	$636.0	101	$214.7	38	$675.0	42
Percent of Projects		82%		97%		86%
Advanced	115.3	11	15.5	3	78.6	10
Delivered w/Advances	$751.3	112	$230.2	41	$753.6	52
Percent of Dollars	100%		107%		99%	
Prior Year Extensions Delivered			13.7	4	59.7	7
Total Delivered	$751.3	112	$243.9	45	$813.3	59

Local STIP Project Delivery

For FY 2001-02, local agencies committed to deliver 562 local streets and roads and mass transit STIP projects valued at $503 million. This was a slightly smaller commitment than for FY 2000-01 when local agencies committed to deliver 686 projects valued at $544 million and quite smaller than the FY 1999-00 commitment of 970 projects valued at $816 million. This smaller commitment was caused by the record level of STIP project rescheduling to outer-years that occurred at the Commission's March, May and June 2001 meetings, prior to the lock down of the FY 2001-02 delivery commitment.

Through June 30, 2002, the local agencies delivered 453 of the 562 FY 2001-02 projects valued at $400 million and advance delivered another 33 projects valued at $40 million, for an overall 88% STIP dollar delivery rate. Local agencies asked and received allocation extensions of up to 20 months for another 68 projects worth $88 million, or 12%, of the STIP project commitment. Local agencies lapsed 41 projects worth $15 million, or 7% of the STIP project commitment. The lapsed $15 million revert back to county share balances with the next STIP period in time for reprogramming in the 2004 STIP cycle. The local agencies "advance delivered" 33 projects worth $40 million of future local STIP delivery into FY 2001-02 to make up for the lapsed funds. The local agencies also delivered 51 projects valued at $52 million in FY 2001-02 that were to be delivered in prior fiscal years but received delivery extensions from the Commission. The local agencies also lapsed 16 projects valued at $16.7 million in FY 2001-02 that were to be delivered in prior fiscal years but received delivery extensions from the Commission. These lapsed extension funds will also revert back to county share balances with the next STIP period in time for reprogramming in the 2004 STIP cycle.

The following chart summarizes the local FY 2001-02 STIP delivery commitment and compares it against FY 2000-01 and FY 1999-00:

Local STIP Delivery
($ in millions)

	FY 1999-00		FY 2000-01		FY 2001-02	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$815.8	921	$544.3	686	$502.8	562
Extensions	-62.6	-72	-57.6	-73	-88.1	-68
Lapsed	-11.0	-48	-37.0	-44	-14.6	-41
Delivered as Programmed	$742.2	801	$449.7	569	$400.1	453
Percent of Projects		87%		83%		81%
Advanced	110.3	75	35.0	85	39.6	33
Delivered w/Advances	$852.5	876	$484.7	654	$439.7	486
Percent of Dollars	104%		89%		87%	
Prior Year Extensions Delivered			30.0	85	52.5	51
Total Delivered	$852.5	876	$514.7	739	$491.2	537

The Commission, in adopting the 2002 STIP in April 2002, delayed about $870 million worth of 2000 STIP projects out from FY 2002-03 and FY 2003-04 to later years. These project delays were identified by Caltrans and regional agencies following the special February 7, 2002 STIP workshop. This was a large increase in project delay from what occurred in March, May and June 2001. In 2001, the Commission approved 13 STIP amendments involving 53 projects that delayed $611 million into subsequent STIP years. The $870 million delay was also more than what occurred in March, May and June 2000 when the Commission approved 14 STIP amendments involving 60 projects that delayed $788 million into subsequent STIP years.

Most project delays are from one fiscal year to the next; however, some of the delays are two fiscal years or longer. "Delays" are neither precise nor absolute. A delay from one fiscal year to the next can be as short as one month or as long as 23 months. Similarly, a "two-year" delay can range from 13 months to 35 months. Moreover, it is conceivable that some delays are building in an added margin to avoid subsequent rescheduling requests; it is also conceivable that for some projects, subsequent delays will occur.

This recurring delay of projects before they reach the delivery year appears to be ingrained and may reflect poor programming choices made by agencies based on overly optimistic project schedules. Such large shifts in project delivery schedules make cash use forecasting for the State Highway Account very difficult. The “use-it-or-lose-it” provisions have been very helpful in stabilizing the first year of the STIP, the delivery year, but the subsequent years are still very unpredictable.

Caltrans SHOPP Project Delivery

For FY 2001-02, Caltrans committed to deliver 140 SHOPP projects worth $571 million. Caltrans also amended into FY 2001-02 and delivered an additional 40 projects worth $272 million. Caltrans delivered all but 5 projects worth $18 million for an overall 97% project delivery rate for the SHOPP. The majority of the undelivered SHOPP projects are expected to be delivered in FY 2002-03, but some may be deleted from the program. Caltrans "advance delivered" 16 projects worth $51 million of future SHOPP delivery into FY 2001-02 to more than make up for the undelivered projects and funds. It is fair to conclude that FY 2001-02 was a year of high output and achievement. The FY 2001-02 SHOPP delivery tracks very well and is very consistent with the FY 2000-01 and FY 1999-00 SHOPP delivery.

The following chart shows how the SHOPP delivery commitment was realized and compares FY 2001-02 against FY 2000-01 and FY 1999-00 delivery:

Caltrans SHOPP Delivery

($ in millions)

	FY 1999-00		FY 2000-01		FY 2001-02	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$843	225	$646	167	$571	140
Added by amendment	191	44	566	90	272	40
Total programmed	$1,034	269	$1,212	257	$843	180
Delivered	$958	258	$1,107	242	$825	175
Percent of Projects		96%		94%		97%
Advanced			29	7	51	16
Delivered w/Advances	$958	258	$1,136	249	$876	191
Percent of Dollars	93%		94%		104%	

Over the last two years, Caltrans was very aggressive in amending projects into the SHOPP program. For FY 2001-02 Caltrans delivered 144% of the original programmed amount and 171% of the originally programmed amount in FY 2000-01.

There are other types of projects not included in the Commission-approved SHOPP, but represent a delivery effort by Caltrans and, for record keeping purposes, are kept under the SHOPP umbrella. These categories of projects include: minor projects, emergency projects allocated by Caltrans under Commission Resolution G-11, Seismic Retrofit Phase I and Phase II projects also allocated by Caltrans under Resolution G-11, and SHOPP-administered TEA projects.

The following table lists FY 2001-02 delivery for the above listed projects and compares it against FY2000-01 and FY 1999-00 delivery:

Other Caltrans Delivery
($ in millions)

	FY 1999-00		FY 2000-01		FY 2001-02	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Minor program	$95.2	218	$97.1	219	$118.1	263
Emergency	44.9	76	26.8	53	77.8	62
Seismic, phase I	0.7	1	5.2	2	$0.7	1
Seismic, phase II	17.7	13	49.3	11	$33.4	10
SHOPP TEA	2.9	7	11.5	19	2.8	6
Total	$161.4	315	$189.9	304	232.8	342

Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-1 authorizes Caltrans to sub-allocate funds from the Commission's yearly allocation for the total Right-of-Way Program to individual projects for the acquisition of right-of-way, relocation of utilities, and other necessary related right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. At its June 2001 meeting, the Commission allocated $170 million for the FY 2001-02 Caltrans Right-of-Way Program. At the June 2002 Commission meeting a supplemental $22 million allocation was approved as a temporary solution until the 20003-03 State Budget was passed. Caltrans expanded its entire $170 million yearly allocation plus spent $7 million of the $22 million supplemental allocation in FY 2001-02 for a total of $177 million or 104% of its original yearly allocation.

Caltrans Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. This year, Caltrans achieved a 73% delivery rate for STIP environmental document delivery, far better than the 19% rate of 4 years ago yet short of the goal of 90%. The following table summarizes environmental delivery in recent years.

Caltrans STIP Environmental Document Delivery

Fiscal Year	Planned	Actual	Rate
1997-98	52	19	36%
1998-99	63	12	19%
1999-00	90	40	44%
2000-01	89	54	61%
2001-02	44	32	73%

Local Federal RSTP and CMAQ Projects

When AB 1012 (1999) first applied "use-it-or-lose it" provisions to the RSTP and CMAQ programs, it created a major incentive for on-time delivery and use of the funds. By October 1999, the regions had accumulated a $1.2 billion backlog of Federal apportionments and left unused $854 million in current-year Obligational Authority (OA). Caltrans had to step in and apply that OA to other work in order to avoid having California lose the unused OA to other states.

Specifically, AB 1012 specified that RSTP and CMAQ funds not obligated by a region within the first three years of Federal eligibility are subject to redirection by the Commission in the fourth year. Caltrans is required to monitor the use of RSTP and CMAQ balances to assure full and timely use of these funds. Caltrans is responsible for reporting what apportionments are subject to potential Commission redirection and must provide written notice to the local agencies one year in advance. The agencies are required to develop a plan for obligating their balances and to implement that plan so that none of the apportionment balances reach the three-year Commission redirection time period. Any RSTP and CMAQ project funds not obligated by the end of the third year of availability may be redirected by the Commission to other projects. Caltrans has committed to report quarterly to the Commission on the RSTP and CMAQ summary balances subject to potential redirection. In 2001, the Commission decided to extend the AB 1012 use of funds rule to the regional Transportation Enhancement Activities (TEA) program.

- **Second Cycle**

  The second cycle AB 1012 "use-it-or-lose-it" notices were released by Caltrans on December 5, 2000, for apportionments totaling $277 million. At the Commission's December 2001 meeting, Caltrans reported, based on September 30, 2001 data that $50 million in local RSTP, CMAQ and regional TEA funds remained subject to Commission redirection on December 5, 2001. The total to be redirected was made up of approximately $9.5 million in CMAQ funds for five agencies, $28.5 million in RSTP funds for two agencies, and $12 million in regional TEA funds for 19 agencies.

  At the January and February 2002 meetings the Commission redirected the outstanding CMAQ and RSTP funds back to the local agencies with a June 2002 deadline for all but Orange County. The Commission granted Orange County a December 31, 2002 deadline for $24.8 million in RSTP funds. The Commission also granted time extensions for the remaining regional TEA funds until June 2002.

  At the July 2002 Commission meeting, Caltrans reported that all the outstanding RSTP funds were successfully obligated. The Tahoe Regional Planning Commission had left $90,598 in CMAQ un-obligated and Mono and Inyo Local Transportation Commissions had each left $168,005 in regional TEA un-obligated. The Commission redirected the remaining CMAQ funds to the Metropolitan Transportation Commission and redirected the remaining TEA funds to a project from the "Priority B" list of the Statewide Transportation Enhancement (STE) share of the TEA program.

- **Third Cycle**

  The third cycle AB 1012 "use-it-or-lose-it" notices were released by Caltrans on December 3, 2001. At that time, the third cycle RSTP, CMAQ and regional TEA funds subject to potential Commission redirection on December 3, 2002 totaled $185 million. This was approximately $92 million less than the initial balance subject to Commission redirection in the second cycle. The latest available third cycle update was presented by Caltrans at the October 3, 2002 Commission meeting and was based on July 30, 2002 balance reports. The balance report indicated that approximately $106 million of the original $185 million remained subject to Commission redirection on December 3, 2002. The $106 million is made up of $39 million in CMAQ funds for eight agencies, $59 million in RSTP funds for three agencies, and $8 million in regional TEA funds for 20 agencies.

The implementation of AB 1012 has resulted in a dramatic improvement in the obligation of local RSTP/CMAQ funds. Local agencies obligated 153% of their annual Federal funds in FFY 2000, 124% in FFY 2001 and 101% in FFY 2002. As a result, local agencies cut in half their prior accumulated $1.2 billion backlog of Federal apportionments to $0.6 billion as of October 2002.

Other Local Assistance Projects

As reported above under Local Federal RSTP and CMAQ Projects, local agencies have dedicated considerable effort toward improving the delivery of local RSTP and CMAQ projects and are also doing well in delivering regional TEA projects, but the success is not as good with respect to the other Local Assistance project categories, where the AB 1012 "use-it-or-lose-it" provisions are not in force. However, the FY 2001-02 Local Assistance appropriation is available for three years. Local Assistance projects will continue to charge against this appropriation over the next two years. The Commission, at its October 2002 meeting, resolved to take a closer look at the Grade Separations Program where delivery has been nonexistent in the last few years.

The following table shows how the Commission's FY 2001-02 Local Assistance allocations, totaling $995.6 million were used by local agencies in the first year of availability and provides a comparison with the FY 2000-01 allocation:

FY 2001-02

Category	Commission Allocation	Use of Allocation
RSTP	$331,100,000	$192,378,000
CMAQ	$350,235,000	$ 46,282,000
Br. Rehab & Replacement	$ 98,645,000	$ 43,303,000
Br. Seismic Retrofit	$ 69,300,000	$ 15,450,000
Bridge Scour	$ 4,200,000	$ 1,364,000
RR Grade Crossing		
Protection	$ 9,394,000	$ 19,632,000
Maintenance	$ 4,250,000	$ 4,250,000
Grade Separations	$ 7,250,000	$ 0
Hazard Elimination & Safety	$ 8,304,000	$ 17,384,000
Safe Routes to School	$ 20,665,000	$ 0
Regional TEA	$ 39,760,000	$ 47,951,000
State Exchange	$ 3,000,000	$ 2,925,000
Demo Projects	$ 0	$ 64,774,000
Miscellaneous	$ 3,200,000	$ 16,701,000
Subtotal	$995,553,000	$519,778,000
RSTP & CMAQ FTA Transfers		$310,664,000
Total	$995,553,000	$830,442,000

FY 2000-01

Category	Commission Allocation	Use of Allocation
RSTP	$250,000,000	$325,718,000
CMAQ	$260,000,000	$ 64,519,000
Br. Rehab & Replacement	$ 70,000,000	$ 42,115,000
Br. Seismic Retrofit	$ 95,000,000	$ 60,364,000
Bridge Scour	$ 4,200,000	$ 0
RR Grade Crossing		
Protection	$ 12,000,000	$ 11,262,000
Maintenance	$ 4,250,000	$ 4,250,000
Grade Separations	$ 15,000,000	$ 0
Hazard Elimination & Safety	$ 12,000,000	$ 6,996,000
Safe Routes to School	$ 0	$ 0
Regional TEA	$ 50,919,000	$ 21,121,000
State Exchange	$ 44,000,000	$ 40,490,000
Demo Projects	$112,000,000	$ 45,584,000
Miscellaneous	$ 3,200,000	$ 7,327,000
Subtotal	$932,569,000	$629,746,000
RSTP & CMAQ FTA Transfers		$329,405,000
Total	$932,569,000	$959,151,000

RSTP, CMAQ and regional TEA are three funding categories where "use-it-or-lose-it" is in effect. The above data shows a substantial increase in the use of RSTP funds. The other categories appear not to be as aggressively expended. However, allocations have a three-year shelf life and additional delivery against the allocations will continue.

Caltrans in FY 2001-02 also did $311 million worth of Federal Transit Administration (FTA) transfers out of the State Highway Account to FTA to cover mass transportation RSTP and CMAQ projects on top of the $329 million transferred in the prior fiscal year.

2002 ACTIVITY AND ACCOMPLISHMENTS

State Highway Operation and Protection Program (SHOPP)

In 2002, the Commission received the Department's 2002 10-Year State Rehabilitation Plan for State highways and bridges (SHOPP Plan). The plan identified needs of $22.3 billion, about double the amount of funding anticipated in the 2002 STIP Fund Estimate and the current State Highway Operation and Protection Program (SHOPP). The program needs was based on identified goals rather than funding constraints. The Department will prepare a 2003 SHOPP Plan that includes a funding recommendation in advance of the Commission's consideration of the 2004 State Transportation Improvement Program (STIP) Fund Estimate.

Background

Since 1998, State law has required Caltrans to prepare a biennial 10-Year State Rehabilitation Plan for all State highways and bridges. The Plan is to be submitted to the California Transportation Commission for review and comments and be transmitted to the Governor and Legislature by May 1 of every even-numbered year. The Plan is to include specific milestones and quantifiable goals, strategies to control cost and improve efficiency, and a cost estimate for at least the first five years. According to statute, the Plan is to be the basis for the annual Caltrans budget request and for the Commission's adoption of the biennial State Transportation Improvement Program (STIP) fund estimates.

With the concurrence of the Commission, Caltrans has expanded the Plan to include all elements programmed in the biennial four-year State Highway Operation and Protection Program (SHOPP), including traffic safety and traffic operations. The SHOPP is the program of projects designed to maintain the safety and integrity of the State highway system. It is prepared by Caltrans, submitted to the Commission by January 31 of even-numbered years, and approved by the Commission and submitted to the Governor and Legislature by April 1.

The initial 10-Year State Rehabilitation Plan (or SHOPP Plan), prepared in 1998, identified specific goals and targets in a number of different areas. Probably the most significant ones, from the Commission's perspective, were the goal to reduce deteriorated pavement to 5,500 lane-miles by 2008, and the goal to use longer-life pavement rehabilitation on roadways where the average daily traffic (ADT) exceeds 150,000 or average daily truck volume exceeds 15,000. Caltrans projected that reducing the pavement backlog to 5,500 lane-miles would allow it to maintain and rehabilitate system pavements at the lowest overall annual cost. The identified thresholds for using longer-life pavement would provide high user benefit and the most cost effective rehabilitation strategy.

Funding Needs

The Department submitted its 2002 10-Year SHOPP Plan to the Commission in April 2002, one month after the Commission approved the 2002 four-year SHOPP. The updated Plan identified a change in Department focus to the identification of need and estimated costs, without making a new funding recommendation. According to the Plan, the biennial timeline in statute put the Plan out of sequence with the Fund Estimate and the Department now intends to update the Plan on an annual basis to allow approved recommendations to be better addressed in the biennial Fund Estimate.

The total cost estimate for the needs identified in the 2002 Plan is $22.3 billion, about double the amount of funding called for in the 2000 Plan. As the Department notes, this is not a funding recommendation but an assessment of needs based on identified goals. During 2002, the Department presented workshops on 6 SHOPP program areas during regular meetings of the Commission. The Department intends to return with a 2003 SHOPP Plan that includes a funding recommendation in advance of the Commission's consideration of the 2004 STIP Fund Estimate, which is scheduled for adoption in August 2003.

The 2000 SHOPP Plan identified a total funding need of $11.1 billion over the ten-year period ending FY 2009-10. At the same time, Caltrans identified a major increase in funding needed for the Traffic Safety Program, due in large part to a 1999 updating of the accident cost factors used to calculate the Safety Index. At first, Caltrans proposed to fund the increase in Traffic Safety by reducing funding for the SHOPP's other three categories, Roadway Rehabilitation, Roadside Rehabilitation, and Operations. By the time the Commission adopted the revised 2000 STIP Fund Estimate in June 2000, Caltrans and the Commission had agreed to add another $390 million to the 2000 SHOPP capacity.

For the 2002 Fund Estimate (adopted in August 2001), Caltrans proposed, and the Commission approved, about $350 million in SHOPP capacity increases above the levels in the 2000 SHOPP Plan. These increases included:

- $50 million added for the SHOPP minor program. This SHOPP subprogram, designated for projects with a cost under $750,000, was increased from $90 to $100 million annually. According to Caltrans, this increase will be targeted to expanding the involvement of small business in transportation projects in an effort to comply with the Governor's Executive Order D-37-01.
- $100 million added for office building projects. This would cover anticipated costs for the preliminary and working drawing phases of future buildings to be approved by the Legislature. It is assumed that the construction phase would be funded from lease revenue bonds, to be repaid through future operations costs.
- $200 million added for storm water runoff control. These are the resources estimated to be needed in the three new years to ensure compliance with the conditions and requirements set forth by the State Water Resources Control Board and National Pollution Discharge Elimination System (NPDES) regulations.

Program Accomplishments

The 2002 10-Year Plan identified the following accomplishments of the prior two years, as compared with the goals and actions outlined in the 2000 Plan:

SAFETY

2000 Plan Planned Action	Accomplishments
Implement all safety improvements identified with safety index > 200.	Awarded 24 safety improvements.
Install 75 miles of new median barrier each year.	Installed 176 miles of new median barrier.
Improve 20 miles of non-standard barrier each year until all are upgraded.	Upgraded 14 miles of barrier. With projects being processed, expect to exceed expectation in next two years.

ROADWAY REHABILITATION

2000 Plan Planned Action	Accomplishments
Reduce deteriorated pavement to 8,800 lane-miles by FY 2002-03.	Voted rehabilitation of 5,543 lane miles of pavement. Recent pavement survey indicates accelerated deterioration brought level of deteriorated pavement to about 11,000 lane-miles.
Resolve design issues before implementing long life pavement projects.	Voted 23 lane miles of long-life pavement, including asphalt pavement demonstration project.
Rehabilitate 100 bridges annually.	Rehabilitated 126 bridges, upgraded 40,544 linear feet of bridge rail, and completed 22 bridge scour mitigation projects.

ROADSIDE REHABILITATION

2000 Plan Planned Action	Accomplishments
Restore 7,570 acres of highway landscaping over a 10-year period.	Restored 1,560 acres of highway landscaping.
Install 183 acres of new landscaping at 4 locations.	Installed 56 acres of new landscaping at 2 locations. Remaining 2 locations programmed and to be under construction in 2002.
Rehabilitate, upgrade, or relocate 43 safety roadside rest areas over 10-year period.	Rehabilitated 13 safety roadside rest areas.
Complete worker access improvements at 1,500 locations within 10 years.	Improved access for maintenance workers at 300 locations in urbanized areas.

TRAFFIC OPERATIONS

2000 Plan Planned Action	Accomplishments
No measurable objective identified. Projects to reduce traffic congestion and improve operations.	Funded 11 auxiliary lanes; 3 passing lanes, 2 truck climbing lanes, 5 intersection and freeway interchange improvements; 4 freeway ramp improvements, 4 curve realignments and 1 traffic signal and interconnect project. Also, funded 847 miles of pavement delineations upgrades and 1 snow chain-up area improvement.
No measurable objective identified. Projects for better utilization of existing facilities	Funded 5 transportation management center upgrades, 13 changeable message signs, 5 highway advisory radio systems, 26 miles of fiber optic line, 24 ramp meters, 28 detector stations, and 77 closed circuit TV cameras.
Upgrade about 6 maintenance stations annually.	Awarded 7 projects to upgrade existing maintenance facilities.

Program Goals and Needs

The 2000 SHOPP Plan had identified seven areas of need requiring further analysis. The assessment of future needs in the Department's 2002 SHOPP Plan included new estimates in four of those areas:

- Storm water runoff compliance.
- New or rehabilitated office buildings.
- New safety roadside rest areas.
- Traffic operations strategies.

The Department intends to address the three remaining areas in the 2004 Plan:

- Recurring storm damage locations and repair.
- Corridor rehabilitation development strategy.
- Hazardous waste removal.

The 2002 Plan includes an assessment of needs in terms of goals, activities, and cost estimates for each of nine areas. The four areas of the prior plan are redefined into six areas, with Roadway Rehabilitation subdivided into Roadway Preservation and Bridge Preservation and with Operations subdivided into Mobility and Transportation Facilities. Three new areas are described for "SHOPP Managed Programs": Storm Water, Office Buildings, and Transportation Enhancement Activities (TEA).

The updated Plan reports the accelerated pavement deterioration identified in the latest pavement survey and notes that much of the remaining work is in urban areas where costs are higher. Though the Department continues to examine various strategies, the Plan indicates that the increase in the remaining inventory may cause as much as a two-year delay in achieving the original goal of reducing deteriorated pavement to 5,500 lane-miles by 2008.

The following is a summary of the goals, activities, and cost estimates that the Department identified for in the 2002 SHOPP Plan for each program area:

SHOPP Program Area Goals	**Activities and Cost Estimates** ($ in millions)
Safety: improve motorist safety by reducing fatal and injury collisions by 12.5% over 10 years.	1. Reduce fatalities by 210 and injuries by 11,000 over 10 years ($1,750). 2. New median barrier where warranted and upgrade all non-standard barriers ($175).
Bridge Preservation: prevent structure failure by preserving the structural and functional integrity of all state-owned bridges.	1. Reduce the number of distressed and functionally deficient bridges from 1000 to 400 ($2,080). 2. Upgrade 400,000 lineal feet of deficient bridge railings ($250). 3. Rehabilitate all bridges vulnerable to scour ($490). 4. Widen shoulders on 11 bridges, fulfilling past commitments to FHWA ($70).
Roadway Preservation: preserve the existing roadway facilities to their constructed standards and to replace or repair those roadway facilities that have experienced damage or have outlived their useful life.	1. Reduce the current inventory of distressed lane-miles from 11,000 to 5,500 ($7,000, including $2,000 for long-life). 2. Open all storm damage closures within 180 days ($200). 3. Replace 3500 deficient signs and lighting structures ($250).
Roadside Preservation: preserve the character of the original roadside features recognizing changing use demands, worker safety and updated statute and regulatory conditions.	1. Rehabilitate or replace 12,000 acres of planting and irrigation system deficiencies ($1,012). 2. Provide new safe access to minimize worker exposure to traffic ($40). 3. Improve appearance of rural and urban highway corridors and safety roadside rest areas ($150). 4. Rehabilitate existing safety roadside rest areas to meet existing laws and regulations, expand parking and provide security ($140). 5. Add 24 new safety roadside rest areas ($250)
Mobility: reduce the yearly delay on State highways by 120 million vehicle hours by 2011-12, and increase safety and mobility of goods movements.	1. Implement mobility improvements to better use existing capacity to reduce yearly delay by 120 million vehicle hours annually by 2011-12 ($4,800). 2. Increase truck safety inspections and reduce pavement damage created by overweight trucks ($218).
Transportation facilities: upgrade and improve operational facilities to meet standards required by current laws, regulations and agreements.	1. Provide maintenance and shop facilities that are ADA compliant, energy efficient, and secure. Implement land and building facilities consolidation studies ($761). 2. Bring facilities up to functional operating standards ($122).

Storm Water: implement and maintain an effective statewide Storm Water Management Plan consistent with the Clean Water Act and as mandated by the NPDES Storm Water Permit issued by the State Water Resources Control Board ($710).	1. Improve erosion control and drainage system to minimize non-point pollution runoff. 2. Minimize storm water impacts on Lake Tahoe, and install best management practice facilities to comply with storm water regulations and permits.
Office Buildings: provide facilities that are seismically safe, ADA and Cal-OSHA compliant, energy efficient, and secure ($289)	1. Provide facilities that are ADA compliant, energy efficient, and secure. 2. Bring facilities up to functional operating standards.
Transportation Enhancement Activities (TEA). ($22)	Program, obligate, and construct projects with remaining funds. Update after Federal reauthorization.

Delegated SHOPP Allocation Authority

Under State law, the Commission allocates capital outlay funds for all STIP and SHOPP projects consistent with appropriations in the Budget Act. The Commission may allocate funds for projects not in the STIP or SHOPP only under emergency conditions. Since the creation of the Commission, the authority to allocate funds for emergency projects has always been delegated to Caltrans, with all such allocations to be reported to the Commission at its next meeting.

In March 1999, the Commission extended its delegation of allocation authority to Caltrans for all SHOPP pavement rehabilitation projects on a one-year trial basis. The purpose of the delegation was to streamline and accelerate the construction of State highway pavement rehabilitation projects. In March 2000, the Commission extended the term of the delegation until March 2001 and broadened it to include traffic safety projects.

In March 2001, as part of a comprehensive reconsideration and restructuring of all delegations, the Commission turned down a Caltrans proposal to broaden the delegation to other categories and to make it permanent. Instead, the Commission extended the prior delegation for pavement rehabilitation and traffic safety projects for another two years and asked for a review of the policy frameworks for the SHOPP bridge rehabilitation, roadside rehabilitation and Minor A programs before broadening the delegation further. This matter will be before the Commission again no later than February 2003.

2002 ACTIVITY AND ACCOMPLISHMENTS

Rural Counties Task Force

The Rural Counties Task Force was formed in 1988 as a joint effort between the California Transportation Commission and the 28 rural county Regional Transportation Planning Agencies (RTPAs) and Local Transportation Commissions (LTCs). The purpose of the Task Force is to provide a direct opportunity for the smallest counties in California to remain informed, have a voice, and help shape statewide transportation policies and programs.

The Task Force is an informal organization with no budget or staff. Meetings are held in Sacramento on the third Friday of odd numbered months. A Commissioner, and a member of the Commission's staff, act as liaisons to the Task Force. Staff from the Commission, the Business, Transportation and Housing Agency, and Caltrans typically attend the meetings to present information or engage in discussions regarding statewide transportation issues that interest and affect rural counties. Commissioner Kirk Lindsey is the current Commission liaison.

The implementation of the State Transportation Improvement Program (STIP) reforms in SB 45 (1997) significantly increased the responsibilities of regional transportation planning agencies. The effects were particularly pronounced in the smallest agencies, where modest staffs became responsible for project specific planning, programming, and monitoring. These changes also intensified the value and purpose of the Task Force.

Issues and Challenges

In its two semiannual reports to the full Commission, the Rural Counties Task Force highlighted the following challenges and accomplishments that Task Force members faced in 2002: as well as issues that will continue to confront Task Force members in the future.

- Environmental Streamlining for Federal Regulations.

  While an issue throughout California, this is a particularly daunting challenge for rural agencies that are, among other activities, planning some of the most significant bypass projects in the state, including the Willits Bypass, Prunedale Bypass, Lincoln Bypass, and Angels Camp Bypass, which raise significant environmental issues.

  Task Force members served on the Caltrans' Small Project Streamlining Committee, designed to find ways to move small transportation projects forward in an expeditious manner.

- Local Road Rehabilitation and Maintenance Funding

  The State's smallest counties generally have proportionately higher miles of roadways with the fewest resources to maintain them. Many local road rehabilitation projects have been programmed in the STIP, even though such projects do not fit well within the intent or the mechanics of the STIP process and sometimes serve to preempt funding for larger projects more common to the STIP.

The Traffic Congestion Relief Act and Proposition 42 provided a new subvention program for local road rehabilitation. Despite this welcome relief, Task Force members have found that the backlog of local road rehabilitation is of such magnitude that this program will not generate sufficient funding to eliminate the backlog in rural areas.

- <u>New Project Funding Sources</u>

The Task Force reports that existing resources are not sufficient to make the capital improvements needed to provide effective transportation systems in rural areas. Transportation improvements identified in local 20-year Regional Transportation Plans must be limited to those projects that are financially realistic. According to the Task Force, more and more counties find themselves unable to reconcile project needs with funding expectations.

About half of the counties represented by the Task Force have expressed interest or have taken steps to pursue a local sales tax for transportation. While the Task Force believes that many rural counties could meet a 50% or 55% majority threshold, few, if any, could meet the currently required two-thirds majority. The example they provide is borne out by the November 2002 election, when 5 counties had sales tax measures on the ballot. All of the counties, including rural Madera County, received more than 50% in favor of the tax. However, only Riverside County was able to muster the 67% required for passage.

Accomplishments

In its reports to the Commission, the Rural Counties Task Force cited the following accomplishments for 2002:

- <u>Rural Counties Task Force Conference</u>

The first annual Rural Counties Task Force Conference was held in conjunction with the annual California Association for Coordinated Transportation (CalACT) Conference on October 16-18, 2002, in Lake County. The Task Force sponsored six sessions. Sessions included such topics as how local assistance works, environmental streamlining, changes to the Transportation Development Act, legislative issues, and Overall Work Programs. The Project Delivery session was the highlight of the Task Force portion of the conference, and brought rural agencies, private consultants, and upper management from Caltrans together to discuss how agencies can delivery projects in a quicker and timelier manner.

The Task Force was pleased to have the strong support and participation of Caltrans, including keynote speaker Caltrans Chief Deputy Tony Harris. The second annual conference is scheduled for October 2003 in Placer County.

- Caltrans Project Management

  SB 45 requires a fundamental change in the relationship between regional and local agencies and Caltrans by giving regional and local agencies greater responsibility for schedule and budget. For this reason, the Rural Counties Task Force and Caltrans Project Management are in discussions on a system to provide agencies with current financial information to ensure that project sponsors understand how and where the budget that they are responsible for managing is being managed.

- Caltrans Local Assistance

  The effects of SB 45 have included a significant increased demand on Caltrans Local Assistance resources. Rural counties in particular depend on the expertise of the Caltrans Local Assistance Program to guide them through the maze of Federal and State requirements. In response to this need, the Department's Small Project Streamlining Committee, with participation from members of the Rural Counties Task Force, produced a number of documents that were sent to every regional agency and public works director in the state as resources to simplify the Federal process.

- Local Agency Manual for Processing Projects

  The Local Agency Manual for Processing Projects (LAMPP) was sponsored and funded by the Calaveras Council of Governments and the Amador County Transportation Commission, both members of the Task Force. LAMPP takes the distilled Local Assistance Manual concept a step further by providing an interactive computer program that focuses on the tasks that need to be completed by the project sponsor to get a Federally funded project built. One of the key features of this Program is that it provides links to the specific forms required by a particular step in the process and instructions on how to correctly fill out forms. The program will be available soon on the Rural Counties Task Force web site.

- State Level Committee Participation

  Task Force members are also providing a rural perspective to the following efforts. Many of these efforts involve participation on committees established by Caltrans.

  - TEA 21 Federal Reauthorization Steering Committee
  - FTA 5310, Welfare to Work Advisory Committee, Rural Transit Issues
  - Intelligent Transportation Systems (ITS)
  - Small Project Streamlining Committee
  - Caltrans, City, County, Federal Highway Administration Coordinating Group
  - Context Sensitive Solutions Committee
  - Quality Assurance/Oversight Committee
  - Transportation for Economic Development Advisory Committee
  - AB1012 MIS Implementation Steering Committee
  - SB 45 Project Monitoring/Reporting Data Base
  - California Transportation Investment Strategy (CTIS)

Members of the Task Force also actively coordinate with other statewide groups to share information and perspective on transportation issues. These other groups include:

- Regional Transportation Planning Agency (RTPA) Group
- California Association of Councils of Government (CALCOG)
- Regional-Caltrans Coordinating Group
- Regional Council of Rural Counties (RCRC)

2002 ACTIVITY AND ACCOMPLISHMENTS

Aeronautics Program

In April 2002, the Commission adopted the 2002 Aeronautics Program, the biennial three-year program of projects to be funded from the State Aeronautics Account, which derives its revenues from the general aviation fuel tax. The projects in the Aeronautics Program provide a part of the local match required to receive Federal Airport Improvement Program (AIP) grants and fund capital outlay projects at public-use airports through the California Aid to Airports Program (CAAP) for airport rehabilitation, safety and capacity improvements.

The 2002 Aeronautics Program included 59 CAAP projects for $17.963 million, with a required local match of 10%. Subsequent to its adoption, implementation of the program was severely undercut twice, first by the 2002 Budget Act that transferred $6 million from the Aeronautics Account to the General Fund and then by an estimate that current-year revenues to the Aeronautics Account will fall short by $1.5 million.

Commission's Aviation Responsibilities

The Commission's primary responsibilities regarding aeronautics include:

- advising and assisting the Legislature and the Secretary of the Business, Transportation and Housing (BT&H) Agency in formulating and evaluating policies and plans for aeronautics programs;
- adopting the California Aviation System Plan (CASP); a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California; and
- adopting and allocating funds under the three-year Aeronautics Program, which directs the use of State Aeronautics Account funds to:
- providing a part of the local match required to receive Federal Airport Improvement Program (AIP) grants; and
- funding capital outlay projects at public-use airports through the California Aid to Airports Program (CAAP) for airport rehabilitation, safety and capacity improvements.

Technical Advisory Committee on Aeronautics (TACA)

Section 14506.5 of the California Government Code states, "The Chairman [of the California Transportation Commission] shall appoint a Technical Advisory Committee on Aeronautics (TACA), after consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. This TACA shall give technical advice to the Commission on the full range of aviation issues to be considered by the Commission." The current membership of TACA includes representatives from airport businesses, aviation divisions of large companies, air cargo companies, pilots and aircraft owners, managers of commercial and rural airports, managers of operations at major commercial airports, metropolitan planning organizations, and Federal and State Aviation Agencies.

This statutorily mandated advisory committee provides great value to the Commission as it carries out its responsibility in advising the Secretary of the BT&H Agency and the Legislature on State policies and plans for transportation programs in California.

During 2002, TACA has continued to focus on a comprehensive review of the role and responsibilities of the Caltrans Division of Aeronautics and the funding sources for the various state programs related to aviation. TACA has been working with Caltrans, the Business, Transportation and Housing Agency, and the Technology, Trade and Commerce Agency to identify potential roles and policies for the State in developing California's aviation system.

The members of the Technical Advisory Committee on Aeronautics are:

- Michael Armstrong, Principal Planner, Southern California Association of Governments
- Herman Bliss, Ex Officio, Manager, Western Region Airports Division, Federal Aviation Administration.
- Daniel Burkhart, TACA Vice Chairman, Director of Regional Programs, National Business Aviation Association
- Curt Castagna, President, Aeroplex Aviation (Long Beach Airport)
- Richard Cox, Regional Director, Air Transport Association of America
- Steven Irwin, Airside Operations, Oakland International Airport
- Jack Kemmerly, TACA Chairman, Director of California Operations, Exceptional Strategies, Inc.
- Chris Kunze, Manager, Long Beach Airport
- Harry A. Krug, Airport Manager, Colusa County Airport
- Mark F. Mispagel, Attorney/Consultant, Law Offices of Mark F. Mispagel
- John Pfeifer, Aircraft Owners and Pilots Association (AOPA), California Regional Representative
- Alan R. Tubbs, District Field Services Manager, Airborne Express, Mather Field
- Austin Wiswell, Ex Officio, Chief, Division of Aeronautics, California Department of Transportation

2002 Aeronautics Program

In January 2002, the Caltrans Aeronautics Division presented a draft 2002 Aeronautics Program to the Commission. Then, in February, the proposed match rate for California Aid to Airports Program grants was presented to the Commission. The Commission is required to annually establish a rate between 10% and 50% that local governments must match to receive California Aid to Airports Program (CAAP) grants from the 2002 Aeronautics Program.

TACA, at its March 2002 meeting, reviewed the proposed Aeronautics Program and considered the proposed match requirement for the projects to receive CAAP grants. TACA recommended that the Commission accept the proposed Aeronautics Program and continue the 10% match requirement that has been in effect since 1995. TACA thought this would continue to ensure that the maximum number of airports participate in the State aeronautics funding programs and be consistent with the matching rate required for Federal AIP grants. Further, a low-match rate does not result in a small number of large grants because statute limits CAAP grants to a maximum of $500,000.

At its April 2002 meeting, based on TACA's recommendations, the Commission adopted the three-year 2002 Aeronautics Program consisting of 59 projects for $17,963,000 and retained the 10% matching rate for CAAP grants.

FY 2002-03 Budget

Prior to the adoption of the 2002 Budget, Caltrans and TACA informed the Commission that $6 million in the Aeronautics Account was being considered for transfer to the General Fund. The Commission, at TACA's urging, wrote a letter to the Administration seeking to redefine the transfer as a loan and provide for repayment of the loan as needed. The Commission's request was based on the significant increase in use of the State's general aviation airports by business aviation and the Federal Transportation Security Administration concern with the lack of security measures at general aviation airports.

The 2002 Budget Act transferred $6 million (65% of the annual revenues originally budgeted) from the Aeronautics Account to the General Fund. This transfer reduced the Aeronautics Account balance to the extent that if all 59 CAAP projects were to be funded, then the state match for Federal airport grants would have to be reduced. On September 17, 2002, TACA met and supported Caltrans' recommendation to allocate funds only to CAAP safety projects and to projects using the State funds to match Federal airport improvement grants. In December 2002, the Department advised TACA that current revenue estimates from the Department of Finance indicate that the Aeronautics Account will receive $1.5 million less than prior estimates. This shortfall would require the Commission to reconsider its September 2002 action, and TACA advised that the Commission might need to give priority for the remaining State funds to match Federal AIP grant projects that address safety projects first, delay funding some safety and non-safety CAAP projects, and defer all other projects. The Administration's proposal to transfer another $5.2 million from the Aeronautics Account to meet budget shortfalls would reduce the program even further.

Need for Commercial Airport Capacity

California's major commercial airports have been in the planning stages to expand and meet the increasing demand placed on them. Communities adjacent to major airports have expressed fierce opposition to expansion due to anticipated noise impact from aircraft and surface transportation congestion. In fact, many local communities have permitted residential and other incompatible land use development to occur adjacent to

airports. This local opposition has resulted in delaying expansion projects at San Francisco International, Oakland International and San Jose International airports in the Bay Area. In addition, proposed expansion of Los Angeles International and Burbank Airports have been drastically scaled back, or in the case of Burbank, shelved. Further, in November 2002 the voters in Orange County turned down the proposed conversion of El Toro Marine Corps Air Station to a civilian airport leaving a projected airport capacity shortfall in Southern California.

Recent legislation has resulted in the formation of a new regional airport authority in San Diego County. The new authority's first order of business is to address the increasing capacity shortfall in San Diego County. To the north of San Diego, the Southern California Association of Government's Aviation Task Force is proceeding with its analysis of commercial airport capacity without El Toro and with Los Angeles International restricted to 78 million annual passengers. Increased pressure on California's commercial airports will make effective use of reliever and other general aviation airports increasingly important.

Aviation is an important aspect of the State's transportation system. Below are excerpts from the Infrastructure Commission Report, which discusses the need to create regional and statewide authorities to ensure better use of the State's aviation system.

> "Access and capacity limitations at our airports threaten the state's position in international trade and tourism. Airport delays have increased significantly in recent years throughout the state. Despite recent capacity additions at many airports, more capacity is still needed and regional expansion plans remain hotly contested in the Los Angeles, San Francisco and San Diego regions. The Central Valley and rural California are largely unserved by viable air transportation."
>
> "The global economy, which relies upon reduced inventories and just-in-time production and delivery, has heightened the urgency of an efficient, reliable multi-modal goods movement system. As California moves to regain preeminence in the business of space transportation, special infrastructure needs for production, launch, operation and recovery must be considered."
>
> "The [Infrastructure] Commission proposes that super-regional airport authorities be created that would report to a statewide aviation authority to plan for more efficient use of existing and new airport capacity. The primary regions could include the Bay Area, Central Valley, Los Angeles basin and San Diego."

Aviation Security Issues

The terrorist attack of September 11, 2001 prompted the Federal Government to take immediate steps to increase security in the nation's air transportation system. The increased security measures have resulted in delays and reduced air travel in the commercial aviation sector. Increased capital outlay for security devices at airports has placed a financial strain on local airport authorities, even though the Federal Government has reimbursed some of the capital outlay costs. The new Federal Transportation

Security Administration (TSA) has focused primarily on commercial aviation. To date the Federal Aviation Administration has only provided some suggested guidelines for increased security at general aviation airports such as security fencing and lighting, as well as increased vigilance of persons working at airports. The new Department of Homeland Security, of which TSA is now a part, will undoubtedly provide specificity to those directions.

Because of security and delay issues, business travelers have shown significant interest in business aviation and other private general aviation travel. While the shift has not had a significant impact on the airlines, it is a trend and has resulted in increased demand for business aircraft requiring continued access to commercial airports and the need for increased development of general aviation airports. Business aviation continues to be the fastest growing element of aviation. Unfortunately, there has been very little increased funding available for the general aviation airports to implement security measures or to accommodate the increased demand.

Report on Aviation and Economic Development in California

A consistent problem in dealing with airport system planning and development issues by government agencies is their inability to quantify how aviation impacts the lives of California's residents and its economy. The last time aviation's economic impacts in California were assessed was in 1988 at the request of the Legislature. Over the past fourteen years, the global economy has expanded, air cargo and business aviation has increased dramatically, military bases have closed, the aerospace industry has been reduced and recreational aviation has declined. To understand aviation's impact on today's economy, current information and a new baseline are needed. The Caltrans Division of Aeronautics began work last year to obtain the information, with consultant services, needed to analyze aviation's economic impact on California. The report, to be completed in the spring of 2003, will include:

- quantification and documentation of aviation's direct role in the State's economy by the various types of aviation transportation;
- current and historical value of the commerce that flows through California airports;
- aviation's contribution to the State's tax revenues;
- direct economic impact of each of the 13 "hub" airports in California;
- estimated direct economic impact of a typical "non-hub" airport in the State;
- the importance of non-military, government aviation (fire suppression, law enforcement, FAA activities in California, etc.);
- recommendations for improving the airport system so that future economic growth is not constrained; and
- focus on legislation and the issue of diverting aeronautics funds by the budget.

2002 ACTIVITY AND ACCOMPLISHMENTS

Airspace Advisory Committee

In 2002, expert advice from the Commission's Airspace Advisory Committee helped the State achieve $1.3 million in increased revenue from the sale of excess properties. The Committee made recommendations to the Commission for renewal of the Wireless Leasing Program and reviewed and commented on the Department's Airspace, Excess Lands, and Asset Management Business Plans.

Airspace Advisory Committee

In the early and mid-1980's the real estate development issues requiring oversight by the Commission were becoming increasingly more sophisticated. As a result, in 1986, the Commission created the Airspace Advisory Committee to serve in an advisory role to the Commission in the review of proposed airspace (real estate) development leases and joint development. In October 1994, the Commission directed the Airspace Advisory Committee also to review and comment on the Department's asset management and excess land activities. In July 1997, it directed the Committee to review and comment on the Department's newly developed telecommunications program. The ten current members, listed below, are all from the private sector with a wide range of expertise in finance and property development and management. The primary objective of the Committee is to assist in maximizing State income from leasing and managing Caltrans properties while remaining removed from the political arena. The members are volunteers and receive only travel expenses for their efforts. The Committee has proven to be a valued source of consulting expertise to the Commission and the Department. The members include:

- Nina Gruen, Chair, Gruen Gruen and Associates, San Francisco
- William J Hauf, Vice-Chair, William J. Hauf Company, San Diego
- John R. Glassmoyer, CB Richard Ellis, Phoenix, AZ
- Wylie Grieg, RREEF Management Company, San Francisco
- Peter Inman, Inman & Associates, Irvine
- Walter Mosher, Jr, Ph.D., Precision Dynamics Corporation, San Fernando
- George E. Moss, Moss Group, Encino
- Jack Nagle, Goldfarb & Lipman, Oakland
- Roslyn B Payne, Jackson Street Partners Ltd., San Francisco
- Michael C. Ross, Colliers-Seeley, Los Angeles

Commissioner Allen M. Lawrence is the Commission Liaison to the Committee.

Airspace Program, 2001-02

The Department reported that, at the end of FY 2001-02, there were 571 occupied airspace sites throughout the state, including 108 wireless communication sites. Possessory interest taxes, paid by airspace tenants in lieu of property taxes, totaled $4.8 million. In addition, the Department reports substantial savings by utilizing airspace sites for the Department's own maintenance stations and equipment yards.

The Department reported the following statewide income and expenses for the Department's Airspace and Telecommunications Licensing Program in FY 2001-02:

Airspace and Telecommunications Licensing Program
Income and Expenses FY 2001-02

Airspace lease income	$18,482,233
Wireless telecommunications income	1,633,805
Total income	**$20,116,038**
Program expenses	-1,799,409
Net income	**$18,316,629**

2002 ACTIVITY AND ACCOMPLISHMENTS

Transportation Enhancement Activities Program Reform

In 2002, the Commission continued to grapple with the issue of reform to improve the delivery of Transportation Enhancement Activities (TEA) projects in California. The TEA program was first enacted as part of the Federal Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. The program was defined to include 10 categories of projects, since expanded to 12, with projects broadly falling into five groups:

- Pedestrian and bicycle facilities.
- Scenic beautification.
- Historic preservation, archaeology, and museums.
- Wildlife corridors.
- Non-point water pollution control.

The Commission approved an original program design in 1993, then redesigned the program in 1998 under the Federal Transportation Equity Act for the 21st Century (TEA-21) and SB 45's STIP reform, and now is considering redesigning the program yet again to coincide with the next upcoming Federal transportation act reauthorization.

<u>California's TEA Program</u>

In the absence of specific state legislative direction for implementing the Federal TEA program, the Commission's initial approach back in 1993 entailed programming TEA projects into the State Transportation Improvement Program (STIP). TEA was, in effect, a statewide competitive program with the Commission exercising sole project selection authority. Over the six years of ISTEA from Federal Fiscal Year (FFY) 1992 through FFY 1997, the Federal apportionments for TEA in California came to $210 million, or approximately $35 million per year. By September 2000, barely enough projects had been delivered to use all the funds before they expired.

Congress in 1998 extended the enhancements program under TEA-21, through FFY 2003, making few changes. In response, the Commission redesigned the way the State handled the TEA program, modeled on SB 45 but with TEA removed from the STIP altogether, divided so that 75% of Federal TEA funds are subdivided into regional shares, administered as direct local assistance to regional agencies, with the remaining 25% going to the State, with that amount further subdivided three ways: to Caltrans for its own projects, to a competitive program for projects of broad statewide interest, and to a Conservation Lands program for large scenic acquisitions of statewide importance.

In coming up with the new TEA program design, the Commission had an eye toward some of the program's earlier challenges and problems. Under TEA-21, California was slated to receive $363 million in Federal TEA funds from FFY 1998 through FFY 2003, about $60 million per year -- nearly a 75% increase from the $35 million per year authorized under ISTEA in 1991. Going into FFY 2003, the sixth and final year of TEA-21, approximately 100% of available Federal TEA funds have been programmed but only about 66% are actually obligated. Thus, the TEA program is running approximately two years behind and at a pace that could put some TEA funds at risk of expiring in September 2006 (similar to what almost happened in September 2000).

The Commission, Federal Highway Administration (FHWA), Caltrans, and regional agencies have worked to lessen some of the original challenges from the ISTEA era but unfortunately created new challenges. The Commission, in its program design, separated smaller regional/local scale projects from larger projects of statewide interest and further separated high cost scenic acquisitions, moved TEA projects out of the STIP and thus reduced its role in programming decisions. The revised TEA project application has somewhat ameliorated the problems of unclear project scope and underestimated costs. FHWA has streamlined procedures and requirements in some places, but notably not its environmental procedures. Caltrans has restored its local assistance staffing, offers outreach and assistance to sponsoring agencies, and has been working to streamline project administration. Perhaps of greatest benefit to improving the timely implementation of the TEA Program was the Commission's decision to apply "use-it-or-lose it" provisions to the regional TEA program; that standard has contributed to a significant upturn in the actual obligation of regional TEA funds during the past year.

Current Reform Efforts

The Commission's 2001 Annual Report to the Legislature (Volume II, Chapter K) addressed the need for new reforms, including initial proposals and efforts made in that direction. In October 2001, the Commission activated a Statewide TEA Advisory Committee to serve as a forum to review TEA reform proposals with a particular emphasis on improving project delivery. Caltrans agreed to coordinate the establishment of the Committee. The Commission asked that Committee membership be kept small and instructed the members to act as representatives for all TEA advocates and not only as representatives of their individual agencies and organizations. The Commission asked the Committee to return with its report by June 2002.

The following organizations were asked to provide members for the Committee:

- Business, Transportation & Housing Agency
- California Resources Agency
- Federal Highway Administration
- League of California Cities
- California State Association of Counties
- Regional Transportation Planning Agencies (Urban)
- Regional Transportation Planning Agencies (Rural)
- California Association of Bicycling Organizations
- The Rails to Trails Conservancy
- The Nature Conservancy
- The Trust for Public Lands

TEA Advisory Committee Report

The TEA Advisory Committee gave a status report to the Commission at the August 2002 meeting, reporting that it had spent an extensive amount of time discussing the split between the state and regional program shares without reaching consensus. The Committee indicated that this was an issue that the Commission would need to address. The Committee also reported that it was ready to recommend the following changes to the TEA program:

- Combine the current three statewide programs into a single statewide program.
- Eliminate the $1 million cap on land acquisition projects.
- Have scheduled programming cycles with the ability to amend projects into the program between cycles.
- Conduct a fair and transparent competitive selection process open to all applicants who meet Federal TEA eligibility requirements.

The Commission asked the TEA Advisory Committee to continue its discussion and to reexamine the advisability of raising rather than eliminating the $1 million cap on land acquisition projects.

At the Commission's November 2002 meeting, the Committee returned with its final report. The committee recommended the following reforms to the TEA program:

- Combine the current three statewide programs into a single statewide program.
- Have biennial programming cycles with ability to amend projects into the program between cycles.
- Conduct a fair and transparent competitive selection process open to all applicants who meet Federal TEA eligibility requirements.
- Set a 20% programmatic and $5 million per application land acquisitions cap.
- Delegate allocation authority to Caltrans when allocation requests are consistent with original programming.

The committee again reported it was not able to reach consensus on the state regional program share split and recommended that the Commission make no changes to the current split.

The Commission thanked the committee for its work and requested that Commission staff return at a subsequent meeting with recommendations for further Commission action.

2002 ACTIVITY AND ACCOMPLISHMENTS

2002-03 Environmental Enhancement and Mitigation Program

On July 18, 2002, the Commission adopted its 2002-03 Environmental Enhancement and Mitigation (EE&M) Program, including 45 projects totaling $11.8 million. The annual EE&M Program was first established in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. EE&M projects must fall within any one of three categories: highway landscape and urban forestry; resource lands; and roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the California Environmental Quality Act (CEQA).

Section 164.56 of the Streets and Highways Code mandates that the State Resources Agency evaluate projects submitted for the program and that the California Transportation Commission award grants to fund projects recommended by the Resources Agency. Any local, State or Federal agency or nonprofit entity may apply for and receive grants. The agency or entity is not required to be a transportation or highway-related organization, but must be able to demonstrate adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency. The Resources Agency has adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In funding the program, an attempt is made to maintain a 40/60 North/South split between California's 45 northern and 13 southern counties.

Through the eleven years of the EE&M Program, a total of 490 projects have been programmed at a total cost of $110.4 million. Approximately 39% have been highway landscape and urban forestry projects, 34% resource land projects, and 27% roadside recreation projects.

<u>FY 2002-03 EE&M Program</u>

For the FY 2002-03 EE&M program, the Resources Agency evaluated 131 projects with a total cost of over $37.2 million. From this list of projects, the Agency recommended to the Commission 69 projects for funding with a total cost of over $19.1 million. The Commission programmed 45 of those projects, totaling $11.8 million -- the amount included in the FY 2002-03 budget for the program. In deciding which projects to program, the Commission considered the Resources Agency's prioritization scores, project costs, project deliverability, and the linkage of the enhancement project to a transportation project. The 45 projects programmed for FY 2002-03 are as follows:

FY 2002-03 EE&M Programmed Projects

Category	Projects	%	Grants	%
Highway Landscape and Urban Forestry	15	31%	$2,682,173	23%
Resource Lands	14	33%	$5,150,000	44%
Roadside Recreation	16	36%	$3,967,827	33%
Total	45	100%	$11,800,000	100%

EE&M Program Fund Status

The EE&M Program is funded through a separate Environmental Enhancement and Mitigation Fund, with legislative intent to allocate $10 million annually to the Fund. As a result of some EE&M projects coming in under budget (project savings) and the inability of some applicants to deliver their projects (project failures), a balance accumulated in the EE&M Program Fund over the years. Going into FY 2002-03, that balance stood at a little over $11.8 million.

The Commission requested that Caltrans identify ways and means for reusing the accumulated EE&M Program funds for the benefit of EE&M projects. Caltrans took up the challenge and proposed Budget Bill language to allow the use of the accumulated funds on EE&M projects in the FY 2002-03 Budget, over and above the usual $10 million. The Legislature in adopting the FY 2002-03 State Budget Bill authorized the reuse of the $11.8 million EE&M program savings but did not allocate any additional funds. Thus the FY 2002-03 EE&M program was funded from the EE&M Program Fund balance of $11.8 million.

Environmental Enhancement and Mitigation Program
FY 2002-03

Northern Projects

APPLICANT	PROJECT	FUNDING
DEPT OF PARKS AND RECREATION	WILLIAM B. IDE ADOBE SHP FACILITIES ENHANCEMENT	$245,000
EAST BAY REGIONAL PARK DISTRICT	SR 4 REGIONAL SHORELINE HALLISSY ACQUISITION	300,000
PORT OF SAN FRANCISCO	DOWNTOWN FERRY TERMINAL PUBLIC PIER	200,000
CITY OF OAKLAND	CYPRESS FREEWAY MEMORIAL SITE	250,000
OUR CITY FOREST	TREES FOR INTERSTATE 880 NEIGHBORHOODS	186,200
DEPT OF PARKS AND RECREATION	BUTTERMILK BEND TRAIL IMPROVEMENT	135,000
SANTA CLARA COUNTY	MONROE STREET TRAIL STAGING AREA	250,000
CITY OF NOVATO	SCOTTSDALE POND HABITAT IMPROVEMENTS	250,000
CITY OF CLOVIS	PEACH / ALLUVIAL PARK	250,000
CITY OF MOUNTAIN VIEW	STEVENS CREEK ENHANCEMENT PLANTING	150,000
MARIN AUDUBON SOCIETY	BAHIA ACQUISITION	500,000
CITY OF CLOVIS	BASIN "S" PARK	250,000
SACRAMENTO VALLEY OPEN SPACE	DEER CREEK HILLS ACQUISITION, PHASE 1	500,000
TOWN OF PARADISE	PARADISE GATEWAY	125,000
CITY OF SAN PABLO	TREE PLANTING ALONG SAN PABLO DAM ROAD	60,000
CITY OF BRENTWOOD	STATE ROUTE 4, BRENTWOOD BLVD, LANDSCAPING	250,000
CALAVERAS COG	CALAVERAS COUNTY LANDSCAPE ENHANCEMENT	249,000
SAN MATEO COUNTY	SAN BRUNO MOUNTAIN PARCEL ACQUISITION	325,000
CITY OF ROCKLIN	ROCKLIN ROAD-INTERSTATE 80 LANDSCAPE	250,000
	TOTAL	**$4,725,200**

Environmental Enhancement and Mitigation Program
FY 2002-03

Southern Projects

APPLICANT	PROJECT	FUNDING
MOUNTAINS RECREATION & CONSERVATION AUTHORITY	ZANJA MADRE PARK	$250,000
LOS ANGELES COUNTY	DOMINGUEZ CHANNEL BICYCLE TRAIL	250,000
CITY OF LANCASTER	AMARGOSA CREEK PATHWAY	250,000
SANTA BARBARA COUNTY	ISLA VISTA BLUFFTOP PARCEL ACQUISITIONS	250,000
SANTA MONICA MOUNTAINS CONSERVANCY	BIG TUJUNGA WASH - VERDUGO MOUNTAINS WILDLIFE CORRIDOR	128,000
CITY OF SAN DIEGO	EAST ELLIOTT ACQUISITION	250,000
DEPT OF PARKS AND RECREATION	EL CAPITAN RANCH ACQUISITION	500,000
SANTA MONICA MOUNTAINS CONSERVANCY	SANTA SUSANA MOUNTAINS - SIMI HILLS WILDLIFE CORRIDOR	199,000
CITY OF PORTERVILLE	TULE RIVER PARKWAY PHASE III	250,000
CITY OF COVINA	COVINA'S URBAN FORESTRY PROGRAM	45,000
RIVERSIDE COUNTY	FRENCH VALLEY CONSERVATION CORRIDOR RESOURCE ACQUISITION	250,000
FALLBROOK LAND CONSERVANCY	EXPANSION OF MONSERATE MOUNTAIN PRESERVE	248,000
CITY OF IRVINE	JAMBOREE ROAD LANDSCAPING	54,000
CITY OF LA MESA	BRIERCREST PARK MITIGATION	250,000
DEPT OF PARKS AND RECREATION	MAGGIO RANCH ACQUISITION	500,000
CITY OF IRVINE	BARRANCA PARKWAY LANDSCAPING	148,600
SAN DIEGUITO RIVER PARK JPA	ACQUISITION OF BERNARDO MOUNTAIN	1,000,000
MISSION RESOURCE CONSERVATION DISTRICT	OSTRICH CREEK RESTORATION AND ENHANCEMENT	250,000
CITY OF VISALIA,	REFOREST VISALIA	224,373
DEPT OF PARKS AND RECREATION	VALLECITOS RANCH ACQUISITION	500,000
CITY OF RANCHO CUCAMONGA	RANCHO CUCAMONGA METROLINK STATION BEAUTIFICATION	190,000
CITY OF BAKERSFIELD	STATE ROUTE 178 AT FAIRFAX ROAD LANDSCAPING	250,000
CITY OF TEMECULA	OLD TOWN SOUTHERN GATEWAY LANDSCAPING / ROTARY PARK EXPANSION	250,000
DEPT OF PARKS AND RECREATION	TULLOCH RANCH PHASE I ACQUISITION	250,000
CITY OF LOS ANGELES	GREENWAYS TO SCHOOLS	250,000
CITY OF PISMO BEACH	DINOSAUR CAVES PARK IMPROVEMENTS	87,827
	TOTAL	**$7,074,800**

2002 ACTIVITY AND ACCOMPLISHMENTS

Proposition 116 Programs

In 2002, the Commission programmed $15.4 million and allocated $2 million in revenues from Proposition 116, an initiative bond measure approved in June 1990 and known as the Clean Air and Transportation Improvement Act (CATIA). The funds are made available in 2 steps. First, they are programmed by approval of project applications defining the project scope, schedule, and funding. After programming, the funds are allocated when the project is delivered. Of the original $1.99 billion authorized by Proposition 116, $182.5 million remains to be programmed and another $21.8 million remains to be allocated.

Background

Proposition 116 (CATIA) provided $1.99 billion in general obligation bond authority principally for rail development throughout California. The intent of the CATIA programs is to reduce traffic congestion and air pollution and provide better transportation options for all Californians through feasible, cost-effective capital projects. CATIA designated the California Transportation Commission (Commission) to oversee the following six components:

• Rail	$1.852 billion
• Non-urban County Transit	$ 73 million
• Waterborne Ferry	$ 30 million
• Competitive Bicycle	$ 20 million
• State Rail Museum	$ 5 million
• Commission/Caltrans Admin.	$ 10 million
	$1.990 billion

Through December 2002, the Commission has approved 510 individual applications totaling $1.80 billion for all CATIA programs, which represents 90% of the total $1.99 billion, authorized for expenditure. Of the $1.82 billion in approved applications:

- $1.674 billion has been for rail projects,
- $ 73 million has been for non-urban county transit,
- $ 30 million has been for waterborne ferry projects,
- $ 20 million has been for the competitive bicycle program, and
- $ 10 million has been for State administrative costs.

Of the $182.5 million in remaining Proposition 116 funds, $177.9 million is authorized for rail projects, $5 million is authorized for the Department of Park and Recreation's rail technology museum, and $0.6 million is assigned to the City of Vallejo for a Waterborne Ferry project. All authorized funds for the non-urban county transit program, the competitive bicycle and water ferry programs have been programmed. The funds authorized for State administrative costs have also been programmed and budgeted.

Rail Program

CATIA's Rail Program consists of $1.852 billion for rail development throughout California. Through 2002, the Commission has approved applications for 122 rail projects totaling $1.67 billion of the $1.85 billion authorized under CATIA; $177.9 million remains available to Caltrans and to five local jurisdictions (Marin, Monterey, Santa Cruz and Sonoma Counties, and the City of Irvine) for application and approval. Of the remaining $177.9 million, $121.4 million (67%) is authorized for the City of Irvine (Orange County), $28 million (15%) is authorized for Marin and Sonoma, $16.5 million (9%) is authorized for Monterey, $11 million (6%) is authorized for Santa Cruz, and $1 million is authorized for Caltrans for a state railroad right-of-way survey. Exhibits 1 and 2, based on an October 2002 survey of designated applicants, show that $13,550,000 of the $177.9 million are expected to be applied for during the current fiscal year (FY 2002-03), $42,000,000 are projected to be applied for in FY 2003-04, with the remaining $122.4 million to be sought after FY 2003-04.

October 2002 Survey
Of Anticipated Rail Program Application Submittals

Agency	Remaining Available Funds	Amount to be Requested by 7/1/03	Amount to be Requested in 2003/04	Amount to be Requested after 2003/04
Caltrans	$1,000,000	$0	$0	$1,000,000
City Of Irvine	$121,370,222	$0	$0	$121,370,222
Monterey	$16,550,000	$13,550,000	$3,000,000	$0
Sonoma County	$17,000,000	$0	$17,000,000	$0
Marin County	$11,000,000	$0	$11,000,000	$0
Santa Cruz County	$11,000,000	$0	$11,000,000	$0
Total	**$177,920,222**	**$13,550,000**	**$42,000,000**	**$122,370,222**

The $1 million identified for Caltrans is no longer needed for the rail right-of-way inventory designated in Proposition 116, since the Department completed the inventory in early 1993 with funds other than Proposition 116. The Department may request the $1 million for another related purpose but to date an application has not been submitted.

Marin, Sonoma and Santa Cruz have yet to submit any applications for the use of funds designated in CATIA.

Along with the remaining $177.9 million available for application, another $19.1 million in approved funds remain unallocated. Exhibit 2, below, portrays the agencies that have successfully applied for funding but have not yet sought allocations for part or all of the funds and the proposed schedule by which they plan to request an allocation for their projects.

October 2002 Survey
Of Anticipated Rail Program Allocations

Agency	Available Funds	Amount to be Requested by 7/1/03	Amount to be Requested in FY 2003/04
North San Diego TDB – Oceanside-San Diego	$5,714,376	$475,000	$5,239,376
Caltrans	$13,356,800	$13,356,800	$0
Total	**$19,071,176**	**$13,831,800**	**$5,239,376**

Non-Urban County Transit Program

CATIA's Non-Urban County Transit Program consists of $73 million earmarked for California's 28 non-urban counties, divided among those counties based on population. The Commission has approved applications for 280 non-urban transit projects in these 28 counties, thus programming the entire $73 million authorized for the Non-Urban Program. The Commission has allocated just over $70 million or about 97% of the total. The remaining $2.6 million should be allocated later in the current fiscal year (FY 2002- 03) as shown on Exhibit 3.

October 2002 Survey
Of Anticipated Non-Urban County Transit Program Allocation Submittals

County	Project Type of Remaining Funds	Remaining Balance	Expected Allocation Date
Alpine	Transit	$51,886	June 2003
Imperial	Rail	$261,026	June 2003
Napa	Transit	$1,890,915	March 2003
Nevada	Bicycle/Transit	$1,501	March 2003
Plumas	Transit	$6,300	August 2003
Tehama	Transit	$332,112	June 2003
Trinity	Transit	$15,000	May 2003
Total		**$2,558,740**	

Waterborne Ferry Program

CATIA's Waterborne Ferry Program consisted of two elements: a $20 million competitive program and a $10 million program solely for the City of Vallejo. All of the $20 million approved has been allocated. The Commission has approved $9.4 million of the $10 million for the City of Vallejo. Of the $9.4 million approved thus far, $9.2 million has been allocated. Last year, the City completed its Ferry Demonstration - Phase II project under cost and reprogrammed $750,000 to a new jet cat rehabilitation project. The other $590,592 remains for future programming for Vallejo.

State Railroad Technology Museum

CATIA included $5 million for the California Department of Parks and Recreation (DPR) for construction of the California State Museum of Railroad Technology and specifies that the CATIA funds will be provided to DPR when sufficient funding for the entire project is available. DPR has stated its intent to submit a Proposition 116 application by the end of FY 2002-03. The California State Railroad Museum Foundation estimates the Museum of Railroad Technology will cost between $21 and $25 million. The project funding will come from CATIA ($5.0 million), potential Park Bond financing (from the March 2000, $2.1 billion, Proposition 12 Safe Neighborhood, Parks, Clean Water, Clean Air, and Coastal Protection Bond Act), lease-revenue bonds issued by the State Public Works Board, potential TEA funds, and the balance of funds raised privately by the California State Railroad Museum Foundation.

Year 2000 Deadline

CATIA required that the Commission establish guidelines and execute the Proposition 116 grant program to assure the use of funds prior to July 1, 2000 unless economically infeasible (Public Utilities Code Section 99684). The State has an interest in insuring the best use of available CATIA bond funds toward meeting public transportation needs; the Commission believes that the public's interest may be best met by reallocating idle funds to those projects that are ready for implementation.

Where agencies failed to apply for and/or request allocation of the authorized funds by July 1, 2000, alternate projects could be accomplished through one or more of the following means:

- **Agency Proposals for Alternate Projects** -- In the Fall of 2000, 2001 and again in the Fall of 2002, as called for in its adopted guidelines, the Commission surveyed those agencies asking if they intended to substitute projects to replace their original project(s) designated in CATIA, if the funds remain unused or their project(s) proves to be infeasible. None of the agencies surveyed suggested substitute projects. Three agencies – Marin, Monterey, and Sonoma Counties – reported that they still intend to use the funding for the purposes described in Proposition 116. To date, these agencies still consider their projects to be viable.

- **Commission Recommendation to the Legislature** -- The Commission may at any time decide whether it considers an agency's intended project to be viable. If the Commission concludes that a project is not viable, the Commission may recommend to the Legislature alternate uses of the available Proposition 116 funds. Any such recommendations would most likely be developed in association with the affected agencies. At the present time, the Commission does not offer any substitute projects.

- **Legislative Action** -- The Legislature may at any time after July 1, 2000, by a two-thirds vote of each house, reallocate unencumbered or unexpended funds to another rail transit project within the geographic jurisdiction of the agency specified in Proposition 116. If the Legislature does not act to make any changes, the funds remain available as designated in Proposition 116. Commencing July 1, 2010, the Legislature is authorized to reallocate any unencumbered or unexpended funds to another rail transit project anywhere in the State.

2002 Commission Activity

In 2002 the Commission programmed approximately $15.4 million in authorized CATIA funds for the Rail Program, allocated about $2 million and reprogrammed approximately $6 million. In the Non-Urban Program, approximately $1 million in projects were reprogrammed to other eligible projects within the approved agencies' jurisdictions. The Commission also approved over $5 million in time extensions.

2002 ACTIVITY AND ACCOMPLISHMENTS

Seismic Safety Retrofit Programs

The massive seismic safety program on State highway bridges and toll bridges is nearing completion, with only a few of the most complex and difficult bridges remaining. The last year has seen the completion of work on Carquinez Eastbound, the Benicia-Martinez, and the San Diego-Coronado toll bridges, and the start of work on the San Francisco-Oakland Bay Bridge (SFOBB) west span, and the replacement bridges for the Carquinez westbound and SFOBB east span. Meanwhile, progress continues slowly on the retrofitting of bridges on local streets and roads, with just half of the bridges completed or under construction.

Funding is in place for all portions of the retrofit program, though cost increases, especially for the SFOBB east span, may require additional future funding to come from the State Highway Operation and Protection Program (SHOPP) and the State Transportation Improvement Program (STIP).

Background

The State Highway System (SHS) has over 15,000 miles of maintained road and over 12,000 bridges. Each bridge is inspected at least once every two years, and some bridges are inspected even more frequently. An additional 11,500 bridges are on the local city street and county road network.

The 1989 Loma Prieta earthquake and the 1994 Northridge earthquake highlighted the vulnerability of the highway bridges to earthquake damage and made the seismic retrofitting of bridges California's number one transportation priority. Since the Loma Prieta earthquake, the Seismic Safety Retrofit Program has focused on bridges deemed most vulnerable or critical to emergency response capability during a widespread civil disaster. This includes most of the single column support type bridges in high priority fault zones and some of the most vulnerable multiple column support type bridges. Also included in this group are State-owned toll bridges.

The Seismic Safety Retrofit Program has been a major endeavor for Caltrans and the Business, Transportation and Housing Agency. The Seismic Safety Retrofit Program is comprised of four parts: Phase I, Phase II, Toll Bridges and Local Bridges. The estimated combined cost to seismically retrofit the State highway system bridge structures is now \$7.07 billion: \$1.08 billion for Phase I bridges, \$1.35 billion for Phase II bridges, and \$4.637 billion for the State-owned toll bridges. Nearly \$1 billion more will be required to retrofit local bridges not on the State highway system.

Phase I

Following the 1989 Loma Prieta earthquake, Caltrans identified 1,039 State highway bridges needing seismic retrofitting. By May 2000, all of those bridges had been completed at a cost of $1.08 billion.

Phase II

After the 1994 Northridge earthquake, Caltrans determined that an additional 1,155 state highway bridges were in need of seismic retrofit based on updated screening criteria. This collection of bridges came to be known as Phase II. A total of $1.35 billion ($1.21 billion in Proposition 192 bond funds, approved by voters in March 1996 and $140 million in State Highway Account and Multi District Litigation (MDL) funds, expended prior to passage of Proposition 192) was set aside to finance the retrofit of the 1,155 Phase II bridges.

As of June 30, 2002, of the 1,155 Phase II bridges 1,135 bridges (98.3%) were seismically retrofitted, 3 more (0.3%) were under construction, and 17 more (1.4%) remained in their design stage. Caltrans reported that it expects to complete most of the remaining Phase II bridges by the spring of 2006. Three seismic retrofit projects require replacement of existing major bridge structures under heavy traffic conditions (Commodore Schuyler F. Heim Bridge on Route 47 in the City of Long Beach, and the 5th Avenue Bridge and the High Street Bridge on Route 880 in the City of Oakland). Caltrans does not expect to complete the seismic retrofit work on these three bridges until the winter of 2010.

Of the $1.35 billion made available from Proposition 192, $1.17 billion has been allocated for the Phase II bridges as of June 30, 2002. If the total cost to finish the Phase II bridges exceeds the remaining $42.8 million unallocated balance, Caltrans' strategy is to utilize Federal Highway Bridge Replacement and Rehabilitation (HBRR) funds available through the State Highway Operation and Protection Program (SHOPP) to contribute funds to projects where bridge replacement is the most cost-effective long-term retrofit and bridge rehabilitation solution.

Proposition 192 authorized the reimbursement of the State Highway Account with seismic retrofit bond funds for Phase II seismic retrofit expenditures made during 1994-95 and 1995-96 with SHA funds (approximately $103 million). However, Federal tax law precludes reimbursement of previously expended funds with tax-exempt bond proceeds. As a result, Caltrans elected to apply Proposition 192 proceeds directly to future state highway rehabilitation projects. Through June 2002, Caltrans has reimbursed approximately $99.8 million of the $103 million from the Proposition 192 bond fund. This $99.8 million is included in the $1.17 billion total for Proposition 192 allocations.

Toll Bridges

Seven of the nine State-owned toll bridges required some type of seismic retrofit work, varying in magnitude all the way to replacement (including the Vincent Thomas and San Diego-Coronado Bridges, for which toll collection has been discontinued). By June 2002 work had been completed on five of the bridges, the San Mateo-Hayward, the Carquinez Eastbound, the Benicia-Martinez, the Vincent Thomas, and the San Diego-Coronado. Work has begun on the others, with Caltrans now estimating completion of the Richmond-San Rafael Bridge in Spring 2005, the east span of the SFOBB in Winter 2007, and the west span of the SFOBB in Summer 2009. The replacement of the westbound Carquinez Bridge, being funded with Regional Measure 1 toll funds, is due for completion in Fall 2004.

The funding plan for Toll Bridge Seismic Retrofit Program was originally established by SB 60 (1997) and was updated for cost increases, especially for the SFOBB, by AB 1171 (2001). The following chart identifies the updated funding plan.

Toll Bridge Seismic Retrofit Funding

Source of Funds	Amount
State Highway Account	$1,437,000,000
Proposition 192 Bonds	$790,000,000
Public Transportation Account	$80,000,000
Bay Area Toll Bridges $1 Surcharge	$2,282,000,000
San Diego-Coronado Bridge Account	$33,000,000
Vincent Thomas Bridge Account	$15,000,000
Total Funds Available	**$4,637,000,000**

The following chart identifies the current cost estimates, as incorporated in AB 1171.

Estimated Costs to Retrofit Toll Bridges

Bridge	Cost Estimate
Richmond-San Rafael	$665,000,000
Benicia-Martinez	190,000,000
San Mateo-Hayward	190,000,000
Carquinez (eastbound*)	125,000,000
Vincent Thomas	62,000,000
San Diego-Coronado	105,000,000
San Francisco-Oakland Bay	
West Span	500,000,000
West Span Approach	200,000,000
East Span Replacement	2,600,000,000
Grand Total	**$4,637,000,000**

* A replacement bridge financed with Regional Measure 1 generated toll funds will accomplish the retrofit of the westbound Carquinez Bridge.

The figure for the State Highway Account includes $642 million identified in AB 1171 to come from the State's share of Federal Highway Bridge Replacement and Rehabilitation (HBRR) program funds. AB 1171 also provided that if the seismic retrofit cost of the State-owned toll bridges exceeds $4.637 billion, Caltrans may program no more than $448 million in project savings or other available resources from the Interregional Transportation Improvement Plan, the State Highway Operation and Protection Program (SHOPP), or Federal bridge funds for that purpose. Any part of the $448 million that is required would, in any case, reduce funding otherwise available for the SHOPP or the STIP.

On August 1, 2002, the State Auditor presented a report on the delays and higher cost estimates for the seismic upgrades of toll bridges in the Bay Area. The report suggests that additional costs above the $4.637 billion estimate will be needed for the toll bridge seismic retrofit effort. The report indicated that from $250 million to $630 million more may be needed. Caltrans indicated that it will pursue cost-saving measures aggressively to stay within the established $4.637 billion funding level.

Local Bridges

In addition to the work necessary on State-owned bridges, Caltrans was charged with the responsibility of identifying the seismic retrofit needs of all non-State publicly owned bridges, except for bridges in Los Angeles County and in the unincorporated areas of Santa Clara County. Information for non-State publicly owned bridges is not readily available on a statewide basis because of the number of agencies involved; therefore bridge counts are subject to change. For last year's report, Caltrans, Los Angeles County and Santa Clara County identified 1,212 locally owned bridges in need of seismic evaluation. For the reasons stated above, the number of locally owned bridges needing seismic evaluation is now 1,226. As of June 30, 2002, 304 (25%) of the 1,226 bridges were in the retrofit strategy development stage, 274 (22%) were in the design stage, 128 (10%) were under construction, and 520 (43%) were either completed or were judged not to require seismic retrofitting. The total cost of the local bridge retrofit program is roughly estimated at $840 million. Approximately $340 million has been spent or obligated for local bridges. The remaining $500 million is an estimate of what will be necessary to complete the remainder of the local retrofit. Because 578 (47%) of the 1,226 bridges are still in the strategy development or design stages, the $500 million estimate is subject to change. It is the responsibility of each actual bridge owner to secure funding, environmental approvals, right-of-way clearances, and to administer the seismic retrofit construction contract. The local bridge retrofit program is financed from Federal HBRR funds.

Status of Proposition 192

The Seismic Retrofit Bond Act of 1996 (Proposition 192) authorized $2 billion in state general obligation bonds for the seismic retrofit of State-owned highways and bridges. SB 60 (1997) limited the amount of Proposition 192 funds that could be expended for state toll bridge seismic retrofit to $790 million. The other $1.21 billion was directed to the Phase II seismic retrofit effort.

As of June 30, 2002, the amount of Proposition 192 funds allocated for Phase II seismic retrofit totaled $1,167.1 million, including $729.3 million for capital outlay and right-of-way, $256.8 million for project support costs, $99.8 million to reimburse the FY 1994-95 and 1995-96 seismic project support expenditures made with SHA funds, and an additional $81.2 million in interest costs that are usually offset by interest earned by the Surplus Money Investment Fund related to bond funds. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2002 totals $788.9 million, including $653.4 million for capital outlay and right-of-way, $126.0 million for project support costs, and $9.5 million to reimburse the FY 1994-95 and 1995-96 seismic project support expenditures made with SHA funds.

The overall total of Proposition 192 funds allocated through June 2002, is $1,956 million, including the $81.2 million for interest costs, leaving $44 million in bond authority available for allocation to Phase II retrofit projects and only $1.1 million for toll bridge projects.

2002 ACTIVITY AND ACCOMPLISHMENTS

Intercity Rail

The Commission acted this year to give its formal advice and consent on the Department of Transportation's Ten-Year State Rail Plan for 2001-02 through 2010-11. The Commission's advice to the Department was that it should include standards for meeting its goals and set priorities for increased revenues, increased capacity, reduced running times, and cost effectiveness. The Commission also advised the Department that it should develop standards to determine when to start service in new corridors and how to choose between competing areas for new corridor service. Lastly, in light of Amtrak's tenuous position, the Department was requested to show its projected costs for operating with and without Amtrak operating support funds.

In December 2002, the Commission held a roundtable on intercity rail. The purpose of the roundtable was to provide the Commission a better understanding about intercity passenger rail and freight railroad operations and to seek and create more opportunities between the State, Amtrak, Burlington Northern Santa Fe (BNSF) and Union Pacific (UP) to improve service and public/private partnerships.

Commission Gives Advice and Consent to Caltrans on Ten-Year Rail Plan

In 2002, Caltrans completed updating its Ten-Year State Rail Plan for 2001-02 through 2010-11. The Department had presented a preliminary draft to the Commission's Public Transit Committee in November 2001. The goals of the Ten-Year Plan are to provide rail as an alternative mode of transportation, congestion relief, clean air, fuel efficiency and improved land use. The Commission reviewed the proposed Ten-Year Plan and provided advice for revising the Plan.

In February 2002, the Commission provided its advice and consent on the Ten-Year Plan, as required by Government Code 14036. The Ten-Year Plan reflects the Commission's advice and contains standards for meeting its Ten-Year Plan goals; sets priorities for increased revenues, increased capacity, reduced running times; and cost effectiveness.

Caltrans used Amtrak's Twenty-Year Plan in developing its ten-year $4.0 billion capital improvement program. Of the $4.0 billion, $3.1 billion would be used on existing routes to fund rolling stock, track and signal work, stations, maintenance facilities, and grade-crossing improvements. The improvements include $457.9 million on the Capitol Corridor, $1,728.8 million on the Pacific Surfliner, and $938.2 million on the San Joaquin Corridor. The remaining $876.4 million would be used over the next ten years for starting new routes and extensions in the following areas: Coast, Monterey, Redding, Reno, Las Vegas, and Coachella Valley.

The State subsidy to cover intercity rail operational costs comes from the Public Transportation Account. Annual State costs for existing services are projected to increase over the ten-year period from $75.1 million to $89.3 million. Annual costs for new routes would start at $8.6 million in 2003-04 and increase to $31.2 million by 2010-11. Caltrans estimates in its Ten-Year Plan that by 2010-11, California could be paying $120.5 million per year for the State portion of the subsidized cost. Amtrak contributions have decreased substantially since FY 1998-99, falling to a current level of about $1 million per year. Caltrans therefore estimates that the annual State cost without Amtrak funding would be about $122.3 million by 2010-11. These costs exclude the projected $9 to $11 million needed annually over the course of the Ten-Year Plan for administration and marketing.

Commission Holds Roundtable to Discuss Intercity Rail

On December 6, 2002, the Commission held an intercity rail roundtable, which had a two-fold purpose to:

- gain a better understanding about intercity passenger rail and freight railroad operations.
- seek/create more opportunities between the State, Amtrak, Burlington Northern Santa Fe (BNSF) and Union Pacific (UP) to improve service and public/private partnerships.

At the roundtable, Commissioners learned from:

- Caltrans about its vision for intercity rail service in the state.
- Amtrak about its current role and its view of the State's intercity rail program.
- BNSF and UP about their perspective on freight and passenger rail service in the state.
- Metrolink and Altamont Commuter Express (ACE), two commuter rail agencies, and their perspective on the future of commuter rail and intercity rail.

The participants discussed a number of issues regarding:

- intercity rail in the State, such as the cost and types of capital improvements needed on the rail lines, and the State's role in intercity rail passenger operations.
- Amtrak, such as its restructuring, its prospect for Federal funding, how the State could help, and if the commuter rail agencies could run intercity rail operations.
- funding, such as how intercity rail capital improvements and operational costs funded, and whether the railroads participate in the cost of capital improvements.
- farebox recovery and marketing, including a comparison of how California's intercity rail corridors' ridership and farebox recovery compare with other rail corridors, such as the Northeast Corridor. The participants also discussed: how pricing for rail service is determined; what should be the standards for ridership and farebox recovery; how new riders could be attracted and is the current marketing program the answer?

- operational issues, such as how much the railroads pay annually to maintain and improve its rail lines. The participants also discussed opportunities to work together at the state and local level with the railroads.

The Commission was informed:

- that Amtrak was considering changing its cost methodology nationwide. Currently, a number of states, particularly on the East Coast, do not contribute towards the operational costs of intercity rail. Generally, the states' contribution for intercity rail service increases as one moves westward from the east coast. Amtrak is proposing that states cover the cost for operating intercity rail service, while Amtrak would continue to cover costs for transcontinental service and Amtrak corporate services.
- that Amtrak was proposing that future intercity rail capital funding be made available to states on an 80% Federal /20% local matching ratio. Amtrak hopes to include the proposal as part the Federal transportation reauthorization bill to be considered in 2003. Currently, a number of states do not contribute funding for intercity rail capital projects. California is the model that Amtrak would like to implement across the nation. Since 1976, California has invested, programmed, or reserved up to $2.7 billion for the Capitol, Pacific Surfliner, and San Joaquin Intercity Rail Corridors. Amtrak stated that it would need help in getting its proposals included in the upcoming Federal reauthorization. Amtrak asked that the State and the regional agencies gather support, on behalf of its proposals, from California's congressional delegation, the Administration and the Legislature.
- by the Burlington Northern Santa Fe (BNSF) and Union Pacific (UP), that Amtrak is allowed to use their rail lines based on the incremental cost of providing passenger rail service, rather than at the fully allocated cost. The railroads are willing to participate in funding improvements, if a benefit will accrue to their freight service.
- by BNSF that it was developing an intelligent transportation command and control system that would allow it to increase the capacity of its rail line, while enhancing the safety of its line. The system is still now in the testing stage by BNSF.
- by UP that its rail lines were approaching or at capacity. New freight or passenger rail service could not occur without adding to its physical plant. (All attendees spoke of the need for more capital investment.)
- by Metrolink that a commuter agency could technically provide intercity rail service. Both Metrolink and Altamont Commuter Express (ACE) have the technical expertise or have a private contractor that could provide the service, but Federal statute prevents them from assuming that role. Amtrak has a monopoly on intercity rail service, as provide by it enabling Federal legislation.
- by ACE about its aggressive word of mouth marketing program to attract ridership. ACE also discussed how it used a private contractor, rather than Amtrak, to provide the rail service between Stockton and the Bay Area.

The Commission agreed that California through its Congressional delegation, the Legislature, the Administration, and regional agencies should help with creating a new paradigm for Amtrak. Restructuring should include: requiring states to match Federal funds; re-visiting the monopoly that Amtrak has to operate on the railroads; requiring operational contributions from states that currently do not provide it; and ensuring that Amtrak has a plan to increase ridership, capacity, and cost efficiencies to reduce the need for rider subsidies.

2002 ACTIVITY AND ACCOMPLISHMENTS

2002-03 Elderly and Disabled Transit Program

In August 2002, the Commission adopted the annual State project list for the Federal Elderly and Disabled Person Transit (Section 5310) Program, including projects for 90 local agencies at a cost of $11.3 million.

Background

In 1975, Congress established the Elderly and Disabled Persons Transit Program, intended to provide financial assistance for non-profit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled persons for whom mass transportation services are unavailable, insufficient, or inappropriate. The Program's implementing legislation designated the Governor of each state as the administrator of the funds. In California, Caltrans was delegated the authority and has been administering this Federal program since its inception.

AB 772 (1996) gave the California Transportation Commission a role in the program, mandating that the Commission:

- direct Caltrans on how to allocate funds for the program,
- establish an appeals process for the program, and
- hold at least one public hearing prior to approving each program.

In order to comply with these mandates and develop an allocation process, the Commission directed its staff to work with a 15-member advisory committee, including representatives from regional planning agencies, State and local social service agencies, the California Association for Coordinated Transportation (CalACT) and Caltrans. The process adopted by the Commission calls for project scoring by each regional transportation planning agency and subsequent creation of a statewide list by a State Review Committee integrating regional priority lists based on objective criteria adopted by the Commission. The Statewide Review Committee consists of representatives from the State Departments of Rehabilitation, Developmental Services, Aging, and Transportation. The Commission staff acts as facilitator and coordinator for the Committee. The process includes a staff-level conference to discuss technical issues with project applicants and regional agencies and a public hearing conducted by the Commission. Following the conference and the hearing, the Commission entertains appeals and adopts the annual program project list. The list generally includes up to 110% of the amount of Federal funds anticipated to be available, to allow for the use of funds left from prior year projects. All funded project costs receive 80% Federal funding and require a 20% local match.

FFY 2002-03 Program

For the Federal FY 2002-03 Elderly and Disabled Persons Transit Program, the regional agencies submitted 108 applications for a total of $14,661,080 in project costs. The estimate of 2002-03 program capacity was $10,317,850, putting 110% of capacity at $11,349,635 (all amounts include the required 20% local match).

In accordance with the Commission's adopted procedures, all applications were scored locally using the Program procedures adopted by the Commission in January 1997. The State Review Committee subsequently reviewed and in some cases modified the regional score for those projects, again, using the Commission's adopted procedures. Projects with large differences between the regional score and the State score, and where that difference would have moved the project below the potential funding level, were discussed with the regional agency. These discussions focused on the adopted procedures and whether the procedures had been correctly applied. On July 23, 2002, Commission staff and the State Review Committee also conducted a staff-level conference with the regions and project applicants to hear any appeals based on technical issues that affected the scoring. One applicant agency that had been deemed ineligible requested an appeal of the State Review Committee’s determination. The Committee again deemed the applicant ineligible for the Program. Also, as a result of the discussions with the regions and the staff-level conference, the score for one project was modified. A statewide-priority list was subsequently assembled based on the re-scoring.

The Commission held its public hearing and approved the priority list on August 22, 2002. The Commission directed Caltrans to allocate funds to projects on the adopted list down to the level of actual available funding. The actual available funding limit depends on the Federal transportation appropriation, which has not yet been enacted. Current-year authorizations are through a continuing resolution, now effective through January 11, 2003. The Commission also directed Caltrans to review projects from past cycles to identify potential cost savings and project cancellations that would allow for additional funding capacity. The current approved list would fund at least 82 agencies with 126 replacement vehicles, 65 service expansion vehicles and 31 supporting equipment projects for FFY 2002-03.

Section 5310 Statewide List
FFY 2002-2003 Cycle

AGENCY	COUNTY	AMOUNT
County of Butte	Butte	$287,500
Work Training Center for the Handicapped, Inc.	Butte	$172,500
Golden Rain Foundation-Rossmoor	Contra Costa	$167,500
Del Norte Association for Developmental Services	Del Norte	$47,000
El Dorado County Area Agency on Aging	El Dorado	$100,700
El Dorado County Dept. of Transportation	El Dorado	$66,500
El Dorado County Transit Authority	El Dorado	$47,000
City of Fresno/Fresno Area Express	Fresno	$448,000
Fresno County Economic Opportunities Commission	Fresno	$392,000
Pacific Family Health, Inc. (Fresno)	Fresno	$100,700
Community Cornerstone, Inc.	Humboldt	$52,700
Humboldt Community Access & Resource Center	Humboldt	$181,500
Klamath/Trinity Non-Emergency Transportation	Humboldt	$45,000
ARC Imperial Valley El Centro	Imperial	$155,000
West Shores Health & Education Association	Imperial	$56,000
Bakersfield A.R.C.	Kern	$181,500
New Advances for People W/Disabilities	Kern	$150,000
Access Services Inc.	Los Angeles	$559,000
California Home for the Adult Deaf	Los Angeles	$90,000
Central Adult Day Care Center	Los Angeles	$47,000
East Los Angeles Remarkable Citizens Association Inc.	Los Angeles	$287,500
Goodwill Industries of Southern California	Los Angeles	$56,000
Harbor Developmental Disabilities Foundation	Los Angeles	$492,530
Health View, Inc. (HVH)	Los Angeles	$56,000
Institute for the Redesign of Learning	Los Angeles	$235,000
Life Steps Foundation, Inc. (L.A.)	Los Angeles	$65,000
Mentally & Educationally Retarded Citizens, Inc. (MERCI)	Los Angeles	$47,000
Northridge Hospital Foundation	Los Angeles	$146,000
Prototypes	Los Angeles	$88,000
Santa Clarita Valley Committee on Aging Corp	Los Angeles	$112,000
Shields for Families Project, Inc.	Los Angeles	$90,000
Steelworkers Oldtimers Foundation	Los Angeles	$141,000
Sunshine Adult Day Healthcare	Los Angeles	$103,000
Tarzana Treatment Centers, Inc	Los Angeles	$94,000
Pacific Family Health, Inc. (Madera)	Madera	$97,000
Casa Allegra Community Services	Marin	$43,000
Marin Ventures	Marin	$135,000
Novato Human Needs Center	Marin	$47,000
Redwood Coast Seniors, Inc.	Mendocino	$53,100
Willits Seniors Inc.	Mendocino	$47,000
HOPE Rehab Services of Monterey County	Monterey	$86,000
County Transportation Planning Agency	Napa	$139,500
Gold Country Telecare, Inc.	Nevada	$141,000
City of La Habra Community Services	Orange	$130,000
Vantage Foundation	Orange	$172,000
Angel View Crippled Children's Foundation, Inc.	Riverside	$56,000
California Drug Consultants, Inc.	Riverside	$90,000
Community Partnerships of the Desert	Riverside	$396,700
EXCEED, A Div. of Valley Res. Ctr. for the Mentally Retarded, Inc.	Riverside	$106,000
Foundation for the Retarded of the Desert	Riverside	$129,000
United Cerebral Palsy of Greater Sacramento Inc.	Sacramento	$168,000
Community Hospital of San Bernardino Foundation	San Bernardino	$112,000
American Red Cross, San Diego/Imperial Counties Chapter	San Diego	$465,500
Cal-Diego Paralyzed Veterans Association	San Diego	$53,700

Charles I. Chenewith Foundation for the Developmentally Disabled	San Diego	$93,000
Developmental Services of the Continuum, Inc.	San Diego	$86,000
Mountain Shadows Support Group	San Diego	$90,000
North County Lifeline, Inc.	San Diego	$466,000
Redwood Senior Homes & Services	San Diego	$65,000
Reservation Transportation Authority	San Diego	$93,000
St. Madeleine Sophie's Training Center	San Diego	$86,000
Tri-City Hospital Foundation	San Diego	$46,500
John W. King Senior Center	San Francisco	$44,500
On Lok Senior Health Services	San Francisco	$94,000
RCH, Inc.	San Francisco	$182,000
Shanti	San Francisco	$141,000
ARC-San Joaquin Starting Out	San Joaquin	$92,000
Peebles Family Care Home, Inc.	San Joaquin	$61,290
United Cerebral Palsy Assn. Of San Joaquin, Calaveras, & Amador	San Joaquin	$90,000
Life Steps Foundation, Inc. (SLO)	San Luis Obispo	$56,000
United Cerebral Palsy - Ride-On	San Luis Obispo	$172,000
Work Training Programs, Inc.	San Luis Obispo	$56,000
Coastside Opportunity Center	San Mateo	$199,000
Life Steps Foundation, Inc. (ADHC S.B.)	Santa Barbara	$56,000
Smooth Inc.	Santa Barbara	$115,000
Achieve	Santa Clara	$129,000
Outreach and Escort, Inc.	Santa Clara	$38,840
Pacific Autism Center for Education	Santa Clara	$64,200
Regents of UCSC Transportation & Parking	Santa Cruz	$48,500
Golden Rays Sr. Citizens of Sierra County	Sierra	$47,000
Rural Elders, Inc.	Siskiyou	$56,000
St. Helena DBA California Specialty Hospital	Solano	$47,000
Council on Aging Services for Seniors, Inc.	Sonoma	$47,000
Petaluma People Services Center	Sonoma	$47,000
Tehama County Opportunity Center (North Valley Services)	Tehama	$65,000
Porterville Sheltered Workshop	Tulare	$66,500
County of Tuolumne	Tuolumne	$115,000
Watch Resources, Inc.	Tuolumne	$133,700
ARC Ventura County	Ventura	$46,000
Camarillo Health Care District	Ventura	$9,500
	TOTAL	**$11,372,160**

2002 ACTIVITY AND ACCOMPLISHMENTS

Global Gateways Program

California's global gateways, including the Ports of Los Angeles, Long Beach, and Oakland, the international airports at Los Angeles, San Francisco and Oakland, and our trade corridor highways, rail lines and border crossings, represent the largest trade transportation complex in the United States. The rest of the nation heavily relies upon this system, particularly for access to the nations of the Pacific Rim.

The importance of California's global gateways and their impact on the national economy was demonstrated during the 10-day lockout of longshoremen on the West Coast that began in September 2002. Figures from the OnTrac Corridor Trade Impact Study released by the Los Angeles County Economic Development Corporation (LAEDC) on November 25, 2002, placed the total trade disruption cost from the lockout at $6.28 billion for just the two Los Angeles basin ports. This represents about two-thirds of the total value interrupted by the West Coast ports dispute.

Global Gateways Development Program Report

In March 2002, the Business, Transportation and Housing (BT&H) Agency issued the Global Gateways Development Report (GGDP), as mandated by SCR 96 (2000, Karnette). The report focused on facilities with the highest freight volumes and the greatest transportation challenges, including international airports, seaports, trade corridors (rail lines and highways), border crossings, major intermodal transfer facilities and goods movement distribution centers. As outlined, the report is a basis for seeking additional Federal, State, regional, local and private sector funding for goods movement improvements that would bring about the greatest transportation, economic, community, and environmental benefits.

Stakeholders, both through committee meeting discussions and survey responses, offered the following options for policy makers to consider to improve the flow of goods movement through California's gateways:

- The State, Regional Transportation Planning Agencies (RTPA) and other local agencies should take an aggressive role in planning, funding, developing, operating and maintaining critical public portions of the goods movement transportation system.
- The State should take the lead in securing Federal cooperation in meeting California's goods movement needs.
- The State should pursue improving the operating efficiency of the State's major gateways.
- The State should provide greater flexibility in the use of state funds.

Senator Betty Karnette, Chair of the Blue Ribbon State Commission on Transportation, held two roundtables: one in Southern California in April 2002, and the second in Northern California in June 2002, to bring together stakeholders and the public sector goods movement industry to discuss the GGDP Report. The roundtables provided a prime opportunity for high-level executives to help policy makers incorporate real-world strategic principles into transportation planning and productivity. In particular, industry leaders were provided an opportunity to participate in developing California's plan for Federal transportation authorization. The roundtables were also an opportunity for industry leaders and stakeholders to help guide the development of a strategic freight advisory board which would provide a single point of contact for transit industry leaders, transportation planners and policy makers to cooperatively develop agile and responsive goods movement infrastructure.

As demonstrated by the port lockout, goods movement is increasingly important to the State and National economy. The continued involvement and contribution of trade industry leaders, transportation planners and policy makers is critical to ensure successful enhancement of California's overall goods mobility and the State's economic vitality.

2002 ACTIVITY AND ACCOMPLISHMENTS

High-Speed Rail Program

SB 1856 (2002, Costa) placed a $9.95 billion bond measure for high-speed rail on the ballot for November 2004. Passage of this measure would provide funding to begin implementation of the system being planned by the California High-Speed Rail Authority.

High-Speed Rail Authority Planning

The High-Speed Rail Authority (HSRA) has exclusive authority and responsibility under State law for the planning, construction, and operation of high-speed passenger rail service in California. In 1999, the HSRA 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 project. Under the law at that time, the HSRA was to terminate on June 30, 2001, if neither the Legislature nor the voters had approved a specified financial plan.

AB 1703 (2000, Florez) extended the life of the Authority to December 31, 2003 and SB 796 (2002, Costa) removed the sunset date altogether.

In FY 2001-02, the HSRA started a three-year environmental process to prepare a program-level Environmental Impact Report (EIR)/Environmental Impact Statement (EIS) for a 700-mile high-speed rail system serving Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County and San Diego. These high-speed trains would be capable of traveling from San Francisco to Los Angeles in 2 hours and 30 minutes.

The HSRA is the lead state agency for the state EIR and the Federal Railroad Administration (FRA) is the lead Federal agency for the Federal EIS. The HSRA has been conducting the engineering and environmental analyses necessary in preparing a draft Program EIR/EIS for review and comment in August 2003. The final program EIR/EIS is expected to be completed by the end of 2003.

2004 Vote to Approve $9.95 Billion Bond

On September 19, 2002, Governor Davis signed SB 1856, placing the "Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century" on the November 2004 ballot. If approved by the voters, a rail trust fund would be created and $9.95 billion in general obligation bonds would be issued, starting January 1, 2006. Of the $9.95 billion, $9 billion would be the State's share of the construction costs for the San Francisco to Los Angeles segment of the high-speed train system as presented in the Authority's business plan. The remaining $950 million would be dedicated to feeder rail programs connecting with the high-speed rail system.

Of the \$9.95 billion available, \$9 billion, once appropriated by the Legislature, would be available to the HSRA without regard to fiscal year. Capital costs eligible to be paid from the bond proceeds authorized for high-speed train purposes include all activities necessary for acquisition of right-of-way, construction of tracks, structures, power systems, and stations, purchase of rolling stock and related equipment, and other related capital facilities and equipment. In terms of checks and balances on the use of the funds, oversight on the HSRA's use of the bond proceeds, insuring consistency with the requirements of SB 1856, would be maintained through periodic audits conducted by the State Auditor.

Of the remaining \$950 million, eighty percent (\$760 million) would be available for commuter and urban rail recipients. Twenty percent (\$190 million) would be available for state-supported intercity rail, where the Department of Transportation is the eligible recipient. The California Transportation Commission would be responsible for approving and allocating the entire \$950 million to eligible recipients under guidelines developed by the Commission, as required by SB 1856. Eligible costs include capital improvements to intercity rail and commuter rail lines and urban rail systems to provide connectivity to the high-speed train system and to provide capacity enhancements and safety improvements.