CALIFORNIA TRANSPORTATION COMMISSION

2003 ANNUAL REPORT
TO THE
CALIFORNIA LEGISLATURE

Adopted

December 11, 2003

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A Message from the Chair

Dear Legislators,

California is in the unenviable situation of needing to rebuild its aging transportation systems and expand the capacity to handle the growth in population and freight movement within the state at a time when the funding to preserve, protect and expand the system is at an all time low point. As 2003 comes to a close, billions of dollars in needed and promised transportation projects have been stopped in their tracks or delayed for years. The California Transportation Commission typically allocates $2 to $3 billion annually for transportation improvements. This fiscal year we have allocated only $118 million and have put over $750 million of projects on the shelf pending availability of funding. By the end of this fiscal year there will be a total of almost $2 billion of projects sitting on the shelf.

Infrastructure investment is an excellent economic stimulus. The American Association of Highway and Transportation Officials estimates that for every $1 billion invested in highway and transit projects, 42,000 jobs are created. This investment also provides substantial economic growth potential well beyond the transportation benefits.

An effective transportation program requires stable and predictable resources because transportation projects usually take several years to bring to fruition. An effective multi-year transportation program cannot survive when resources are suddenly advanced or withdrawn on an annual basis. Over the last three years, almost $2.5 billion in resources for transportation have been diverted to backfill deficits in the General Fund with promises of payback in the future. These loans and the uncertainty surrounding current and future availability of Proposition 42 revenues for transportation have created both a project programming and a cash crisis.

As the Commission proceeds with the development of the 2004 STIP, the uncertainty over the availability of resources is of utmost concern. Our current funding estimate does not support any capacity for new projects within the next five years. Instead we are forced to take the $5.4 billion dollars of unallocated projects from the 2002 STIP and respread them over the next five years. The Commission's ability to fund projects at even this level of program is at risk in light of the current state budget crisis and the potential that Proposition 42 revenues may be suspended.

From just-in-time delivery that boosts business productivity and sustains the competitiveness of California's agricultural industry to getting millions of commuters safely to work each day, transportation is the engine that powers our economy. We need to get this state and its commerce moving again. The Commission is very much looking forward to working with you and the new Administration to find solutions to the funding crisis in transportation.

Sincerely,

Kirk Lindsey, 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 the Business, Transportation and Housing Agency 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.

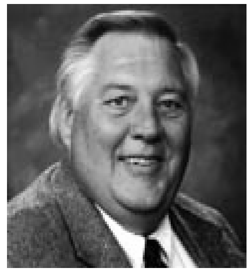
How the Commission Works.

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

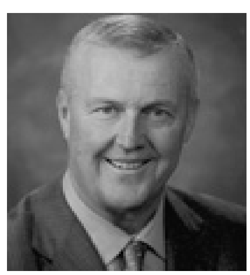


Mr. R. Kirk Lindsey, Chair

Mr. Lindsey, 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. Lindsey 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. Lindsey is also a disabled veteran of the United States Army.

Mr. Bob Balgenorth, Vice Chair

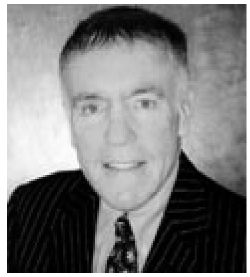
Mr. Balgenorth, of Folsom, has served as the President of the State Building and Construction Trades Council of California, AFL-CIO, since 1993. Prior to that, he was the Business Manager and Financial Secretary of Local #441 of the International Brotherhood of Electrical Workers (IBEW) from 1989 to 1993. In 1982, Mr. Balgenorth was elected Executive Secretary of the Orange County Building Trades Council, where he served for ten 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.



Mr. James C. Ghielmetti

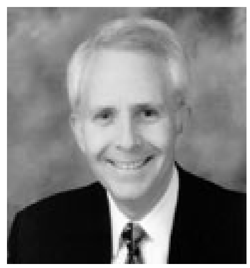
Mr. Ghielmetti, of San Francisco, is the Chief Executive Officer and Owner of Signature Properties Inc., the Northern California land development and homebuilding firm he founded in 1983. Since 1994, he has focused on the local transportation issues by chairing the Transportation Committee of the Tri-Valley Business Council. Mr. Ghielmetti was appointed to the Alameda County Transportation Authority Expenditure Plan Development Committee in 1997, the Board of Directors of the Bay Area Council in 1999, and the Governor's Commission for the 21st Century in 2000. He served on the Solutions on Sunol Coalition Leadership, a group comprised of the Tri-Valley Business Council, the Silicon Valley Manufacturing Group, the Fremont Chamber of Commerce and the Contra Costa Council.

The Commissioners



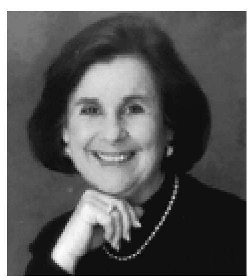
Mr. Jeremiah F. Hallisey

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.



Mr. Allen M. Lawrence

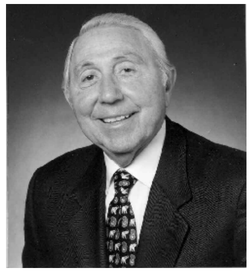
Mr. Lawrence, of Los Angeles, a past Chair of the California Transportation Commission, has been a member of the Commission since January 2000. He is the Chairman and Chief Executive Officer of Allen Lawrence & Associates, Inc., a major regional insurance brokerage firm which he founded in 1971. Mr. 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, is a member of the Agents and Brokers Advisory Committee of the Department of Insurance, and is a member of the Southern California Contractors Association.



Ms. Dianne McKenna

Ms. McKenna, of Sunnyvale, served on the Santa Clara County Board of Supervisors from 1984 to 1997. She is the immediate past Chair of the California Transportation Commission and 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.

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 (TELACU), 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 pursuant to 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 discussion of loans and transfers between transportation funds and the General Fund 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 2004

ISSUES FOR 2004

Trends and Outlook for State Transportation Financing

With transportation funds repeatedly taken to close the General Fund deficit… billions of dollars in needed and promised transportation projects have been stopped in their tracks or delayed for years.

The state transportation financing picture in California has never been bleaker. As 2003 comes to a close, billions of dollars in needed and promised transportation projects have been stopped in their tracks or delayed for years. With transportation funds repeatedly taken to close the General Fund deficit, the California Transportation Commission has been forced to stop making allocations to projects from the three major components of the state transportation program, the State Transportation Improvement Program (STIP), the State Highway Operation and Protection Program (SHOPP), and the Traffic Congestion Relief Program (TCRP). Because of the state's funding crisis, regional and local agencies find themselves without access to the Federal funds to which they are entitled under state law, the Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality (CMAQ) Program. Cities and counties are not receiving state subventions committed to them in statute for local road rehabilitation and repair.

A Transportation Program in Crisis

At the end of 2003, there were over $600 million in STIP and SHOPP projects ready to go to construction but held back for lack of funding. By June 2004, that figure could climb to over $1.6 billion.

The STIP and the SHOPP constitute the major part of the state's transportation program, the planned commitments of state and Federal transportation dollars approved by the Commission and developed in cooperation with the Department of Transportation (Caltrans) and the state's regional transportation planning agencies. The STIP consists of improvements to the state highway system, the intercity rail system, and other road and transit facilities of regional significance. The SHOPP is the program for rehabilitation and safety work on the state highway system that does not involve increases in roadway capacity. At the end of 2003, there were over $600 million in STIP and SHOPP projects ready to go to construction but held back for lack of funding. By June 2004, that figure could climb to over $1.6 billion. Nearly $700 million in other scheduled STIP projects were able to proceed only by borrowing against future funds. About half of that borrowing is the advancement of funding by local agencies, with a STIP commitment of repayment at a later date. The other half is borrowing through state bonding against future Federal transportation funding apportionments. According to the fund estimate for the 2004 STIP, current projects will be delayed by two years or more, and no new projects will be added over the next five years.

The TCRP, the other major element of the state's transportation program, consists of $4.9 billion designated for 141 specific projects in the TCR Act of 2000. By law, the program was funded through the Traffic Congestion Relief Fund (TCRF), which received $1.595 billion from the General Fund and the gasoline sales tax in 2000-01 and was scheduled to receive a series of annual transfers from gasoline sales tax revenues over five years. The Commission allocates funds to the specific projects as they are ready. Since the program's inception, TCRF funds have been borrowed back for the General Fund and subsequent gasoline sales tax transfers have been postponed or suspended. Through 2002, the TCRP was kept intact only by using funds borrowed from the STIP. In 2003, the Commission was forced to stop making new project allocations altogether. At the end of 2003, there were over $150 million in TCRP projects ready to go to construction but held back for lack of funding. About $270 million more were proceeding with funds advanced by local agencies.

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The Traffic Congestion Relief Act of 2000 also created a program of local subventions to cities and counties for local road rehabilitation and repair. The TCR subvention program was supported in 2000-01 by a transfer from the General Fund and was to be supported in later years by a portion of the sales tax on gasoline. For 2001-02 and 2002-03, however, the Legislature postponed the sales tax transfers and instead funded the program with $350 million in transfers from the State Highway Account (SHA) that would otherwise have supported the STIP. For 2003-04, trailer bills to the Budget Act suspended the TCR subvention altogether, eliminating $187 million for local road rehabilitation and repair.

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Under state law enacted in 1993, the RSTP and CMAQ programs are supported by specific Federal program apportionments to the state. The state apportions the funds by formula to regional agencies for eligible projects. Ordinarily, regional and local agencies have access to the Federal funds on a reimbursement basis whenever eligible projects are ready. However, access to Federal transportation apportionments requires the use of obligational authority (OA) distributed by the Federal Government to the states. This year, Caltrans required so much OA to support currently allocated STIP and SHOPP projects that none was left to obligate new funding for RSTP and CMAQ projects. In effect, $200 million in local OA had been borrowed by the state.

The Commission, the Department, and the state's regional transportation planning agencies are now engaged in the development of the 2004 STIP, the five-year plan that will guide program allocations from 2004-05 through 2008-09. According to the STIP fund estimate approved in December 2003, the new STIP will need to delay $5.422 billion in projects from the current STIP, most by 2-3 years. This is on top of the project delays already forced in the 2002 STIP by earlier transportation funding postponements and borrowings.

Revenues Lost

The suddenness and severity of the cash crisis that brought this year's stoppage in the state transportation construction program is unprecedented, the symptom of a broader and longer term structural problem in California's system of transportation financing. Until a few years ago, the state's transportation programs relied almost exclusively on user fees in the form of fuel taxes and commercial vehicle weight fees. Article XIX of the California Constitution built a firewall around these revenues, protecting them from diversion for other purposes. In general, this provided a reliable basis for developing multiyear programs, and it could reasonably be assumed that funding would be available as projects were delivered. To be sure, the program went through cycles as funding fell behind delivery or delivery behind funding. The buying power of the revenues declined over time as cars and trucks became more efficient, project costs increased with inflation, and fuel taxes were not often increased to keep pace. Earthquakes and other natural disasters diverted billions of dollars for unplanned work. Changes in Federal law or policy could also bring about unexpected changes.

Until a few years ago, the state's transportation programs relied almost exclusively on user fees in the form of fuel taxes and commercial vehicle weight fees.

To some extent, these factors are still at work. Expectations for future Federal transportation funding have declined and are still in doubt. The last six-year Federal transportation authorization act expired in September 2003, and the next authorization may not be enacted until late 2004 or 2005. Federal revenues for 2003-04 are now expected to be about $366 million less than had been anticipated when the 2002 STIP was adopted. Future Federal funding may be reduced even further as a result of California's switch from MTBE to ethanol-blended gasoline. Because current Federal law taxes ethanol-blended gasoline differently, California would contribute less to the Federal Highway Trust Fund and would receive smaller Federal transportation apportionments in future years. For the 2004 STIP fund estimate, Caltrans has estimated that the switch to ethanol will cost California $2.8 billion in Federal revenues over the five-year STIP period through 2008-09.

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Truck weight fees recently experienced a significant drop that should be remedied by next year. The Commercial Vehicle Registration (CVR) Act of 2001 (SB 2084, enacted in 2000) restructured weight fees, beginning January 1, 2002, changing the fee basis from unladen weight to gross vehicle weight. Although the CVR Act was intended to be revenue-neutral, Caltrans reported last year that weight fee revenues were down by about $163 million per year from a prior level of about $800 million per year. SB 1055 (2003) provided a remedy, increasing weight fees effective December 31, 2003, and requiring the Director of Finance and the Department of Motor Vehicles to increase the fees by up to 10% if revenue neutrality is not achieved for 2003-04.

There have been $5.9 billion in state transportation funding postponements, suspensions, and borrowings…

As important as the temporary loss of weight fees has been and the impending reductions in Federal revenues may yet be, their effects on the state transportation program pale by comparison to the impacts of recent state budget actions. In recent years, there have been $5.9 billion in state transportation funding postponements, suspensions, and borrowings, including over $3 billion in STIP funding. The problems began soon after the enactment of the Traffic Congestion Relief Act of 2000 (AB 2928). That Act not only made promises and commitments that have not been kept, it made the entire state transportation program subject to the vagaries of the annual budget process. The constitutional firewall that had protected transportation funding for decades came tumbling down in less than three years.

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Transportation projects usually take several years to bring to fruition. Planning and environmental studies, design work, permits and mitigation strategies, and right-of-way acquisition all must precede construction. An effective transportation program cannot survive when resources are suddenly advanced and withdrawn on an annual basis. Further compounding the instability inherent in the TCRP was that many of the 141 designated projects were not vetted through the transportation planning and programming process. Some projects were not deliverable within the original six-year schedule designated for the program. Many projects were not fully funded, leading either to a skewing of priorities or the wasting of resources. Though some were of high priority, others were not part of any plan supported at either the state or regional level.

Traffic Congestion Relief Act of 2000

The TCR Act committed $4.9 billion to the 141 designated projects of the TCRP, with funding originally to be provided through 2005-06, later extended to 2007-08. All $4.9 billion is funded through the TCRF created for that purpose. The TCR Act provided that the TCRF would be funded with:

- $1.5 billion from the General Fund in 2000-01 (including $405 million appropriated outside the TCRP, $400 million for TCR local road maintenance and repair subvention program and $5 million for the High Speed Rail Authority);

- $500 million from the state sales tax on gasoline in 2000-01;

- $3.314 billion to be transferred from the Transportation Investment Fund (TIF), at the rate of $678 million per year for five years, originally from 2001-02 through 2005-06 and now from 2003-04 through 2007-08.

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% to cities and counties for local road maintenance and repairs, 40% to the STIP, and 20% to the Public Transportation Account (PTA). Of the 20% for the 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.

The First Year: 2001-02 Budget and AB 438

The erosion of this major new source of transportation funding began almost immediately. AB 438, the transportation trailer bill to the 2001-02 Budget Act, borrowed or delayed over $4.6 billion in transportation funds, including $1.16 billion in STIP funding either borrowed directly or used to backfill for TCR Act commitments. The General Fund was in trouble, and the stated intent was to borrow the transportation funds 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 active STIP and TCRP projects. The TCRP had been jump started in 2000-01 with $1.595 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 current STIP or TCRP projects. The borrowing, however, did mean that new projects in the 2002 STIP were delayed by several years.

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AB 438 accomplished its borrowing through the following specific actions:

- It suspended implementation of the TIF for two years so that the state sales tax on gasoline would be dedicated for transportation 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.

- It continued funding for the TCR local road subvention program for those two years, funding it with $350 million from the State Highway Account (SHA). The SHA was to be repaid by receiving the 80% rather than 40% of the TIF balance in 2006-07 and 2007-08. This meant that the TCR subvention program would not be funded in the latter two years.

- 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. The 2002-03 Budget transferred another $1.045 billion.

- To backfill for the TCRP, it authorized loans of $280 million from the PTA and $180 million from the SHA to the TCRF, with SHA loans to be repaid by June 2007 and PTA loans 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 $95 million from the PTA.

SB 1834 authorized the borrowing of another $647 million to fill the General Fund deficit, again with the stated intent of doing so without delaying projects.

The Second Year: 2002-03 Budget and SB 1834

The Commission took into account all of the transportation fund borrowing authorized by the AB 438 TCR refinancing package when it adopted the fund estimate for the 2002 STIP. However, SB 1834, the transportation trailer bill for the 2002-03 Budget Act, authorized the borrowing of another $647 million to the fill the General Fund deficit, again with the stated intent of doing so without delaying projects. In developing SB 1834 and the 2002-03 Budget, the Department of Finance clearly did not take into account the 2002 STIP, which the Commission had adopted in April 2002. Despite the statement of intent, this new borrowing meant new delays in programmed projects. Among SB 1834's specific provisions:

…this new borrowing meant new delays in programmed projects.

- 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 $474 million was included in the 2002-03 Budget.

- 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 was 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 was intended to 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 authorized the Department of Finance, rather than the Department of Transportation, 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.

Proposition 42, a legislative constitutional amendment (ACA 4) [was] approved by 69% of the voters in March 2002...

Proposition 42

Proposition 42, a legislative constitutional amendment (ACA 4) approved by 69% of the voters in March 2002, removed 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 prior statute, including the TCRP, was continued through 2007-08. Then, beginning with 2008-09, no further funding would be transferred to the TCRF for the TCRP designated projects, and all TIF revenues would be divided by formula, with 40% for local road subventions to cities and counties, 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 would accrue to the STIP.

One provision of Proposition 42… was a constitutional bar to suspending transfers to the TIF or using TIF revenues for other purposes.

One provision of Proposition 42 that went into effect for 2003-04 was a constitutional bar to suspending transfers to the TIF or using TIF revenues for other purposes. It required a finding by the Governor and the enactment of a bill passed by a two-thirds vote of both houses of the Legislature to suspend or reduce transfers to the TIF for a fiscal year. With a two-thirds vote of both houses, the Legislature could also change the percentages allotted to each purpose (local subventions, STIP, and PTA), but no statute could redirect TIF funds to any other purpose, including the TCRP.

The protections of Proposition 42 were quickly set aside in 2003-04, the first year they came into effect.

The Third Year: 2003-04 Budget, AB 1750, and AB 1751

The protections of Proposition 42 were quickly set aside in 2003-04, the first year they came into effect. AB 1750 partially suspended the 2003-04 General Fund transfer to the TIF transfer, limiting it to $289 million for transfer to the TCRF. The balance, estimated at $856 million, was retained for the General Fund. Of the $289 million transferred, AB 1751 appropriated $189 million for the TCRP and directed that $100 million be transferred to the SHA for expenditure on the STIP as a partial repayment of loans made to the TCRF by the SHA under SB 1834 (2002).

AB 1751 also created the Transportation Deferred Investment Fund (TDIF) and specified that an amount equal to the suspended portion of the 2003-04 TIF transfer, with interest, be transferred to the TDIF by June 2009, with revenue to the TDIF to be available for the same purposes for which the suspended TIF transfer would have been available. The purpose of this was to treat the suspension as a statutory loan, with repayment not protected by Proposition 42. The clear message was that Proposition 42 and the TIF, as great as their promise was, cannot be relied upon for long-term support of the transportation program.

The Commission has responded to the diversion and loss of transportation funds by suspending allocations, by monitoring cash flow closely, by encouraging local agencies to advance local funding for projects where they could, and by taking steps to fund projects by bonding…

<u>The Commission's Response</u>

The Commission has responded to the diversion and loss of transportation funds by suspending allocations, by monitoring cash flow closely, by encouraging local agencies to advance local funding for projects where they could, and by taking steps to fund projects by bonding against future Federal transportation apportionments. The Commission also delayed development of the 2004 STIP because of pending uncertainties in both Federal and state funding. This response is described at greater length in Section 2 of this Report (2003 Activity and Accomplishments).

- In December 2002, the Commission suspended allocations to all STIP, TCRP, and SHOPP projects except SHOPP projects for emergency repair, seismic retrofitting, and traffic safety.

- In April 2003, the Commission adopted an allocation plan for the STIP and SHOPP. Over the next three months, the Commission followed the plan to ration funding to $1 billion of the $1.4 billion in projects that were ready to go.

- In July 2003, the Commission suspended allocations again. The Commission, in cooperation with the Department, continues to monitor the availability of cash to support resuming allocations. The allocation plan calls for allocations of up to $800 million for the SHOPP, depending on cash flow, and no allocations at all for the STIP through the end of 2003-04. SHOPP allocations were resumed on a limited basis in December 2003.

- During 2003, the Commission approved $386 million in STIP AB 3090 arrangements, under which a local agency advances a project with its own funds and in return receives programming either for cash reimbursement or for a replacement project in a later year.

- During 2003, the Commission approved $632 million in projects (plus bond issuance and capitalized interest costs) to be funded with the proceeds of Federal Grant Anticipation Revenue (GARVEE) notes; bonds secured by future Federal transportation apportionments. The first issuance is scheduled for February 2004.

…the 2004 STIP would add two new years with no new project funding capacity.

- During 2003, the Commission approved $269 million in TCRP letters of no prejudice (LONPs). Under an LONP, a local agency implements a TCRP project with its own funds, retaining the option to claim the state TCRP funds dedicated for the project when and if they later become available.

- For the 2003-04 Budget, the Commission assisted the Legislature in identifying the cash flow needed to meet reimbursements for TCRP projects that had already been allocated. The $189 million identified in the Budget would meet that need.

The $5.4 billion in projects carried forward from the 2002 STIP would be rescheduled across the five years of the new STIP, delayed an average of two years.

In December 2003, the Commission adopted the fund estimate for the 2004 STIP. Under that estimate, the new STIP would add two new years (out to 2008-09) with no new project funding capacity. The $5.4 billion in projects carried forward from the 2002 STIP would be rescheduled across the five years of the new STIP; delayed an average of two years. In accordance with statute, the estimate assumes that TIF transfers will proceed as scheduled, without suspension, and that all prior loans will be repaid as scheduled.

<u>2003-04 Mid-Year Spending Reduction Proposals</u>

In late November, the Department of Finance issued mid-year spending reduction proposals for 2003-04, as a prelude to the 2004-05 Budget. Those proposals include another $993 million in reductions for transportation, including:

- $406 million from the SHA to reimburse the General Fund for general obligation debt service on bonds approved under the Passenger Rail and Clean Air Bond Act (Proposition 108, 1990), the Clean Air and Transportation Improvement Act (Proposition 116, 1990), and the Seismic Retrofit Bond Act (Proposition 192, 1996). If approved, this transfer would be a permanent loss to the transportation program.

- $200 million in additional loans from the SHA to the General Fund. If approved, these funds would be repaid by June 2007.

- $189 million to be transferred from the TCRF to the General Fund. This would reverse a transfer made to the TCRF in the 2003-04 Budget for the purpose of funding expenditures on TCRP allocations that have already been made. The proposal also includes repealing the statutory identification of the 141 projects in the TCRP and the rescinding of TCRP allocations. The stated intent of the proposal is that existing contracts be terminated by February 2004 unless a substitute funding source is found. If approved, the $189 million transfer would be a permanent loss to the transportation program. The effect of repealing the identification of TCRP projects is unclear, however, given the constitutional provisions of Proposition 42.

- $60.4 million in 2003-04, and another $47.2 million in 2004-05, to be transferred from the SHA to the General Fund. These are non-Article XIX revenues to the SHA that, under existing law, are transferred to the Public Transportation Account (PTA). If approved, this transfer would be a permanent loss to the transportation program.

- $30 million from the PTA to the General Fund. This is the "spillover" revenue to the PTA that occurs when the ratio of sales tax on gasoline to all sales tax is relatively high. If approved, this transfer would be a permanent loss to the transportation program.

- $5 million to be retained in the SHA by elimination of all funding appropriated for the Environmental Enhancement and Mitigation Program in the 2003-04 Budget.

The proposal suggests that the funding to be transferred from the SHA would be made available by changing the management of Federal obligational authority (OA) for local programs to conform to the method used for Federal reimbursements in the Caltrans capital outlay program. The Department of Finance estimates that this could "result in an availability of about $800 million in unanticipated Federal reimbursements over 2003-04 and 2004-05." At best, the proposed change would bring some Federal reimbursements sooner. Without the new reductions, that could allow some projects to be taken off the shelf and go to construction sooner. In any case, a change in OA management would not increase the total resources available.

<u>Future Outlook</u>

The future of transportation funding in California will depend largely on the actions of Congress and the State Legislature in four areas:

The future of transportation funding in California will depend largely on the actions of Congress and the State Legislature…

- <u>Federal reauthorization</u>. What level of Federal transportation funding will be appropriated for 2003-04 and what levels will be authorized through 2008-09? This year's appropriation bill has not been enacted. The 2004 fund estimate assumes funding for 2003-04 at the mid-point between the two bills now in Congress. The last six-year authorization act expired in September 2003. The new reauthorization is not now expected until late 2004 or 2005. The 2004 STIP fund estimate assumed funding escalated at 2% per year from the amount assumed for

2003-04, before adjustment for a loss due to current Federal taxation of ethanol.

- Federal taxation of ethanol. Will Congress remove the special tax treatment now afforded to ethanol-blended gasoline and, if so, when? Will this be included in reauthorization or in other legislation? With California's switch from MTBE to ethanol, Caltrans estimates a loss of $2.8 billion to California over the STIP period under existing Federal law. This loss is assumed in the 2004 STIP fund estimate.

- State sales tax transfers and loan repayments. Will the transfers be made, or will the Legislature suspend or borrow them again? Will prior loans be repaid as scheduled? The state transportation program has become largely dependent on sales tax revenues. Under the California Constitution, as amended by Proposition 42 (2002), gasoline sales tax revenues are transferred to the Transportation Investment Fund to support both the TCRP and the STIP, as well as local road subventions and the State Transit Assistance program. Over the last 3 years, however, the scheduled transfers have been postponed or suspended to backfill for General Fund deficits. Of the $5.4 billion needed to fund the 2004 STIP, about $4.0 billion is scheduled to come from sales tax revenues--$3.3 billion from Proposition 42 transfers (including repayments of prior loans) and $0.7 billion from other sales tax revenues to the PTA, including the sales tax on diesel fuel.

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- Further diversions from state transportation accounts. Will the Legislature approve new loans and diversions from transportation accounts, as proposed in the 2003-04 mid-year spending reduction proposals? Those proposals include $933 million in further transportation reductions, including the permanent loss of about $460 million in STIP revenues and a delay in another $200 million. These losses would be in addition to the losses and delays assumed in the fund estimate for the 2004 STIP, which would delay projects without adding new projects. The mid-year proposal would require STIP project deletions and further project delays. The Commission halted all new allocations to TCRP projects in December 2002. This proposal would also halt reimbursements for existing allocations.

ISSUES FOR 2004

Federal Surface Transportation Reauthorization

The last Federal surface transportation act, the Transportation Equity Act for the 21st Century (TEA-21) expired on September 30, 2003. Historically, Federal authorization acts have covered six-year periods, and the next reauthorization 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 will be made available each year for each program. A new reauthorization bill has not yet been enacted, and programs are now being continued through an extension of TEA-21 and a continuing appropriation resolution through February 2004.

The new Federal transportation reauthorization act will have a major effect on the amounts and types of funding available in California.

The new Federal transportation reauthorization act will have a major effect on the amounts and types of funding available in California. The current structure of Federal programs, including the various funding program types, their flexibility, and regional responsibility, was established in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). TEA-21 largely retained the programs of ISTEA while creating a new paradigm for transportation funding by ensuring that Highway Trust Fund spending would be linked to highway revenues. That provided both state and local agencies with greater certainty and reliability in transportation funding. TEA-21 also provided record levels of funding and greater equity in distributing that funding among the states. Each of the last two reauthorizations has meant increased funding and more funding flexibility for California.

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The key issues before Congress that are of concern to California are:

- Overall funding levels. Will the reauthorization increase or decrease total funding?

- Taxation of ethanol. Will the lower tax on ethanol-blended gasoline be addressed?

- Funding formulas. Will California receive its fair share?

- Types of programs. Will program types change or will the number of programs grow thereby reducing the California's spending flexibility?

- 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?

With the transition to the new State administration, it is important that the cohesiveness of California transportation interests not be lost in addressing those reauthorization issues critical to California.

In the last year, the Business, Transportation and Housing Agency, working together with state, regional and local officials, tribal governments, and other stakeholders, developed a set of principles for reauthorization. With the transition to the new State Administration, it is important that the cohesiveness of California transportation interests not be lost in addressing those reauthorization issues critical to California.

The California Transportation Commission, in conjunction with other California transportation advocates, intends to visit Washington, D. C. in late February or early March to appeal to the California Congressional delegation to coalesce for California's benefit in three important areas:

- Reauthorization. The new transportation reauthorization act will establish new funding levels and may restructure funding programs. How much funding it will provide and how flexible that funding may be is of critical importance to California.

How much funding [the Federal reauthorization] will provide and how flexible that funding may be is of critical importance to California.

- Ethanol taxation. Also critical to California's share of Federal transportation revenues is the pending question of Federal action to change the level and distribution of Federal taxation on ethanol-blended gasoline. Without a change in current Federal law, California's current switch from MTBE to ethanol could cost the state about $3 billion in Federal transportation funding over the next five years.

- Homeland security funding. In the last round of Homeland Security grant allocations from Congress, California received less than $5 per capita while states like Wyoming received more than $35 per capita. This meant that when California paid $20 million to install 250 security cameras on the seven Bay Area Toll Bridges, the funding had to come entirely from regular transportation funds intended for rebuilding and expanding the transportation system.

ISSUES FOR 2004

Outlook for the 2004 STIP

The 2004 STIP…will have no new funding capacity…it will simply reschedule the projects already programmed, delaying most projects by two years or more.

The State Transportation Improvement Program (STIP) is updated biennially, with each new STIP adding two new years to prior programming commitments. The 2004 STIP, which will cover the five-year period through 2008-09, will have no new funding capacity. For the most part, it will simply reschedule the projects already programmed, delaying most projects by two years or more. To some extent, projects may be advanced through the use of local funds, using the provisions of AB 3090 (1993). AB 3090 permits arrangements under which a local agency may be reimbursed or receive a replacement project in return for advancing a STIP project with its own funds. There is also potential for freeing up some capacity in the 2004 STIP and advancing projects through the use of Federal Grant Anticipation (GARVEE) bonding.

The development of the 2004 STIP began with the adoption of the 2004 STIP fund estimate in December 2003 and will conclude with the new STIP adoption in August 2004. The California Transportation Commission exercised its option under state law to delay the development of the STIP because of pending Federal legislation that would have a significant impact on the fund estimate. The delay also permitted the Department of Transportation (Caltrans) and the Commission to take the impacts of the 2003-04 Budget Act fully into account.

The Commission may include projects in the STIP only if they are first nominated either by one of the 48 regional agencies in its regional transportation improvement program (RTIP) or by Caltrans in its interregional transportation improvement program (ITIP). The STIP consists of two broad programs, the regional program funded with 75% of STIP funding and the interregional program funded from 25%. The 75% regional program is further subdivided by formula into county shares. County shares are available solely for projects nominated in the RTIPs. The Caltrans ITIP may nominate projects only for the interregional program. Where Caltrans and a regional agency agree, a project may be jointly funded from a county share and from the interregional share.

STIP proposals, primarily recommendations for the rescheduling of projects, will be made through the RTIPs and the ITIP, due for submittal to the Commission by April 12, 2004. The Commission is required to hold at least two public hearings on STIP proposals, and those have been scheduled for May 12 in Sacramento and June 16 in Santa Clarita. By statute, the staff of the Commission is required to publish its STIP recommendations at least 20 days prior to STIP adoption. The staff recommendations are scheduled for July 15, with STIP adoption scheduled for August 5.

Respreading of 2002 STIP Projects

The 2004 STIP will consist primarily of rescheduling existing STIP projects. The funding shift is:

2002 STIP Project Rescheduling Required
($ in millions)

Fiscal Year	2002 STIP	2004 STIP
2004-05	$2,825	$ 153
2005-06	875	1,479
2006-07	1,722	1,251
2007-08		1,227
2008-09		1,312
Total	**$5,422**	**$5,422**

The actual rescheduling will depend not only on the individual county targets, but on regional and interregional priorities and deliverability of individual projects.

Through the fund estimate, annual targets were identified for each county and for the interregional share to guide development of the RTIPs and ITIP. The final STIP will conform to the year-by-year fund estimate for the whole STIP. The spread across the years for individual counties, however, cannot and will not precisely match the calculated targets. The actual rescheduling will depend not only on the individual county targets, but on regional and interregional priorities and deliverability of individual projects.

Prior Allocations and Commitments

The $5.4 billion figure cited for 2002 STIP projects includes only those projects the Commission assumes to be candidates for rescheduling. It does not include:

- Projects that have already been allocated funding.
- Programmed AB 3090 cash reimbursements. These are fixed commitments to repay local agencies for prior STIP projects they have advanced with their own funds.
- Scheduled debt service for Federal Grant Anticipation (GARVEE) bonds, where the Commission has approved the allocation of bond proceeds.
- Caltrans environmental, design, and right-of-way work that were programmed for 2002-03 or prior years. Funding for this work may, nonetheless, be reprogrammed in the 2004 STIP if Caltrans indicates that work has not yet begun or has been suspended and it is proposed to delete the work from the STIP or to delay the beginning of work until 2005-06 or later.

Where work is suspended, the amount of the Caltrans expenditure to date would remain as programmed and not be available for reprogramming.

Future Cash Commitments

In the 2004 STIP, the Commission may approve new cash commitments, either for AB 3090 cash reimbursements or for GARVEE bond debt service. The programming of either type of cash commitment will modify the scheduling of regular projects because, unlike regular projects, they draw cash immediately rather than over a period of years. The STIP fund estimate capacity and annual programming targets were developed using the assumption that STIP projects would draw cash, on average, over a three-year period. To compensate, any new project cash commitments programmed in the STIP will be counted against capacity in a way that takes this into account. To reflect an equivalent draw on cash, they will be counted 30% toward capacity for the fiscal year of the programmed cash commitment, 50% toward the prior year, and 20% toward the second year prior. For example, for a new AB 3090 cash reimbursement of $100 programmed for 2008-09, $20 would be counted toward the programming target for 2006-07, $50 toward the target for 2007-08, and $30 toward 2008-09.

The state's first issuance of GARVEE bonds, $632 million for eight projects from the 2002 STIP, is scheduled for approval in January 2004, with issuance in February.

GARVEE Bonding

The Commission may select and designate some projects from the 2004 STIP to be funded from the proceeds of Federal Grant Anticipation (GARVEE) bonds. Under Federal and state law, the Commission is permitted to authorize the issuance of these bonds, secured by future transportation apportionments. The state's first issuance of GARVEE bonds, $632 million for eight projects from the 2002 STIP, is scheduled for approval in January 2004, with issuance in February. Because the bonds are secured only by Federal funds and are not a debt of the state, they are expected to achieve a higher investment rating and carry lower interest rates than state general obligation bonds. Because they will cover project costs that could have been funded on a pay-as-you-go basis had not the General Fund borrowed transportation funding, these GARVEE bonds are, in effect, covering a portion of the state's General Fund deficit.

The designation of the STIP projects in the first [bond] issuance came about as a way to move forward with several major projects in the face of the current cash shortage that prevented direct allocations.

The designation of the STIP projects in the first issuance came about as a way to move forward with several major projects in the face of the current cash shortage that prevented direct allocations. In each STIP project the bonding could proceed only where a local agency could provide all or part of the needed non-Federal match. The Commission recognized, however, that it could not continue to respond to individual project proposals for GARVEE bonding without a longer-range policy and financial plan. The Commission needed both an overall policy on bonding to guide the financial

markets and a policy on the selection of projects to guide the Department and regional agencies in programming. In December 2003, the Commission adopted both.

Under the adopted financial policy, the Commission committed itself to limit annual debt service obligations to no more than 15% of the qualifying Federal revenues available to meet those obligations. That is one-half of the maximum debt service limit set in statute. The financial policy also stated that the selection of projects would be made through the state programming process, with the Commission selecting projects for bonding that are major improvements to corridors and gateways for interregional travel and goods movement. Major improvements may include projects that increase capacity, reduce travel times, or provide long-life rehabilitation of key bridges or roadways.

…the selection of projects would be made through the state programming process, with the Commission selecting projects for bonding that are major improvements to corridors and gateways for interregional travel and goods movement.

The STIP guidelines specified that the Commission might select projects proposed in either an RTIP or ITIP for accelerated construction through GARVEE bonding and that, with the agreement of the regional agency or Department, the Commission might designate a proposed project for bonding even if the original RTIP or ITIP did not specify bonding. The Commission might also select projects programmed in the State Highway Operation and Protection Program (SHOPP).

The guidelines expanded upon the financial policy by indicating that the selection would include major improvements, "especially projects that promote economic development and projects that are too large to be programmed within current county and interregional shares or the SHOPP on a pay-as-you go basis." The selection would not be dependent upon a local agency providing the non-Federal match. The match would come on a pay-as-you-go basis from the STIP or SHOPP.

The guidelines also laid out the Commission's expectations for the 2004 STIP and future bond issuances. Bond issuances are anticipated no more frequently than once each year, with debt service for each bond structured for debt service over a term of no more than 12 years. For the 2004 STIP and the SHOPP, the Commission intends to consider GARVEE bonding at a level up to 2/3 of its policy limit. That is a potential debt service total of about $240 million per year, which translates into a potential capital cost of about $2 billion. This would include projects scheduled for delivery at any time during the five-year STIP period, through 2008-09. The actual bonding level will depend on the selection of projects appropriate for bonding, the timing of project delivery, and the availability of pay-as-you-go funding.

Planning, Programming, and Monitoring (PPM)

Under state programming law, a regional agency may request and receive a portion of its county share for project planning, programming, and monitoring (PPM). For agencies receiving Federal metropolitan planning funds, the limit is 1% of the county share. For others, it is 5% of the county share. Because county shares were revised steeply downwards in the 2004 STIP fund estimate, 16 counties will need to lower their requests for PPM funding in the 2004 STIP. For the 2002 STIP, the estimate of all county shares for the three years from 2004-05 through 2006-07 was $2.709 billion. For the 2004 STIP, the revised estimate for all four years from 2004-05 through 2008-09 is $1.826 billion. That is a drop from $903 million per year to $456 million per year, a reduction of nearly 50%. Not all counties are affected because not all counties were requesting PPM amounts close to the statutory limit. Three counties are affected more because they had been anticipating a larger share for 2007-08 in the 2004 STIP. One of the 16 counties, Madera, and one other county, Kings, will need to lower their requests for PPM funding because they now qualify for Federal metropolitan transportation planning funds.

…16 counties will need to lower their requests for PPM funding in the 2004 STIP.

The counties with required annual reductions in PPM programming are Madera (87%), San Mateo (76%), Fresno (58%), Orange (56%), Tuolumne (50%), Santa Clara (49%), Nevada (49%), Merced (38%), Mono (36%), Madera (35%), San Diego (30%), Alpine/Amador/Calaveras (29%), Kings (29%), Monterey (17%), Butte (11%), and Sacramento (3%).

Transportation Enhancement (TE) Projects

The one major opportunity for programming new STIP projects in all fiscal years is for projects eligible for Federal Transportation Enhancement (TE) funds. Under Federal law, a portion of each state's transportation apportionments must be used for TE-eligible projects. Eligible projects include: pedestrian and bicycle facilities; acquisition of scenic easements and scenic or historic sites; landscaping and other scenic beautification; historic preservation; rehabilitation of historic transportation buildings, structures, or facilities; preservation of abandoned railway corridors for conversion to pedestrian or bicycle trails; control and removal of outdoor advertising; archaeological planning and research; mitigation of water pollution due to highway runoff; and transportation museums.

The one major opportunity for programming new STIP projects in all fiscal years is for projects eligible for Federal Transportation Enhancement (TE) funds.

Until this year, Federal TE projects were programmed and allocated outside the STIP. After review of the program, the Commission acted in August 2003 to integrate TE funding into the STIP with the aim of promoting more effective use of the funds.

The fund estimate provides separate targets for TE-eligible projects, with funding available in all years of the STIP:

2004 STIP TE Targets
($ in millions)

Fiscal Year	2004 STIP
2004-05	$ 127.1
2005-06	67.8
2006-07	69.2
2007-08	70.5
2008-09	72.0
Total	**$ 406.6**

The target for the first year is as large as it is because it includes the Federal TE apportionment for 2003-04. The fund estimate provides annual TE targets for each county and for the interregional share to guide development of the RTIPs and ITIP. However, the Commission expects to be able to fund all proposed TE-eligible projects in the year they are proposed for delivery, regardless of the targets. The Commission guidelines permit RTIPs to propose the programming of annual TE reserves, with individual projects to be identified after adoption of the STIP.

ISSUES FOR 2004

Outlook for the Traffic Congestion Relief Program

On November 25, 2003, in connection with a $1.9 billion budget reduction package, the Governor proposed legislation to repeal the Traffic Congestion Relief Program (TCRP) and to end all of its funding, including funding for allocations already approved. This program, with its history of promises never fulfilled, has always faced an unstable and uncertain future. Now even the means for bringing the program to an end is a matter of uncertainty. Proposition 42 (2002) provided a constitutional guarantee for the TCRP and its funding, subject to year-by-year suspension by the Legislature. The future of the TCRP will rest with the Legislature and perhaps with the voters. It is unclear what other transportation provisions, if any, might be included in a constitutional amendment proposed to repeal the program.

…the Governor proposed legislation to repeal the Traffic Congestion Relief Program (TCRP) and to end all of its funding, including funding for allocations already approved.

The TCRP consists of the 141 specific projects that were designated by the Governor and Legislature for $4.9 billion in the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). The program is funded through the Traffic Congestion Relief Fund (TCRF), which was created by the TCR Act for that purpose. The TCRP was scheduled to be funded through the TCRF with:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenue.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF), originally scheduled in statute over the years from 2001-02 through 2005-06, and now scheduled from 2003-04 through 2007-08. The transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year. The TIF, also created by the TCR Act, was to derive its revenues from the sales tax on gasoline, at first beginning in 2001-02, and then postponed to begin in 2003-04. Additionally, the TIF is to provide revenue directly to the State Transportation Improvement Program (STIP), to a subvention program for local streets and roads, and to the Public Transportation Account for (PTA) transit-related purposes.

The original TCRP commitment was for $4.9 billion to be funded entirely from the General Fund and gasoline sales tax. To date, progress on TCRP projects has been slowed by the continuing uncertainty over program funding. Most of the state funds expended to date on the TCRP have actually come from funds diverted from the STIP.

Most of the state funds expended to date on the TCRP have actually come from funds diverted from the STIP.

Program Status

By November 2003:

- The California Transportation Commission had approved \$3.841 billion in TCRP project applications, including at least one application for each of the 141 designated projects. An application defines the scope, cost, and schedule of a particular project or project phase. Application approval is equivalent to project programming and generally includes project expenditures planned for future years.
- Of the \$3.841 billion in application approvals, the Commission had approved \$1.494 billion in project allocations. An allocation encumbers state funding for a particular project or project phase.
- Of the amount allocated, \$843.7 million had been expended and invoiced.

The Commission has not made any new project allocations since December 2002, when it became evident that TCRF revenues might not be sufficient to fund the TCRP allocations that had already been approved…

The Commission has not made any new project allocations since December 2002, when it became evident that TCRF revenues might not be sufficient to fund the TCRP allocations that had already been approved, much less to fund additional allocations. At that point, the Governor had proposed to suspend General Fund transfers to the TIF, and thus TIF transfers to the TCRF, to help close the General Fund deficit. In the 2003-04 Budget, the Governor and Legislature did suspend most of the scheduled TIF transfer, providing only enough to continue funding existing TCRP allocations.

Program Challenges and Opportunities

Even if the TCRP is not repealed outright, the funding outlook for the TCRP in 2004 and later years will depend entirely on whether or not the Governor and Legislature decide to suspend scheduled transfers and whether and when \$1.383 billion in scheduled General Fund repayments are made to the TCRF. The October 2003 projections of resources and expenditures are displayed in the tables at the end of this chapter. As the first table indicates, funding for the STIP also depends on whether the TCRF makes scheduled repayments of \$739 million in STIP funds (the State Highway Account (SHA) and the Public Transportation Account (PTA).

The continuing uncertainty in TCRF funding makes it difficult…to plan, program, and implement TCRP projects.

The continuing uncertainty in TCRF funding makes it difficult for the Commission, the Department, regional agencies, and local implementing agencies to plan, program, and implement TCRP projects. The delivery outlook for TCRP projects depends largely on the confidence of implementing agencies that scheduled transfers and repayments to the TCRF will actually occur. The continuing postponements and suspensions of TIF and TCRF transfers, the suspensions of TCRP project allocations, and the threat that current allocations might not be reimbursed have all worked to erode that confidence. For most projects, the TCRP commitment provides only a portion of the project's cost, requiring that a funding package be assembled that includes other sources. In many cases, project delivery depends on the willingness and ability of an individual agency to provide other funding sources to keep a project alive and moving.

For 2003-04, the General Fund transfer to the TIF was partially suspended and limited to $289 million. Of that amount, $189 million was transferred to the TCRF to cover expenditures for TCRP projects that already been allocated. The other $100 million was directed to the partial repayment of prior loans to the TCRF from the State Highway Account (SHA). The $189 million brought the total cumulative TCRF revenues to $1.24 billion, against a total of $1.494 billion in Commission TCRP allocations to date. Thus another $254 million in future TCRF funding would be needed to fully fund existing allocations.

An October 2003 survey of regional agencies provided estimated expenditures for all current and future TCRP allocations, assuming that the Commission is able to resume making allocations in July 2004. The analysis indicates that TCRP funding would be adequately provided for if TIF and TCRF transfers and TCRF loan repayments were to proceed as scheduled. It indicates that the repayment of STIP funds will depend on the repayment of the General Fund loan from the TCRF. It also indicates that the resumption of allocations in 2004-05 would have to rely on the assumption that the Legislature will permit the scheduled transfers and loan repayments in later years.

The history of suspended transfers and TCRF loans indicates that the TCRF has become a vulnerable and unreliable source of project funding. Generally, the projects that are proceeding are those sponsored by agencies that are the least reliant on TCRF funding for reimbursement. As of December 2003, the Commission had approved $269 million in TCRP letters of no prejudice (LONP). With an LONP, a local agency may expend its own funds on a project, without an allocation, and retain eligibility for reimbursement if sufficient TCRF funding becomes available. Other agencies have proceeded with TCRP projects using STIP funds, hoping to recover the TCRF funding at a later date. At the same time, the Commission is holding $155.7 million in pending allocations, waiting for assurance that funding will be sufficient to proceed with them. Without some assurance that funding will become available, it is likely that some TCRP projects will be further delayed or dropped altogether.

The history of suspended transfers and TCRF loans indicates that the TCRF has become a vulnerable and unreliable source of project funding.

The Governor's proposed mid-year $1.9 billion budget reduction issued on November 25, 2003, would rescind the 2003-04

$189 million General Fund transfer to the TIF and TCRF that was intended to fund existing allocations. If this rescission is approved, the Department will be forced to cease payment of project reimbursements for existing TCRP project allocations.

TRAFFIC CONGESTION RELIEF PROGRAM
October 2003 Biannual Progress Report
Resources Available
($ in millions)

	Prior	Current	Future Years					
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
General Funds (GF) - FY 2000-01 funds	1,595							
Prop 42 / TIF revenue	0	678	678	678	678	602		
Prop 42 / TIF suspensions - TDIF repayment	0	(389)					389	
TCR FUND / General Fund Loans	(1,383)			1,383				
TCR FUND / State Highway Account (SHA) Loans	474	(100)			(374)			
SHA funding for Caltrans Capital Support	90				(90)			
TCR FUND / Public Transportation Account (PTA) Loans	275					(275)		

Footnote:
1. Loan repayment assumed to be on the statutorily defined due dates, i.e., no early repayment of loans.

TRAFFIC CONGESTION RELIEF PROGRAM
October 2003 Biannual Progress Report
Estimated Expenditures
($ in millions)

	Prior	Current	Future Years					
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Beyond
Existing Allocations	674	501	231	59	26	3	0	0
New Allocations	0	0	240	544	670	461	387	306
Approved / Planned Letters of No Prejudice	0	0	95	148	171	151	189	53

Footnote:
1. Expenditures for new allocations assume that TCR Fund Allocations resume in July 2004.

2. Reimbursements for Letters of No Prejudice occur as a lump sum payment upon completion of work.

ISSUES FOR 2004

Structural Reform of Transportation Finance

The current crisis in transportation funding, part of the larger state budget crisis, has exposed the need and created the opportunity for a major restructuring of transportation finance in California. That restructuring should address both the sources of revenue applied to transportation and the relationship of the state budget process to performance and accountability for delivery of the program.

Restructuring of Transportation Revenue

The present dismal funding outlook for state transportation programs, although associated with the larger current state budget crisis, is also afflicted by other significant challenges facing transportation officials throughout America. The California State Auditor found that the pattern of loans and transfers authorized over the past three state budget cycles from the State Highway Account (SHA) and Traffic Congestion Relief (TCR) Act to the General Fund left the Department of Transportation vulnerable to unanticipated revenue declines to the degree that the Commission will allocate almost $3 billion less for State Transportation Improvement Program (STIP) projects through 2003-04 and has halted any new Traffic Congestion Relief Program (TCRP) allocations. The purchasing power of fuel taxes in California and throughout the nation has declined dramatically over the past four decades. Combined with a contemporaneous rise in vehicle fuel economy, this means that transportation revenue on a per mile basis has declined over the same period.

…the long-term maintenance and development of the state's transportation system must be financed by a stable and predictable suite of funding sources.

The long-term maintenance and development of the state's transportation system must be financed by a stable and predictable suite of funding sources. The volatility that has characterized transportation funding in California for the past three years does not provide the long-range reliability required for the planning and implementation of projects that require years to develop. The promise of a significant and stable funding base that the TCR Act and Proposition 42 offered when enacted has failed to materialize. The California Transportation Commission is concerned that when the state economic fortunes improve, the state's policy makers may find that needs in other program areas may be too great to avoid tapping into the dedicated gasoline sales tax revenues under Proposition 42; thus undermining the long-range reliability that the state transportation program desperately needs.

The vulnerability identified by the State Auditor due to the postponements, loans and suspensions of the last three years, combined with the more recent 2003-04 mid-year budget reduction proposal, mean that the state will likely confront an ultimate reduction in future transportation investments. Because of the growing obligation that the General Fund has to transportation programs, a real concern exists that little or none of the funds scheduled for repayment may materialize. The policy contest between honoring the General Fund repayment obligations and meeting other state program needs could well require policy makers to confront unpalatable choices ranging from new taxes to reductions in other programs to ensure the financial viability of transportation funding.

Historically, California's state transportation program has relied most heavily on fuel taxes and commercial vehicle weight fees, with inviolable protections built into Article XIX of the California Constitution.

In order to meet the state's growing needs for maintaining, rebuilding, and improving transportation, California needs a transportation financing structure that guarantees a stable and reliable source of funding across the years, preferably a structure under which revenues can rise with construction costs and needs. Historically, California's state transportation program has relied most heavily on fuel taxes and commercial vehicle weight fees, with inviolable protections built into Article XIX of the California Constitution. When revenues from these state sources failed to keep pace with needs in the 1980's, 17 counties representing 85% of the state's population enacted local transportation sales tax measures. The revenues from the local measures were protected from other uses by the terms of their statutory authority, the terms of the local ordinances enacted by the voters, and the terms of bond covenants.

Proposition 42 also promised an important though modest increase in funding for local road rehabilitation, where [there is] an unfunded backlog of over $10 billion in needs…

Proposition 42 promised a boost in state transportation funding that was much needed, even if relatively modest. It promised about $1.4 billion per year, roughly equivalent to a fuel tax of eight cents per gallon. With half of the revenue in future years dedicated to the STIP, it would have allowed the STIP to be maintained at levels roughly equal to earlier years. The new revenue would have mostly made up for growing rehabilitation needs on the state highway system, growth in travel, and the steadily declining revenue per mile from the existing per-gallon gasoline tax. In fact, the 2004 STIP fund estimate indicates that 75% of the funding for the new STIP would come from sales tax revenues. Proposition 42 also promised an important though modest increase in funding for local road rehabilitation, where the Commission's SR 8 study of 1999 reported an unfunded backlog of over $10 billion in needs, growing at an annual rate of $400 million per year.

While increasing fuel taxes, with their Article XIX protection, may be the simplest means for funding the state transportation program, there are other options that might be considered. The constitution could be amended to afford the gasoline sales tax the same protections now provided the per-gallon tax under Article XIX, although that would likely lead to one of the first two options described above, an increase in other taxes or cuts in other programs. The state could explore new means of tolling highways and bonding against toll revenues. A gasoline tax increase could be implemented directly by the Legislature or conditioned upon voter approval (as was done with Proposition 111 in 1990). Fuel tax increases could be enacted incrementally or indexed. The Commission is not recommending any one particular means to the Legislature. The Commission does, however, urgently recommend that the Legislature take some action that will assure a steady and reliable structure for the multiyear financing of transportation capital improvements in California, including the rehabilitation and reconstruction of existing facilities.

To the extent that these [local sales tax] measures cannot be renewed… there will be an even greater need and pressure to provide an alternative transportation funding source…

The pending expiration of local sales tax measures presents another challenge. All but two of these were enacted prior to the implementation of the two-thirds vote requirement for local transportation sales taxes. Over the last two decades, only 6 of the 51 measures proposed were approved by a two-thirds vote, and only 2 of the 7 since the two-thirds requirement came into effect. Of the 17 counties that have enacted measures, one has expired and not been renewed, while 9 more are set to expire by 2010. Because the counties have used their measures to bond against future revenues, the impact of losing a measure is felt several years before expiration. To the extent that these measures cannot be renewed in their present form, there will be even greater need and greater pressure to provide an alternative transportation funding source at the state level. One means of doing this would be to enact a statewide ½-cent local sales tax to replace the various measures, perhaps similar to the existing statewide ¼-cent local tax for local transit under the Transportation Development Act. This would provide revenue roughly equivalent to a sixteen cent per gallon fuel tax.

<u>Performance and Accountability in Transportation Budgeting</u>

…the uncertainties and constraints imposed by an annual budget cycle and the imposition of rules intended for the operation of General Fund agencies add costs and time to an already lengthy process.

The current state transportation budgeting system involves no measurement of project delivery and management performance, discourages innovation to achieve performance goals, and diffuses program accountability. Because of the length of time required to develop transportation capital projects and bring them to fruition, the uncertainties and constraints imposed by an annual budget cycle and the imposition of rules intended for the operation of General Fund agencies add costs and time to an already lengthy process.

Transportation policy and decision-making are seriously handicapped by this focus on annual budgets without attention to consequences for performance and results. The ordinary budgeting process, based on a review of year-to-year adjustments, impairs the ability of policymakers and managers to impose or adapt to new priorities. Transportation financing and budgeting should be focused instead on results and ensuring accountability for achieving results.

The Commission recommends that the Legislature reform the budget process as it applies to the transportation capital improvement program and support for the capital program. Without compromising Legislative oversight and authority, the focus of the process should be shifted from the minutiae of budget control numbers to performance-based objectives, from annual budget change increments to multiyear program goals. Performance budget contracts based on program outcomes should replace the focus on positions, classifications, and dollars by fund source. These and other budget controls take away the flexibility to respond to changing program priorities and opportunities to deliver the program more effectively. Under the current process, key decisions affecting the delivery of the capital program are too often driven by control agency staff, with too little consultation and involvement of policy makers at the Commission, in the Administration, or from the Legislature itself. Those budget decisions should instead be focused on the performance goals and outcomes adopted by the Commission through the transportation programming process created by the Legislature.

Without compromising Legislative oversight and authority, the focus of the process should be shifted from the minutiae of budget control numbers to performance-based objectives, from annual budget change increments to multiyear program goals.

ISSUES FOR 2004

Goods Movement

Goods movement in California is served by a multimodal network of highways, rail lines, seaports, airports, pipelines, intermodal terminals and international border crossings. The efficient movement of goods through this network is essential to the state's prosperity. The development of the state's freight transportation infrastructure and gateway facilities, however, has not kept pace with economic and trade growth. The result has been an increase in freight transportation costs, along with increases in congestion, delays, and accidents. This deficiency in the transportation system threatens to grow much worse as the increasing emphasis on just-in-time production and inventory, the growth in research, manufacturing and retailing industries, and the expanded role of e-commerce create greater demands for goods movement.

California's geographic location makes it an important portal for the nation's imports and exports and places extraordinary burdens on the state's transportation infrastructure.

California's geographic location makes it an important portal for the nation's imports and exports and places extraordinary burdens on the state's transportation infrastructure. As a case in point, in 2000:

- Almost \$440 billion in internationally traded goods flowed through California.
- More than one in seven California jobs was tied to international trade.
- More than \$49 billion in exports passed through California on their way from other mainland states to their ultimate destinations.
- About \$248 billion in imports entered the United States through California for ultimate use in other states.
- The value of goods transshipped through California to and from other states exceeded the value of goods between California and other states by \$177 billion.

The Long Beach and Los Angeles Port Complex is the largest in the nation and the third largest in the world, alone handling close to 45% of the nation's freight traffic. It handles 80% of the goods and 45% of the containers coming into the country from the Pacific Rim.

The major issue at California's seaports today is the truck delay caused by road congestion, wait and turnaround times at the ports, limited warehouse pickup and delivery times, restrictions on hours of operation, and lack of adequate truck parking. Yet port container traffic is expected to triple by 2020.

Truck access is also a critical problem at the state's international airports, along with flight operating constraints and runway and landing use limitations. Air cargo is the fastest growing segment of freight transportation. According to the United States Customs Service, $173 billion in air cargo moved through California's airports in 2000. Air cargo demand is expected to increase at an annual rate of about 6% through 2020.

Rail is the second fastest growing segment of freight transportation. Railroads carried approximately 55.2 million tons of freight on California's 6,300 miles of track during 1999. As demand increases over the next two decades, railroads will face capacity, environmental, emergency access, safety and other community-related problems. The increase in freight traffic will continue to intensify the competition between freight and passenger rail for track time, potentially leading to increased highway congestion and in turn further deteriorating goods movement via truck.

Truck traffic has increased substantially at the Mexican border since the passage of the North American Free Trade Agreement (NAFTA). California's exports to Mexico have grown 192%, reaching $19 billion in 2000, a record for California exports to any country. Although considerable state and Federal resources have been devoted to improving border crossings, California's border with Mexico is experiencing severe congestion from NAFTA-related goods movement, and automobile and truck border crossings are expected to double in the next 20 years.

Failure to address the growing demand for goods movement could have dire impacts on California's ability to remain competitive economically, and it could drastically hamper the state's ability to create new jobs and retain existing businesses. The California Transportation Commission recommends to the Legislature the following measures to address this demand:

Failure to address the growing demand for goods movement could have dire impacts on California's ability to remain competitive economically…

- ***Adopt and implement a strong goods movement program.*** A state goods movement program should align trade and transportation investment policy as part of the California Transportation Plan.

- ***Support multimodal freight transportation initiatives at the state, regional and local levels.*** Capital funding will be needed to improve freight transportation facilities and address the operational needs of freight transportation corridors and gateways. Support should include the adoption and development of new financing strategies to leverage state, local, and private investment.

- ***Support HR 3398, the Goods Movement Projects of National Economic Significance Act.*** On October 29, 2003, Representative Juanita Millender-McDonald (Carson), a member of the House Transportation and Infrastructure Committee and a co-founding member of the Congressional Goods Movement Caucus, introduced HR 3398, known as The Goods Movement Projects of National Economic Significance Act. The legislation aims to address the nation's transportation and economic needs by allocating additional Federal funds for projects that contribute to the overall efficiency of the national transportation infrastructure. It would provide $18 billion over the course of six years to fund transportation infrastructure projects. Of the total amount, $9 billion would be for discretionary programs for state and local governments to plan and build projects critical to the efficient shipment of freight, and the other $9 billion would be for projects determined to be of national economic significance.

- ***Support SB 924, creating the Global Gateways Development Council.*** Senator Betty Karnette (Long Beach) introduced SB 924 in February of 2003 that, if approved by the Legislature and the Governor, would create the Global Gateways Development Council. The purpose of the Council would be to review and collect data and to advise the Legislature, the Department of Transportation, the California Transportation Commission, and regional transportation planning agencies concerning the needs of commercial transportation in California. The activities of the Council would be intended to contribute to maintaining the state's strategic advantage through improved decision-making and prudent and adequate investment. The Council would report annually to the Legislature and the Governor on the condition of California's goods movement transportation system.

2003 ACTIVITY AND ACCOMPLISHMENTS

2003 ACTIVITY AND ACCOMPLISHMENTS

Traffic Congestion Relief Program

The California Transportation Commission made no Traffic Congestion Relief Program (TCRP) project allocations in 2003. The Commission suspended all allocations in December 2002 when the Governor proposed the suspension of $678 million in General Fund transfers scheduled for 2003-04 for the TCRP. When the final Budget was adopted, it transferred only $189 million, enough to continue payments on allocations that had already been made but not enough to support new allocations. Today, there are $155.7 million in project allocation requests on a waiting list. In November 2003, the new Administration proposed to rescind the $189 million transfer for 2003-04 and to repeal the statutory authority for the entire TCRP.

During the year, the Commission took two policy initiatives to assist local agencies with funding of their TCRP projects. One was the approval of letters of no prejudice, permitting a local agency to spend its own funds on a project and still qualify for TCRP funding when and if it becomes available. The other was a cash management policy designed to increase flexibility in the use of funds already allocated.

Background

The TCRP is the $4.9 billion commitment to 141 specific projects designated by the Governor and the Legislature as part of the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). The TCRP is funded through the Traffic Congestion Relief Fund (TCRF), which was created by the TCR Act for that purpose. The TCRP was scheduled to be funded through the TCRF with:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenue.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF), originally over the years from 2001-02 through 2005-06, and now 2003-04 through 2007-08. The transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year. The TIF derives its revenues from the sales tax on gasoline. Additionally, the TIF also provides revenues to the State Transportation Improvement Program (STIP), to a subvention program for local streets and roads, and to the Public Transportation Account (PTA) for transit-related purposes.

Under Proposition 42 (2002), the scheduled General Fund transfers to the TIF may be suspended only upon a declaration by the Governor and with the approval of both houses of the Legislature by a two-thirds vote in a bill separate from the Budget Act.

When the Commission suspended making TCRP allocations in December 2002,

- It had approved $3.841 billion in TCRP project applications, including at least one application for each of the 141 designated projects. An application defines the scope, cost, and schedule of a particular project or project phase. Application approval is equivalent to project programming and generally includes project expenditures planned for future years.

- Of the \$3.841 billion in application approvals, the Commission had approved \$1.494 billion in project allocations. An allocation encumbers state funding for a particular project or project phase.

Last year, the Department of Transportation reported to the Commission that \$397 million of the \$1.494 billion had been expended and invoiced through November 2002. Since that time, another \$447 million has been expended and invoiced, bringing the total to date to \$844 million.

Suspension of Transfer for 2003-04

The Governor's proposed mid-year 2002-03 budget revision included a proposal to suspend the General Fund transfer to the TIF, including all funding for the TCRP, as part of a strategy to resolve the overall state budget shortfall. During the ensuing Special Session, the Legislature requested and the Commission provided, in cooperation with the Department and regional agencies, information regarding projected expenditures, funding sources, schedules, and status for TCRP projects. Though the Legislature took no action on the proposed suspension during the Special Session, the Legislature used this information when it acted to partially suspend the transfer (AB 1750) and to specify that \$189 million be transferred to the TCRF to support allocations already made (AB 1751). Another \$100 million was transferred to partially repay a \$474 million loan to the TCRF from the State Highway Account. These bills also treated the amount of the suspended transfer, \$856 million (including \$389 million for the TCRF) as a loan to be repaid in 2008-09. The loan was accomplished by creating the Transportation Deferred Investment Fund (TDIF) to receive the General Fund repayment in 2008-09 (unprotected by Proposition 42) for use for the original TIF purposes.

TCRP Pending Allocation List

When the Commission stopped approving new TCRP allocations in December 2002, it began placing allocation requests on a pending list. By the December 2003, the TCRP pending list contained 15 project allocation requests for \$155.7 million. The 2003-04 budget did not provide resources that would allow the Commission to resume allocating funds to start additional phases of work. Moreover, the total allocated by the Commission, prior to the suspension of allocations, is \$1.494 billion against resources of \$1.24 billion. An additional appropriation by the Legislature around \$254 million (beyond the \$189 million provided for 2003-04) is required in future fiscal years to fully fund the projects that have already received TCRP allocations.

Letters of No Prejudice

AB 1335 (2001) authorized the Commission to grant a letter of no prejudice (LONP) for a TCRP project, allowing a local agency to expend its own funds on the project and qualify for later reimbursement when and if sufficient cash becomes available in the TCRF. AB 1335 also authorized the Commission to develop guidelines for LONPs. When AB 1335 was enacted, the TCRF had sufficient funding to support all TCRP allocations, and so there was no immediate demand for LONPs. By 2003, the situation had changed dramatically with the suspension of allocations and the suspension of the Proposition 42 transfer.

The Commission took action, in cooperation with the Department and regional and local agencies, to develop LONP guidelines and adopted them on August 14, 2003. At that time, the Commission reminded local agencies requesting LONPs that they proceed at their own risk because reimbursement is wholly dependent upon the availability of TCRF funding. Despite the risk, a number of local agencies found their TCRP projects to be of sufficiently high priority to proceed with local funds. As of December 2003, the Commission had approved ten LONP requests from six agencies totaling $269 million. From responses to the October 2003 biannual survey of lead agencies, the Commission expects an additional $538 million in future LONP requests, resulting in an overall total of $807 million.

Cash Management Policy

In September 2003, the Commission adopted a TCRP cash management policy to deal with the scarce resources available for 2003-04. The policy allows the Commission and lead agencies to shift available unexpended TCRP funds, due to changes in overall cash flow projections, from one project to another. The proposed shift in available funds would not jeopardize a project's eligibility for existing and future TCRP allocations up to the full amount each project is permitted. The Commission would decide whether a lead agency would be allowed to shift an existing allocation from one project to another so that a project that can be more readily delivered in a severely constrained fiscal environment can go forward.

In implementing the TCRP cash management policy, the Commission and stakeholders needed to ascertain how much had been expended for each project in 2003-04 and how much remained. A survey of lead applicant agencies estimated that expenditures would be $492 million versus $566 million in anticipated 2003-04 resources. The $74 million difference represents the amount that could be used under the Commission's TCRP cash management policy to deliver another project phase that is ready to go. The availability of the $74 million assumes that the $189 million appropriated by the Legislature will remain. The Governor has since proposed in the 2003-04 mid-year budget revision to re-direct the $189 million back to the General Fund and to repeal the statutory authority for the TCRP.

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	$ 6,565
1.2	Extend BART from Fremont to Downtown San Jose (Warm Springs to San Jose)	613,567	613,567	45,000	18,977
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	25,000
4	Route 680; northbound HOV lane over Sunol Grade, Santa Clara & Alameda Co.s	60,000	60,000	2,000	553
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, Rte 680 to Rte 880, Santa Clara County	1,000	1,000	1,000	1,000
7.1	CalTrain; expand service to Gilroy (2nd main track-- Tamien & Lick)	22,000	22,000	22,000	9,102
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	5,914
9.1	Capitol Corridor; improve, Oakland-San Jose (Harder Road undercrossing)	600	600	600	600
9.2	Capitol Corridor; improve between Oakland and San Jose (Emeryville station)	4,900	1,975	1,975	164
9.3	Capitol Corridor; improve between Oakland and San Jose (Jack London Sq station)	0	0	0	0
9.4	Capitol Corridor; improve between Oakland and San Jose (track improvements)	19,500	19,500	19,500	2,512
10	Regional Express Bus; low-emission buses for services on HOV lanes, SF Bay Area	40,000	40,000	40,000	39,027
11	San Francisco Bay Southern Crossing; feasibility and financial studies	5,000	5,000	3,200	3,093
12.1	Bay Area Transit Connectivity: I-580 Corridor study and improvements	7,000	2,000	2,000	2,000
12.2	Bay Area Transit Connectivity: Hercules Rail Station study and improvements	3,000	100	100	100
12.3	Bay Area Transit Connectivity: Route 4 Corridor study and improvements	7,000	2,300	2,300	1,994
13	CalTrain Peninsula Corridor; rolling stock, improvements, San Francisco-San Jose	127,000	127,000	127,000	89,012
14	CalTrain; extension to Salinas in Monterey County	20,000	1,000	1,000	933
15	Route 24, Caldecott Tunnel; add 4th bore tunnel, Alameda & Contra Costa Co.s	20,000	20,000	15,000	2,763
16.1	Route 4 improvements, Contra Costa County (Railroad Rd)	25,000	25,000	25,000	25,000
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	720
18	Rte 101; widen to 6 lanes, Novato to Petaluma (Novato Narrows), Marin & Sonoma	21,000	5,600	5,600	1,488
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 ext.)	126,000	126,000	126,000	71,115
20.2	San Francisco Muni 3rd St Light Rail; extend Chinatown (tunnel); (Central Subway)	14,000	14,000	14,000	0
21	San Francisco Muni Ocean Ave Light Rail; reconstruct to Rte 1 near CSUSF	7,000	7,000	7,000	7,000
22	Rte 101; environmental study for reconstruction of Doyle Dr, San Francisco	15,000	3,000	3,000	2,227
23	CalTrain; grade separations at Poplar, 25th, and Linden, San Mateo County	15,000	1,000	1,000	291
24	Vallejo Baylink Ferry; acquire low-emission ferryboats to expand Vallejo-SF service	5,000	5,000	5,000	4,354
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	1,336
25.3	I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7	9,000	9,000	9,000	1,921
26	ACE Commuter Rail; add siding on UPRR line in Livermore Valley in Alameda Co.	1,000	1,000	0	0
27.1	Vasco Rd, Alameda & Contra Costa (Vasco Rd re-alignment)	6,500	150	150	150
27.2	Vasco Rd, Alameda & Contra Costa (Vasco Rd ACE parking)	3,000	3,000	1,796	173
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	134
30	Commuter rail service, Cloverdale to San Rafael & Larkspur, Marin-Sonoma	37,000	7,700	7,700	2,743

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
31	Route 580; HOV lanes, Tassajara Rd/Santa Rita Rd to Vasco Rd in Alameda County	25,000	25,000	7,000	2,352
32.1	North Coast Railroad; defray administrative costs	1,000	1,000	1,000	1,000
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	824
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	0	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	4,850
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	389	264
36	Los Angeles Eastside Transit Extension; new light rail line in East Los Angeles	236,000	236,000	45,000	40,421
37.1	Los Angeles Mid-City Transit Improvements; Wilshire Bus Rapid Transit	186900	81,800	6,200	3,012
37.2	Los Angeles Mid-City Transit Improvements; Mid-City/Exposition Light Rail Transit	69100	25,000	11,000	2,427
38.1	Los Angeles-San Fernando Valley Transit Extension; East-West Bus Rapid Transit	145,000	145,000	47,000	21,197
38.2	Los Angeles-San Fernando Valley Transit Extension; North-South bus transit	100,000	2,000	2,000	1,152
39	Route 405; NB HOV lane over Sepulveda Pass, Rte 10 to Rte 101 in Los Angeles	90,000	15,000	15,000	4,426
40	Route 10; add HOV lanes over Kellogg Hill, near Pomona in Los Angeles County	90,000	33,100	12,100	759
41.1	Route 5; HOV lanes through San Fernando Valley (Segment 1, Rte 118 to Rte 14)	40175	40,175	2,749	1,140
41.2	Route 5; HOV lanes through San Fernando Valley (Segment 2, Rte 170 to Rte 118)	9825	9,825	9,825	357
42.1	Route 5; widen to 10 lanes in LA Co. (Segment A, Orange County to Rte 605)	109,000	109,000	6,000	892
42.2	Route 5; widen to 10 lanes in LA Co. (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	12993
45	Rte 710; Gateway Corridor Study, Los Angeles County	2,000	2,000	2,000	2,000
46	Route 1; reconstruct intersection at Route 107 in Torrance, Los Angeles County	2,000	2,000	700	817
47	Route 101; California Street off-ramp in Ventura County	15,000	620	620	633
48	Route 101; corridor study, Route 170 (Los Angeles) to Route 23 (Thousand Oaks)	3,000	3,000	3,000	1,899
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 Co.	30,000	11,800	11,800	4062
51	Route 101/405; add aux. lane & widen ramp through interchange, Sherman Oaks	21,000	8,200	8,200	6899
52	Route 405; HOV & aux. 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	15,500	15,500	4513
54.1	Alameda Corridor East; grade separations, Los Angeles County	130,300	130,300	61,573	5533
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	959
55.2	Alameda Corridor East; grade separations, San Bernardino County (Ontario)	34,178	700	700	557
55.3	Alameda Corridor East; grade separations, San Bernardino County (SANBAG)	42,022	34,060	8,610	1784
56	Metrolink; track & signal improvements, San Bernardino Line, San Bernardino Co.	15,000	15,000	15,000	12,678

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
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	1,110
59	Route 10; Live Oak Canyon Interchange, Yucaipa, San Bernardino County	11,000	11,000	2,868	2,306
60	Route 15; southbound truck climbing lane at 2 locations in San Bernardino Co.	10,000	955	955	801
61	Route 10; reconstruct Apache Trail Interchange east of Banning in Riverside Co.	30,000	3,900	1,900	1,206
62	Route 91; HOV lanes through downtown Riverside (Mary St to University Av)	20,000	15,700	3,700	882
62.1	Route 91; HOV lanes through downtown Riverside (University Av to Route 60/215)	20,000	20,000	3,000	808
63	Route 60; add 7 miles of HOV lanes west of Riverside, Rte 15 to Valley Way	25,000	4,000	4,000	3,407
64.1	Route 91; Green River interchange, ramp to northbound Route 71 in Riverside Co.	5,000	590	0	0
70.1	Route 22; HOV lanes, Route 405 to Route 55 in Orange County (Soundwall)	16,800	16,800	16,800	17,670
70.2	Route 22; HOV lanes, Route 405 to Route 55 in Orange County (design/build HOV)	189,700	189,700	66,000	18,629
73	Alameda Corridor East; (Orangethorpe Corridor) grade separations in Orange Co.	28,000	28,000	16,200	16,032
74.1	Pacific Surfliner; within San Diego Co. (Oceanside double tracking)	6,000	6,000	500	389
74.2	Pacific Surfliner; within San Diego Co. (LOSSAN Corridor EIS/EIR)	15,262	2,498	2,498	2,498
74.3	Pacific Surfliner; within San Diego Co. (maintenance yard)	20,552	0	0	0
74.4	Pacific Surfliner; within San Diego Co. (track & signal improvement at Fallbrook)	450	450	450	450
74.5	Pacific Surfliner; within San Diego Co. (Encinitas passing track)	3,288	3,288	0	0
74.6	Pacific Surfliner; within San Diego Co. (Leucadia Boulevard Grade Separation)	200	200	0	0
74.7	Pacific Surfliner; within San Diego Co. (Encinitas Grade-Sep. Pedestrian Crossing	1248	1248	0	0
75.1	San Diego Transit Buses; low-emission buses (MTDB)	21,000	21,000	21,000	3,234
75.2	San Diego Transit Buses; low-emission buses (NCTD)	9,000	9,000	1,300	844
76	Coaster Commuter Rail; train set to expand commuter rail in San Diego County	1,620	1,620	1,620	1,620
76.1	Coaster Commuter Rail; train set to expand commuter rail in San Diego County	12,380	12,380	12,380	11,521
77	Route 94; environmental studies, downtown San Diego to Rte. 125 in Lemon Grove	20,000	4,000	4,000	1,110
78	East Village access; access to light rail from East Village, San Diego County.	15,000	15,000	15,000	461
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 btw. San Diego and Oceanside	5,000	3,784	3,784	3,479
82.1	Routes 5/805; reconstruct and widen freeway interchange in San Diego County	19,000	19,000	19,000	2,788
82.2	Routes 5/805; reconstruct and widen freeway interchange in San Diego County	6,000	6,000	0	0
83.1	Route 15; managed lane project north of San Diego (Stage 1) (Transit elements)	28,800	28,800	5,700	5,500
83.2	Route 15; managed lane project north of San Diego (Stage 1) (Freeway elements)	41,200	41,200	34,300	28,749
84	Route 52; build 4 miles of new 6-lane freeway to Santee, San Diego County	45,000	45,000	25,000	24,764
85	Route 56; new freeway between I-5 and I-15 in the City of San Diego	25,000	25,000	21,570	13,960
86	Rte 905; new 6-lane freeway on Otay Mesa, Rte 805 to Mexico Port of Entry	25,000	25,000	25,000	7,513
87.1	Routes 94/125; connector ramps in Lemon Grove in San Diego County (interim)	1,271	1,271	1,271	774
87.2	Routes 94/125; connector ramps in Lemon Grove in San Diego County (ultimate)	58,729	1,700	1,700	842
88	Route 5; realign at Virginia Av, approaching San Ysidro Port of Entry to Mexico	10,000	600	600	120
89	Route 99; improve Shaw Avenue interchange in northern Fresno	5,000	1,600	1,600	623
90	Route 99; widen freeway to 6 lanes, Kingsburg to Selma in Fresno County	20,000	3,860	3,860	2,849
91	Route 180; new expressway, Clovis Ave to Temperance Ave in Fresno County	20,000	20,000	12,561	9,788
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 Co.	7,000	7,000	7,000	1,573
94	Route 43; widen to 4-lane expressway, Kings County Line to Rte 99 in Fresno Co.	5,000	2,600	2,600	522
95	Route 41; improvements at Friant Road interchange in Fresno	10,000	10,000	1,930	1,470

Traffic Congestion Relief Program Funds
($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
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	2,096
97.1	Operational improvements near California State University at Fresno (City of Clovis)	1,850	1,850	1,385	1,305
97.2	Operational improvements near California State University at Fresno (City of Fresno)	6,050	6,050	518	295
98	Peach Ave; widen to 4 lanes, pedestrian overcrossings for 3 schools, Fresno County	10,000	10,000	600	197
99.1	San Joaquin Corridor; improve track and signals (Calwa to Bowles)	3,000	3,000	3,000	3,000
99.2	San Joaquin Corridor; improve track and signals (Stockton to Escalon)	12,000	7,000	0	0
100	San Joaquin Valley 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	3,000
102.1	State Street smart corridor, Santa Barbara County (Outer State St signal system)	400	400	400	267
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	1,186
104	Route 99; 6-lane freeway south of Merced, Buchanan Hollow Rd to Healey Rd	5,000	5,000	5,000	12
105	Route 99; 6-lane freeway, Madera County Line to Buchanan Hollow Rd, Merced Co.	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	235
109	Route 132; 4-lane expressway in Modesto, Dakota Avenue to Route 99 interchange	12,000	12,000	608	608
110	Route 132; 4-lane expressway, Route 33 to San Joaquin-Stanislaus County Line	2,000	500	500	453
111	Route 198; 4-lane expressway from Route 99 to Hanford in Kings & Tulare Co.s	14,000	853	853	423
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 Co.	30,000	300	300	300
114	Route 65; improvements, studies, Route 99 to Tulare County Line in Kern County	12,000	1,674	376	375
115	South Line Light Rail; extend 3 miles towards Elk Grove, Sacramento County	70,000	4,000	4,000	2,953
116	Route 80 Light Rail Corridor; double-track for express service, Sacramento County	25,000	7,900	3,900	2,370
117	Folsom Light Rail; extend to Amtrak Depot and to Folsom, Sacramento County	20,000	20,000	20,000	20,000
118	Sacramento Clean Air/Transportation Plan; reduce diesel engine emissions	50,000	50,000	31,500	31,500
119.1	Low emission 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	1,773
121	Metropolitan Bakersfield System Study; to reduce congestion - City of Bakersfield	350	350	350	350
122	Route 65; widening project from 7th Standard Road to Route 190 in Porterville	3,500	3,500	2,200	1,064
123	Oceanside Transit Center; parking structure	1,500	1,500	910	849
126	Route 50/Watt Avenue interchange; widening, modifications	7,000	720	720	15
127	Route 85/Route 87; interchange completion, San Jose	3,500	3,500	3,500	3,500
128	Airport Road; reconstruction and intersection improvement project, Shasta County	3,000	233	47	33
129	Route 62; traffic and pedestrian safety & utility undergrounding project, Yucca Valley	3,200	3,200	150	84
133	Feasibility studies, grade separations, UPRR at Elk Grove Blvd and Bond Road	150	150	150	147
134	Route 50/Sunrise Boulevard; interchange modifications	3,000	3,000	3,000	2,734
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	4,000
139.1	Balboa Park BART Station; phase I expansion (BART Segment 1)	5,460	5,460	5,460	3,242
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	1,118
141	Union City; pedestrian bridge over Union Pacific rail lines	2,000	2,000	120	120
142	West Hollywood; repair, maintenance, and mitigation of Santa Monica Boulevard	2,000	2,000	2,000	2,000

Traffic Congestion Relief Program Funds

($ in thousands)

#	Project Description	Eligible	Approved	Allocated	Expended
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	4,242
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	1,349
148.2	Route 98; widen to 4 lanes, Route 111 to Route 7 (Encinas Ave. to Meadows Rd)	1,100	1,100	1,100	1,100
149	Low-emission buses for service on Rte. 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	114
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	808
153	Pasadena Blue Line utility relocation	550	550	0	0
154	Route 134/I-5 interchange study	100	100	100	100
156	Seismic retrofit and core segment improvements for the BART system	20,000	20,000	8,470	2,999
157	Route 12; improvements from Route 29 to I-80 through Jamison Canyon	7,000	7,000	4,100	2,229
158.1	Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Mateo)	800	800	800	486
158.2	Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Olympic)	1,200	1,200	605	0
159	Route 101; redesign and construction of Steele Lane interchange	6,000	6,000	0	0
	Totals ($ in thousands):	**$4,908,900**	**$3,841,160**	**$1,493,913**	**$843,650**

Project Numbers correspond to numbering in Government Code Section 14556.40

Commission approvals and allocations are through December 2003.

Expenditures through November 18, 2003 - as reported by the Department.

2003 ACTIVITY AND ACCOMPLISHMENTS

2002 State Transportation Improvement Program (STIP) and State Highway Operation and Protection Program (SHOPP) Allocation Plans

Cash flow shortages in the State Highway Account (SHA) in 2003 forced the California Transportation Commission to cut back on new allocations to projects from the 2002 State Transportation Improvement Program (STIP) and the 2002 State Highway Operation and Protection Program (SHOPP). The Commission adopted short-term allocation plans during 2003 to ration available funding capacity pending the adoption of the next STIP and SHOPP in 2004. In cooperation with regional and local agencies, the Commission also found alternative means of moving some STIP projects forward without immediate state cash.

The cash flow shortages came about because projects were being delivered according to the schedules in the 2002 STIP and SHOPP while funding was falling far short of the amounts assumed in the 2002 STIP fund estimate. As discussed at length in the Commission's 2002 Annual Report to the California Legislature, the shortfall is primarily the result of 3 factors:

- The borrowing of transportation funds to backfill for deficits in the General Fund. (This borrowing continued in the 2003-04 Budget.)
- A reduction in revenues from truck weight fees.
- A reduction from prior assumptions for Federal transportation revenues.

At the Commission's December 2002 meeting, the Department of Transportation (Caltrans) presented a 24-month cash forecast projecting State Highway Account deficits if allocations continued as programmed. Unless projects were delayed, deficits would reach $173 million by June 2003 and $654 million by June 2004. According to the projections, most of the cash expended would be on projects that had already been allocated and were under way. For new allocations, only a fraction of the allocated amount (about 20%, on average) is spent within the first year. This meant that new allocations would have to be cut back by far more than the dollar amounts of the projected deficits in order to avoid deficits. As dire as this forecast was, it did not take into account any additional diversions of transportation funds to the General Fund that were proposed in the Governor's December 6, 2002 Mid-Year Budget Proposal or that would be proposed in the Governor's 2003-04 Budget.

The Commission's response to this forecast was to suspend immediately all new STIP and SHOPP allocations until at least February 2003, except for safety, seismic, and emergency projects. The Commission called a special funding issues workshop with the Department and regional agencies for January 17, 2003, to review the implications of the cash forecasts for the STIP and SHOPP, as well as for the Traffic Congestion Relief Program.

As a result of the January 17 workshop, Commission staff, in cooperation with the Department and regional agencies, began work on an allocation plan to ration the funding that might be available to projects that were programmed and ready. This included the development of an inventory and classification of the STIP and SHOPP projects programmed for 2002-03 and 2003-04, including updated delivery dates, and a set of draft allocation plan criteria.

At the same time, the Commission encouraged regional and local agencies to develop proposals to keep projects moving through the use of AB 3090 arrangements. Under AB 3090, the Commission may approve an amendment to the STIP under which a local agency agrees to advance its own funds to implement a STIP project and in return receives STIP programming either for a replacement project or for a future cash reimbursement.

At its February 27 meeting, the Commission reviewed the Department's cash flow assumptions, extended the suspension of allocations until April, and scheduled a special March 12 meeting to approve an allocation plan. The Commission also approved a set of allocation plan priority criteria and approved a policy for AB 3090 arrangements.

The allocation plan criteria approved on February 27:

- Limited the initial allocation plan to STIP and SHOPP projects that were programmed for 2002-03 and could be delivered by June 2003.
- Gave first priority to SHOPP projects according to Department-identified criteria to be approved by the Commission prior to implementation of the allocation plan.
- Gave first priority among STIP projects to mitigation projects required for construction projects already allocated and to projects at significant risk of losing other funding if not allocated within the fiscal year.
- Among other STIP projects, gave priority first to capacity increasing projects, then to allocations to regional agencies for planning, programming, and monitoring, then to noncapacity projects.
- Within capacity and non-capacity projects, gave priority first to construction projects, then to other components for projects with construction programmed for a later fiscal year.

The AB 3090 policy approved on February 27:

- Encouraged local agencies to use their own funds to advance the delivery of a STIP project when state funds are insufficient to support direct allocations.
- Gave preference to replacement projects rather than direct reimbursements, permitting the local agency to be programmed for an unidentified replacement project, in effect a placeholder, with the specific replacement project to be identified at a later date.

- Limited programming of direct reimbursements to cases where the programming of a replacement project is not practicable or would not serve the intended purpose of advancing the delivery of a project.
- Required, as a condition of any AB 3090 approval, a local agency to commit to the timely delivery of the original project with its own funds.

At the March 12 special meeting, after reviewing an updated cash forecast and the project inventory, the Commission determined that it would have to limit allocations to about $1.8 billion through June 2004. The total program inventory over the same period was about $4.5 billion, including $1.8 billion in SHOPP projects and $2.7 billion in STIP. This allocation amount was divided tentatively into three half-year stages of $600 million each, with each stage to include $400 million for the SHOPP and $200 million for the STIP. Allocations would resume with the April meeting, with the plan subject to review as cash flow projections were revised and updated. The scheduling of allocations for 2004-05 and beyond would be determined through reprogramming in the 2004 STIP.

At the regular April 3 meeting, the Commission modified the allocation plan as part of a strategy to provide greater economic stimulus sooner. The Commission increased the first stage from $600 million to $1 billion, keeping the amount for the SHOPP at $400 million and raising the amount for the STIP to $600 million. The other $800 billion for the SHOPP remained scheduled for 2003-04, implying that there would be no STIP allocations in 2003-04 unless cash flow projections improved. The $1 billion for the remainder of 2002-03 was to be for specific projects and categories identified from the priority lists presented at the April meeting, subject to the projects being delivered in time for allocation at the June 2003 meeting. The Commission placed planning, programming, and monitoring higher on the priority list, just ahead of capacity construction. In June, the Department was to return with an updated cash forecast covering 2003-04. The Department and regions could propose to trade projects, provided that the trades came from within delivered capacity-increasing projects.

The approved STIP allocation plan included all of the projects on the allocation plan priority list through the "capacity, construction" category:

STIP ALLOCATION PLAN PRIORITY LIST
FOR FY 2002-03 PROJECTS
($ in millions)

Allocation Plan Categories	Amount	Cumulative
Required mitigation for projects already allocated	$ 9.5	$ 9.5
Projects at high risk of losing other funding	1.7	11.2
Project planning, programming and monitoring	2.3	13.5
Capacity projects, construction	586.5	600.0
Capacity projects, preconstruction	28.3	628.3
Noncapacity projects, construction	66.4	694.7
Noncapacity projects, preconstruction	8.5	703.2
Total	$ 703.2	

For the SHOPP, the allocation plan included all the projects on the allocation plan priority list through the "pavement rehabilitation" category.

SHOPP ALLOCATION PLAN PRIORITY LIST
FOR FY 2002-03 PROJECTS
($ in millions)

Allocation Plan Categories	Amount	Cumulative
Emergency, safety & seismic	$ 72.7	$ 72.7
Prior commitments & Federal TEA projects	50.3	123.0
Preservation, rehabilitation & restoration		
Damage restoration	40.3	163.3
Bridge rehabilitation	32.0	195.3
Bridge widening	3.4	198.7
Pavement rehabilitation	201.3	400.0
Pavement preservation	23.4	423.4
Betterment & mitigation	22.4	445.8
Operation improvements	40.0	485.8
Office buildings & maintenance facilities	34.4	520.2
FY 2002-03 projects with identified delivery delays	107.5	627.7
Total	$ 627.7	

With the approval of the allocation plan at the April meeting, the Commission immediately allocated $112 million for SHOPP projects and $168 million for STIP projects. By June, the Commission had allocated the full $400 million designated for the SHOPP and about $530 million to cover the STIP projects that were delivered on schedule.

In the meantime, the Commission staff developed STIP and SHOPP allocation plan lists for 2003-04, based generally on the same categories and criteria used for the 2002-03 list. Although these lists were presented at the Commission's August meeting, no action was taken and no allocations were made (other than for safety, seismic and emergency projects) pending further evaluation of cash flow projections and the potential effects of the 2003-04 Budget Act. In September, the Department recommended, on the basis of updated cash flow projections, that allocations not resume until the end of the year. In December, the Department was able to recommend a limited resumption of allocations. The Commission approved $77 million in high-priority SHOPP allocations, and a review of the 2003-04 SHOPP allocation plan was scheduled for January.

At year's end, the STIP allocation plan list for 2003-04 stood at over $1.6 billion, with over $300 million delivered and waiting for funding.

STIP PROJECTS PROGRAMMED FOR ALLOCATION IN FY 2003-04
AND PROJECTS AWAITING FUNDING THROUGH DECEMBER 2003
($ in millions)

Allocation Plan Categories	Total	Delivered
Required mitigation for projects already allocated	$ 11.7	$ 6.9
Projects at high risk of losing other funding	67.2	34.1
Project planning, programming and monitoring	15.7	10.9
Capacity projects, preconstruction for FY 2003-04	10.1	8.7
Capacity projects, construction	1,227.6	168.7
Capacity projects, other preconstruction	55.8	14.0
Noncapacity projects, preconstruction for FY 2003-04	4.7	3.3
Noncapacity projects, construction	136.3	73.5
Noncapacity projects, preconstruction	8.4	6.4
Ridesharing programs	3.6	1.4
Undesignated reserves, RSTP/CMAQ/TEA	3.5	0.0
Total	$1,624.8	$ 327.9

At year's end, the SHOPP allocation plan list for 2003-04 stood at $1.1 billion, with $118.7 million allocated and $274.3 million delivered and waiting for funding.

SHOPP PROJECTS PROGRAMMED FOR ALLOCATION IN FY 2003-04
AND PROJECTS AWAITING FUNDING THROUGH DECEMBER 2003
($ in millions)

Allocation Plan Categories	Total	Allocated	On Pending List	Delivered
Emergency, safety & seismic	$ 272.4	$ 24.9	$ 27.7	$ 52.5
Prior commitments & federal TEA projects	95.2	14.8	11.8	26.6
Preservation, rehabilitation & restoration				
Damage restoration	52.6	14.8	11.6	26.5
Bridge rehabilitation	49.7	6.2	16.8	23.0
Bridge widening	2.3	0.0	0.0	0.0
Pavement rehabilitation & preservation	463.6	58.0	114.7	172.7
Drainage correction	4.2	0.0	0.0	0.0
Betterment & mitigation	45.2	0.0	14.0	14.0
Operation improvements	77.1	0.0	43.2	43.2
Office buildings & maintenance facilities	48.5	0.0	34.5	34.5
Total	$1,110.8	$118.7	$274.3	$393.0

STIP Projects Advanced Using Local Funding

The STIP allocation plan list for 2003-04 and the year-end project waiting list would have been larger had not some regional and local agencies advanced projects by other means. Some local agencies simply gave up waiting for STIP funding, used local funds instead, and allowed the projects to be removed from the STIP. This allowed them to receive STIP share credit for adding other projects in the next STIP. About $8.5 million for 14 projects was removed from the STIP project waiting list in this way.

Other agencies provided local funding for STIP projects through AB 3090 agreements. In 2003, the Commission approved AB 3090 replacements of $142 million for 27 STIP projects in 8 counties. The Commission approved another $244 million in future AB 3090 cash reimbursements for 8 STIP projects in 6 counties. The largest of the

AB 3090 cash reimbursement commitments was $175 million for the Eastside light rail project in Los Angeles County.

Three regional agencies provided local funding that will allow the Commission to fund several major STIP projects through the use of Grant Anticipation (GARVEE) bond proceeds. Under state and Federal law, the Commission is authorized to issue GARVEE bonds, secured by future Federal transportation funds, for qualifying projects. GARVEE bond proceeds, however, can cover only the Federally-funded portion of a project. The non-Federal portion (about 11½%) must be provided on a pay-as-you-go basis from non-Federal funds. Because of the cash crisis, STIP funds were not available to provide the non-Federal match, and the regional agencies stepped in to provide the match.

- The Riverside County Transportation Commission provided $31.3 million in local funds on an AB 3090 cash reimbursement basis plus $10.6 million in CMAQ and local match funding so that the Route 60/91/215 interchange project could proceed using GARVEE bonds. The project had originally been programmed in the STIP for a construction allocation of $193.1 million in 2003-04. The allocation of GARVEE proceeds was for $236.5 million in project costs, plus the costs of issuance and capitalized interest for the first year.
- The Santa Clara Valley Transportation Authority committed $44.7 million in local funds so that the Route 880 Coleman Avenue interchange and two HOV lane projects on Route 87 could proceed using GARVEE bonds. The Route 880 Coleman project had originally been programmed for a construction allocation of $51.1 million in 2003-04. The allocation of GARVEE proceeds was $141.7 million in project costs, plus the costs of issuance and capitalized interest for the first year.
- The Los Angeles Metropolitan Transportation Authority committed $19.0 million in local funds so that three projects, the Route 101/405 connector ramp, the Route 405 auxiliary lane north of Route 10, and the Route 5 HOV lane from Route 118 to Route 14, could proceed using GARVEE bonds. Those projects had originally been programmed for construction allocations of $77.3 million in 2003-04. The allocation of GARVEE proceeds was $77.1 million in project costs, plus the costs of issuance and capitalized interest for the first year.

The Commission also approved GARVEE bonding for the Route 15 managed lanes project in San Diego County. That project had already been programmed for GARVEE bonding in the 2002 STIP, with $39 million programmed in 2003-04 for a direct STIP allocation. The project financing was restructured to eliminate the direct STIP allocation, remove $6.9 million scheduled for a TCRP allocation, and bond for the remaining project costs. The non-Federal match was provided by prior STIP and TCRP expenditures. The allocation of GARVEE proceeds was $183.1 million in project costs, plus the costs of issuance and capitalized interest for the first year.

2003 ACTIVITY AND ACCOMPLISHMENTS

2004 STIP Guidelines and Fund Estimate

The development of the 2004 State Transportation Improvement Program (STIP) began late this year with the Commission's adoption of amendments to the STIP guidelines and adoption of the 2004 STIP fund estimate on December 11, 2003. The Commission had acted earlier in the year to delay the entire schedule for 2004 STIP development by about 4 months because of uncertainties over the effect the state budget and related legislation would have on available funding, as well as continuing uncertainty over the still-pending Federal reauthorization. The following is the revised schedule:

REVISED 2004 STIP DEVELOPMENT SCHEDULE

Caltrans presents draft fund estimate to the CTC.	November 24, 2003.
CTC adopts fund estimate.	December 11, 2003.
Regions submit RTIPs.	By April 12, 2004.
Caltrans submits ITIP.	By April 12, 2004.
CTC STIP hearing, North.	May 12, 2004.
CTC STIP hearing, South.	June 16, 2004.
CTC publishes staff recommendations.	July 15, 2004.
CTC adopts STIP.	August 5, 2004.

The adoption of the Guideline amendments for the new STIP cycle followed a review in October and a hearing in November. In accordance with statute, the Department of Transportation (Caltrans) prepared and presented the draft fund estimate in November, following assumptions that had been reviewed in August and approved in September. Both the fund estimate assumptions and figures were reviewed and revised once again before the December adoption.

2004 Fund Estimate

On December 11, 2003, the Commission adopted the 2004 STIP fund estimate, including estimates of STIP shares and programming targets for each county and the STIP interregional program. The fund estimate covers the period of the 2004 STIP, 2004-05 through 2008-09, and estimates total statewide new programming capacity of $415 million. That capacity includes $407 million in Federal Transportation Enhancement (TE) funds, leaving a total of just $8 million for new non-TE programming. Most programming in the 2004 STIP will consist of rescheduling the $5.4 billion in projects carried forward from the 2002 STIP, and the fund estimate provided annual targets for this rescheduling.

SUMMARY OF 2004 STIP CAPACITY
($ in millions)

	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Total New Capacity	-2,545	672	-401	1,297	1,392	415
TE Capacity	128	68	69	71	72	407
Non-TE Capacity	-2,672	604	-470	1,226	1,320	8
Current 2002 STIP	2,825	875	1,722	0	0	5,422
2004 STIP Respread	153	1,479	1,251	1,226	1,312	5,422
2004 New Non-TE	0	0	0	0	8	8

The fund estimate identified revenues from the following sources:

REVENUE SOURCES FOR 2004 STIP CAPACITY
($ in millions)

	2004-05	2005-06	2006-07	2007-08	2008-09	Total
SHA/Federal	3,109	2,412	2,615	1,952	2,267	12,355
PTA	0	215	258	297	297	1,068
TIF	324	389	467	512	512	2,204
TDIF	0	0	0	0	208	208
Total Capacity	**3,433**	**3,016**	**3,340**	**2,761**	**3,284**	**16,095**
SHOPP	3,119	1,470	2,019	1,465	1,892	9,964
Current STIP	2,859	875	1,722	0	0	5,456
Current Committed	**5,978**	**2,345**	**3,741**	**1,465**	**1,892**	**15,420**
New STIP Capacity	**-2,545**	**672**	**-401**	**1,297**	**1,392**	**415**

- The **State Highway Account (SHA)**, the principal STIP revenue source, includes revenues from state fuel taxes and weight fees and those Federal transportation revenues that are apportioned directly to the state. State fuel taxes and weight fees are restricted by Article XIX of the California Constitution to projects on streets and highways and public mass transit guideway fixed facilities. Any state revenues to the Account that are not restricted by Article XIX are transferred to the Public Transportation Account (PTA). STIP revenues from Federal transportation apportionments are not restricted by Article XIX but are subject to various provisions of Federal law. Unlike state revenues, they may be used for transit rolling stock. However, they may not be used for intercity rail projects, and matching funds must come from non-Federal revenues that are not bound by Article XIX.

- The **Transportation Investment Fund (TIF)** was first established by the Traffic Congestion Relief Act of 2000 to receive revenues from the state sales tax on gasoline from 2001-02 through 2005-06. Specific dollar amounts were to be transferred from the TIF to the Traffic Congestion Relief Fund (TCRF) to fund specific projects identified in the Traffic Congestion Relief Program (TCRP) also created under Act, with the remaining TIF balance to be distributed, 20% to the PTA, 40% for the STIP, and 40% for subventions to cities and counties for local street and road rehabilitation work.

The Transportation Refinancing Plan in AB 438 (2001), a trailer bill to the 2001-02 Budget, delayed the start of the transfers to 2003-04 and extended them to 2007-08. For 2001-02 and 2002-03, the SHA replaced the 40% for local subventions and additional transfers from the SHA to the TCRF were authorized as short-term loans so that TCRP projects could continue. For 2006-07 and 2007-08, the transfer to the STIP was increased from 40% to 80% and the local road subvention was eliminated; this was repayment for the SHA covering the subventions in 2001-02 and 2002-03 ($154 million in 2001-02 and $200 million in 2002-03).

Proposition 42, a legislative constitutional amendment approved by the voters in March 2002, eliminated the June 2008 sunset date for the TIF and permanently dedicated the revenue to the purposes identified in statute. The existing statutory program, including the TCRP, was continued through 2007-08. Then beginning with 2008-09, no further funding is to be transferred to the TCRF, and all TIF revenues are 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. With half of the PTA augmenting the STIP, one-half of all TIF revenues would accrue to the STIP.

Proposition 42 also established a constitutional bar to suspending the annual transfers to the TIF. To suspend or reduce the transfers in any fiscal year requires a finding by the Governor and the enactment of a bill passed by a two-thirds vote of both houses of the Legislature. The Legislature may also enact a statute passed by a two-thirds vote of both houses to changes the percentages allotted to each purpose (local subventions, STIP, and PTA). However, no statute may redirect TIF revenues to any other purpose, including the TCRP.

The Governor and Legislature did suspend most of the $1.145 billion transfer scheduled for 2003-04, retaining $856 million for the General Fund and authorizing a reduced TIF transfer of $289 million. AB 1751 (2003) directed that the $289 million be transferred from the TIF to the TCRF, with $189 million to be used for TCRP expenditures and the other $100 million to transferred to the SHA as partial repayment of loans made to the TCRF by the SHA.

STIP revenues from the TIF are available for any STIP purpose, including those that are not eligible for either Federal Highway Trust Fund revenues or state revenues restricted by Article XIX.

- The **Public Transportation Account (PTA)** was designated by Proposition 116 in 1990 as a trust fund for planning and mass transportation purposes. Its revenues are derived primarily from the state sales tax, including the sales tax on diesel fuel and a portion of the sales tax on gasoline. The STIP receives the portion of PTA revenue that remains after the funding of various non-STIP appropriations, including the formula-based State Transit Assistance program, rail operations and planning. STIP revenues from the PTA may be used for some projects that are not eligible for either Federal Highway Trust Fund revenues or state revenues restricted by Article XIX. These projects include, for example, intercity rail projects (including vehicles) and short line railroad rehabilitation.

- The **Transportation Deferred Investment Fund (TDIF)** was created by AB 1751 (2003) to provide a conduit for deferred payments from the General Fund to the purposes of the Transportation Investment Fund. In AB 1751, the Legislature committed to make future payments to the TDIF equivalent to the amount of 2003-04 TIF transfer that was suspended ($856 million), plus interest. The effect was to make the $856 million a loan from the TIF, albeit one not protected by Proposition 42.

Fund Estimate Assumptions:

Available programming capacity is determined in the fund estimate by estimating available revenues and deducting current commitments against those revenues. The methodology and assumptions used in the 2004 STIP fund estimate were reviewed in August 2003 and approved by the Commission in September. After Caltrans presented its draft fund estimate in November, the figures and assumptions were reviewed and revised once again before adoption in December.

“Programming capacity” does not represent cash. It represents level of programming commitments that the Commission may make to projects within the STIP period. For example, cash will be required in one year to meet commitments made in a prior year, and a commitment made this year may require the cash over a period of years. The fund estimate methodology uses a “cash flow allocation basis,” which schedules funding capacity based upon cash flow requirements and reflects the method used to manage the allocation of capital projects.

The fund estimate is developed based on existing statute, including the 2003-04 Budget and AB 1751 (2003) as described above. In general, the fund estimate assumes that future revenues from current sources will follow current trends. Among the most notable revenue assumptions:

- It assumes the maintenance of prudent cash balances of $330 million for the State Highway Account and $52 million for the Public Transportation Account.

- It assumes that a decline in truck weight fees that occurred after the enactment of Commercial Vehicle Registration Act of 2001 (SB 2084, enacted in 2000) was a one-time drop, partially remedied by the enactment of SB 1055 (2003). SB 2084 restructured weight fees, beginning January 1, 2002, for trucks and other commercial vehicles, changing the fee basis from unladen weight to gross vehicle weight. Although the bill included a statement of Legislative intent that the measure be revenue-neutral, revenues soon declined by about $163 million per year. SB 1055 increases the fees as a correction to the revenue loss and authorizes the Department of Finance to direct the Department of Motor Vehicles to further increase fees revenues do not reach at least $789 million in 2003-04.

- It assumes that Federal transportation revenues during the STIP period will be at the midpoint between the House and Senate appropriations proposals for 2004-05, with an escalation factor of 2% annually thereafter, subject to a revenue reduction for the introduction of ethanol, as described below. The last Federal authorization act, the Transportation Equity Act for the 21st Century, expired September 30, 2003. A new act is not yet in place and may not be enacted in the coming year.

- It assumes that California will lose Federal transportation revenues due to the substitution of ethanol-blended gasoline for gasoline with MTBE. Under current Federal law, ethanol-blended gasoline is taxed at a lower per-gallon rate, depending on the ethanol content. In addition, a portion of the tax goes to the Federal General Fund rather to the Highway Trust Fund. This reduces California's contribution to the Highway Trust Fund and thus reduces California's apportionments of the Federal funds. Caltrans estimates the loss at $560 million in 2005-06, when the reduction is expected to begin, assuming that 80% of the gasoline in California is ethanol-blended.

- It assumes that $992 million in funding that would otherwise have been available for the STIP and SHOPP will be expended over the five-year STIP period for the Toll Bridge Seismic Retrofit Program. This funding, required primarily for the San Francisco-Oakland Bay Bridge, is part of the funding plan authorized by AB 1771 (2001). It includes $350 million from the State Highway Account (SHA), $70 million from the Public Transportation Account (PTA), and $392 million in Federal Highway Bridge Replacement and Rehabilitation (HBRR) funds. It also includes $180 million out of $448 million authorized by AB 1771 as a contingency.

- It assumes that state operations expenditures will be limited to the 2003-04 Budget, including the post-budget reductions, with a 2% annual escalation thereafter through the STIP period.

- It assumes that all loans to the General Fund and the Traffic Congestion Relief Fund from the State Highway Account (SHA) and the Public Transportation Account (PTA), will be repaid at the due date specified in statute, and that they will not be repaid sooner. It likewise assumes that the suspended 2003-04 TIF transfer will be repaid through the TDIF on June 30, 2009.

- It assumes that no further loans will be made, that transfers to the Transportation Investment Fund (TIF) will occur as scheduled in statute, and that transfers will not be suspended after 2003-04.

- It assumes that PTA support for intercity rail and bus operations is continued at a base level of $73.1 million per year, plus $61.7 million over the STIP period for the overhaul of locomotives and passenger cars.

- It assumes that 2004 State Highway Operation and Protection (SHOPP) expenditures will be equal to those assumed in the 2002 fund estimate for the first three years and be level thereafter.

Amendment of STIP Guidelines for 2004 STIP

On December 11, 2003, prior to adopting the fund estimate, the Commission adopted amendments to the STIP guidelines. Under statute, the guidelines are to service as "the complete and full statement of the policy, standards, and criteria that the commission intends to use in selecting projects to be included in the state transportation improvement program." The statutes also call for the Commission to adopt guideline amendments prior to the adoption of each fund estimate.

This year's amendments addressed the following areas:

Federal Transportation Enhancement (TE) funding in the STIP. Several changes were made to incorporate the reform of the TE program, as adopted by the Commission in August 2003. In general, those reforms called for the programming of the state's Federal TE apportionments through the STIP process rather than separately.

Programming flexibility with 4-year county share periods. The statutes guarantee that each county will receive its share for each 4-year county share period. They do not guarantee a fixed share to be added for each county in each new STIP. For the 1998 and 2000 STIPs, the last year of the STIP coincided with the last year of the county share period. When the 2002 STIP added the first 3 years of a new 4-year share period, the Commission, through the guidelines, guaranteed each county a 3-year proportionate share. This year's change provided a county its full share only for a completed 4-year share period. Where programming is done for only part of a county share period, the Commission would provide proportionate STIP targets for each county, but the Commission would have the flexibility to program more or less than the target in the current STIP, with the difference to be made up by the time the share period is fully programmed. For example, the 2004 STIP will add the last year of one share period (the 4-year period ending 2007-08) and the first year (2008-09) of a new share period (the 4-year period ending 2011-12). Each county would be guaranteed its share for the period through 2007-08. Each county would be given a one-year programming target for the period beginning 2008-09, but the Commission would have the flexibility to program more than the county target in some counties, less in others, with the difference to be made up by the time that 2011-12 is programmed, either in the 2006 or 2008 STIP.

Programming of state highway projects in RTIPs. This change to the guidelines incorporates a change in statute made by SB 1768 (Murray, 2002), which specified that Caltrans may recommend state highway projects for inclusion in a regional transportation improvement program (RTIP). The change in the guidelines would also specify that Caltrans should identify any additional needs that could be programmed within 3 years beyond the STIP. Regions would decide whether to include these recommendations in the STIP or whether to retain county share for future needs. The change also specified as policy that each RTIP should be based on the regional transportation plan and a regionwide assessment of needs and deficiencies, not on formula suballocations.

Allocation adjustment for construction. This change incorporated a change made by AB 608 (2001), permitting a downward adjustment of county share counted for construction on a Caltrans project when a bid award is less than 80% of the engineer's estimate. The change also established as Commission policy that the Department should make its request for such an adjustment by letter to the Commission no later than 3 months after the date of the award.

Policies and Procedures Specific to the 2004 STIP

As part of the STIP guidelines, the Commission also adopted specific policies and procedures addressing the particular circumstances of the 2004 STIP and fund estimate. These included the following:

- Annual targets for reprogramming. Development of the 2004 STIP will consist primarily of rescheduling projects carried forward from the 2002 STIP. The 2004 fund estimate will identify, for each county and the interregional share, the amount from the 2002 STIP that is subject to rescheduling and year-by-year targets for rescheduling. The county targets for delaying 2002 STIP projects to 2008-09 will be based on the share advance that each county has for the 4-year county share period ending 2007-08. Counties with net unprogrammed balances from the 2002 STIP, even after the share reduction from the 2004 STIP fund estimate, will have a zero target for 2008-09.
- Prior projects. Some current STIP programming is not subject to reprogramming (i.e., a region does not have the option of delaying the fiscal year of these items, even if that causes an annual target to be exceeded):
  - Projects already voted an allocation.
  - Programmed AB 3090 cash reimbursements.
  - Federal Grant Anticipation Revenue (GARVEE) bond debt service, where the Commission has approved the allocation of bond proceeds.
  - Caltrans environmental, design, and right-of-way work now programmed for 2002-03 or prior years, unless Caltrans indicates that work has not yet begun or has been suspended and it is proposed to delete the work from the STIP or to delay the beginning of work until 2005-06 or later. Where work is suspended, the amount of expenditure to date will remain as programmed.
- New projects. Generally, any new project or project component added to the STIP (whether as a trade or from new capacity) will be added in 2008-09. Exceptions will be made for TE projects and may be made for other projects or components if the county has available unprogrammed share for the period ending 2007-08 in the 2004 STIP fund estimate. Consistent with statute, the Commission will give preference in the programming of new projects or components to projects in counties with an unprogrammed share balance for the county share period ending 2007-08.
- Transportation Enhancement (TE) targets. The fund estimate includes annual TE project targets for each county and the interregional share, based on share formula proportions of estimated statewide TE apportionments. These targets, however, do

not limit TE programming. A regional transportation improvement program (RTIP) or interregional transportation improvement program (ITIP) may propose any amount in any fiscal year for TE. The Commission will change the proposed programming years for TE projects only if statewide TE proposals exceed statewide TE apportionments.

- Prior STIP projects as TE. A region may identify a previously programmed STIP project as TE-eligible. In that case, the project will be counted toward the TE target and not be subject to rescheduling with non-TE projects. All TE allocations are subject to verification by Caltrans that the project is TE-eligible.
- Limitations on planning, programming, and monitoring (PPM). The fund estimate includes calculations of the statutory 1% and 5% limitations for PPM for each county share period. For the period from 2004-05 through 2007-08, this is a reduction from the estimates for the 2002 STIP. For some counties, this will require a reduction from current PPM programming for 2004-05 through 2006-07.
- Reprogramming of current year projects. In a departure from the general rule in the STIP guidelines, projects programmed in 2003-04, including projects from prior years that have allocation extensions, may be reprogrammed to a later fiscal year if they are on the pending vote list or if they have been granted an extension of the allocation period that expires after the adoption of the 2004 STIP fund estimate.
- Allocation extensions for lack of funding. In a departure from the general rule in the STIP guidelines, the Commission may approve allocation extensions on the basis of the lack of funding. In the case of Caltrans projects, the Commission will grant extensions of the allocation period for construction if it finds that the delay in delivery is due to a lack of available funding for project development or right-of-way. In the case of local agency projects, the Commission will grant extensions of the allocation period if it finds that the delay in delivery is due to a lack of available state funding (including a lack of obligational authority for the Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality (CMAQ) program) for prior components of the project. A project already granted an allocation extension may not be granted a second extension.
- Advance Project Development Element (APDE). There is no APDE identified for the 2004 STIP. Projects formerly identified as APDE may remain in the 2004 STIP, subject to the same limitations that apply to any other project.
- Programming of cash commitments. A currently programmed STIP project for cash (e.g., AB 3090 cash reimbursement or Federal Grant Anticipation Revenue Vehicle (GARVEE) debt service), including current cash commitments through 2008-09, is included in the base of existing commitments for the 2004 STIP fund estimate. These commitments will be carried forward to the 2004 STIP automatically and need not be included in RTIP and ITIP proposals and will not be further deducted from county or interregional shares. If, after the fund estimate, a new project is proposed for cash, it will be counted against program capacity in a way that takes into account that the STIP fund estimate was calculated to reflect the capacity to add projects drawing cash over a period of years. To reflect an equivalent draw on cash, a cash project will be

counted 30% toward capacity for the fiscal year of the programmed cash commitment, 50% toward the prior year, and 20% toward the second year prior. For example, for a new AB 3090 cash reimbursement of $100 programmed for 2008-09, $20 would be counted toward the programming target for 2006-07, $50 toward the target for 2007-08, and $30 toward 2008-09.

- Selection of projects for GARVEE bonding. The Commission may select STIP projects proposed in either an RTIP or the ITIP for accelerated construction through GARVEE bonding. With the agreement of the agency that proposed the project, the Commission may designate a project for GARVEE bonding even if the original RTIP or ITIP did not specifically propose GARVEE bonding. The Commission may also select projects programmed in the SHOPP for accelerated construction through GARVEE bonding.
    - Project criteria for GARVEE bonding. The Commission will select projects for GARVEE bonding that are major improvements to corridors and gateways for interregional travel and goods movement, especially projects that promote economic development and projects that are too large to be programmed within current county and interregional shares or the SHOPP on a pay-as-you-go basis. The Commission's expectation is that, generally, these will be projects that require bond proceeds exceeding $25 million. Major improvements include projects that increase capacity, reduce travel time, or provide long-life rehabilitation of key bridges or roadways.
    - Nomination of projects for GARVEE bonding. In its RTIP, a regional agency may propose a project for GARVEE bonding or may provide alternative funding proposals, depending on whether a particular project is selected for bonding. In any case, a decision of the Commission not to program a project for GARVEE bonding does not constitute a rejection of the RTIP. In the ITIP, Caltrans may propose projects for GARVEE bonding or provide alternative funding proposals.
    - Expectations for 2004 STIP. The Commission will approve its first bond sale in January 2004. The Commission anticipates that it will authorize additional bond sales whenever it has allocated a sufficiently large amount of bond proceeds to warrant a sale, probably no more frequently than once each year. Each bond will be structured for debt service payments over a term of no more than 12 years. For the 2004 STIP and SHOPP, the Commission intends to consider GARVEE bonding up to an annual debt service limit of 10% of Federal revenues (2/3 of its long-term policy limit). This would include projects scheduled for delivery at any time during the five-year STIP period (through 2008-09).
    - Non-Federal share. GARVEE bonds cover only the Federally-funded portion of a project's cost (generally 88½ percent). GARVEE bonding in California is structured so that the state's future Federal transportation apportionments cover all debt service payments. This requires that the entire non-Federal portion of project cost be provided up front on a pay-as-you-go basis. Because of the state's recent cash flow shortage, the availability of local

non-STIP funds to cover the non-Federal match has been a critical element in approving projects for inclusion in the January 2004 bond sale. However, the ability of a local agency to contribute non-STIP funding will not be a major criterion in the future selection of projects for GARVEE bonding. The non-Federal portion of project costs will be programmed within current STIP and SHOPP capacity.

County and Interregional Shares

The tables on the following two pages summarize the county and interregional share balances and targets identified in the 2004 STIP fund estimate. The first table summarizes share balances, including the separate carryover balances and new formula distributions for each of the two county share periods that fall within the STIP period. For the total of the two periods, the table displays the total share balance, the Transportation Enhancement (TE) target, and the balance available for non-TE projects after deducting the TE target. The indication of a positive balance for a county does not mean that a county will have access to programming of that balance in the 2004 STIP, since the estimated statewide balance available is only $8 million. Any share not programmed in the 2004 STIP will carry over to the next STIP.

The second table provides a summary of targets for the reprogramming of projects carried forward from the 2002 STIP. These are targets only. The Commission will program to the statewide totals available by fiscal year, though the amounts actually programmed from individual shares may vary. The targets for reprogramming to the last year, 2008-09, depend on the status of the share for the period ending 2007-08. Counties with large unprogrammed shares carried forward will have zero targets for 2008-09, while counties with large share advances will have larger targets for 2008-09. The targets for the first four years are proportionate to the statewide capacity estimate.

The total amount listed on the second table includes all projects assumed to be subject to reprogramming. It does not include projects already allocated, programmed AB 3090 cash reimbursements, programmed GARVEE debt service, or amounts programmed for Caltrans right-of-way and support prior to 2003-04.

2004 STIP FUND ESTIMATE
Summary of STIP Shares and Targets
($ in thousands)

County	2004/05 - 2007/08		2008-09		Total		
	Carryover Balance	Formula Distribution	Carryover Balance	Formula Distribution	Share Balance	TE Target	Non-TE Balance
Alameda	(21,116)	(32,058)	269	38,947	(13,958)	11,072	(25,030)
Alpine/Amador/Calaveras	2,673	(5,427)	0	6,593	3,839	1,874	1,965
Butte	13,260	(6,130)	966	7,448	15,544	2,118	13,426
Colusa	3,138	(1,616)	0	1,963	3,485	558	2,927
Contra Costa	11,762	(20,778)	5,270	25,244	21,498	7,176	14,322
Del Norte	338	(1,546)	0	1,878	670	534	136
El Dorado LTC	(8,267)	(3,923)	0	4,766	(7,424)	1,355	(8,779)
Fresno	(58,182)	(22,152)	795	26,913	(52,626)	7,650	(60,276)
Glenn	342	(1,725)	121	2,096	834	596	238
Humboldt	15,529	(6,205)	1,964	7,538	18,826	2,143	16,683
Imperial	30,593	(10,365)	0	12,593	32,821	3,580	29,241
Inyo	3,058	(8,414)	561	10,222	5,427	2,905	2,522
Kern	750	(28,994)	0	35,226	6,982	10,013	(3,031)
Kings	0	(4,348)	0	5,283	935	1,502	(567)
Lake	12,954	(2,656)	0	3,227	13,525	917	12,608
Lassen	(938)	(3,945)	5,579	4,792	5,488	1,362	4,126
Los Angeles	77,631	(196,505)	(39,063)	238,736	80,799	67,866	12,933
Madera	7,219	(3,937)	353	4,783	8,418	1,360	7,058
Marin	(521)	(6,071)	251	7,376	1,035	2,097	(1,062)
Mariposa	1,045	(1,606)	0	1,952	1,391	555	836
Mendocino	3,013	(5,857)	116	7,115	4,387	2,023	2,364
Merced	9,643	(7,075)	734	8,595	11,897	2,443	9,454
Modoc	3,723	(2,095)	0	2,545	4,173	723	3,450
Mono	2,934	(6,230)	52	7,569	4,325	2,152	2,173
Monterey	(1,204)	(11,381)	3,586	13,827	4,828	3,931	897
Napa	13,011	(3,762)	0	4,571	13,820	1,299	12,521
Nevada	(8,640)	(3,285)	0	3,991	(7,934)	1,135	(9,069)
Orange	199,347	(59,251)	1,760	71,985	213,841	20,463	193,378
Placer TPA	(80,713)	(6,258)	0	7,603	(79,368)	2,162	(81,530)
Plumas	5,694	(2,374)	395	2,885	6,600	820	5,780
Riverside	201,147	(42,414)	(24,141)	51,529	186,121	14,648	171,473
Sacramento	(18,084)	(27,643)	846	33,583	(11,298)	9,547	(20,845)
San Benito	2,023	(2,063)	466	2,506	2,932	712	2,220
San Bernardino	(39,385)	(55,199)	1,584	67,062	(25,938)	19,063	(45,001)
San Diego	(33,709)	(64,606)	(14,458)	78,491	(34,282)	22,312	(56,594)
San Francisco	(13,902)	(16,381)	389	19,902	(9,992)	5,657	(15,649)
San Joaquin	776	(14,411)	1,000	17,508	4,873	4,977	(104)
San Luis Obispo	9,636	(11,584)	2,293	14,073	14,418	4,000	10,418
San Mateo	0	(16,870)	265	20,496	3,891	5,826	(1,935)
Santa Barbara	21,786	(13,235)	0	16,079	24,630	4,571	20,059
Santa Clara	(11,017)	(37,533)	(14,737)	45,599	(17,688)	12,962	(30,650)
Santa Cruz	3,841	(6,594)	7,860	8,011	13,118	2,277	10,841
Shasta	356	(6,700)	313	8,140	2,109	2,314	(205)
Sierra	3,134	(1,118)	1,077	1,358	4,451	386	4,065
Siskiyou	108	(4,653)	50	5,653	1,158	1,607	(449)
Solano	(350)	(9,839)	737	11,953	2,501	3,398	(897)
Sonoma	(16,201)	(12,010)	246	14,591	(13,374)	4,148	(17,522)
Stanislaus	19,776	(11,160)	164	13,558	22,338	3,854	18,484
Sutter	(1,956)	(2,523)	0	3,065	(1,414)	871	(2,285)
Tahoe RPA	3,143	(1,679)	500	2,040	4,004	580	3,424
Tehama	2,160	(3,363)	22	4,086	2,905	1,162	1,743
Trinity	432	(2,418)	1,255	2,938	2,207	835	1,372
Tulare	14,976	(13,622)	1,326	16,550	19,230	4,705	14,525
Tuolumne	0	(2,749)	35	3,340	626	949	(323)
Ventura	(24,625)	(19,416)	425	23,588	(20,028)	6,706	(26,734)
Yolo	5,926	(5,373)	260	6,528	7,341	1,856	5,485
Yuba	(1,565)	(1,932)	84	2,347	(1,066)	667	(1,733)
Statewide Regional	366,502	(883,057)	(48,430)	1,072,836	507,851	304,974	202,877
Interregional	(166,092)	(294,353)	9,982	357,612	(92,851)	101,658	(194,509)
Statewide Total	200,410	(1,177,410)	(38,448)	1,430,448	415,000	406,632	8,368

2004 STIP FUND ESTIMATE
Summary of Targets for Reprogramming Current Projects
($ in thousands)

	Programmed in 2002 STIP				2004 STIP Annual Targets: Respread of 2002 STIP Programming				
County	**Total**	**FY 05**	**FY 06**	**FY 07**	**FY 05**	**FY 06**	**FY 07**	**FY 08**	**FY 09**
Alameda	151,369	55,109	47,891	48,369	3,790	36,659	31,012	30,392	49,516
Alpine - Amador - Calaveras	15,267	10,777	4,285	205	441	4,266	3,609	3,536	3,415
Butte	26,055	18,990	5,915	1,150	969	9,378	7,933	7,775	0
Colusa	6,572	3,737	0	2,835	245	2,365	2,001	1,961	0
Contra Costa	76,366	55,925	1,650	18,791	2,400	23,216	19,640	19,247	11,863
Del Norte	1,849	20	96	1,733	20	194	164	162	1,309
El Dorado LTC	36,998	17,426	127	19,445	983	9,509	8,045	7,884	10,577
Fresno	90,214	43,847	6,175	40,192	794	7,683	6,499	6,369	68,869
Glenn	7,522	3,100	1,126	3,296	224	2,171	1,837	1,801	1,489
Humboldt	26,775	12,607	4,572	9,596	996	9,637	8,152	7,990	0
Imperial	10,152	8,550	1,602	0	378	3,654	3,091	3,029	0
Inyo	57,655	14,856	37,959	4,840	1,916	18,534	15,679	15,367	6,159
Kern	208,979	67,155	0	141,824	6,696	64,776	54,798	53,704	29,005
Kings	20,422	550	9,302	10,570	595	5,753	4,866	4,769	4,439
Lake	4,353	424	0	3,929	162	1,567	1,325	1,299	0
Lassen	18,811	11,038	4,408	3,365	522	5,053	4,274	4,189	4,773
Los Angeles	728,256	349,547	160,390	218,319	21,927	212,119	179,443	175,862	138,905
Madera	9,169	5,153	2,758	1,258	341	3,300	2,792	2,736	0
Marin	45,517	38,868	6,344	305	1,447	14,002	11,845	11,610	6,613
Mariposa	4,579	1,979	658	1,942	140	1,357	1,148	1,125	809
Mendocino	37,061	7,058	20,504	9,499	1,246	12,049	10,193	9,988	3,585
Merced	29,571	26,154	3,332	85	1,100	10,643	9,004	8,824	0
Modoc	3,328	1,748	785	795	124	1,198	1,013	993	0
Mono	32,487	16,430	12,771	3,286	1,059	10,243	8,665	8,492	4,028
Monterey	122,847	12,807	10,019	100,021	4,103	39,688	33,575	32,904	12,577
Napa	2,709	2,709	0	0	101	975	825	808	0
Nevada	16,753	5,928	175	10,650	243	2,350	1,988	1,949	10,223
Orange	157,576	72,290	58,924	26,362	5,863	56,715	47,978	47,020	0
Placer TPA	91,675	8,936	75	82,664	786	7,602	6,431	6,301	70,555
Plumas	6,799	3,886	1,828	1,085	253	2,447	2,070	2,029	0
Riverside	95,091	42,917	30,191	21,983	3,538	34,225	28,953	28,375	0
Sacramento	66,616	8,389	20,369	37,858	894	8,645	7,313	7,166	42,598
San Benito	13,352	9,302	1,618	2,432	478	4,626	3,914	3,836	498
San Bernardino	297,300	81,249	15,219	200,832	7,800	75,452	63,829	62,554	87,665
San Diego	203,849	113,280	16,876	73,693	4,133	39,984	33,825	33,150	92,757
San Francisco	57,197	28,456	7,678	21,063	1,095	10,589	8,958	8,779	27,776
San Joaquin	98,692	72,750	5,931	20,011	3,147	30,448	25,757	25,244	14,096
San Luis Obispo	65,929	45,733	14,331	5,865	2,298	22,230	18,805	18,430	4,166
San Mateo	88,216	50,636	11,890	25,690	2,641	25,552	21,616	21,184	17,223
Santa Barbara	118,340	83,677	6,818	27,845	4,403	42,593	36,032	35,312	0
Santa Clara	48,928	26,236	1,979	20,713	69	666	564	552	47,077
Santa Cruz	66,330	55,501	8,130	2,699	2,331	22,550	19,076	18,695	3,678
Shasta	30,011	9,004	903	20,104	873	8,442	7,141	6,998	6,557
Sierra	854	471	52	331	32	307	260	255	0
Siskiyou	21,094	12,951	2,120	6,023	611	5,913	5,002	4,903	4,665
Solano	50,142	14,179	19,428	16,535	1,481	14,331	12,124	11,882	10,324
Sonoma	107,551	65,951	2,200	39,400	3,066	29,661	25,092	24,591	25,141
Stanislaus	58,344	37,246	0	21,098	2,171	20,999	17,764	17,410	0
Sutter	16,546	8,096	13	8,437	462	4,468	3,780	3,705	4,131
Tahoe RPA	3,390	3,390	0	0	126	1,220	1,032	1,012	0
Tehama	14,503	5,883	5,919	2,701	476	4,602	3,893	3,816	1,716
Trinity	20,476	9,217	7,684	3,575	683	6,605	5,587	5,476	2,125
Tulare	77,554	16,281	2,780	58,493	2,811	27,193	23,004	22,544	2,002
Tuolumne	3,099	791	761	1,547	11	105	89	88	2,806
Ventura	140,315	106,817	1,813	31,685	3,755	36,322	30,726	30,113	39,399
Yolo	8,805	7,423	91	1,291	299	2,891	2,445	2,396	774
Yuba	13,560	8,319	4,825	416	385	3,723	3,149	3,087	3,216
Statewide Regional	3,833,770	1,801,749	593,290	1,438,731	109,933	1,063,445	899,625	881,668	879,099
Interregional	1,587,948	1,023,256	281,829	282,863	42,987	415,849	351,788	344,767	432,557
TOTAL	5,421,718	2,825,005	875,119	1,721,594	152,920	1,479,294	1,251,413	1,226,435	1,311,656

2003 ACTIVITY AND ACCOMPLISHMENTS

2003 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 Sixth Annual Report of STIP Balances, County and Interregional Shares.

This year's report was issued August 8, 2003, and included share balances incorporating STIP amendments and allocations approved through the Commission's June 26, 2003 meeting. For the first time, this year's report listed many programmed projects that are "pending allocations," that is, projects that have been delivered and are ready for allocation, yet are being withheld due to a projected shortage of cash to support new allocations. The balances in the report were based on the 2002 STIP fund estimate (adopted in August 2001), which included program capacity through the 2006-07 fiscal year. The 2004 STIP fund estimate, adopted in December 2003, revised year-by-year capacity estimates through 2006-07 and added two new fiscal years, 2007-08 and 2008-09.

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 2001-02 and 2002-03 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 was to 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, as reported at the Commission's September meeting. 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, 2002, any adjustments since July 1, 2002, and a listing of each project currently programmed or allocated from the share since July 2002.

SUMMARY OF STIP SHARE BALANCES
Including STIP Amendments and Allocations through June 2003
($ in thousands)

	STIP County and Interregional Shares				APDE		Lapsed Projects		
County	Amount	Progr'd	Balance	Advanced	Authority	Projects	FY 01-02	FY 02-03	Total
Alameda	209,036	229,824	0	20,788	25,975	0	269	0	269
Alpine - Amador - Calaveras	63,005	60,332	2,673	0	4,397	0	0	0	0
Butte	50,639	37,379	13,260	0	4,967	0	966	0	966
Colusa	10,328	7,190	3,138	0	1,309	0	0	0	0
Contra Costa	111,220	106,289	4,931	0	16,836	5,500	85	5,185	5,270
Del Norte	7,278	6,940	338	0	1,253	0	0	0	0
El Dorado LTC	36,869	45,136	0	8,267	3,179	0	0	0	0
Fresno	57,194	115,376	0	58,182	17,949	0	453	344	797
Glenn	11,002	10,660	342	0	1,398	0	0	121	121
Humboldt	52,155	36,626	15,529	0	5,027	0	1,114	850	1,964
Imperial	90,719	60,126	30,593	0	8,399	0	0	0	0
Inyo	72,091	69,033	3,058	0	6,817	2,712	547	14	561
Kern	274,075	273,325	750	0	23,493	6,830	0	0	0
Kings	32,500	32,500	0	0	3,523	0	0	0	0
Lake	19,753	6,799	12,954	0	2,152	0	0	0	0
Lassen	19,387	20,325	0	938	3,196	1,772	5,579	0	5,579
Los Angeles	1,260,075	1,225,609	34,466	0	159,219	1,035	4,308	429	4,737
Madera	17,284	10,065	7,219	0	3,190	0	350	3	353
Marin	52,541	53,062	0	521	4,919	0	55	92	147
Mariposa	7,423	6,378	1,045	0	1,302	0	0	0	0
Mendocino	40,764	37,751	3,013	0	4,745	0	0	116	116
Merced	52,439	42,796	9,643	0	5,732	0	599	122	721
Modoc	8,188	4,465	3,723	0	1,697	0	0	0	0
Mono	42,578	39,652	2,926	0	5,048	3,106	52	0	52
Monterey	127,952	129,156	0	1,204	9,222	8,261	0	0	0
Napa	19,840	6,829	13,011	0	3,049	0	0	0	0
Nevada	18,415	27,055	0	8,640	2,662	0	0	0	0
Orange	391,850	192,503	199,347	0	48,008	0	1,760	0	1,760
Placer TPA	44,278	124,991	0	80,713	5,071	0	0	0	0
Plumas	15,649	9,968	5,681	0	1,924	0	170	225	395
Riverside	429,527	189,841	239,686	0	34,366	0	0	0	0
Sacramento	92,984	111,068	0	18,084	22,398	4,800	596	250	846
San Benito	16,184	14,161	2,023	0	1,671	0	0	466	466
San Bernardino	525,490	561,284	0	35,794	44,725	4,000	0	1,584	1,584
San Diego	334,035	367,924	0	33,889	52,347	0	674	263	937
San Francisco	78,752	73,251	0	13,902	13,273	4,000	52	0	52
San Joaquin	108,146	107,370	776	0	11,676	0	1,000	0	1,000
San Luis Obispo	92,324	82,688	9,636	0	9,386	380	742	1,551	2,293
San Mateo	97,524	97,524	0	0	13,669	0	0	0	0
Santa Barbara	157,761	135,975	21,786	0	10,723	380	0	0	0
Santa Clara	133,954	131,202	2,752	0	30,411	0	813	274	1,087
Santa Cruz	72,089	68,248	3,841	0	5,343	0	7,800	60	7,860
Shasta	35,285	35,059	226	0	5,429	0	313	0	313
Sierra	5,098	1,964	3,134	0	906	0	1,035	42	1,077
Siskiyou	23,224	23,116	108	0	3,770	0	0	50	50
Solano	52,050	52,400	0	350	7,972	0	160	414	574
Sonoma	121,571	137,772	0	16,201	9,731	0	0	61	61
Stanislaus	106,305	86,529	19,776	0	9,042	0	150	14	164
Sutter	21,466	23,422	0	1,956	2,044	0	0	0	0
Tahoe RPA	13,624	10,562	3,062	0	1,360	0	0	673	673
Tehama	20,233	18,073	2,160	0	2,725	1,000	0	22	22
Trinity	22,542	22,110	432	0	1,959	0	0	1,255	1,255
Tulare	118,682	103,706	14,976	0	11,038	0	1,294	32	1,326
Tuolumne	14,074	14,074	0	0	2,227	0	2	243	245
Ventura	137,108	162,687	0	25,579	15,732	4,660	0	0	0
Yolo	20,549	14,623	5,926	0	4,354	2,506	260	0	260
Yuba	15,385	16,950	0	1,565	1,565	3,000	84	0	84
Statewide Regional	6,082,493	5,691,723	697,940	326,573	715,500	53,942	31,282	14,755	46,037
Interregional	2,355,005	2,504,015	0	149,010	238,500	47,220	4,216	15,010	19,226
TOTAL	8,437,498	8,195,738	697,940	475,583	954,000	101,162	35,498	29,765	65,263

2003 ACTIVITY AND ACCOMPLISHMENTS

2002-03 Project Delivery

The Department of Transportation (Caltrans) and local agencies generally attained their project delivery goals and commitments for 2002-03 at about the same levels achieved over the past two years, as measured by the California Transportation Commission in carrying out its mandate for delivery under state law. 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.

Timely use of funds legislation ("use it or lose it"), together with supporting Commission policy, has provided programming and delivery incentives that have contributed to an improvement in the project delivery record in recent years. SB 45 (1997) imposed the first such rule, requiring that STIP projects be allocated on schedule or be deleted from the STIP. The law permits the Commission to grant a one-time extension of an allocation deadline if it finds that circumstances beyond the control of the implementing agency have delayed delivery. AB 1012 (1999) required that regional agencies obligate RSTP and CMAQ apportionments for projects within three years.

With these incentives, Caltrans and local agencies have dedicated considerable effort toward improving project delivery. Caltrans is committed to a goal of delivering 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.

Although delivery rates in 2002-03 were as high as in prior years, the actual allocation and construction of transportation projects was slowed by cash flow shortages in the State Highway Account. In December 2002, when the Department reported projected cash deficits, the Commission immediately suspended making STIP and SHOPP allocations except for safety and emergency projects. After the Commission had fashioned an allocation plan to ration available funding, allocations were resumed for some projects from April through June. With the beginning of the 2003-04 fiscal year, the suspension was renewed. For further discussion, see the separate chapter on the STIP and SHOPP allocation plans.

Caltrans STIP Project Delivery

For 2002-03, Caltrans committed to deliver 39 STIP projects valued at $459 million. In dollar value, this was a $300 million decrease from 2001-02 when Caltrans committed to deliver forty-nine projects valued at $759 million, but still a significant increase from the 2000-01 delivery commitment of $215 million.

Caltrans delivered 34 of the 39 projects scheduled for 2002-03, an 87% project delivery rate, and accelerated delivery of another 6 projects. Under provisions of SB 45 and the Commission's STIP guidelines, STIP funds not allocated during the fiscal year they are programmed lapse unless the Commission grants a one-time only extension of up to 20 months. Caltrans requested, and the Commission granted, extensions to four projects valued at $56 million that were not delivered in the fiscal year. Caltrans lapsed one STIP project in 2002-03 valued at $1.4 million.

Caltrans "advance delivered" six projects valued at $85 million into 2002-03, compensating for the four allocation extension requests and one lapsed project. Taking into account the $85 million advance delivery, Caltrans achieved a net overall dollar delivery of 106% for the fiscal year.

The following chart summarizes the Caltrans 2002-03 STIP delivery commitment and compares it against 2001-02 and 2000-01:

Caltrans STIP Delivery
($ in millions)

	FY 2000-01		FY 2001-02		FY 2002-03	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$215.3	39	$759.0	49	$459.1	39
Extensions	-0.6	-1	-83.1	-6	-55.8	-4
Lapsed	0.0	0	-0.9	-1	-1.4	-1
Delivered as Programmed	$214.7	38	$675.0	42	$401.9	34
Percent of Projects		97%		86%		87%
Advanced	15.5	3	78.6	10	85.4	6
Delivered w/Advances	$230.2	41	$753.6	52	$487.3	40
Percent of Dollars	107%		99%		106%	
Prior Year Extensions Delivered	13.7	4	59.7	7	0.0	0
Total Delivered	$243.9	45	$813.3	59	$487.3	40

Because of the cash flow problem, the Commission was unable to allocate the $487 million for the 40 STIP projects that Caltrans delivered in 2002-03. The Commission placed 11 of the 40 STIP projects, with a cost of $132 million, on the pending allocation list.

Looking ahead, Caltrans now anticipates that budgetary constraints on project development and cash constraints on right-of-way acquisition will result in a much lower delivery rate in 2003-04, based on 2002 STIP programming commitments. Because cash constraints will preclude STIP project construction allocations in any case, many projects now programmed for 2003-04 will be reprogrammed to later years in the 2004 STIP.

Local STIP Project Delivery

For 2002-03, local agencies committed to deliver 456 local streets and roads and mass transit STIP projects with $410 million in STIP funding. In dollar value, this was a decrease of nearly $100 million from 2001-02, when local agencies committed to deliver 562 projects with $503 million.

Through June 30, 2003, local agencies delivered 376 of the 456 projects scheduled for 2002-03 at $362 million and advance delivered another 57 projects at $105 million, yielding an overall dollar delivery rate of 114%. Local agencies requested and received allocation extensions of up to 20 months for another 45 projects for $37 million, 9% of the STIP project commitment. On the other hand, local agencies lapsed 35 projects programmed at $11 million, or 3% of the STIP project commitment. The lapsed $11 million reverts to county share balances in the next STIP share period, to be programmed in the 2004 STIP. The local agencies "advance delivered" 57 projects at $105 million from future years into 2002-03, more than compensating overall for the lapsed projects. In 2002-03, local agencies also delivered 53 projects for $50 million that had been originally been programmed for prior fiscal years and received extensions. Another 17 projects with prior year extensions, at $2.5 million, were lapsed in 2002-03. These lapsed amounts also revert to county shares for the 2004 STIP.

The following chart summarizes the local 2002-03 STIP delivery commitment and compares it against 2001-02 and 2000-01:

Local STIP Delivery
($ in millions)

	FY 2000-01		FY 2001-02		FY 2002-03	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$544.3	686	$502.8	562	$409.9	456
Extensions	-57.6	-73	-88.1	-68	-36.6	-45
Lapsed	-37.0	-44	-14.6	-41	-11.4	-35
Delivered as Programmed	$449.7	569	$400.1	453	$361.9	376
Percent of Projects		83%		81%		82%
Advanced	35.0	85	39.6	33	104.8	57
Delivered w/Advances	$484.7	654	$439.7	486	$466.7	433
Percent of Dollars	89%		87%		113.9%	
Prior Year Extensions Delivered	30.0	85	52.5	51	50.4	53
Total Delivered	$514.7	739	$491.2	537	$517.1	486

Because of the STIP cash flow problem, the Commission was unable to allocate the $517 million for the 486 STIP projects that local agencies delivered in 2002-03. The Commission placed 225 of the 486 local STIP projects, with a cost of $138 million, on the pending allocation list.

Looking ahead, the Commission understands that current state funding constraints will mean a much lower delivery rate in 2003-04, based on 2002 STIP programming commitments. Some local projects will not be delivered as scheduled because state funds were not available as programmed to support earlier project phases. Other projects will not be delivered because the local agency decided that spending local funds to make the project ready for STIP funding was not cost effective without the assurance that state funds would be available when needed. With this in mind, the Commission broadened its policy on allocation extensions in October 2003 to specify that lack of state funding to deliver a project could be a circumstance justifying an extension.

STIP Project Delays Beyond the Delivery Year

This year saw a break in the pattern seen in recent years, in which large numbers of STIP projects programmed for the coming fiscal year were reprogrammed in the April-June quarter to later fiscal years. This reprogramming would prevent the projects from being counted as delivery year commitments subject to timely use of funds constraints. There were $788 million in such last-quarter delays in 2000, $870 million in 2001, and $870 million in 2002, dropping to $295 million in 2003.

To a large extent, the delays probably reflect poor early programming choices based on overly optimistic project schedules. For earlier years, they may also reflect the circumstances of the 1998 and 2000 STIPs, for which large amounts of programming capacity were available in each STIP’s early years. Funding was running ahead of delivery, and that meant that nearly every project could be programmed as early as the implementing agency believed it might deliver the project. With the 2002 STIP, however, new constraints limited new programming to the later years of the STIP and forced the rescheduling of many projects to later years. Funding was now trailing delivery. The massive rescheduling of projects in the 2002 STIP was probably the primary factor in the reduced last-quarter delay level in 2003. Another factor may be that some projects with delays were deleted rather than reprogrammed in order to substitute unfunded Traffic Congestion Relief Program (TCRP) projects or other projects.

Most project delays are from one fiscal year to the next; other delays are two fiscal years or longer. The measure of delay is 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, programming delays may not always represent real project delays. Some may simply build in an added margin to avoid subsequent rescheduling or extension requests. For other projects, this year’s delay will be followed by another.

Caltrans SHOPP Project Delivery

For 2002-03, Caltrans committed to deliver 136 SHOPP projects worth $614 million. Caltrans also amended into 2002-03 and delivered an additional 10 projects worth $31 million. Caltrans delivered all but 9 projects worth $46 million for an overall 94% project delivery rate for the SHOPP. The majority of the undelivered SHOPP projects were projects not included in the Commission's 2002-03 allocation plan. Caltrans "advance delivered" 12 projects worth $54 million of future SHOPP delivery into 2002-03 to more than make up for the undelivered projects and funds. It is fair to conclude that 2002-03 was a year of high output and achievement. The 2002-03 SHOPP delivery tracks very well and is very consistent with the 2001-02 and 2000-01 SHOPP delivery.

The following chart shows how the SHOPP delivery commitment was realized and compares 2002-03 against 2001-02 and 2000-01 delivery:

Caltrans SHOPP Delivery
($ in millions)

	FY 2000-01		**FY 2001-02**		**FY 2002-03**	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Programmed	$646	167	$571	140	$614	136
Added by amendment	566	90	272	40	31	10
Total programmed	$1,212	257	$843	180	$645	146
Delivered	$1,107	242	$825	175	$599	137
Percent of Projects		94%		97%		94%
Advanced	29	7	51	16	54	12
Delivered w/Advances	$1,136	249	$876	191	$653	149
Percent of Dollars	94%		104%		101%	

Because of the State Highway Account (SHA) cash flow problem, the Commission was unable to allocate funding to all the 149 SHOPP projects worth $653 million delivered by Caltrans in 2002-03. The Commission placed 26 of the 149 delivered projects worth $89 million on the pending allocation list.

With constrained funding for project development and right-of-way acquisition, Caltrans will not be able to deliver some of the SHOPP projects programmed for 2003-04, even to the pending allocation list.

As with the STIP, budgetary constraints on project development and cash constraints on right-of-way acquisition will mean a lower delivery rate in 2003-04, based on current programming commitments. Because cash constraints will limit SHOPP project construction allocations in any case, many projects now programmed for 2003-04 may be reprogrammed to later years in the 2004 SHOPP.

In prior years, Caltrans was very aggressive in amending projects into the SHOPP. Caltrans delivered 171% of the original programmed amount for 2000-01 and 144% for 2001-02. In 2002-03, after the implementation of the SHOPP allocation plan, Caltrans was unable to amend in many new projects and delivered only 107% of the originally programmed amount.

There are other types of projects that are 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 and seismic retrofit projects allocated by Caltrans under Commission Resolution G-11, and SHOPP-administered TEA projects.

The following table lists 2002-03 delivery for these categories, comparing it against 2000-01 and 2001-02:

Other Caltrans Delivery
($ in millions)

	FY 2000-01		FY 2001-02		FY 2002-03	
	Dollars	Projects	Dollars	Projects	Dollars	Projects
Minor program	$97.1	219	$118.1	263	$87.0	196
Emergency	26.8	53	77.8	62	73.2	93
Seismic, phase I	5.2	2	0.7	1	0.9	51
Seismic, phase II	49.3	11	33.4	10	44.6	8
SHOPP TEA	11.5	19	2.8	6	33.8	18
Total	$189.9	304	$232.8	342	$239.5	366

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 2002 meeting, the Commission allocated $185 million for the 2002-03 Caltrans right-of-way program. At the same meeting, the Commission also provided a $22 million supplemental allocation to the 2001-02 program. Caltrans spent only $7 million of the $22 million supplemental allocation in 2001-02 and used the remaining $15 million to augment the $185 million 2002-03 allocation for a total expenditure of $200 million for right-of-way in 2002-03. At the June 2003 Commission meeting a supplemental $59 million allocation was approved as a temporary solution until the 2003-04 Budget Act was passed. The $59 million was an advance credit against the regular 2003-04 right-of-way allocation. When Caltrans received its $150 million 2003-04 right-of-way allocation in August 2003, the June 2003 supplemental $59 million was specifically included in the $150 million figure.

The 2003-04 right-of-way allocation was constrained due to the reduced cash flow in the SHA. Caltrans requested $259 million based on right-of-way acquisition needs. The Commission, however, limited the allocation to $150 million, the amount included for 2003-04 right-of-way activities in the 18-month cash forecast the Department presented at the April, 2003 Commission meeting. Caltrans pointed out and the Commission acknowledged that the constrained allocation would result in major project delivery delays.

At the December 2003 Commission meeting, the Department requested, and the Commission granted, allocation extensions to 24 STIP projects worth $540 million.

Delivery of the 24 projects was contingent on final right-of-way acquisition. Because of the constrained $150 million right-of-way allocation, the funds needed for right-of-way acquisition were not available.

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 66% delivery rate for STIP final environmental document delivery, far better than the 19% rate of 5 years ago yet short of the 90% goal desired by the Commission. Environmental impact reports and negative declarations make up the bulk of the STIP environmental effort, with an occasional categorical exemption occurring. The following table summarizes STIP final environmental document delivery in recent years.

Caltrans STIP Final 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%
2002-03	41	27	66%

The Commission started tracking SHOPP environmental document delivery recently. This year, Caltrans delivered 86% of its SHOPP final environmental documents. The preponderance of SHOPP environmental documents are categorical exemptions with a good number of negative declarations and an occasional full-blown environmental impact report. The following table summarizes SHOPP environmental document delivery since the Commission started tracking it.

Caltrans SHOPP Final Environmental Document Delivery

Fiscal Year	Planned	Actual	Rate
2001-02	78	59	76%
2002-03	63	54	86%

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.

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 the 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 reaches the three-year time limit. 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 timely use of funds rule to the regional Transportation Enhancement Activities (TEA) program.

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. The Commission extended this rule to the regional TEA program by policy in 2001. Caltrans monitors the obligation of funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of any apportionment reaching its three-year limit. Any region with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three-year limit is reached.

- **Third Cycle**

  Caltrans released its third cycle AB 1012 "use-it-or-lose-it" notices (for apportionments from the 1999-2000 Federal fiscal year) in December 2001. At that point, the unobligated amount subject to redirection on December 3, 2002 totaled $185 million. By the December 2002 deadline, all but $3.9 million had been obligated. At the February 2003 meeting, the Commission redirected the outstanding regional TEA funds back to their respective agencies with a June 2003 deadline and redirected the RSTP and CMAQ funds with a December 2003 deadline. In December, the Department reported that all the redirected funds were successfully obligated by their respective deadlines.

- **Fourth Cycle**

  Caltrans released its fourth cycle AB 1012 "use-it-or-lose-it" notices (for apportionments from the 2000-01 Federal fiscal year) in December 2002. At that point, the unobligated amount subject to redirection on December 9, 2003 totaled $209 million. Caltrans later reported that the unobligated balance had dropped to $57 million by July 31, 2003. Based on the obligation plans submitted by local agencies, Caltrans anticipated that the $57 million balance would be obligated by the December 9, 2003 deadline. However, since the state borrowed $200 million in local obligational authority (OA), only priority local projects have been obligated since

July 18, 2003. This has hampered the ability of local agencies to obligate funds to meet the AB 1012 requirements.

To ensure that regional agencies are not penalized for actions beyond their control the Commission at its September 2003 meeting passed a resolution redirecting all unobligated cycle four funds back to "at risk" agencies until adequate obligational authority becomes available.

The Department reported at the December 2003 meeting that the period of time OA was not available for local agency obligation was two months. Therefore, the Commission's September 2003 action extended the December 9, 2003 deadline until February 9, 2004. The Department also indicated that the unobligated balance was down to $19 million ($13.5 million in CMAQ funds and $5.4 million in regional TEA funds), that the CMAQ funds would be obligated by the February deadline, and that the Commission should expect extension requests for some of the regional TEA projects.

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. Unfortunately, with the borrowing of local obligational authority that has transpired in response to the state's financial problems the local agencies are not able to reduce the backlog. In fact, if more local obligational authority is borrowed the backlog could grow back to over a billion very fast.

Other Local Assistance Projects

As reported above, 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 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 following table shows how the Commission's 2002-03 local assistance allocations, totaling $1,053.6 million were used by local agencies in the first year of availability and provides a comparison with the 2001-02 and 2000-01 allocation:

FY 2002-03

Category	Commission Allocation	Use of Allocation
RSTP	$ 372,945,000	$172,519,000
STP State Match & Exchange	46,000,000	42,633,000
CMAQ	352,000,000	156,535,000
Br. Rehab & Replacement	98,640,000	75,645,000
Br. Seismic Retrofit	65,490,000	62,229,000
Bridge Scour	4,200,000	698,000
RR Grade Crossing		
Protection	10,000,000	6,272,000
Maintenance	4,250,000	4,076,000
Grade Separations	15,000,000	5,000,000
Hazard Elimination & Safety	10,000,000	17,794,000
Safe Routes to School	20,000,000	4,042,000
Regional TEA	45,000,000	40,529,000
State Exchange	6,440,000	3,327,000
Demo Projects	0	103,929,000
Miscellaneous	3,625,000	17,372,000
Subtotal	$1,053,590,000	$712,600,000
RSTP & CMAQ FTA Transfers		141,919,000
Total	$1,053,590,000	$854,519,000

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

Category	FY 2000-01 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. 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. For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on these tables and are not included in the “use of allocation” figures for RSTP and CMAQ.

2003 ACTIVITY AND ACCOMPLISHMENTS

State Highway Operation and Protection Program (SHOPP)

In 2003, faced with evidence of increasing costs to renew and rebuild the state highway system and the reality of declining resources for the overall transportation program, the California Transportation Commission elected to continue funding for the State Highway Operation and Protection Program (SHOPP) at current levels. This is likely to mean a continuing decline in the state of repair of the highway system and higher maintenance and rehabilitation costs in future years.

The Department of Transportation's 2002 update to the 10-Year state Rehabilitation Plan for state highways and bridges (known as the SHOPP Plan) identified needs of $22.3 billion, or about double the annual funding level in the four-year 2002 SHOPP. These needs were based on identified goals rather than funding constraints. At the time, the Department announced its intention to prepare a 2003 SHOPP Plan that included a funding recommendation for the 2004 STIP fund estimate. Instead, the Department outlined funding options based on the 2002 Plan, and the next full update of the 10-Year SHOPP Plan is not scheduled until 2005.

Background

Since 1998, state law has required the Department to prepare a biennial 10-Year State Rehabilitation Plan (also known as the 10-Year SHOPP Plan) for all state highways and bridges. The 10-Year SHOPP 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 10-Year SHOPP Plan is to be the basis for the annual Department budget request and for the Commission's adoption of the biennial STIP fund estimate.

With the concurrence of the Commission, the Department 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 the Department, 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.

Until this year, the law required the 10-Year SHOPP Plan to be submitted to the Commission for review and comments and transmitted to the Governor and Legislature by May 1 of each even-numbered year. That put the Plan effectively out of sequence with the biennial fund estimate (adopted in August of odd-numbered years). This year, at the Department's request, the statute was amended to change the submittal date to May 1 of even-numbered years (AB 1717). This means that the next update to the Plan is not due until May 1, 2005.

The initial 10-Year SHOPP Plan, prepared in 1998, identified a total need of $8.6 billion and 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. The Department 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.

The 2000 update of the 10-Year SHOPP Plan identified a total funding need of $11.1 billion. At the same time, the Department identified a major increase in funding need 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, the Department proposed to fund the increase in traffic safety by reducing funding for the SHOPP's roadway rehabilitation, roadside rehabilitation, and operations categories. 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's capacity.

For the 2002 fund estimate (adopted in August 2001), the Department proposed, and the Commission approved, about $350 million in capacity increases for the five-year period above the levels in the 2000 10-Year SHOPP Plan. Those increases included an additional $50 million for the SHOPP minor program, $100 million for office building projects, and $200 million for storm water runoff control.

2002 10-Year SHOPP Plan

The Department submitted the 2002 update of the 10-Year SHOPP Plan to the Commission in April 2002, one month after the Commission approved the 2002 four-year SHOPP. The Department constructed the 2002 SHOPP Plan differently from prior plans. The focus of the 2002 Plan became the identification of needs based on goals with estimates of costs, without a specific funding recommendation. As outlined in the Commission's 2002 Annual Report to the California Legislature, the 2002 SHOPP Plan also measured program accomplishments against the goals set in the 2000 SHOPP Plan.

The total cost estimate for the needs identified in the 2002 SHOPP Plan is $22.3 billion, about double the amount of funding called for in the 2000 SHOPP Plan. The Department specifically noted the $22.3 billion was not a funding recommendation but an assessment of needs based on identified goals. During 2002, the Department presented workshops on each of six SHOPP project categories at regular meetings of the Commission. The individual workshops, on the safety, bridge, roadway, roadside, mobility and facilities programs, were designed to explain the needs and goals identified in the SHOPP Plan. During these workshops, the Department did not identify, request or recommend any specific funding levels.

At the May 2003 Commission meeting, the Department presented a final workshop on the entire 2002 SHOPP Plan but again did not identify or request any specific funding level for Commission consideration in building the 2004 State Transportation Improvement Program (STIP) fund estimate. In the meantime, the presentation of the proposed 2004 fund estimate had been delayed from July to October.

On September 24, 2003, during the Commission's consideration of assumptions for the 2004 STIP fund estimate, the Department identified four options without making a specific recommendation. The first option was a severely constrained SHOPP at approximately $1 billion per year. The second option was a status quo program of approximately $1.2 billion per year. The third option was an increase from status quo at approximately $1.7 billion per year. The fourth option was the total identified 2002 SHOPP Plan need of $22.3 billion that translated to a $2.2 billion per year funding recommendation. These dollar amounts were for capital outlay only; they did not include project support.

The Commission directed the Department to prepare the fund estimate assuming that the SHOPP funding levels identified in the 2002 fund estimate (including support costs) would continue through 2006-07 and that the funding for 2007-08 and 2008-09 be the same as the amount for 2006-07. The Commission also directed that 85% of the annual funding be assigned to the safety, bridge preservation, roadway preservation, and mobility categories of the SHOPP. The Commission requested that the Department split the approved SHOPP funding among the SHOPP categories and return in October with an identification of the performance outcomes that could be expected during the four-year 2004 SHOPP period.

With an aging state transportation system, growing user demand and diminishing transportation funds the backlog of unmet rehabilitation needs will only grow. In the face of diminished transportation funding, the Commission chose not to decrease the SHOPP funding level but it does acknowledge the current level is inadequate to meet the rehabilitation needs of the aging state highway system.

At the October 2003 Commission meeting, the Department presented its planned allotment for each SHOPP category and the performance outcomes expected, based on the approved funding level. They included the following:

- $244 million per year for the safety category. This would be sufficient to address all identified locations with collision and safety needs.
- $274 million per year for the bridge preservation category. This would be sufficient to prevent catastrophic bridge failures but would not provide funds for preventive work resulting in more bridges requiring major rehabilitation.
- $410.5 million per year for the roadway preservation category. This would not reduce the backlog of deteriorated pavement to the desired 5,500 lane-mile level by 2008.

- $86 million per year for the mobility category. This would not make significant reductions in recurring traffic delays.
- $50 million per year for the roadside rehabilitation category. This would be sufficient to address worker safety and public hazard issues but would not address the increasing inventory of dead landscaping or structural deficiencies at rest areas.
- $45 million per year for the facilities category. This would be sufficient to address worker safety and Cal-OSHA requirements but not enough to address functional upgrades and productivity issues.
- $71.5 million per year for an emergency reservation to have sufficient funds available to restore roadway facilities after major damage events.

The following table is a summary of the performance outcomes for each SHOPP category based on the allotted funding for the 2004 SHOPP:

SHOPP Category, Allotted Funding and Goal	Expected Outcomes
Safety: $244 million per year. Reduce fatal and injury collisions.	1. 285 miles of new median barriers. 2. 190 miles of upgraded median barriers. 3. 55 projects to improve curves, widen shoulders and add turn pockets. 4. 30 miles of new guardrail. 5. 6,000 safety device upgrades. 6. 200 fixed objects removed.
Bridge Preservation: $274 million per year. Prevent catastrophic structure failure.	1. Rehabilitate 98 of 1,382 bridges in need of major rehabilitation/replacement. 2. Replace 29 of 173 scour critical bridges. 3. Replace 15,980 feet of bridge rail out of 320,000 feet needing replacement.
Roadway Preservation: $410.5 million per year. Reduce backlog of deteriorated pavement to 5,500 lane miles, currently 11,356 lane miles or 23% of system.	1. Rehabilitate 2,400 lane miles of roadway. 2. Complete 11 major damage restoration projects.
Roadside Preservation: $31 million per year for roadside rehabilitation and $19 million for rest area restoration. Address worker safety and public hazard issues.	1. Remove 12,300 dead or dying trees. 2. Remove hazards on 1,430 acres. 3. Provide safety access and eliminate narrow areas at 545 locations. 4. Will address Cal-OSHA and ADA requirements at 51 of 88 rest areas.
Mobility: $86 million per year. Reduce travel delays by responding to accidents and incidents.	1. Reduce delays by 6 million vehicle hours per year. 2. Install 800 traffic field elements. 3. Construct 4 new truck inspection facilities.
Transportation facilities: $45 million per year. Address worker safety and Cal-OSHA requirements.	1. Rehabilitate 20 of 310 maintenance facilities. 2. Rehabilitate 4 of 60 equipment facilities.
Emergency Reservation and other Mandated Work: $71.5 million per year. Restore roadway to full service after major damage.	1. Respond to earthquakes, fires, floods and other emergencies. 2. Relinquishments, school noise attenuation, RR crossings, hazardous waste, ADA curb ramps.

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 the Department, 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 the Department 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, the Commission extended the delegation for both pavement rehabilitation and traffic safety until March 2003.

In April 2003, the Commission made both the SHOPP pavement rehabilitation and traffic safety delegation permanent, noting that the delegations had worked well and as intended. The delegated authority for pavement rehabilitation has, however, been suspended since July, along with the Commission's suspension of allocations for all but emergency, seismic, and safety projects.

2003 ACTIVITY AND ACCOMPLISHMENTS

Aeronautics Program

The Aeronautics Program is the biennial three-year program of projects to be funded from Aeronautics Account, which receives revenues from state general aviation fuel taxes. The project in the Aeronautics Program provide a part of the local match required to received Federal Airport Improvement Program (AIP) grants and fund capital outlay project at public-use airports through the California Aid to Airports Program (CAAP) for airport rehabilitation, safety, and capacity improvements.

In 2003, the California Transportation Commission was forced to curtail allocations for the Aeronautics Program even more severely than had been done in 2002. In 2002, allocations had been restricted to projects for AIP match and CAAP safety projects. Others were placed on a pending list. When further transfers were made from the Aeronautics Account in the 2003-04 Budget, the Commission halted allocations altogether for several months.

In September 2003, the Commission approved the biennial update to the Capital Improvement Program of the California Aviation System Plan. This financially unconstrained plan will serve as the basis for the 2004 Aeronautics Program.

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 Aeronautics Account funds to:
  - provide a part of the local match required to receive Federal AIP grants; and
  - fund CAAP capital outlay projects for airport rehabilitation, safety and capacity improvements at public-use airports.

Technical Advisory Committee on Aeronautics (TACA)

Section 14506.5 of the California Government Code states that 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. The

TACA is to 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 lends its expertise 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 2003, TACA has continued to focus on a comprehensive review of the role and responsibilities of the Division of Aeronautics of the Department of Transportation (Caltrans) and the funding sources for the various state programs related to aviation. TACA has been working with Caltrans, the BT&H Agency, and the Technology, Trade and Commerce Agency to identify potential roles and policies for the state in developing California's aviation system. TACA members participated in an advisory group to the Caltrans Division of Aeronautics in developing "Aviation in California: Benefits to Our Economy and Way of Life". TACA members also worked to secure passage of AB 332 (Mullin) to clarify that school districts and community college districts are subject to an airport land use compatibility plan. Under AB 332, a process is also established that allows, for the first time, the local airport land use commission and the Caltrans Division of Aeronautics to make advisory comments to a local agency within 30 days of receiving the agency's proposed overrule and supporting findings.

The members of the Technical Advisory Committee on Aeronautics are:

- Michael Armstrong, Principal Planner, Southern California Association of Governments
- Daniel Burkhart, TACA Vice Chairman, Director of Regional Programs, National Business Aviation Association
- Curt Castagna, President/CEO), Aerolease/Aeroplex Group
- Jack Kemmerly, TACA Chairman, Director of California Operations, Exceptional Strategies, Inc.
- Chris Kunze, Manager, Long Beach Airport
- Harry A. Krug, Association of California Airports, 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
- Austin Wiswell, Ex Officio, Chief, Division of Aeronautics, California Department of Transportation
- Vacant, Ex Officio, Federal Aviation Administration

2002 Aeronautics Program

The 2002 Aeronautics Program included 59 CAAP projects for $17.963 million. In 2002, the Aeronautics Program was severely undercut by a $6 million budget transfer from the Aeronautics Account (65% of the annual revenue originally budgeted) to the General Fund and by an actual revenue shortfall of $1.5 million. In response to the reduced funding, the Commission acted, upon the recommendation of the Caltrans and TACA, to restrict allocations to providing matching funds for Federal AIP projects and to CAAP funding for safety projects. Other projects ready for allocation were placed on a pending list.

The 2003-04 Budget Act transferred another $4.762 million from the Account to the General Fund. This second budget action forced the Commission to halt all allocations. The Department of Finance found the transfer of aviation funds to be permissible. The Federal Aviation Administration (FAA), however, in a letter of August 14, 2003, raised concerns about the legality of transferring aviation funds to the General Fund.

By the October 2003 meeting, 72 projects ($5.034 million) were pending, which included 2 CAAP safety projects, 57 AIP matching, and 13 non-safety CAAP projects. In late November, however, the Board of Equalization advised the Department that there had been an error in the amount of revenue transferred into the Aeronautics Account, resulting in the restoration of some lost revenue. With the correction of the revenue transfer, the pending list was reduced to $1.5 million for 13 projects at the December Commission meeting.

The Department should validate with the FAA its comments regarding the legality of the state fund transfer. Over the long term, California must identify additional funding for the Aeronautics Program. One logical source of funds would be to utilize a higher percentage of the $250.2 million in taxes already paid by the aviation community. Currently only about 3.2% of that amount is goes to the Aeronautics Account. Additionally, the Legislature should prohibit any permanent transfer of from the Aeronautics Account to the General Fund. All transfers should be treated as loans to be repaid with interest at a specified future date.

The Commission is required by statute annually to establish a matching rate between 10% and 50% that local agencies must meet to receive CAAP grants. At its April meeting, upon the advice of the Department and TACA, the Commission retained the 10% CAAP match requirement that has been in effect since 1995. This would continue to ensure that the maximum number of airports participate in the Aeronautics Program 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.

In September 2003, the Commission acted to approve the Capital Improvement Program of the California Aviation System Plan. The Capital Improvement Program (CIP) is updated every two years, and this update will serve as the fiscally unconstrained basis for Department's 2004 Aeronautics Program.

Long Term Funding for Aeronautics Program

In its 2001 Annual Report to the California Legislature, the Commission reported that a funding gap was occurring between the revenues available versus infrastructure and security needs. At its November 2003 special meeting on the fund estimate, the Commission noted that a disparity exists between the excise tax for aviation gasoline at 18¢ per gallon and General Aviation jet fuel tax at 2¢ per gallon. The Commission was informed that the use of aviation gasoline is declining while general aviation jet fuel is increasing. Accordingly, the Commission indicated that consideration should be given to increasing the excise tax on General Aviation jet fuel to compensate for the declining revenues resulting from general aviation gasoline use.

The Commission reiterates the recommendations made in its 2001 Annual Report, that the Legislature and the Administration address aviation system needs by providing a stable source of funding for general aviation. The recommendations are to:

- Provide sufficient revenues through a possible new state sales tax or redirection of a portion of the state sales tax on jet fuel to supplement Federal revenues to fund $20 million in new security enhancements and infrastructure at California's smaller commercial and General Aviation airports throughout the state.

- Provide at least $5 million in revenues to protect the long-term operational integrity of airports by funding updates of Comprehensive Land Use Plans, which control land uses around existing airports.

- Adopt a long-term investment strategy to provide $20-40 million per year for safety and capacity improvements at general aviation airports.

- Authorize and fund the Caltrans' Division of Aeronautics to promote better use of existing system capacity through information programs. Marketing convenient alternatives to the congested airports within a reasonable distance of major business destinations would help alleviate runway congestion, as well as highway congestion.

- Authorize and fund the Division of Aeronautics to secure Federal grants for smaller airports to insure that California receives the maximum amount of Federal funding and use state funds in an expeditious manner

Aviation's Importance to California's Transportation System

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."

Report on Aviation and Economic Development in California

A persistent problem in dealing with airport system planning and development issues by government agencies is the difficulty in quantifying how aviation impacts the lives of California's residents and its economy. Aviation's economic impacts in California were last assessed in 1988 at the Legislature's request. In late 2001, the Caltrans Division of Aeronautics, using consultants, began obtaining information to analyze aviation's economic impact on California. TACA participated as part of the advisory group that oversaw the preparation of the report, "Aviation in California: Benefits to Our Economy and Way of Life". The report made the following findings:

- In 2001, the aviation sector provided 1.7 million jobs (nearly 9%) of the state's total 19.5 million jobs.

- In 2001, the aviation sector contributed $110.7 billion out of $1.3 trillion of the Gross State Product.

- In 2001, California is the most visited state in the country with 12% of the U.S. travel market. Nearly half of all domestic tourists visiting California arrived by air and spent over $14.5 billion in California.

- In 2000, aviation hauled air cargo valued at $173 billion.

- In 2000, the aviation sector generated $250.2 million in annual tax revenue for California through a variety of mechanisms, including personal property taxes, taxable aviation gasoline revenues, taxable aircraft jet fuel, excise tax revenues, possessory interest tax, and sales tax on general aviation aircraft and aviation fuels.

- California has more aerospace manufacturers than any other state. In 2000, according to the California Technology, Trade and Commerce Agency, California's aerospace industry, consisted of 1,070 firms and employed 170,900 people, and contributed $28 billion in products to the global marketplace.

2003 ACTIVITY AND ACCOMPLISHMENTS

Airspace Advisory Committee

In 2003, the California Transportation Commission's Airspace Advisory Committee provided expert advice on the sale of excess properties, helping the state obtain $1.5 million from the sale of excess properties and helping the state receive 11.3 acres in exchange for state-owned property with a clouded title. The Committee reviewed and commented on the Department of Transportation's Airspace and Excess Lands Annual Report.

Airspace Advisory Committee

In the early and mid-1980's the real estate development issues requiring action 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 by reviewing proposed airspace (real estate) development leases and joint development. In October 1994, the Commission also directed the Airspace Advisory Committee to review and comment on the Department's excess land activities. In July 1997, it directed the Committee to review and comment on the Department's newly developed telecommunications program.

The primary objective of the Committee is to assist in maximizing state income from leasing and managing Caltrans properties, as a disinterested third party panel of experts. The nine members, listed below, are all from the private sector with a wide range of expertise in finance and property development and management. All Committee members are volunteers and receive only travel expenses for their time and effort. The expertise of the Committee has proven to be valuable to the Department and the Commission. The members include:

- Nina Gruen, Chair, Gruen Gruen + Associates, San Francisco
- William J. Hauf, Vice-Chair, William J. Hauf Company, San Diego
- 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, 2002-03

The Department reported that, at the end of FY 2002-03, there were 560 occupied airspace sites throughout the state, including 123 wireless communication sites. Possessory interest taxes, paid by airspace tenants in lieu of property taxes, totaled $3.9 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 2002-03:

Airspace and Telecommunications Licensing Program
Income and Expenses FY 2002-03

Airspace lease income	$13,831,857
Wireless telecommunications income	2,446,515
Total income	**$16,278,372**
Program expenses	-1,917,506
Net income	**$14,360,866**

Last year the net income was $18.3 million. The $4 million decrease in income, according to the Department, was due in part to the poor state economy, the transfer of state properties to the City and County of San Francisco as required by SB 978 (Burton, 1999), and airspace sites being used for staging and construction purposes of the west approach of the Bay Bridge. As noted above the wireless telecommunications was $2.4 million in 2002-03 and is an $800,000 or 50% increase over the $1.6 million in revenues received in 2001-02. The increase is due in part to the recommendations and suggestions given to the Department by the Airspace Advisory Committee.

2003 ACTIVITY AND ACCOMPLISHMENTS

Transportation Enhancement (TE) Activities Program Reform

In August 2003, the California Transportation Commission acted to discontinue the separate Transportation Enhancement Activities (TEA) program that had been in effect since 1998 in favor of reintegrating Federal Transportation Enhancement (TE) funds into the State Transportation Improvement Program (STIP). This change, together with several recommendations made by the Commission's TEA Advisory Committee, was incorporated into the Commission's 2004 STIP guidelines.

The Federal TE mandate was first enacted as part of the Federal Intermodal Surface Transportation Efficiency Act (ISTEA) of 1991. The mandate is that a portion of each state's Federal transportation apportionment is available only for Transportation Enhancement activities. Eligible projects were defined in ten project categories, since expanded to twelve that broadly fall into five groups:

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

The Commission first approved a state TEA program in 1993 and then redesigned it in 1998 after the enactment of the Federal Transportation Equity Act for the 21^{st} Century (TEA-21) and California's SB 45 STIP reform legislation. This most recent reform was timed to coincide with the pending Federal transportation act reauthorization and the 2004 STIP programming cycle.

<u>**Past State TEA Programs**</u>

In the absence of specific state legislative direction for implementing the Federal TE mandate, the Commission's initial approach back in 1993 entailed programming TEA projects into the STIP. The original state TEA Program was not a good fit with the STIP because it never really integrated Federal TE funding into the STIP process. The original program operated separately from the STIP, even though it was in some respects treated as part of the STIP. The project selection was separate and off cycle from the regular STIP process. At that time, the STIP had county minimums rather than county shares and there was a statewide selection process, subject only to the North-South split. The state TEA program was, in effect, a statewide competitive program with the Commission exercising sole project selection authority. The thinking behind the separate TEA program design was that California's Federal TE apportionment would get programmed only if agencies were forced to submit TEA projects and the Commission would select the best projects for programming. This approach didn't work because the separate TEA program proved to be inflexible. Many agencies were either unable or unwilling to find deliverable TEA projects. Consequently, Federal TE apportionment went unused for long periods of time. Over the six years of ISTEA from Federal Fiscal Year (FFY) 1992 through FFY 1997, the Federal TE apportionment for 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 Federal TE mandate under TEA-21, through FFY 2003, making few changes. In response, the Commission redesigned the state TEA program, modeling it somewhat on SB 45 but with TEA removed from the STIP altogether. The state TEA program was divided so that 75% of Federal TE funds were subdivided into regional shares, administered as direct local assistance to regional agencies. The remaining 25% went 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 essence, the state TEA program became a set aside program with each region assigned a separate TEA share, which could be used only for TEA projects.

Under TEA-21, California received $364 million in Federal TE apportionment from FFY 1998 through FFY 2003, about $61 million per year--nearly a 75% increase from the $35 million per year authorized under ISTEA in 1991. By September 2003, the end of the sixth and final year of TEA-21, approximately 100% of the available Federal TE apportionment was programmed, but only $217 million or 60% was actually obligated. Thus, the state TEA program was running nearly 2½ years behind and at a pace that could put some Federal TE funds at risk of expiring in September 2006 (similar to what almost happened in September 2000). Regional TEA project delivery was somewhat improved when the Commission applied modified AB 1012 timely use of funds rule to the TEA program. However, the regional TEA shares remained small and inflexible. Although some regions had excellent delivery records, the state's overall TE apportionment was not being used in a timely manner.

Reform Efforts

In October 2001, the Commission activated a Statewide TEA Advisory Committee to serve as a forum for TEA program reform. The Committee reported in August 2002 that it had spent an extensive amount of time discussing the split between state and regional program shares without reaching consensus. The Committee gave its final report in November 2002, recommending the following reforms:

- Combine the three statewide programs into one program.
- Provide a biennial programming cycle with ability to amend projects.
- Conduct a fair and transparent selection process.
- Set a 20% programmatic and $5 million per application land acquisition cap.
- Delegate project allocation authority to Caltrans.

The Commission then directed its staff to return with recommendations for future Commission action. In January 2003, the staff recommended that Federal TE funding be reintegrated into the STIP process with the objective of making full use, timely use, and the best use of TE funds in California. The intent would be to reduce TE program fragmentation and provide the Commission greater programming flexibility while still providing assurance of a strong regional role in project selection and a means for Caltrans to nominate larger projects and project of statewide interest. The reintegration should accomplish the first three recommendations of the Advisory Committee, combining the three statewide programs, having biennial programming cycles with the ability to amend, and having a transparent selection process. The need for the cap on land acquisition would be obviated by the reintegration itself. Staff recommended that the delegation of allocation authority be considered when the 2004 STIP is adopted, together with reconsideration of delegation for all other project types. The staff proposal was based on the premise that there is sufficient need and demand for TE projects in the state, that many agencies could and would deliver TE projects given the chance and some incentive, and that the state need not force TE funding on those who can't or won't deliver.

The regional agencies requested that the Commission not act on the staff proposal until the agencies had time to discuss and understand the proposal's impacts. The Commission agreed and tabled action until full consultation and discussion had taken place. Commission staff held several meetings with representatives of the regional agencies and other interested parties. In response to this input, the staff detailed and modified the proposal to make it more flexible and easier to administer.

Adoption of TE Program Reform

In August 2003, the Commission adopted the following revised proposal for programming of Federal TE funds:

Basic Proposal:

- All Federal Transportation Enhancement (TE) apportionments, beginning with FFY 2003-04 (the first year under Federal reauthorization), will be programmed in the State Transportation Improvement Program (STIP) or the State Highway Operation and Protection Program (SHOPP). They will not be programmed under the separate Transportation Enhancement Activities (TEA) program that has been used for TE apportionments under the Federal Transportation Equity Act for the 21st Century (TEA-21). Remaining TEA-21 apportionments will continue to be allocated and administered under the separate TEA program.
- During the transition period prior to the adoption of the 2004 STIP, new TE programming may be amended into the 2002 STIP. Where a region has already programmed TE projects for 2003-04 or later under the procedures of the old program, these projects may be amended into the 2002 STIP prior to adoption of the 2004 STIP. The Commission's intent is that the programming, allocation, and expenditure of Federal TE apportionments not be delayed by the change in state programming method.

- The purpose of this change is to:
  - o promote the full, timely, and effective use of the state's Federal TE apportionment, making more TE funding available where and when there is the greatest need and demand for TE-eligible projects,
  - o minimize the fragmentation of the program and mandates on individual regional agencies,
  - o clarify the respective project selection roles of state and regional agencies, and
  - o maintain the administrative flexibility found in the prior program, including the use of TE program reserves and delegated authority for allocations.

General Process:

- To the extent possible, Federal TE funds will be treated just as other Federal apportionments are treated in the fund estimate and in programming the STIP and SHOPP. Generally, the fund estimate and programming are accomplished without regard to Federal funding programs. The programming process provides enough flexibility statewide for the Commission and the Department of Transportation to insure that all Federal funds are used without requiring that each region program each Federal funding source separately. The programming of TE apportionment in this way is based on the premise that there is sufficient need and demand for TE-eligible projects statewide.
- With the addition of TE apportionments, the total resources available for the STIP and SHOPP will be greater than would otherwise be the case. This will, in turn, increase the amounts of interregional and county shares above what they would otherwise have been. In the regional transportation improvement programs (RTIPs) and interregional transportation improvement program (ITIP), the regions and the Department will generally be free to propose as much or as little as they choose for TE-eligible projects, just as they have in the past proposed projects without regard to funding type. It will be the Commission's responsibility to insure that the final STIP includes enough projects to use the state's expected TE apportionments. No upper limit on TE-eligible projects is needed since Federal law permits other Federal fund types to be used for TE-eligible projects.
- To retain the flexibility of the current program, the Commission will permit RTIPs to designate a TE project reserve in the STIP without designating the particular TE projects, much like the existing reserves permitted for Regional Surface Transportation Program (RSTP) and the Congestion Mitigation and Air Quality (CMAQ) Program match. The Commission will also delegate allocation authority for TE-eligible local projects to the Department.
- Projects eligible for TE apportionments, like projects eligible for other Federal funds, may be programmed through the SHOPP or nominated for the STIP through either the ITIP or an RTIP. The STIP guidelines, however, will lay out principles for the inclusion of TE projects in the SHOPP or ITIP, recognizing that for the SHOPP and

ITIP, projects are selected primarily by the Department and do not come from county shares.

<u>TE in the SHOPP, ITIP and RTIP</u>:

The STIP guidelines will lay out the following principles for inclusion of TE-eligible projects in the SHOPP, ITIP, and RTIP.

- TE projects in the SHOPP.
  - The Department may include in the SHOPP any TE-eligible project that is an enhancement directly related to another SHOPP or STIP project. Projects are eligible only if they are over and above any normally required project mitigation.
  - The Department may not use the SHOPP for local grants or to support a call for local projects. The Department may, however, entertain proposals from local agencies for enhancements to Department SHOPP or STIP projects.
  - The Department may not use the SHOPP for stand-alone TE capital outlay projects. Such projects should be funded in the STIP, through either the ITIP or RTIP.
- TE projects in the ITIP.
  - The Department may include in the ITIP a project from any TE-eligible category that relates to the interregional surface transportation of people or goods or that is a capital outlay project of statewide benefit and interest.
  - In the case of pedestrian and bicycle facilities, the project should provide an alternative to travel on a state highway that is part of the interregional road system or provide access to a state or national park or to an interregional surface transportation facility.
  - The Department may not propose TE-eligible grants to local agencies in the ITIP. However, the Department may propose TE-eligible grants for projects to be implemented by other state agencies or for scenic land acquisitions by land conservancies.
- TE projects in the RTIP.
  - A region may include in its RTIP any TE-eligible project.
  - A region may also include in its RTIP a reserve for TE-eligible projects. Project allocations may be made from this reserve without amending the STIP to designate the particular project. This will permit regions to designate a set-aside for the regional TE program in the STIP, while selecting specific TE projects at a later date.
  - The Commission will delegate to the Department the authority to allocate funds for local agency TE projects, except where the allocation is for more than $1.5 million.

- Timely use of funds and county shares for TE projects.
  - The Commission will not apply the AB 1012 timely use of funds rule to TE projects in the STIP. That rule continues to apply by statute to RSTP and CMAQ funds. It will also continue to apply to funds apportioned to regions under the prior TEA program.
  - TE projects in the STIP will be subject to the same timely use of funds rules that apply to all other STIP projects. Projects must be allocated within the year programmed or receive a one-time extension of up to 20 months. After allocation, the project must be awarded or commenced within 12 months, and the funds must be expended within 36 months, also with a one-time extension possible.
  - As with other STIP projects, programmed projects may not be reprogrammed after the beginning of the year of delivery. However, the use of TE reserves will permit a regional agency to change projects up to the time of allocation.
  - A TE reserve, like an existing STIP reserve for RSTP/CMAQ match, would be treated as a project for timely use of funds purposes. That means that any amount programmed in a TE reserve in a given fiscal year would have to be allocated for some TE project during that year, or the balance of the reserve would cease to be programmed and would lapse. The amount lapsed would return to the county share in the next county share period.
  - As with other STIP projects, allocations are made for the purpose of a specific project. Unexpended allocations will not be returned to the county share. County shares will be based on the amount allocated, not on actual expenditures. (This rule provides an incentive for estimating accurately, avoiding premature allocations, and providing partial funding from non-STIP sources.)
- TE matching.
  - Regions may include the cost of non-Federal match as part of any STIP TE project, including projects programmed through the regional TE reserve. It may still be of advantage to regional and local agencies to provide some non-STIP funding to avoid having unexpended allocations.
  - Since the non-Federal TE match may be programmed in the STIP either directly or through the TE reserve, there will no longer be a separate TE match as part of the RSTP/CMAQ match reserve.
- How will the state insure that its Federal TE apportionments are being programmed, allocated, and expended?
  - To a large extent, the proposal is based on the premise that there is sufficient statewide need and demand for TE-eligible projects, though that need and demand may be uneven from county to county and from year to year.
  - The fund estimate will define the statewide availability of TE apportionment by fiscal year but will place no limit on front loading for TE-eligible projects. It is

likely that the Commission will be able to program TE projects in the STIP's first year, even when non-TE projects will be programmable only in later years.

- In applying its programming discretion, the Commission may favor counties that are programming TE-eligible projects. This may mean an advance of current county share.
- In adopting the STIP, the Commission will examine the statewide amount of TE-eligible programming, including the year-by-year spread. If TE-eligible programming falls short of utilizing the anticipated TE apportionment, the Commission will leave the amount of the shortfall unprogrammed and available only for amendments of TE-eligible projects.
- Through the fund estimate, the Commission will publish five-year county targets for TE programming, which will be no less than the amounts that would have been apportioned for the former regional TEA program. In its RTIP, a region may propose to program either more or less than the target amount for TE-eligible projects. However, if a region programs less than its target and the statewide aggregate of TE-eligible programming falls short of the amount needed to utilize the state's TE apportionment, the Commission may leave a portion of the county share, up to the amount of the target, unprogrammed.
- There is no maximum amount of TE-eligible programming that an RTIP may propose. There is no limit on front-loading TE-eligible projects in the STIP, and the Commission will respread TE-eligible projects only in the unlikely event that this appears necessary to insure that all of California's TE apportionments will be obligated.

2003 ACTIVITY AND ACCOMPLISHMENTS

2003-04 Environmental Enhancement and Mitigation Program

On December 11, 2003, the California Transportation Commission adopted its 2003-04 Environmental Enhancement and Mitigation (EE&M) Program, including 19 projects totaling $5 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 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 twelve years of the EE&M Program, a total of 509 projects have been programmed at a total cost of $115.4 million. Approximately 39% have been highway landscape and urban forestry projects, 34% resource land projects, and 27% roadside recreation projects.

FY 2003-04 EE&M Program

For the 2003-04 EE&M program, the Resources Agency evaluated 109 projects with a total cost of over $126 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 19 of those projects, totaling $5 million -- the amount included in the 2003-04 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 19 projects programmed for 2003-04 are as follows:

FY 2003-04 Environmental Enhancement and Mitigation Program

APPLICANT	PROJECT	FUNDING
CITY OF RIPON	STANISLAUS RIVER TRAIL & BEAUTIFICATION	$250,000
CITY OF SALINAS	NATIVIDAD CREEK RESTORATION INTERPRETIVE TRAIL	138,110
DEPT OF PARKS & RECREATION	ADOBE VISITOR CENTER	245,000
SANTA CLARA VTA	RT 85/101 SOUTH INTERCHANGE	242,000
OUR CITY FOREST	TREES FOR VASONA LIGHT RAIL NEIGHBORHOODS	234,600
DEPT OF PARKS & RECREATION	FOLSOM POWERHOUSE TRAILHEAD & PARKING	250,000
CITY OF ARCATA	SUNNY BRAE ACQUISITION	375,000
PLACER LAND TRUST	CANYON VIEW PRESERVE	250,000
	TOTAL, NORTH COUNTIES	**$1,984,710**
DEPT OF PARKS & RECREATION	VALLECITO RANCH ACQUISITON – PHASE II	$500,000
CITY OF COMMERCE	VETERANS MEMORIAL PARK EXPANSION	250,000
CITY OF GOLETA	MONARCH POINT BLUFFS ACQUISITION	500,000
LOS ANGELES CONSERVATION CORPS	NEW TREES FOR GARDENA	225,782
CITY OF SOLANA BEACH	SOLANA BEACH LINEAR PARK	250,000
SAN DIEGO COUNTY	BROWN PARCEL RESOURCE LANDS ACQUISITION	191,500
CITY OF SHAFTER	SHAFTER LANDSCAPING & BEAUTIFICATION	250,000
NORTHEAST TREES	ARROYO SECO REFORESTATION & HABITAT ENHANCEMENT	250,000
CITY OF GOLETA	GOLETA OLD TOWN HEIGHBORHOOD PARK	250,000
DEPT OF PARKS & RECREATION	MOONSTONE BEACH BOARDWALK	202,000
MOUNTAINS RECREATION & CONSERVATION AUTHORITY	CONFLUENCE PARK	146,008
	TOTAL, SOUTH COUNTIES	**$3,015,290**

Summarized by project type, this year's program included:

FY 2003-04 EE&M Programmed Projects

Project Category	Projects	Pct	Grants	Pct
Highway Landscape and Urban Forestry	6	32%	$1,452,382	29%
Resource Lands	5	26%	$1,816,500	36%
Roadside Recreation	8	42%	$1,731,118	35%
Total	19	100%	$5,000,000	100%

2003 ACTIVITY AND ACCOMPLISHMENTS

Proposition 116 Program

In 2003, the California Transportation Commission programmed $9.7 million and allocated $10.2 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 two 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, $173.8 million remains to be programmed and another $11.5 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 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 2003, the Commission has approved 516 individual applications totaling $1.82 billion for all CATIA programs, which represents 91% of the total $1.99 billion, authorized for expenditure. Of the $1.82 billion in approved applications:

- $1.684 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 $173.8 million in remaining Proposition 116 funds, $168.2 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 2003, the Commission has approved applications for 124 rail projects totaling $1.68 billion of the $1.85 billion authorized under CATIA; $168.2 million remains available to the Department of Transportation (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 $168.2 million, $121.4 million (72%) is authorized for the City of Irvine (Orange County), $28 million (17%) is authorized for Marin and Sonoma, $7.2 million (4%) is authorized for Monterey, $10.7 million (7%) is authorized for Santa Cruz, and $1 million is authorized for Caltrans for a state railroad right-of-way survey. According to an October 2003 survey of designated applicants, none of the $168.2 million is expected to be applied for during the current fiscal year (2003-04). The applicants do, however, expect to apply for $35,100,000 in 2004-05, with the remaining $133 million to be sought after 2004-05.

October 2003 Survey
Anticipated Rail Program Application Submittals

Agency	Remaining Available Funds	Amount to be Requested by 7/1/04	Amount to be Requested in 2004/05	Amount to be Requested after 2004/05
Caltrans	$ 1,000,000	$0	$ 0	$ 1,000,000
City Of Irvine	121,370,222	0	0	121,370,222
Monterey	7,180,000	0	7,100,000	0
Sonoma County	17,000,000	0	17,000,000	0
Marin County	11,000,000	0	11,000,000	0
Santa Cruz County	10,700,000	0	0	10,700,000
Total	**$168,250,222**	**$0**	**$35,100,000**	**$133,070,222**

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 and Sonoma Counties have yet to submit any applications for the use of funds designated in CATIA.

Along with the remaining $168.2 million available for application, another $9 million in approved funds remain unallocated. The table 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 2003 Survey
Anticipated Rail Program Allocations

Agency	Available Funds	Amount to be Requested by 7/1/04	Amount to be Requested in FY 2004/05
North San Diego TDB – Oceanside-San Diego	$1,529,376	$ 0	$1,529,376
Caltrans	7,486,800	7,486,800	0
Total	**$9,016,176**	**$7,486,800**	**$1,529,376**

Non-Urban County Transit Program

CATIA's non-urban county transit program consists of $73 million earmarked for California's 28 non-urban counties, as defined by Proposition 116, divided among those counties based on population. The Commission has approved applications for 284 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 $2.3 million should be allocated later in the current fiscal year (2003-04) as shown in the following table.

October 2003 Survey
Anticipated Non-Urban County Transit Program Allocation Submittals

County	Project Type of Remaining Funds	Remaining Balance	Expected Allocation Date
Alpine	Transit	$ 51,886	June 2004
Napa	Transit	1,890,915	March 2004
Nevada	Bicycle/Transit	1,501	March 2004
Plumas	Transit	6,300	June 2004
Tehama	Transit	332,112	June 2004
Trinity	Transit	15,000	May 2004
Total		**$2,297,714**	

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. In 2001, 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 2003-04. 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 Transportation Enhancement (TE) funds, and the balance of funds raised privately by the California State Railroad Museum Foundation.

Reallocation of Proposition 116 Funding

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; and the Commission believes that the public's interest may be best met by reallocating idle funds to those projects that are ready for implementation.

Under CATIA, where an agency has failed to request an allocation of authorized funds by July 1, 2000, the funding may be reallocated through one or more of the following means:

- **Agency Proposals for Alternate Projects** – Each year, as called for in its adopted guidelines, the Commission surveys those agencies asking if they intend 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 has suggested a substitute project. Four agencies–Marin, Monterey, Sonoma, and Santa Cruz 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 viable, an agency's proposed project. 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.

2003 Commission Activity

In 2003 the Commission programmed approximately $9.7 million in authorized CATIA funds for the rail program, allocated about $10.2 million and reprogrammed approximately $3 million. The Commission also approved over $7 million in time extensions.

2003 ACTIVITY AND ACCOMPLISHMENTS

Seismic Safety Retrofit Program

The massive state highway seismic safety retrofit program is nearing completion, with only a few of the most complex and difficult bridges remaining. The phase 1 seismic program, initiated after the 1989 Loma Prieta earthquake was completed in May 2000. Under the phase 2 program, initiated after the 1994 Northridge earthquake, retrofitting has been completed for 1,136 bridges, another 11 are under construction, and 8 remain in design. Work on 5 of the 7 state-owned toll bridges that required retrofitting is complete, and work on the Richmond-San Rafael Bridge and the San Francisco-Oakland Bay Bridge (SFOBB) are under construction. Work on the Bay Bridge includes a new east span with 10 construction contracts and retrofitting of the west span with 8 construction contracts.

Funding is in place for all phases of the state retrofit program, though cost increases, especially on the SFOBB new 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).

Meanwhile, progress continues slowly on the retrofitting of bridges on local streets and roads, with just half of the bridge retrofits completed or under construction. This year, as a result of budget reductions, the state stopped providing state funds to match Federal bridge funds used to retrofit local bridges.

Background

The state highway system has over 15,000 miles of maintained road and over 12,000 bridge structures. 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 exposed the vulnerability of California's bridge structures to earthquake damage and made the seismic retrofitting of the bridges the 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 bridges in high priority fault zones and some of the most vulnerable multiple column support bridges. Also included in this group are state-owned toll bridges.

The seismic safety retrofit program has been a major endeavor for the Department of Transportation (Caltrans) and the Business, Transportation and Housing Agency. The seismic safety retrofit program is comprised of four parts: phase 1, phase 2, toll bridges and local bridges. The current estimated combined cost to seismically retrofit the state bridges is $7.07 billion: $1.08 billion for phase 1, $1.35 billion for phase 2, and $4.637 billion for toll bridges. Nearly $1 billion more will be required to retrofit local bridges not on the state highway system.

Phase 1

Following the 1989 Loma Prieta earthquake, Caltrans identified 1,039 state highway bridges in need of seismic retrofitting. By May 2000, all the phase 1 bridges had been seismically retrofitted at a cost of $1.08 billion.

Phase 2

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. 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 (SHA) 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 2 bridges.

As of June 30, 2003, of the 1,155 Phase 2 bridges 1,136 bridges (98.3%) were seismically retrofitted, 11 more (1.0%) were under construction, and 8 more (0.7%) remained in the design stage. Caltrans reports that it expects to complete most of the remaining Phase 2 bridges by the spring of 2007. Three Phase 2 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 $1.21 billion made available from Proposition 192 for the Phase 2 bridges, $1.15 billion had been allocated as of June 30, 2003. The $1.15 billion does not include the $81.2 million allocated for Pooled Money Investment Account (PMIA) loan interest expenses as these costs are offset by the interest earned by the Surplus Money Investment Fund. If the total cost to finish the Phase 2 bridges exceeds the remaining $62.9 million Proposition 192 unallocated balance, Caltrans' strategy is to utilize Federal Highway Bridge Replacement and Rehabilitation (HBRR) funds available through the 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 2 seismic retrofit expenditures made during fiscal years 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 2003, Caltrans had reimbursed approximately $99.8 million of the $103 million from the Proposition 192 bond fund. This $99.8 million is included in the $1.15 billion total for Proposition 192 allocations.

Toll Bridges

Seven of the nine state-owned toll bridges required some type of seismic retrofit work (including the Vincent Thomas and San Diego-Coronado Bridges, for which toll collection has been discontinued). By June 2002, work had been completed on 5 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 summer 2008, and the west span of the SFOBB in summer 2009. The replacement of the westbound Carquinez Bridge, funded with Regional Measure 1 toll funds, was completed and opened to traffic in November 2003.

The funding plan for the 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 cost estimates as incorporated in AB 1171.

Estimated Costs to Retrofit Toll Bridges (AB 1171)

Bridge	Cost Estimate
Benicia-Martinez	$190,000,000
Carquinez (eastbound*)	125,000,000
Richmond-San Rafael	665,000,000
San Diego-Coronado	105,000,000
San Mateo-Hayward	190,000,000
Vincent Thomas	62,000,000
San Francisco-Oakland Bay Bridge	
West Span & Approach	700,000,000
East Span Replacement	2,600,000,000
Total	**$4,637,000,000**

* A replacement bridge for the westbound Carquinez was financed with Regional Measure 1 toll bonds.

The following chart identifies the AB 1171 funding plan.

Toll Bridge Seismic Retrofit Funding (AB 1171)

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	**$4,637,000,000**
State Highway Account Contingency	448,000,000
Total Funds Available	**$5,085,000000**

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 a funding contingency. If the seismic retrofit cost exceeds $4.637 billion, Caltrans may program not more than $448 million in project savings or other available resources from the interregional transportation improvement program (ITIP), the 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 suggested that additional costs above the $4.637 billion AB 1171 estimate will be needed for the toll bridge seismic retrofit effort. The report indicated that from $250 million to $630 million more could be needed. Caltrans indicated that it would pursue cost-saving measures aggressively to stay within the established $4.637 billion funding level.

In September 2003, the Department reported its latest cost estimate for the toll bridge seismic retrofit program at $4.932 billion, an amount that would require $295 million of the $448 million contingency:

Estimated Costs to Retrofit Toll Bridges (Sept 2003)

Bridge	**Cost Estimate**
Benicia-Martinez	$183,000,000
Carquinez (eastbound)	$122,000,000
Richmond-San Rafael	$665,000,000
San Diego-Coronado	$107,000,000
San Mateo-Hayward	$170,000,000
Vincent Thomas	$62,000,000
San Francisco-Oakland Bay Bridge	
West Span & Approach	$670,000,000
East Span Replacement	$2,953,000,000
Total	**$4,932,000,000**

The greatest risk for further cost increases is with the self-anchored single-tower suspension span contract for the Bay Bridge East Span. Bids for that contract are currently due to be opened in January 2004.

<u>Local Bridges</u>

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 local bridges is difficult to compile on a statewide basis because of the large number of agencies involved, and the bridge counts have changed from year to year. This year, Caltrans, Los Angeles County and Santa Clara County identified 1,234 locally owned bridges in need of seismic evaluation, up from a count of 1,226 the year before. As of June 30, 2003, 302 (24%) of the 1,234 bridges were in the retrofit strategy development stage, 278 (23%) were in the design stage, 105 (9%) were under construction, and 549 (44%) 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 $400 million has been spent or obligated for local bridges to date, with $440 million estimated to be needed to complete the remainder of the local retrofit work. Because 580 (47%) of the 1,234 bridges are still in the strategy development or design stages, the $440 million estimate is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, and right-of-way clearances, and to administer the construction contract.

The local bridge retrofit program is financed primarily from Federal HBRR funds. Until this year, the state had been providing up to $13 million per year in state local assistance funds as match for the HBRR funds. However, that was discontinued this year as a result of 2002-03 midyear budget reductions approved by the Governor on March 18, 2003, and the 2003-04 Budget Act. Local agencies now need to secure the required matching funds from the STIP or local sources. Since July, the moratorium on STIP allocations has made that source unavailable.

<u>Status of Proposition 192</u>

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 2 seismic retrofit effort.

As of June 30, 2003, the amount of Proposition 192 funds allocated for phase 2 seismic retrofit totaled $1,147.1 million, including $790.5 million for capital outlay and right-of-way, $256.8 million for project support costs, and $99.8 million to reimburse the 1994-95 and 1995-96 seismic project support expenditures made with SHA funds. The $81.2 million allocated for PMIA loan interest expenses that are usually offset by interest earned by the Surplus Money Investment Fund is not included in the $1,147.1 million total. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2003 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 1994-95 and 1995-96 seismic project support expenditures made with SHA funds.

The overall total of Proposition 192 funds allocated through June 2003 is $1,935.9 million, excluding the $81.2 million allocated for interest costs, leaving $62.9 million in bond authority available for allocation to phase 2 retrofit projects and only $1.1 million for toll bridge projects.

2003 ACTIVITY AND ACCOMPLISHMENTS

Committee on Mass Transportation

In 2003, the California Transportation Commission's Committee on Mass Transportation focused on issues relating to all forms of mass transportation in California including bus, light rail, heavy rail, commuter rail, and state-supported intercity rail. The Committee on Mass Transportation continues and expands upon prior efforts of the Commission's Public Transit Committee.

Despite the extra attention given by the Commission this year to state budget issues and the 2004 STIP fund estimate, the Committee was able to take up important issues and establish a solid basis from which to begin a dialogue on mass transportation and state-supported intercity rail in the coming years.

Additionally, the Committee considered issues that were identified during Commission meetings as requiring further investigation. The Committee invited representatives from public agencies and private industry to discuss the status of and clarify issues relating to several matters of statewide importance including:

- Fuel cell and hybrid engine technologies.
- California High-Speed Rail Authority.
- Intercity rail.

When not addressing "special" issues at the request of the full Commission, the Committee made substantial progress in broadening members' understanding of issues relating to mass transportation and intercity rail. This increased knowledge base will serve the Committee as it seeks to establish goals for ridership, farebox recovery and on-time performance and to define appropriate standards for measuring progress towards meeting those goals.

Mass Transportation (Bus, Light Rail, Heavy Rail, Commuter Rail)

The Committee's 2003 activities mark the next stage in a continuing effort to provide the Commission with a more comprehensive understanding of mass transportation system operations in California, including the most important factors affecting system operations. The Committee's primary focus in this area was the collection and analysis of baseline performance-related data and standards to gain insight into the cost and operating performance of mass transportation systems statewide with an eye toward insuring more effective and efficient programming and allocation of funding.

With this focus, the Committee successfully identified a comprehensive and reliable source for mass transportation system operating data: the Federal Transit Administration's (FTA) National Transit Database (formerly Section 15 of the Federal Transit Act, as amended). The data collected by the FTA represents the most accurate and current national information and allows analysis of data over time. All transit operators that benefit from Federal funds must provide the FTA with information regarding their financing and operations. The FTA requires the information to be provided in a uniform manner with respect to categories and definitions of terminology. The resulting FTA database provides interested parties with uniform information from across California and the nation.

An additional accomplishment during 2003 was the establishment of a methodology for analyzing and presenting the operating performance of all mass transportation systems in the state. Mass transportation system operating performance-related data was represented in charts and easy-to-read graphs by a small set of manageable, yet highly focused performance measures developed at the direction of the Committee. The result was that operating performance-related data from every rail transit system and the largest 15 bus transit systems in California, representing over 80% of all passenger trips made by bus, was collected, analyzed and presented during Committee meetings. In addition to statewide performance data, information was also presented that related to similar systems across the nation. In this way Committee members, and the Commission as a whole, were not only able to view the operating performance of individual systems in California over time, but also to see how the performance of systems in California compares with similar systems across the nation.

Future Focus on Mass Transportation Issues

The focus of the 2003 Committee meetings was to establish a solid basis from which to begin a comprehensive dialogue on the issues associated with providing mass transportation services in California. With this goal accomplished, the Committee's plans for 2004 not only involve working with experts in the field represented by academics, transit system operators and the Department of Transportation to identify the main factors that affect mass transportation system performance, but to investigate and understand how the main factors impact the provision of mass transportation service. Once this goal is accomplished, the Committee intends to produce a white paper detailing its findings and a plan of action the Commission can follow to improve the efficiency and effectiveness of mass transportation systems in California.

Initial areas of investigation identified for 2004 include issues such as:

- Transportation finance.
- The role of mass transportation in transportation planning and programming.
- Goal setting.
- The connection between land use and transportation.
- Route and network coverage.
- Relationship between different types of service.
- Overall system connectivity.
- Mass transportation and air quality.

The Commission intends on using the knowledge and insight it gains to assist the full Commission in carrying out its responsibility to insure that projects receiving state funding allocations are the most efficient and effective uses of the funds. The Committee also intends that this encourage transit operators to provide services that have the greatest impact on the transportation system and the citizens of California.

Intercity Rail (Capitol Corridor, Pacific Surfliner, San Joaquin)

The Committee on Mass Transportation, as part of its mass transportation charge, included a review of the state-supported intercity rail system. Last year, the Public Transit Committee held a workshop on intercity rail involving freight railroad companies, Amtrak, commuter agencies, and the Department to better understand the relationship between the agencies, the operating and capital costs, and how intercity rail is managed in other states. This year the Committee on Mass Transportation worked to gain insight into the baseline performance-related data and standards used in assessing intercity rail operating performance in order to maintain effective and efficient programming and allocation of capital and operational funding. The Committee's 2003 activities mark another stage in the Commission's continuing effort to achieve a comprehensive understanding of intercity rail operations in California.

The Committee's work broadened the members' understanding of issues relating to intercity rail. The Committee identified standardized information sources in order to allow across-the-board comparison of the California system over time and similar systems nationwide. The Committee determined that the FTA's National Transit Database was not an appropriate source for intercity rail data as the database does not include information on intercity rail. Accordingly, it was necessary to obtain information from an alternate source, primarily the Department, which collects data both internally and from Amtrak. The data collected by the Department represents the most comprehensive source, is consistent with national Amtrak information, and allows comparison and analysis of data over time.

During 2003, the Committee reviewed the methodology used by the Department to develop state-supported intercity rail operating performance-related data. The Department's methodology resulted in operating performance-related data being made available for all state-supported intercity rail corridors and was presented as a small set of manageable, yet highly focused performance measures. Nevertheless, the Committee intends on further scrutinizing the Department's methodology and information to ensure an accurate measurement of the "true costs" and revenues that form the basis of the key financial performance measures used to assess state-supported intercity rail. The end result is that the Commission intends to monitor the development of a more transparent process for analyzing the operating performance of individual rail corridors in California over time, as-well-as comparing the performance of California's state-supported intercity rail system with similar intercity rail systems across the nation.

Future Focus on Intercity Rail Issues

The Committee's focus in 2003 on intercity rail was to broaden its understanding of the issues and to ensure that all dialogue is based on a common foundation of knowledge associated with providing intercity rail services in California. In 2004 the Committee intends to continue working with experts in the field represented by academics, rail agencies, Amtrak, and the California Department of Transportation to refine the indicators used to measure the performance of intercity rail. The Committee intends to continue its investigations in order to increase its understanding of how various factors impact the provision of intercity rail service.

Initial areas of investigation identified for 2004 include issues such as:

- Transportation financing and programming.
- Continuing to assess the Department's methodology and performance measures for evaluating intercity rail cost and operating performance, in order to refine operating performance-related data.
- Goal setting. Are the Department's intercity rail goals, as described in its annual business plans and 10-year plan, appropriate or should those goals be modified?
- High-speed rail bonding.

Once this goal is accomplished, the Committee intends to produce a white paper detailing its findings and a plan of action the Commission can follow to improve the efficiency and effectiveness of intercity rail service in California.

The Committee will use the knowledge it has gained over the last several years to assist the full Commission with its responsibilities to:

- Insure state operational costs for intercity rail are minimized by monitoring the Department's efforts to increase ridership, increase fare revenues, minimize costs and run intercity rail service in a cost effective and efficient manner.

- Insure that intercity rail projects that are programmed and receiving allocations are the most efficient and effective use of transportation funding.

2003 ACTIVITY AND ACCOMPLISHMENTS

2003-04 Elderly and Disabled Transit Program

In September 2003, the California Transportation Commission adopted the annual state project list for the Federal Section 5310 elderly and disabled person transit program, including projects for 101 local agencies at a cost of $14 million.

Background

In 1975, Congress established what is now the Section 5310 program 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. Congress later extended program eligibility to public bodies that certify to the Governor that no non-profit organizations are readily available in their area to provide the specialized service. The program's implementing legislation designated the Governor of each state as the program administrator. In California, the Department of Transportation was delegated the authority and has been administering this program since its inception.

AB 772 (1996) gave the Commission a role in the Section 5310 program, mandating that the Commission:

- direct the allocation of program funds,
- establish an appeals process for the program, and
- hold at least one public hearing prior to approving each annual program project list.

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 transportation planning agencies, state and local social service agencies, the California Association for Coordinated Transportation (CalACT) and the Department. 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 State 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 State Review 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 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.

Federal FY 2003-04 Program

For the Federal FY 2003-04 program, the regional agencies submitted 109 applications for a total request of nearly $15 million in Section 5310 funding. The estimate of 2003-04 program capacity is $12.78 million including $11.2 million in 2003-04 funding and $1.58 million made available from past grant cycles in which project savings were realized or projects were not completed. This put 110% of the estimated funding capacity at $14.06 million (all amounts include the required 20% local match). The actual available funding limit will depend on the Federal transportation appropriation, which has not yet been enacted. A partial current year appropriation has been provided through a continuing resolution, now in effective through February 2004.

In accordance with the Commission's adopted procedures, all applications were first scored locally. The State Review Committee subsequently reviewed, and in some cases modified, the regional scores. Where the regional and State Review Committee scores were different, the differences were discussed with the regional agency. These discussions focused on the adopted procedures and whether the procedures had been correctly applied. On August 20, 2003, Commission staff and the State Review Committee also conducted a staff-level conference with the regional agencies and project applicants to hear any appeals based on technical issues that affected the scoring. Corrections were made for several projects, and a statewide-priority list was subsequently assembled based on the re-scoring.

The Commission held its public hearing and approved the priority list on September 25, 2003. The Commission directed the Department to allocate funds to projects on the adopted list down to the level of actual available funding, which will depend on the Federal transportation appropriation. The approved list would fund 101 agencies with 192 replacement vehicles, 86 service expansion vehicles and 32 supporting equipment projects for Federal FY 2003-04.

Section 5310 Statewide List
Federal FY 2003-04 Cycle

AGENCY	COUNTY	AMOUNT
Bay Area Community Services, Inc.	Alameda	$ 114,000
City of Fremont, Human Services Department	Alameda	$ 104,000
Satellite Housing, Inc.	Alameda	$ 101,200
Spanish Speaking Unity Council of Alameda County, Inc.	Alameda	$ 52,000
Spectrum Center for Educational and Behavioral Development	Alameda	$ 100,000
Work Training Center for the Handicapped, Inc.	Butte	$ 107,000
Colusa County Transit Agency	Colusa	$ 130,000
El Dorado County Department of Transportation	El Dorado	$ 66,500
El Dorado County Transit Authority	El Dorado	$ 82,000
City of Fresno/Fresno Area Express	Fresno	$ 416,000
Fresno County Economic Opportunities Commission	Fresno	$ 475,525
United Cerebral Palsy of Central California, Inc.	Fresno	$ 57,000
WestCare California, Inc.	Fresno	$ 41,000
Adult Day Health Care of Mad River	Humboldt	$ 43,000
Humboldt Community Access and Resource Center	Humboldt	$ 117,000
Humboldt Senior Resource Center Inc.	Humboldt	$ 52,000
Transitional Residential Treatment Facilities	Humboldt	$ 50,000
ARC – Imperial Valley	Imperial	$ 236,000
Community Catalysts of California	Imperial	$ 50,000
Desert Area Resources and Training	Kern	$ 193,000
The Bakersfield Association for Retarded Citizens, Inc.	Kern	$ 163,834
Indian Elders Council	Lassen	$ 50,000
Access Services Inc.	Los Angeles	$ 495,300
Central Community Services, Inc. (Central ADHC Centers)	Los Angeles	$ 131,700
East Los Angeles Remarkable Citizens Association Inc.	Los Angeles	$ 267,500
Goodwill Industries of Long Beach and South Bay, Inc.	Los Angeles	$ 43,000
Motion Picture and Television Fund	Los Angeles	$ 52,000
Peace and Joy Care Center	Los Angeles	$ 112,200
San Fernando Valley Association for the Retarded, dba New Horizons	Los Angeles	$ 397,500
San Fernando Valley Interfaith Council, Inc.	Los Angeles	$ 43,000
St. Barnabas Senior Center of Los Angeles	Los Angeles	$ 50,000
Steelworkers Oldtimers Foundation	Los Angeles	$ 164,200
Tarzana Treatment Center, Inc.	Los Angeles	$ 86,000
The Institute for the Redesign of Learning, dba Almansor Center	Los Angeles	$ 250,000
Tierra del Sol Center for the Handicapped Foundation	Los Angeles	$ 215,000
Whittier Area Foundation for the Handicapped, dba Penn Rehab. Ctr.	Los Angeles	$ 50,000
Pacific Family Health, Inc.	Madera	$ 261,500
Casa Allegra Community Services	Marin	$ 41,000
Marin Ventures	Marin	$ 172,000
Community Catalysts of California	Mendocino	$ 50,000
Ukiah Senior Center, Inc.	Mendocino	$ 44,500
Modoc Transportation Agency	Modoc	$ 60,000
Hope Rehabilitation Services Foundation	Monterey	$ 141,000
Monterey - Salinas Transit	Monterey	$ 255,350
Napa County Transportation Planning Agency	Napa	$ 2,000
Gold Country Telecare, Inc.	Nevada	$ 250,000
A.S. Foundation/Orange County	Orange	$ 41,000
Orange County ARC	Orange	$ 484,500
Pride Industries One, Inc. (dba CTSA of Placer County)	Placer	$ 497,000
Angel View Crippled Children's Foundation, Inc.	Riverside	$ 104,000

AGENCY	COUNTY	AMOUNT
Desert Samaritans for the Elderly	Riverside	$ 100,000
Foundation for the Retarded of the Desert	Riverside	$ 98,000
Inland Aids Project	Riverside	$ 93,000
Valley Resource Center for the Retarded, Inc., dba EXCEED	Riverside	$ 347,000
Senior Center of Elk Grove	Sacramento	$ 157,000
United Cerebral Palsy of Greater Sacramento, Inc.	Sacramento	$ 228,000
San Benito County Local Transportation Authority	San Benito	$ 43,000
City of Fontana	San Bernardino	$ 51,500
New House Inc.	San Bernardino	$ 100,000
OPARC	San Bernardino	$ 129,000
Roberts Group Home II	San Bernardino	$ 86,000
City of Vista ("Out & About" Transportation)	San Diego	$ 57,000
Mountain Shadows Support Group	San Diego	$ 104,000
North County Lifeline, Inc.	San Diego	$ 154,488
Redwood Senior Homes and Services	San Diego	$ 43,000
T.E.R.I., Inc.	San Diego	$ 52,000
The Neighborhood House Association	San Diego	$ 121,826
Centro Latino de San Francisco	San Francisco	$ 161,000
Institute on Aging	San Francisco	$ 215,000
On Lok Senior Health Services	San Francisco	$ 50,000
Saint Francis Memorial Hospital	San Francisco	$ 100,000
Shanti Project	San Francisco	$ 140,620
St. Mary's Medical Center	San Francisco	$ 86,000
Lodi Memorial Hospital Association, Inc.	San Joaquin	$ 50,000
San Joaquin Regional Transit District	San Joaquin	$ 500,000
Senior Service Agency of San Joaquin County, Inc.	San Joaquin	$ 160,500
NCI Affiliates, Inc.	San Luis Obispo	$ 143,000
United Cerebral Palsy Association of San Luis Obispo County	San Luis Obispo	$ 144,000
Work Training Programs, Inc.	San Luis Obispo	$ 91,000
City of East Palo Alto	San Mateo	$ 57,000
Life Steps Foundation, Inc. (Wisdom Center ADHC)	Santa Barbara	$ 57,000
Achievekids	Santa Clara	$ 123,000
Jewish Family and Children's Services	Santa Clara	$ 325,500
Outreach & Escort, Inc.	Santa Clara	$ 40,000
Pacific Autism Center for Education (PACE)	Santa Clara	$ 209,500
Community Bridges	Santa Cruz	$ 492,250
University of California Santa Cruz	Santa Cruz	$ 103,000
Shasta County Opportunity Center	Shasta	$ 50,000
Pathway Enterprises Inc. (dba Siskiyou Adult Develop. Center)	Siskiyou	$ 123,000
City of Fairfield	Solano	$ 57,000
Solano Transportation Authority	Solano	$ 114,000
St. Helena Hospital (dba California Specialty Hospital)	Solano	$ 41,000
Becoming Independent	Sonoma	$ 130,445
Riverbank-Oakdale Transit Authority	Stanislaus	$ 57,000
Tehama County Opportunity Center, Inc. (dba North Valley Srv.)	Tehama	$ 57,000
Porterville Sheltered Workshop	Tulare	$ 58,500
County of Tuolumne	Tuolumne	$ 51,500
Watch Resources, Inc.	Tuolumne	$ 173,000
Association for Retarded Citizens Ventura County, Inc.	Ventura	$ 100,000
HELP of Ojai, Inc.	Ventura	$ 158,382
Ventura County Delivery Service	Ventura	$ 130,000
	TOTAL	**$ 14,076,320**

2003 ACTIVITY AND ACCOMPLISHMENTS

Making Transportation and Land Use Work Together

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

Last year, the California Transportation Commission stated its intent to explore where it could make changes in its policies and actions to further the goal of making transportation and land use work together. This exploration would be done through:

- an examination of the statutes defining the responsibilities of congestion management agencies;
- a review of the State Transportation Improvement Program (STIP) and Regional Transportation Plan (RTP) 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.

The Commission, for its part, began to realize the need for project sponsors to commit themselves to better transportation and land use planning. The Commission wanted to support sound planning and decision-making to insure a sound return on its transportation investments. The Commission recognized the need to make better and more intelligent funding decisions as the state's population grows and that those decisions will require more than just money.

Over the course of the year, the Commission embarked on a public discussion of ways to promote the coordination of planning and improved mobility through the development of guidelines and expected outcomes for the 2004 STIP, for regional transportation plans, for Federal Grant Anticipation Revenue (GARVEE) bonding, and for other loan programs. The Commission's goal is to integrate smart growth funding strategies into the allocation of Federal and state funds for transportation planning and transportation improvements throughout California.

The Commission looked to two pieces of legislation for guidance. AB 2140 (2000) 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) 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.

Commission Actions in 2003

In December 2003, the Commission adopted revisions to the STIP guidelines to address use of GARVEE bonding to finance the STIP and selection of projects for which bonding should be used. The guidelines specify that the Commission may select STIP projects proposed in either a regional transportation improvement program (RTIP) or the interregional transportation improvement program (ITIP) for accelerated construction through GARVEE bonding. With the agreement of the agency that proposed the project, the Commission may designate a project for bonding even if the original RTIP or ITIP did not specifically propose bonding. The Commission may also select projects programmed in the SHOPP for accelerated construction through bonding. The Commission will select projects for bonding that are major improvements to corridors and gateways for interregional travel and goods movement, especially projects that are too large to be programmed within current county and interregional shares or the SHOPP on a pay-as-you-go basis. Major improvements include projects that increase capacity, reduce travel time, or provide long-life rehabilitation of key bridges or roadways.

The evaluation of regional transportation plans by the Commission was long overdue but was adopted by the Commission at its December 2003 meeting. That evaluation points out that most regional transportation plans omitted the analysis of land use and transportation related to projected housing, employment and the environment, and that metropolitan planning organizations (MPOs) and regional transportation planning agencies (RTPAs) should review other planning documents such as general plans, airport land use compatibility plans and air quality management plans (AQMPs) during the preparation of their regional transportation plans.

In addition, at the December meeting the Commission adopted a supplement to the RTP guidelines that provides direction concerning the type of information that needs to be documented in regional transportation plans pertaining to environmental impact reports (EIRs), with more emphasis on the development of plan level project intent statements (purpose and need). The action taken at the Commission's December meeting set a schedule for a full update of the RTP guidelines so that issues dealing with outdated planning documents, specific direction on developing transportation performance measures, and how to enfold environmental stewardship into the preparation of regional transportation plans will be addressed. The supplement to the guidelines was prepared by the Department of Transportation (Caltrans) in consultation with the regional transportation planning agencies. The full update will also be prepared by the Department, in consultation with RTPAs, under the direction of the Commission.

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 intended to create this compendium and analysis and to determine how best to use this information in programming decisions. Unfortunately, transportation financing and budgetary concerns took higher priority in the past year. It is still the Commission's intent to address this goal. However, the Commission would like to work with the Governor's Office of Planning and Research to coordinate this effort with the update of the general plan guidelines and the implementation of the state Environmental Goals and Policy Report (EGPR).

The Commission held a roundtable meeting in June 2003 devoted to the topic of transportation and land use planning. The roundtable was designed to generate discussion and ideas for change that the Commission can use to promote making transportation and land use work together. Several regional agencies and Caltrans reported on what they are doing in this area. As a result of the roundtable, the Commission Chair established an ad hoc committee to recommend to the full Commission the incentives or positive influences the Commission should adopt. This ad hoc committee will be active in the coming year and will also look to have input on the EGPR and Infrastructure Plan.