

2004 STIP STAFF RECOMMENDATIONS

California Transportation Commission

This document presents the recommendations of the staff of the California Transportation Commission for the 2004 State Transportation Improvement Program (STIP). State law requires that the Executive Director of the Commission make these recommendations available to the Commission, the Department of Transportation (Caltrans), and the transportation planning agencies and county transportation commissions at least 20 days prior to the Commission's adoption of the STIP. The Commission is scheduled to receive comments on these recommendations and to adopt the STIP at its August 4-5, 2004 meeting.

The 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, adds no new programming capacity. For the most part, it will simply reschedule \$5.4 billion in projects already programmed, delaying most projects by two years or more. The delays and the lack of new capacity are due primarily to the repeated suspension and borrowing of transportation funds over the last 4 years to backfill for deficits in the General Fund.

These staff recommendations identify specific projects and project components to be programmed for each year of the 2004 STIP. The recommendations are based primarily on:

- the yearly program capacity identified in the Fund Estimate adopted by the Commission in December 2003;
- the annual reprogramming targets identified in the fund estimate for each county and for the interregional program;
- project priorities and scheduling recommended by regional agencies in their regional transportation improvement programs (RTIPs) and by the Department in its interregional transportation improvement program (ITIP);
- the delivery status and deliverability of individual projects; and
- Commission policies as expressed in the STIP guidelines.

The staff also recommends that the adopted STIP set aside \$65 million in current capacity to fund about \$500 million in STIP projects through Federal Grant Anticipation (GARVEE) bonding in 2004-05. Staff has identified about \$1 billion in potential bonding candidates and recommends that a final decision on bonding level and projects to be bonded be deferred until January 2005.

FUND ESTIMATE AND GUIDELINES FOR THE 2004 STIP

The development of the 2004 STIP began with the adoption of the 2004 STIP fund estimate in December 2003. 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 (Caltrans) and the Commission to take the impacts of the 2003-04 Budget Act (including the suspension of transfers under Proposition 42) fully into account.

STIP proposals, primarily recommendations for the rescheduling of projects, were made through the RTIPs and the ITIP, which were due to the Commission by April 12, 2004. The Commission subsequently held two public hearings on those recommendations, one on May 12 in Sacramento and the other on June 16 in Los Angeles.

The fund estimate identified no new programming capacity and identified the need to shift \$5.422 billion in current project programming:

2002 STIP Project Rescheduling Required (\$ 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		1,226
2008-09		1,312
Total	\$5,422	\$5,422

The fund estimate also identified annual targets for each county and for the interregional share to guide development of the RTIPs and ITIP. Although the adopted STIP is required to conform to the year-by-year estimate for the whole STIP, the amount programmed in each year for any particular county may vary from the target, depending on the costs, priorities, and deliverability of individual projects.

Under State law, 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. The county and interregional shares are calculated by discrete four-year periods (ending in 2003-04, 2007-08, 2011-12, etc.), with a surplus or deficit in one period carrying forward to the next. 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.

Because there is no new programming capacity available, this fund estimate did not set programming targets based directly on county and interregional shares. When the 2002 STIP was adopted, some counties had less than their current share programmed, while others had more. This occurred in part because the three new years added by the 2002 STIP (2004-05 through 2006-07) were the first 3 years of a 4-year share period. When shares were recalculated in the 2004 fund estimate, the estimated capacity for the full 4-year period ending 2007-08 was far less than the 2002 fund estimate for the 3-year period ending 2006-07. Because the 2004 STIP will retain projects already programmed, it will continue the share imbalances from the prior STIP. These imbalances will be remedied when new capacity becomes available, whether in the 2006 STIP or earlier. When new capacity becomes available, the Commission's first priority for new programming will go to counties with share deficits as of the end of 2007-08, then to other counties with current share deficits (i.e., through 2008-09).

The calculation of the reprogramming targets in the 2004 fund estimate did, however, take share status into account. Each county's yearly targets assumed that the county's 2002 STIP projects would be reprogrammed. The county reprogramming targets for 2008-09 were set in proportion to each county's surplus for the share period ending 2007-08. Those with the greatest surpluses were asked to reprogram the most to 2008-09. Counties with share deficits were not asked to reprogram any of their projects to 2008-09. The remaining portion of each county's target amount was spread across the new STIP's first 4 years in proportion to the statewide yearly capacity.

The \$5.422 billion figure used for calculating reprogramming targets included only those project amounts the Commission assumed to be candidates for rescheduling. It did not include:

- Project components that had been allocated funding prior to the fund estimate.
- Programmed AB 3090 cash reimbursements approved prior to the fund estimate.
- Scheduled debt service for Federal Grant Anticipation (GARVEE) bonds, where the Commission approved the allocation of bond proceeds prior to the fund estimate.
- Caltrans environmental, design, and right-of-way work that was programmed for 2002-03 or prior years. Nevertheless, funding for this work was subject to reprogramming in the 2004 STIP where Caltrans indicated that work had not yet begun or had been suspended and it was proposed to delete the work from the STIP or to delay the beginning of work until 2005-06 or later. Where work was suspended, the amount of the Caltrans expenditures to date was to remain as programmed and not be available for reprogramming.

Under the STIP guidelines, the approval of any new AB 3090 cash reimbursement or GARVEE bond debt service after the fund estimate would modify the scheduling of regular projects because these cash commitments, unlike regular projects, draw down cash immediately rather than over a period of years. The 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, new cash commitments are counted against STIP programming capacity in a way that takes this into account. To reflect an equivalent draw on cash, they are counted 30% toward capacity for the fiscal year of the cash commitment, 50% toward the prior year, and 20% toward the second year prior. For example, an AB 3090 cash reimbursement of \$100 programmed in 2008-09 would be counted \$20 toward the capacity target for 2006-07, \$50 toward 2007-08, and \$30 toward 2008-09.

Cost Escalation and New PPM

After the adoption of the fund estimate, several regional agencies asked the Commission for advice regarding the programming of project escalation (added costs due to project delay) and planning, programming and monitoring (PPM) costs for the two new years being added, 2007-08 and 2008-09. In particular, they asked whether the RTIPs should reduce or delete other projects in order to add these new costs and remain within the fund estimate targets.

By letter of February 13, 2004, Commission staff advised the regions that RTIPs should not add costs for Caltrans construction escalation and that the Commission, working with Caltrans and the regions, would address the issue of escalation separately in the STIP adoption. While any project escalation adjustments ultimately would affect future share balances, they would not alter the 2004 fund estimate targets, and RTIPs need not delete or reduce other projects to cover them. The letter further advised that RTIPs could add new programming for PPM in 2007-08 and 2008-09, subject to the PPM 1% and 5% limitations identified in the fund estimate. Although PPM programming would be counted against the annual non-TE programming targets, regions need not delete or reduce other RTIP projects in order to add PPM to the two new years. In effect, this meant that an RTIP could exceed its 5-year target by the amount that was proposed for PPM in the last two years.

GARVEE Bonding

Under State and Federal law, the Commission may select some projects from the STIP and SHOPP to be funded from the proceeds of Federal Grant Anticipation (GARVEE) bonds, secured by future transportation apportionments. The Commission approved the first issuance of GARVEE bonds in January 2004 for \$658 million for eight projects from the 2002 STIP.

GARVEE bonds can cover only the Federally-funded portion of a project's cost (generally 88.5%). 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 (including costs of issuance and interest) be provided up front on a pay-as-you-go basis. Because of a severe state cash shortage, the availability of local non-STIP funds to cover the non-Federal match was a critical element in approving projects for inclusion in the first bond sale. In its guidelines for the 2004 STIP, however, the Commission determined that the ability of a local agency to

contribute non-STIP funds would not be a major criterion in the future selection of projects for GARVEE bonding. The non-Federal portion of project costs was to be programmed within current STIP and SHOPP capacity.

The Commission guidelines specified that the Commission may select STIP projects proposed in either an RTIP or the ITIP for accelerated construction through GARVEE bonding. It further specified that, with the agreement of the agency proposing the project, the Commission might designate a STIP project for GARVEE bonding even if the original RTIP or ITIP did not specifically propose GARVEE bonding. The guidelines specified that, “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.”

Transportation Enhancements

The one major opportunity for programming new projects in all fiscal years was for projects eligible for Federal Transportation Enhancement (TE) funds. Under Federal law, a portion of each state’s transportation apportionment 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 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.

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 timely and effective use of the funds. The fund estimate provided separate targets for TE-eligible projects, with funding available in all years of the STIP:

2004 STIP TE Targets
(\$ millions)

Fiscal Yr	2004 STIP
2004-05	\$ 127.1
2005-06	67.8
2006-07	69.2
2007-08	70.6
2008-09	72.0
Total	\$ 406.6

The target for the first year was as large as it is because it included the Federal TE apportionment for 2003-04. The fund estimate provided annual TE targets for each county and for the interregional share to guide development of the RTIPs and ITIP. However, the fund estimate did not limit TE proposals by fiscal year since the Commission expected to be able to program all proposed TE-eligible projects in the years they were proposed for delivery, regardless of the targets. The Commission guidelines permitted RTIPs to propose the programming of annual TE reserves, with individual projects to be identified after adoption of the STIP. Under the guidelines, TE reserves programmed in a fiscal year could be allocated directly to projects without first amending the STIP, and the TE reserves would be subject to the STIP timely use of funds rules as would any STIP project.

RECOMMENDED STIP ACTIONS

Staff recommends the adoption of the 2004 STIP to include the specific projects and schedules shown in the spreadsheets at the end of this document and as further described in the following narrative. These recommendations identify specific project components and costs to be programmed for each year of the 2004 STIP. The recommendations are based primarily on:

- the yearly program capacity identified in the Fund Estimate adopted by the Commission in December 2003;
- the annual reprogramming targets identified in the fund estimate for each county and for the interregional program;
- project priorities and scheduling recommended by regional agencies in their regional transportation improvement programs (RTIPs) and by the Department in its interregional transportation improvement program (ITIP);
- the delivery status and deliverability of individual projects; and
- Commission policies as expressed in the STIP guidelines.

By and large, the staff recommendations reflect the recommendations of the RTIPs and ITIP. The most general exceptions include the following:

- Projects jointly funded from regional and interregional programs are recommended for programming in a single fiscal year. In some cases, RTIPs and the ITIP had identified different years.
- Project components (environmental, design, right-of-way, and construction) are each recommended for programming in a single fiscal year. In some cases, RTIPs had spread a single component across multiple fiscal years, as on a cash flow basis, sometimes in an apparent effort to conform strictly to yearly targets. This is inconsistent with the assumptions behind the fund estimate. The fund estimate is based on capacity rather than cash flow, assuming that a component programmed in one year will draw funding over several years.

Cost Escalation

As advised by the Commission, the Department and regional agencies did not add costs for Caltrans construction escalation (added costs due to project delay) in the ITIP and RTIPs. As a practical matter, it is not possible to determine project-by-project escalation costs until the project schedule is determined. Leaving out escalation costs also made the process of respreading projects across the fiscal years much simpler. Caltrans did, however, estimate that the total cost of escalation would be about \$160 million for the projects being reprogrammed. The added costs by fiscal year are summarized in the following table:

2004 STIP Estimated Escalation Costs
(\$ millions)

Fiscal Yr	Amount
2004-05	\$ 3.5
2005-06	32.4
2006-07	32.0
2007-08	27.3
2008-09	65.6
Total	\$ 160.8

In the rescheduling of projects against fund estimate capacity, the staff recommendations set aside a reserve for escalation for each year through 2007-08. It is possible to do this without deleting projects because the sum of proposed RTIP and ITIP projects was about \$85 million less than total capacity. The full cost of escalation for 2008-09 is not fully covered and must be the first draw on new capacity.

Match for GARVEE Bonding

Staff recommends that the STIP set aside \$65 million in capacity from the first year of the STIP, 2004-05, to provide the non-Federal match for projects that may be selected this year for GARVEE bonding. If all non-Federal match were provided through the STIP, staff estimates that this \$65 million would provide sufficient match for about \$368 million in bond proceeds, thus funding about \$433 million in project capital costs. Additional bonding would be possible to the extent that other sources are available for a project's non-Federal match. The other sources might include prior project expenditures, TCRP funding, or local funding.

This set-aside would reduce the capacity to program and allocate projects on a pay-as-you-go basis in 2004-05. It would not, however, reduce overall program capacity. Staff is not recommending the identification of particular projects for GARVEE bonding at this time. All projects are scheduled in these recommendations as if on a pay-as-you-go basis, and the \$65 million capacity that is deducted from pay-as-you-go capacity in 2004-05 is added back in 2005-06.

Programming for 2004-05

The first year of the STIP, 2004-05, faces the most severe funding constraint under the fund estimate. The calculation of available capacity is summarized in the following table:

Capacity Available for 2004-05

(\$1,000's)

\$159,920	Fund estimate capacity, 2004-05
10,129	Add capacity from lapses not counted in fund estimate
-8,806	Deduct supplemental votes since fund estimate
-3,274	Deduct PPM votes, February 2004
-19,769	Deduct 2004-05 capacity lost to GARVEE debt approved after fund estimate
<u>-9,944</u>	Deduct 2004-05 capacity lost, AB 3090 reimbursements approved after fund estimate
\$121,256	Net capacity remaining
28,284	Add capacity for proposed deletion of Caltrans work in progress
61,939	Add capacity for delay in Prunedale bypass and improvements
<u>-19,096</u>	Deduct proposed Caltrans preconstruction programming, 2004-05
\$192,383	Net capacity remaining after Caltrans preconstruction
<u>-65,000</u>	Proposed reserve for GARVEE match
\$127,383	Net capacity remaining after GARVEE match

Against this 2004-05 capacity, the RTIPs and ITIP included proposals for the following:

RTIP/ITIP Projects Proposed Against 2004-05 Capacity

(\$1,000's)

\$132,088	Caltrans construction
4,413	Local projects, bus
46,000	Local projects, roads
16,244	Rail projects
8,655	Proposed PPM, 2004-05
500	CMAQ match (San Benito, San Diego)
425	AB 3090 undesignated replacement project (Santa Cruz)
2,008	TDM/ridesharing (San Benito, San Diego, San Joaquin, Santa Cruz)
715	Enhancement project, El Garces station (San Bernardino)
<u>4,514</u>	Proposed AB 3090 cash reimbursement (San Francisco)
\$215,562	Total proposed against 2004-05 capacity

For 2004-05, the staff recommendation is generally limited to:

- Caltrans construction projects that have been delivered or are shortly deliverable, with construction costs that are not too great to accommodate within the available pay-as-you-go capacity.
- Rail projects and local road and transit projects that are for the construction of capacity-increasing projects (including vehicle acquisitions) or that are for preconstruction components of capacity-increasing projects for which construction is currently programmed.
- Proposed planning, programming, and monitoring.

Consideration of GARVEE Bonding

Staff recommends that the Commission adopt the following schedule for the selection and designation of 2004 STIP projects for funding from the proceeds of the state's second GARVEE issuance:

Adopt 2004 STIP, with GARVEE match reservation.	August 5, 2004
Receive comments on candidate projects and appropriateness of bond financing, direct preparation of STIP amendment.	September 15, 2004
Notice and hearing on proposed STIP amendment for GARVEE bonding.	December 8-9, 2004
Adopt STIP amendment, approve pledge of future receipts, request Treasurer to issue bonds.	January, 2005.

A decision on the appropriate level of GARVEE bonding must consider several factors and tradeoffs. The first is the need and opportunity to advance the construction of projects that would otherwise have to wait. This in turn requires consideration of the delivery of projects and the availability of STIP and other funding on a pay-as-you go basis, as well as the availability of other financing mechanisms. Another short-term tradeoff is the one between using current resources to provide the match for bonding major projects and using the same resources to fund more projects sooner on a pay-as-you-go basis. A longer-term tradeoff is the decision to draw on bonding capacity now versus reserving that capacity for later years. This year's first bond sale used about 20% of that capacity for 11-year term bonds.

Some projects in the 2004 STIP may become candidates for bond financing beyond the 2004-05 fiscal year. Given present uncertainties in both delivery and funding, however, staff finds no basis now either for recommending a particular level of future bonding or for designating particular projects for future bonding.

Potential 2004-05 GARVEE Bonding Candidates

Staff has identified a list of about \$1 billion in 2004 STIP projects as potential candidates for GARVEE bonding in 2004-05, although staff recommends that the actual level of 2004-05 bonding be no more than about \$500 million. The list includes major projects identified by staff as delivered or deliverable within the coming year as well as projects specifically identified as candidates for GARVEE bonding in individual RTIPs and the ITIP. Over the next several months, the Commission will need to decide the overall level of bonding and determine which projects would be most appropriate for bonding in the coming year, giving consideration to actual project delivery dates, the availability of funding on a pay-as-you go basis or through other funding mechanisms, and the degree to which the projects fit the Commission's criteria for GARVEE bonding.

Potential GARVEE Bonding Candidates

(\$1,000's)

County/Route	PPNO	Project	STIP	ITIP	RTIP	Ready?
Butte-149	16W	Rt 70-Rt 99, 4-In expressway	\$ 64,654	\$ 58,227	\$ 6,427	yes
Contra Costa-80	261F	WB HOV lanes, Rt 4-Carquinez Bridge	29,300	23,300	6,000	yes
Fresno-99	1530	Kingsburg-Selma, 6-In fwy (TCR #90)	43,500	43,500	0	yes
Fresno-180	90F	Clovis Av-Temperance, new freeway	36,781	0	36,781	yes
Kern-14	8010	North of Mojave, expressway upgrade	45,284	18,113	27,171	no
Los Angeles-5	2808A	Interchanges, Ora Co-Rt 605 (TCR #42)	129,847	0	129,847	no
Madera-99	5410	Freeway conversion, Fairmead	36,460	36,460	0	no
Merced-99	5479	Freeway conversion, Atwater	36,112	36,112	0	no
Merced-99	528D	Freeway conversion, Mission Av interch	51,363	30,124	21,239	no
Merced-99	546D	Freeway conversion, Livingston	26,800	26,800	0	yes
Orange-5	978T	HOV lanes, Route 91-LA County	59,551	36,209	23,342	no
Orange-90	4434	Imperial Hwy grade sep, Orangethorpe	31,983	0	31,983	no
San Diego-52	260	Rt 125-Cuyamaca, 4-In fwy (TCR #84)	68,920	0	68,920	no
San Diego-905	374K	Otay Mesa, 6-In freeway (TCR #86)	102,756	78,890	23,866	no
San Joaquin-205	7965B	Rt 5-11th St, 6-In freeway (TCR #107)	66,909	39,239	27,670	no
Santa Cruz-1	542F	Route 1/17 connector	39,129	0	39,129	no
Sonoma-101	789A	HOV lanes, Route 12-Steel Lane	49,470	12,000	37,470	no
Ventura-23	1167D	Rt 118-Rt 101, 6-In freeway	35,916	0	35,916	yes
Ventura-101	1238J	Tapo Canyon-LA Co Line, widen	40,595	0	40,595	yes
		TOTAL	\$995,330	\$436,974	\$558,356	

Note that the project costs on this list are based on STIP-funded costs only and do not include escalation. The ITIP specifically identified the Butte-149, the Fresno-99, the Madera-99, and the Merced-99 Atwater and Livingston projects as GARVEE candidates for 2004-05. RTIPs specifically identified the Los Angeles-5, the Merced-99 Mission Avenue, the Orange-5, the Orange-90, the San Diego-52, the San Diego-905, the San Joaquin-205, and the Santa Cruz-1/17 projects.

Dorris Bypass

The ITIP and the Siskiyou County RTIP propose to delete \$22.7 million programmed in the 2002 STIP for the Route 97 Dorris Bypass, now programmed for delivery in 2004-05. The Siskiyou RTIP further proposes to use \$8.6 million in capacity that would be released by deleting the Bypass to program additional components of local road rehabilitation projects.

Staff recommends that the Commission not delete the Dorris Bypass from the STIP and that project construction be rescheduled to 2007-08. Deleting the project would have major implications for the development of the interregional road system and should not be approved without a full and separate hearing before the Commission and without inviting testimony from all interested parties. Staff further recommends that the Commission not program the new local project components proposed in the Siskiyou RTIP with the capacity assumed to be made available by the deletion of the Bypass.

The Department's explanation of the proposed deletion in the ITIP is this: "The City of Dorris is opposed to construction of this project. The department has decided to abandon it." The Siskiyou RTIP simply drops the project without explanation.

The City of Dorris is located in northeast Siskiyou County, about 3 miles south of the Oregon border and about 20 miles south of Klamath Falls, Oregon. Route 97 is a major

gateway between California and Oregon, often preferred by truckers over Interstate 5 because of its flatter grades with associated fuel savings and reduced exposure to snow. The existing route through Dorris includes three 90-degree turns, posted with 15 mph speed limit signs, and a grade crossing of the major railroad connecting California and Oregon. The proposed project, first programmed in the 1998 STIP, would bypass the City, eliminate the turns, and provide a grade separation from the railroad. According to the project report approved in October 2002, trucks account for approximately 50% of the Route 97 traffic outside Dorris and, diluted by local traffic, trucks still account for 27% of the traffic within Dorris. A 1993 traffic study indicated that approximately 70% of the traffic proceeds through Dorris without stopping.

Dogwood Road, Imperial County

The Imperial County RTIP includes a proposal for a \$3.3 million AB 3090 cash reimbursement in 2008-09 for a project to widen Dogwood Road that the County plans to construct with borrowed funds in 2004-05. The project is not now in the STIP.

Staff recommends that the Commission not approve the proposed AB 3090 arrangement because the project is not in the current STIP and such an arrangement would be inconsistent with the purposes of AB 3090. Instead of advancing a project in the STIP, this proposal would simply program an entitlement to a cash payment. Staff recommends instead that the Dogwood Road project be programmed directly in 2006-07, the earliest year in which this programming would be consistent with county and statewide STIP programming capacity.

The proposed project would widen approximately 0.5 mile of Dogwood Road (a major north-south arterial) north of McCabe Road and south of Interstate 8, near El Centro, adjacent to a new regional mall scheduled for completion in 2004-05. According to a letter from the County Public Works Director that accompanied the RTIP, "The City of El Centro, the County of Imperial and IVAG [the Imperial Valley Association of Governments] have recently taken actions to program local funds starting in FY 04/05 to deliver Dogwood Road project as soon as possible. These local funds are being loaned to the County of Imperial initially in order to deliver the project in FY 04/05. Payback of the loan is scheduled for FY 08/09, therefore it is critical that the AB 3090 reimbursement be approved for FY 08/09. If future STIP reimbursement is not approved, the loan of the local funds to deliver the project will not move forward. ... IVAG has investigated other sources of funding (Regional-Federal funds, tax measures) to fund the Dogwood Road Project however, restriction on the timing and use of the other funds sources has precluded their use."

AB 3090 Cash Reimbursements

Three other RTIPs proposed AB 3090 cash reimbursement programming for 2002 STIP projects to be implemented in 2004-05 using local funds:

- \$7 million in San Benito County for a local arterial ultimately planned to be a bypass for Route 25 Hollister, with reimbursement requested in 2007-08;

- \$22.57 million in San Francisco for the Third Street light rail maintenance facility, with reimbursement requested in 2006-07; and
- \$10 million in Santa Cruz County for acquisition of the Santa Cruz Branch Line right of way, with reimbursement requested in 2007-08.

The San Benito and San Francisco projects are to be advanced using local measure funds that have been dedicated to other projects. The Santa Cruz project would probably be advanced through a loan from the Coastal Conservancy, a loan that has not yet been approved.

Staff recommends that each of these projects be programmed for reimbursement one year later than requested. Programming each of the reimbursements one year later than proposed would be more consistent with the reprogramming targets and with fund estimate constraints. In the case of the Santa Cruz project, staff recommends that the programming of a reimbursement be subject the Commission receiving, prior to the October meeting, documentation of the loan required for the acquisition. In the absence of an approved loan, staff would recommend that the Branch Line acquisition project be programmed in 2008-09.

For the balance of 2004-05, staff recommends the continuation of the AB 3090 policy for STIP amendments first approved in April 2003. That policy favors replacement projects over cash reimbursements and limits cash reimbursements to \$200 million in any one fiscal year. This policy remains appropriate in a time of continuing uncertainty over future funding. Staff further recommends that any STIP amendment for an AB 3090 cash reimbursement be capacity neutral, applying the rule used for capacity targets for the 2004 STIP. That would require that any reimbursement be programmed at least one year later than the project it replaces or that other projects be reprogrammed to provide the equivalent capacity.

Limitations on Planning, Programming, and Monitoring

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 all others, it is 5% of the county share. The dollar value of these limits for each county was identified in the adopted fund estimate. Because overall county shares were revised steeply downwards in the fund estimate, many counties needed to reduce their PPM requests from levels in the 2002 STIP.

The RTIPs for 3 counties included proposed PPM programming that exceeded the statutory limits: Butte, Lake, and Orange. For each of these counties, the staff recommendation reduces PPM programming to the statutory limit.

Hanford 12th Avenue Interchange, Kings County

The Kings County RTIP included a proposal to add \$4.7 million in 2008-09 for a new project to upgrade an existing interchange on Route 198 at 12th Avenue in the City of Hanford. The \$4.7 million is the amount that the RTIP deleted or reduced from other projects. However, the \$4.7 million would leave project construction underfunded by about \$3.3 million.

Staff recommends that the STIP include only the \$1.67 million proposed that would cover the costs of environmental, design, and right-of-way work. The STIP guidelines provide that the Commission will program only project components that are fully funded, and programming the full cost of construction would exceed the Kings County fund estimate target.

Transportation Enhancement (TE) Projects

The staff recommendation includes all Transportation Enhancement (TE) projects proposed in the RTIPs and ITIP, with one exception. The ITIP proposes joint ITIP/RTIP funding of two bike lane projects in the City of Bishop, with \$563,000 from the RTIP and \$565,000 from the ITIP. Staff recommends that these projects not be funded from the ITIP and that, subject to agreement by the Inyo County LTC, the projects be funded solely with RTIP funding. The undesignated TE reserve of Inyo County has over \$1.7 million available for this purpose.

The proposal to use ITIP funding for these two bike lane projects is inconsistent with the STIP guidelines because the projects have no clear relationship to interregional travel or an interregional facility. The guidelines were explicit on this point, especially with regard to bicycle projects: “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 or 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 staff recommendation includes undesignated TE reserves as proposed in the RTIPs and ITIP, except that the fiscal years of some of the reserves have been changed so that the reserves do not exceed a county’s TE target and so that statewide programming does not exceed capacity.

Analysis of Proposals and Staff Recommendation versus Capacity

The following tables summarize the year-by-year and cumulative programming in the staff recommendations, as compared with the proposals in the RTIPs and ITIP and as compared with available capacity.

For non-TE projects, the adjusted capacity includes the allowance for project cost escalation as described above. The staff recommendation would accommodate escalation only through 2007-08. Full coverage of escalation must be the first draw on new capacity.

Programming vs. Capacity, by Year (excluding TE)
(\$ millions)

	2004-05	2005-06	2006-07	2007-08	2008-09
Fund estimate capacity	\$153	\$1,479	\$2,884	\$1,226	\$1,312
Lapses minus supplemental votes	1	0	0	0	0
GARVEE match adjustment	-65	65	0	0	0
Escalation allowance	-3	-33	-32	-26	-67
Adjusted capacity	\$86	\$1,511	\$1,220	\$1,200	\$1,245
RTIP/ITIP proposals	\$161	\$1,474	\$1,251	\$1,104	\$1,355
Staff recommendation	\$86	\$1,511	\$1,213	\$1,201	\$1,344

Programming vs. Capacity, Cumulative (excluding TE)
(\$ millions)

	2004-05	2005-06	2006-07	2007-08	2008-09
Fund estimate capacity	\$153	\$1,632	\$2,884	\$4,110	\$5,422
Lapses minus supplemental votes	1	1	1	1	1
GARVEE match adjustment	-65				
Escalation allowance	-3	-36	-68	-94	-161
Adjusted capacity	\$86	\$1,597	\$2,817	\$4,017	\$5,262
RTIP/ITIP proposals	\$161	\$1,635	\$2,886	\$3,990	\$5,345
Staff recommendation	\$86	\$1,597	\$2,810	\$4,011	\$5,355

For TE projects, the following figures include both projects and programmed TE reserves. As noted above, the staff recommendation gave priority to identified projects. In some cases, reserves were programmed later than requested in order to remain within overall capacity.

Programming vs. Targets, Transportation Enhancements (TE)
(\$ millions)

	2004-05	2005-06	2006-07	2007-08	2008-09
TE target, by year	\$127	\$68	\$69	\$71	\$72
Cumulative	\$127	\$195	\$264	\$335	\$407
RTIP/ITIP proposals	\$74	\$125	\$83	\$63	\$55
Cumulative	\$74	\$199	\$282	\$345	\$400
Staff recommendation	\$74	\$120	\$79	\$63	\$64
Cumulative	\$74	\$194	\$273	\$336	\$400

UNCERTAINTIES FOR FUTURE FUNDING ALLOCATIONS

The STIP proposed in these staff recommendations would be consistent with the adopted fund estimate, as required by statute. Funding conditions may change from the assumptions made in the fund estimate, however, and the Commission will need to monitor those conditions continually to determine its ability to allocate funding to STIP projects. If available funding is less than was assumed in the fund estimate, the Commission may be forced to delay or restrict allocations, as it did through the allocation plans used in 2002-03 and 2003-04. On the other hand, if available funding is greater, it may be possible to allocate funding to some projects sooner than the year programmed.

Funding conditions for the 2004 STIP remain uncertain for many of the reasons cited in the Commission's 2003 Annual Report. The last Federal transportation reauthorization act expired in October 2003, and a new one still has not been enacted. The issue of Federal taxation of ethanol remains unresolved; the fund estimate assumed that, without a fix, California stands to lose about \$700 million per year beginning in 2005-06.

The fund estimate assumed that the STIP would receive \$184 million in Proposition 42 transfers for 2004-05. That transfer has since been suspended, and it is to be replaced with the early repayment of loans with state revenues from Indian casino gaming. Those revenues, however, depend on new tribal compacts that would not take effect if either of the two gaming initiatives on the November 2004 ballot, Propositions 68 and 70, is approved by the voters.

APPENDIX TO STAFF RECOMMENDATIONS SUMMARY TABLES

The tables on the following pages are included with these recommendations for information and reference. They include three statewide summary tables and separate project listings for the STIP interregional share and each of the 59 county shares.

The three statewide summary tables are:

- **Staff Recommendation by County and Year (excluding TE)**
- **Staff Recommendation by County and Year – Enhancements (TE)**
- **Staff Recommendation by Project Type and Year**

The project listings include first the interregional program (8 pages), followed by the counties in alphabetical order (86 pages). For each county and the interregional program, the project listings include:

- **Prior Commitments (Not Part of Target)**. This refers to programmed project components that were assumed not to be subject to reprogramming in the 2004 STIP. The costs of these components were not used in the calculation of reprogramming targets.
- **Total Proposed Against Reprogramming Target**. This refers to projects and project components that were subject to reprogramming in the 2004 STIP. It includes those programmed projects (mostly planning, programming, and monitoring) that were voted allocations since the fund estimate. The notation **DELETE** means that the project would be deleted from the STIP, and the amount shown represents costs incurred to date that would be charged to the county or interregional share. The notation **NEW** indicates a project would be new to the STIP, being funded from the deletion or reduction of other projects. The notation **ADD** indicates a project component (e.g., construction) that would be added to the STIP, where earlier components were already programmed. ***A single project may have costs listed under both the prior commitments and under reprogramming. The two must be added to determine total programmed cost.*** In some cases, a negative amount appears under reprogramming, indicating a reduction from the prior commitment. Shading indicates the year a project is now programmed in the 2002 STIP.
- **TE-Eligible Projects**. This refers to projects programmed against the TE target for the county or interregional share. It includes both specific projects and undesignated TE reserves.

For both the reprogramming of non-TE projects and for TE projects, the listings include comparisons of the programmed totals against the fund estimate targets.